**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

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| 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<br><br>(Filed June 21, 2012) |

# CENTER FOR ACCESSIBLE TECHNOLOGY AND THE GREENLINING INSTITUTE'S REPLY COMMENTS ON PARTIES' RATE DESIGN PROPOSALS

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## I. INTRODUCTION

The Center for Accessible Technology (CforAT) and the Greenlining Institute (Greenlining) hereby submit these Reply Comments on the Rate Design Proposals filed by parties on May 29, 2013. As an initial, procedural matter, CforAT/Greenlining notes that several parties request that they be allowed an opportunity to review and comment on the rate design proposal that Energy Division staff indicated would be submitted. CforAT/Greenlining agrees that it is absolutely necessary that parties should be given time to review this proposal and comment on it.

## II. RATE ELEMENTS

### A. In Addition to Supporting Conservation, Tiered Rates Support Affordability.

Most of the rate design proposals and comments on the proposals consider the utility of tiered rates in the context of their role as a conservation incentive. Arguments and analysis both supporting the use of tiers to support conservation and opposing such efforts have been included in the record.[1] CforAT/Greenlining note that the IOUs, who are seeking to reduce the number of tiers and the level of tier differentials in the existing rate structure, argue out of both sides of their mouth, claiming that tiers do not support conservation for non-CARE customers while also arguing that increased rates for CARE customers will encourage these households to reduce their energy usage;[2] CforAT/Greenlining have also argued (and believe) that tiered rates do send an

[1] *See, e.g.* Opening Comments of Pacific Gas and Electric Company on Rate Design Proposals ("PG&E Comments"), pp. 6-13; Opening Comments of Southern California Edison Company on Rate Design Proposals ("SCE Comments"), pp. 18-22. PG&E"s argument, in particular, is disingenuous, as it asserts that rests heavily on the total amounts of energy provided to customers in Tier 1 and Tier 2 in arguing that energy prices do not provide an incentive to conserve, (*see* PG&E Comments at p. 12) while failing to acknowledge that a substantial portion of this usage is by customers who then also have usage in the higher tiers. PG&E also argues that arguments in favor of tiers are flawed because "one cannot categorically conclude that tiers will always incent conservation." PG&E Comments at p. 8. Of course, one also cannot categorically conclude that PG&E"s rate design proposals will incent the behavior intended by the utility; no effort can meet the standard set out by PG&E.

[2] *See e.g.* SCE Comments at p. 21, simultaneously arguing that tiers do not promote conservation while also arguing that CARE customers fail to conserve adequately because their rates provide an attenuated conservation signal compared to non-CARE customers.

important conservation signal to customers whose consumption puts them into the higher tiers.[3] But the role of tiers to support conservation is just one function that such a rate structure serves. Another function, which cannot be disputed but which has not been meaningfully addressed by any party other than CforAT/Greenlining, is the role of tiers in promoting affordability.

CforAT/Greenlining explained in detail in our rate proposal how a tiered rate structure with at least three tiers and with meaningful tier differentials provides all customers (CARE and non-CARE) with access to basic amounts of electricity at affordable rates.[4] No other party has attempted to counter the fact that tiers promote affordability of basic levels of consumption, nor has any other party"s proposal provided an alternative pathway to ensure affordability sufficient for basic needs for all customers.

### B. Fixed Customer Charges Should Not Be Part of Any Restructured Residential Rate Design.

The majority of parties in this proceeding, representing a wide range of interests, either oppose the use of fixed charges or decline to feature them in their rate design proposals. This includes parties that propose tiered rates, opt-in time-of-use (TOU) rates and default TOU rates, none of which contain fixed customer charges. The negative impacts of fixed customer charges on rate design principles are plentiful. In opening comments, CforAT/Greenlining detailed how fixed charges negatively affect affordability of basic energy usage. As demonstrated by the great weight of evidence, fixed charges also discourage conservation and energy efficiency. Moreover, fixed charges discourage the reduction of peak demand. For example, DRA presents evidence that shows that the implementation of San Diego Gas & Electric Company"s (SDG&E) proposed fixed charge would result in an 8% increase in demand in the short-run, and perhaps more in the long-run.

