

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on
the Commission's Own Motion to Conduct
a Comprehensive Examination of Investor
Owned Electric Utilities' Residential Rate
Structures, the Transition to Time Varying
and Dynamic Rates, and Other Statutory
Obligations.

Rulemaking 12-06-013
(Filed June 21, 2012)

**MOTION OF
THE UTILITY REFORM NETWORK
FOR EVIDENTIARY HEARINGS**



Lower bills. Livable planet.

May 29, 2013

Marcel Hawiger

Attorney for

The Utility Reform Network
115 Sansome Street, Suite 900
San Francisco, CA 94104
Phone: (415) 929-8876
Fax: (415) 929-1132
E-mail: marcel@turn.org

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The ALJ ruling of 3/19/13 requires parties to file a motion requesting evidentiary hearings. Generally, TURN would not request evidentiary hearings in a quasi-legislative proceeding that is looking primarily at principles for rate design. However, we are concerned that the Commission may rely on inputs and outputs from the bill calculator to draw factual conclusions that may impact the Commission's policy decisions concerning future residential rate design. Likewise, we are concerned that the Commission is continuing to rely on assumed benefits of dynamic pricing that have not been quantified, and may not be true in California, especially in the context of a changing net load demand profile.

It is difficult to identify precisely "material issues of contested fact," as requested in the Ruling, since parties have not submitted their rate design proposals. TURN thus recommends that the Commission allow parties another opportunity to identify potential contested issues at the time parties file reply comments.

At this point, TURN can speculate as to the nature of potential material issues of fact based on our review of the bill calculator and our understanding of the positions of other parties as reflected in informal workshop comments. TURN thus requests evidentiary hearings out of an abundance of caution,

keeping in mind that this request might be modified at a future time. We tentatively identify the following factual issues that impact the operation of the bill calculator and may impact parties' positions on rate designs:

- The marginal cost assumptions embedded in the bill calculator do not reflect Commission adopted costs and are not necessarily correct.
- The price elasticity assumptions in the bill calculators appear to misrepresent the impacts of different rate structures upon customer consumption.
- The income elasticity numbers embedded in the bill calculators are not based on any accepted value of income elasticity, and do not appropriately represent income elasticity in California.
- TURN anticipates that parties may propose some variants of dynamic pricing, including TOU and/or CPP. One of the primary potential customer impacts of such rate structures is increased bill volatility. Since the utility bill calculators do not easily provide output data on seasonal volatility, TURN may need to develop additional methods to evaluate this potential impact.

The OIR stated the Commission's intent to transition to dynamic pricing based on prior Commission findings concerning the benefits of dynamic pricing. The Commission in D.08-07-045 concluded that "economically efficient decision-making is the primary policy objective that can be achieved through rate design." But the Commission reached this conclusion based purely on theoretical argument. The Commission has not received testimony or held hearings to

determine whether retail price response is the appropriate method of achieving the alleged benefits of load shifting. The Commission has not evaluated whether dynamic pricing benefits from residential rate design outweigh potential customer harms. The Commission has not evaluated whether moving to dynamic pricing may negatively impact the goals of conservation and energy efficiency. The Commission has not evaluated whether dynamic pricing for residential customers will still be useful in light of changed forecasts of net load for 2015. There are a number of factual issues concerning the economic, grid reliability and environmental benefits of dynamic pricing that TURN believes should be evaluated based on available evidence, not based on prior conclusions reached in D.08-07-045 that relied on economic theory, without the benefit of testimony or hearings to determine how real world pricing changes may impact customer behavior, customer consumption and customer bills.

The Commission issued this OIR to evaluate an enormously important change – a potential shift from baseline rates, in existence since 1975 – to dynamic pricing tariffs associated with hourly price fluctuations in the wholesale market. TURN understands that there is an underlying theoretical basis for this position in “economic efficiency” arguments, which assume that wholesale prices reflect supply conditions that can be ameliorated by a shift along the demand curve. However, TURN suggests that rather than blindly accepting these arguments, the Commission should analyze the truth of underlying

assumptions, testing them in evidentiary hearings if necessary, before embarking on this major policy change for residential customers.

May 29, 2013

Respectfully submitted,

By: _____/s/_____
Marcel Hawiger, Energy Attorney

THE UTILITY REFORM NETWORK

115 Sansome Street, Suite 900

San Francisco, CA 94104

Phone: (415) 929-8876, ex. 311

Fax: (415) 929-1132

Email: marcel@turn.org