[3] *See* CforAT/Greenlining Rate Design Proposal ("CforAT/Greenlining Proposal"), p. 38.
[4] CforAT/Greenlining Proposal, pp. 35-39.

Those parties who support customer charges generally argue that the use of fixed customer charges lead to rates based on marginal costs and cost-causation. However, as many parties demonstrate, there are countless arguments about the exact nature of marginal costs and what should be included in fixed costs. With the uncertain nature of marginal costs and fixed costs, there is little utility in attempting to develop customer charges in order to recoup fixed costs or to reflect marginal costs. Indeed, most parties proposing to include a fixed charge in residential customer rates do not even attempt to develop a customer charge that accurately captures fixed costs. Instead, they argue, their customer charges "better reflect" fixed costs and marginal costs. Essentially, this argues that any fixed charge, no matter what its amount, will serve this rate design goal. This is unpersuasive. The one party that does attempt to unbundle its rates to make calculations regarding fixed and marginal costs is SDG&E. However, as many parties point out, SDG&E"s tabulation of fixed costs is subject to endless debate. Moreover, its proposed end-state demand-differentiated customer charge of approximately $15.00 for the smallest users, described as collecting all distribution costs, would completely preclude affordability of essential energy usage for these small energy users.

Finally, when it suits them, the utilities purport to value customer preferences for rates, for example citing market research to argue that customers support simple rates.[5] As noted by CforAT/Greenlining in opening comments, the market research conducted in this proceeding was flawed and equivocal; yet the one point that came through loud and clear is the fact that customers hate fixed charges.[6] This conclusion, while the most certain of all the results of the market research, is not noted in the utilities" summaries of the results.

[5] *See* PG&E Comments, pp.20- 21.
[6] *See* CforAT/Greenlining Comments on Parties" Rate Design Proposals ("CforAT/Greenlining Comments"), p. 11

The Commission should not feature fixed customer charges in a suggested model rate design, whether it is tiered or TOU. The negative impacts of fixed charges on affordability and conservation are significant. Fixed customer charges do not necessarily advance any other rate principle.

### C. TOU Rates May Not Provide for Affordable Basic Energy Use for CARE Customers and Others.

Several parties support a rate design that features default TOU Rates and others propose opt-in TOU Rates with various mechanisms to move customers toward these programs. Supporters of these rate designs argue that TOU rates support many of the rate principles designated in this rulemaking. At the same time, no party has put forward a detailed proposal for how TOU rates can clearly meet the needs of low-income and medical baseline customers to have affordable supplies of electricity sufficient for basic use, and no party sets out any detail as to how the Commission should even calculate a medical baseline discount in a rate structure that no longer depends on baselines.

While some low income customers may see only slight bill impacts or even lower bills from a TOU rate, these rates have no mechanism to ensure affordability of basic needs. No party provides any evidence that TOU rates provide low income customers and others with affordable levels of basic energy usage. In fact, all of the evidence available demonstrates that a TOU rate design does a poor job of ensuring affordability for basic energy usage.

In CforAT/Greenlining"s opening comments on parties" rate proposals, we highlighted that Pacific Gas and Electric Company"s (PG&E) end state opt-in TOU rate resulted in the highest bill increases on those least able to absorb them – customers with the lowest incomes. The lowest income CARE customers, with annual incomes below $30,000, representing 54.7% of all PG&E CARE customers, would experience enormous bill increases averaging 61%

(equivalent a monthly bill increase of over $25.00) resulting from PG&E"s TOU rate.[7] About 86% of CARE customers would experience large average bill increases of over 50% resulting from PG&E"s TOU rate.[8] The lowest income PG&E non-CARE customers also experience significant bill increases of 10% (for those with annual incomes below $30,000) and bill increases of 9% (for those with annual incomes between $30,000 and $60,000).[9] PG&E"s opt-in TOU rates also would present significant bill decreases only to non-CARE customers with annual incomes above $100,000 (bill decreases of 13%).[10] As TURN points out, PG&E"s opt-in TOU rate has a high $10.00 customer charge and a fairly flat rate differential of 1.7 between off-peak and on-peak rates, and thus may not be indicative of other TOU rates, but rather resembles a simple flat rate with a customer charge.[11] However, other parties" proposed TOU rates also focus the largest bill increases on those customers with the lowest incomes and the least amount of usage.

SCE"s end-state opt-in TOU rate (with a customer charge of either $12 or $16 for CARE and a summer on/off peak tier differential of 6.4) has similar overwhelmingly negative impacts on CARE customers. The great majority of CARE customers (81.5%) would experience bill increases from this rate and most of these bill increases are quite significant, both in terms of the percentage increase and the nominal amount added per month.[12] A large percentage (30.0%) of CARE customers would experience an average bill increase of 49.2%, equivalent to $19.03 per month, 26.4% of CARE customers would experience bill increases averaging 86.2%, equivalent

[7] *See* PG&E Bill Impact Response, p. 23 (the page number is mis-labeled as p. 29 in the Attachment). Please note that in opening comments CforAT/Greenlining misstated the bill increase for this population as only 38%.
[8] *See id.*
[9] *See id.*
[10] *See id.*
[11] *See* Opening Comments of The Utility Reform Network on Residential Rate Design Proposals ("TURN Comments"), p. 8. Moreover, some of the bill increases may be due to PG&E"s proposal to effectively reduce the CARE discount.
[12] *See* Residential Rate Design Proposal of SCE Company ("SCE Bill Impacts"), p. A-43. Some of the bill increases from SCE"s proposed TOU rates may also be due to SCE"s proposal to effectively reduce the CARE discount.

to $16.98 per month, and 19.3% of CARE customers would experience bill increases averaging 16.5%, equivalent to $11.50 per month.[13] Thus almost all of SCE"s CARE customers would face drastic bill increases resulting if they opted in to the end-state TOU rate.

Thus, both PG&E and SCE"s end-state opt-in TOU rates would result in very large bill increases for CARE customers.[14] Although these TOU rates are described as opt-in, their bill increases on CARE customers are still illustrative of TOU bill impacts as a whole. However, the default TOU rate proposals presented in this proceeding also present drastic bill increases for CARE customers.

The bill increase of the Division of Ratepayer Advocates" (DRA) proposed end-state TOU rate design falls disproportionately on CARE customers, even though DRA does not propose to effectively lower the CARE discount. As TURN points out, "[o]ver 46% of [PG&E] CARE customers would see average monthly increases above $10" from DRA"s end-state TOU proposal.[15] While the bill increases on SCE CARE customers resulting from DRA"s end-state TOU rate are not as drastic, still about 66% of CARE customers representing almost a million customers would experience bill increase of over 12%, averaging $4.74 per month.[16] The bill impacts on SDG&E CARE customers from DRA"s end-state TOU rate are also quite adverse, as 50% of CARE customers would experience a monthly bill increase of greater than $5.00 per month.[17]

Unfortunately, none of the other parties that proposed default TOU rates provided bill impact reports that specifically analyzed impacts on CARE customers or on various classes of

[13] *See* Residential Rate Design Proposal of SCE Company ("SCE Bill Impacts"), p. A-43.
[14] The bill impacts of SDG&E"s end-state opt-in TOU were split between the effect of a demand-differentiated customer charge that averages $38.24 and the effect of the overlaid TOU rates. Thus, the largest bill impacts of this rate on CARE customers are largely due to the customer charge.
[15] *See* TURN Comments, p. 11, citing DRA Appendix B to DRA"s Responses to the Residential Rate Design OIR Questions ("DRA Bill Impacts"), p. B-25, Fig. B1.28.
[16] *See* DRA Bill Impacts, p. B-44, Fig. B2.24.
[17] *See* DRA Bill Impacts, p. B-64, Fig. B3.20.

customers – such as different customers with varying amounts of usage.[18] However, all of the available data from any of the proposed TOU rates – either opt-in or default – demonstrate that TOU rates would have disproportionate and significant bill increases on CARE customers. The majority of CARE customers would experience monthly bill increases of $5.00 or $10.00. These figures may seem modest, but such increases can represent 15% or 20% of a bill. CforAT/Greenlining"s evidence showing how real low income customers must budget every dollar, and face painful trade-offs for any bill increase, demonstrate the true hardship that increases of even this size can create. They cannot be supported by CARE customers who already are experiencing widespread arrearages. Moreover, according to the calculations presented by parties supporting TOU rates, very few CARE customers receive any bill decreases from TOU rates. TOU rates are a losing proposition – and a significant losing proposition – for most CARE customers.

Many parties that propose opt-in TOU design their proposals to attract customers through bill reductions; by definition this results in a revenue shortfall that would be then be collected from the default tiered rate customers. In opening comments and again at the workshop on parties" rate design proposals, CforAT/Greenlining argued that this is unfair to CARE customers and similarly situated customers, as they cannot benefit from TOU rates, but then must be among the customers that will need to support the shortfall from the need to make TOU attractive rates.[19] Thus, for these customers they would be placed in a lose-lose proposition.

However, defaulting CARE customers – and other similar situated customers – would likely relegate them to the bill increases discussed above. CARE customers should not be

[18] TURN describes the bill impacts provided by the Environmental Defense Fund (EDF) regarding its proposed default TOU rate as not illuminating because they only examine the impacts on a customer with average load profile for both PG&E and SCE. *See* TURN Comments, pp. 14-15.
[19] *See* CforAT/Greenlining Comments, pp. 16, 19.

subject to default TOU rates. CforAT/Greenlining have argued that customers who would have difficulty shifting their usage should be exempted from default TOU rates. Such customers include medical baseline, third-party notification customers, seniors and customers with disabilities. Many parties recognize that affordability concerns should prevent CARE customers and other similarly customers from being subject to default TOU.

The Natural Resources Defense Council"s (NRDC) proposal to default customers with smaller demand onto a tiered rate design and customers with large demand onto a TOU rate design is one that may protect many customers – especially CARE customers.[20] While some data suggests that CARE customers have usage comparable to non-CARE customers, CARE customers are much less likely to have high demand. CARE customers generally lack the air conditioning, expansive homes and large appliances that correlate with high demand. CARE usage is more likely to be a more constant but lower level of usage devoted to essential usage.[21] The constancy of demand can result from the larger household size of CARE customers and the greater presence of children and seniors in the household – individuals who are more likely to be at home, especially during peak hours.[22] As pointed out by NRDC, such a pattern of usage is less likely to be subject to time-shifting, and thus a customer cannot take advantage of the TOU rate structure to lower their bills.[23] Under NRDC"s proposal, customers with such lower demand – which should include the majority of CARE customers – would not be defaulted to TOU rates.

[20] *See* Rate Design Proposal of the NRDC in Response to the Administrative Law Judge"s Ruling Requesting Residential Rate Design Proposals, pp. 9-10.

[21] Additionally, as pointed out by TURN, the usage of CARE customers, especially upper tier usage is greatly skewed by the presence of a small number of CARE customers with extremely high usage. *See* TURN Comments, pp. 47-48.

[22] *See* Opening Comments of DRA on Parties Rate Design Proposals, pp. 47-48.

[23] *See* Opening Comments of NRDC on Parties" Rate Design Proposals, p. 15.

Thus, these customers would not experience the drastic bill impacts on CARE customers that have been demonstrated from TOU rates.[24]

Perhaps recognizing the danger that TOU rates pose to affordability concerns, the Environmental Defense Fund (EDF) proposes that CARE customers should not be subject to default TOU until such time certain metrics are met.[25] Other parties combine TOU rates with a tiered rate structure with significant tier differentials, which serves to maintain affordability for basic usage.

All of the evidence demonstrates that CARE customers and similarly situated customers are likely to experience significant bill increases from TOU rates. CforAT/Greenlining have argued throughout this proceeding that a tiered rate structure with at least three tiers and a significant rate differential is the best means of maintaining affordability for basic usage. Such a rate structure should be the primary rate structure for CARE customers and other customers with similarly low demand, and should not be seen as the source of increased revenue to fund bill reductions for TOU customers. CARE customers, medical baseline customers, third-party notification customers, seniors, customers with disabilities and other similarly situated customers should not be subject to a default TOU rate, nor should they be left holding the bag for others who move to TOU.

## III. AFFORDABILITY

### A. Evidence Regarding Affordability Should Inform this Rulemaking.

SCE argues that CforAT/Greenlining did not provide date regarding affordability of electricity.[26] CforAT/Greenlining agree that there is limited data available regarding the

[24] NRDC did not provide bill impacts of its proposed TOU rate, so we are unable to determine if it would have negative bill impacts on CARE customers.
[25] *See* Opening Comments of DF on Rate Design Proposals, p. 5. EDF does not identify these metrics.
[26] *See* SCE Comments at p. 48.

affordability of basic levels of electricity for IOU customers; however, to the extent that such data exists, CforAT/Greenlining has included it in the record and used it to show that adequate supplies of electricity are unaffordable or barely affordable for many households.

**1. CforAT/Greenlining Presented Data from the Existing Low-Income Needs Assessment and Have Vigorously Sought Updated Data.**

The best data regarding affordability of electricity comes from a direct review of customer needs and their ability to meet those needs. Such a study exists, at least for low-income customers,[27] in the form of the KEMA Report.[28] This study was cited extensively by CforAT/Greenlining in opening comments, and has been relied on them throughout this proceeding and in multiple other rate design proceedings (including all recent GRC rate design phases for each of the IOUs) implicating affordability of electricity.

The KEMA Report was issued in 2007, and is based on data that was collected even earlier. CforAT/Greenlining recognize that this was before the serious recession of 2008, which continues to impact California households to this day.[29] CforAT/Greenlining also recognize that, even if there had not been a major economic event, the data in the KEMA Report is problematic simply because of its age.[30] Because of this, CforAT/Greenlining have been vigorously advocating for an updated low-income needs assessment in multiple forums, including the most recent proceeding setting the IOUs budget for CARE and ESAP, A.11-05-017 *et al.*,[31] and have

[27] Low income customers are most at risk of being unable to afford to meet their basic energy needs; however, even households that are not recognized as "low-income" (which is defined for purposes of electricity use as having income below 200% of federal poverty levels) may be at risk of unaffordable energy prices, particularly if they are larger families with modest incomes.
[28] "Final Report on Phase 2 Low Income Needs Assessment," prepared by KEMA, Inc. for the California Public Utilities Commission, September 7, 2007. The KEMA Report is available online at http://docs.cpuc.ca.gov/published/Graphics/73106/PDF .
[29] *See* CforAT/Greenlining Proposal, p. 7.
[30] *Id.*
[31] D.12-08-044, issued in A.11.-05-017 et al., ordered an updated assessment, to be finalized by August 31, 2013. Unfortunately, this deadline was just extended, without recognition of CforAT"s request to respond to the extension proposal, so that the updated study will be delayed until December of 2013.

been actively seeking to ensure that such updated information is included in the record in this proceeding and taken into consideration when the Commission determines how to proceed in authorizing residential electricity rates.[32] SCE has not supported these efforts.

Earlier in this proceeding, CforAT/Greenlining filed a motion specifically seeking to adjust the proceeding schedule in order to allow for consideration of the upcoming, updated low-income needs assessment.[33] SCE filed a joint response for all the IOUs opposing this motion and arguing that the new study would not provide necessary information for this proceeding and that there is no obligation for the Commission to consider the data collected in an updated low-income needs assessment.[34] Given the IOUs opposition to efforts to obtain timely data, their arguments that CforAT/Greenlining did not include timely data in our proposal should be disregarded.

#### 2. CforAT/Greenlining Presented Evidence Based on IOU Reports of Arrearages and Service Disconnections.

As with its failure to acknowledge the use of data from the KEMA Report, SCE‟s argument that CforAT/Greenlining‟s proposal lacks data is undermined by the utility‟s inconsistent recognition of data regarding customer arrearages and service disconnections. SCE cannot argue that there CforAT/Greenlining did not present data while also arguing that the existing data cited in opening comments does not support the conclusions reached by CforAT/Greenlining.

[32] *See e.g.* CforAT/Greenlining Rate Design Proposal at p. 8 ("CforAT/Greenlining expressly request that the Commission take into consideration new data on the needs of low-income utility customers when it becomes available, including the upcoming draft and/or final low income needs assessment").
[33] *See* Motion of the Center for Accessible Technology and the Greenlining Institute to Adjust the Schedule to Allow for Consideration of the Low Income Needs Assessment, filed on December 26, 2012.
[34] *See* Joint Response of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company to the Motion of the Greenlining Institute and the Center for Accessible Technology to Adjust Schedule, filed January 10, 2013.

Of course, the data on arrearages and service disconnections exists,[35] and is appropriately relied upon in CforAT/Greenlining"s opening comments. SCE misstates the argument made by CforAT/Greenlining; CforAT/Greenlining do not argue that the CARE discount causes customers to enter into arrears.[36] Rather, CforAT/Greenlining are relying on the disconnection and arrearage data to demonstrate a broader, but simpler point – many low-income CARE customers already face energy bills that they cannot afford to pay. In response, SCE makes the amazing assertion that "income levels are not an overwhelming factor in making timely payment of electric bills."[37] A household whose monthly expenses regularly exceed its monthly income certainly finds its income level to be an overwhelming factor in paying its utility bills. Such households, as the examples provided by CforAT/Greenlining discuss in detail, are likely to fall behind in their energy bills when they choose to use their limited income to pay for medicine or food rather than electricity during a particular billing cycle. Customers who face such a choice do not have access to affordable electricity.

### 3. CforAT/Greenlining Presented Voluminous Material Describing the Real World Experiences of Vulnerable Customers.

In arguing that CforAT/Greenlining have not presented adequate evidence regarding the affordability of electricity, SCE has no meaningful response to the voluminous data provided by CforAT/Greenlining. The only argument offered is a single sentence saying that "there will always be some customers who cannot afford to pay electricity bills."[38] The notion that "the poor will always be with us" is hardly new,[39] but it is no basis for discounting the material

[35] Once again, such data exists because it was sought by CforAT and Greenlining, in conjunction with other consumer groups, in the context of a proceeding focused on efforts to reduce the number of service disconnections for customers. See the record generally in R.10-02-005, which required the production of the disconnection and arrearage data.
[36] *See* SCE Comments at p. 49.
[37] SCE Comments at p. 50.
[38] *See* SCE Comments at p. 48.
[39] *See* Matthew 26:11.

presented. CforAT/Greenlining"s evidence has been gathered over recent years, beginning in 2010 and continuing through the date on which the parties" rate design proposals were filed, for all the major IOUs, from vulnerable customers all over the state of California.[40] This evidence, while admittedly anecdotal, is the only material in the record that gives policy-makers insight into the precarious position of low-income households and the wrenching decisions they are forced to make even now as they choose among various necessities, including utility service, food, shelter, and transportation, because they cannot adequately meet their needs. No party has disputed the stories provided.

The fact that these stories are collected from individuals and CBOs rather than through a statistical sampling does not diminish their significance or their power. As the Commission is well aware, it cannot simply decide that this inability to afford adequate supplies of electricity is someone else"s problem to solve. Rather, statutory requirements[41] as well as a mandate from the U.S. Supreme Court[42] mean that there is an ongoing obligation for policymakers to ensure that households can afford adequate supplies of electricity to meet their basic needs.

CforAT/Greenlining present unrefuted evidence that this obligation is not now being met, and appropriately asks the Commission to take this evidence into consideration before making changes in rate design policy that will ask low income customers and customers already struggling to meet their basic needs to pay yet more.

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[40] These hardships continue now and will continue ongoing. Just this week, a customer on CARE and medical baseline was referred to CforAT when she sought assistance for unaffordable electric bills. This PG&E customer, who has a 29-year-old daughter who relies on multiple life support devices, is facing disconnection because she simply cannot afford to pay her current bills as well as payments on the arrearage.

[41] Cal. Pub. Util. Code §§ 382(b) and 739(d)(2).

[42] *See Memphis Light, Gas & Water Division v. Craft* (1978) 436 U.S. 1, 18.

## B. The CARE Discount Must Not Be Diminished.

No party disagreed with CforAT/Greenlining"s position in this proceeding that the CARE program is a vital affordability mechanism. Numerous parties recognize the importance of the CARE program, and support its maintenance at current levels of effective discount. For example, DRA proposes that the CARE discount be a minimum of 30% for SCE and SDG&E, and at least 35% for PG&E. Even this level constitutes a significant reduction of the discount for PG&E CARE customers, who already struggle with affordability and arrearages. CforAT/Greenlining have argued that the program must be maintained at the current effective level, whatever form of primary rate design emerges in this proceeding.

While paying lip service to the importance of CARE, however, PG&E, SCE and SDG&E propose to reduce the CARE discount to 20% and SCE proposes that CARE customers also be required to pay numerous charges from which they are currently exempted. DRA examined the bill impacts of this proposed reduction of the SCE CARE discount, applied to a variety of rate design scenarios, and found unacceptable bill increases throughout. Given the hardship CARE customers currently face in meeting their basic needs, the bill increases that would result from these proposals would confound any realistic understanding of affordability.

Some parties propose that part of the CARE discount be provided in the form of energy efficiency services.[43] CforAT/Greenlining opposes such proposals, as the resulting reduction in the level of the CARE discount may make basic energy usage unaffordable.

### 1. Energy Efficiency Services for CARE Customers Are Important, but Should Not Diminish the Level of the CARE Discount.

CforAT/Greenlining does not oppose proposals to delivery energy efficiency goods and services to CARE customers if they do not affect the CARE discount.[44] Such energy efficiency

[43] *See* Comments of the Interstate Renewables Energy Council, Inc. on Residential Rate Design Proposals, p. 2.

goods and services should be based on an accurate understanding of CARE customers" energy usage. EDF posits that CARE customers have high levels of usage, even at upper tiers, and that such usage is indicative of the need for energy efficiency services; this may be inaccurate in a number of ways.[45]

CARE usage is actually much smaller at the upper tiers compared to non-CARE usage, as evidenced by utility usage data. TURN points out that CARE usage is skewed by a small number of extreme users.[46] Moreover, CARE households generally have a greater number of family members, which is likely a driver for increased essential usage.[47] CforAT/Greenlining does agree that low-income households would greatly benefit from improved energy efficiency. Energy efficiency services should be provided to low income customers, should not be a replacement for the CARE program.

### 2. Large Households May Experience Negative Repercussions from Rate Changes.

While arguing that the overall size of the CARE fund should not be cut, CforAT/Greenlining recognize that certain CARE populations may have different needs. Both TURN and CforAT/Greenlining proposed restructuring CARE within in a tiered rate structure, while maintaining current levels of overall discount, in order to provide a higher level of discount for use in the lower tiers and a reduced level of discount for upper tier usage. This proposal is designed to focus the CARE discount on basic levels of usage and to encourage conservation. NRDC identifies large households (containing many family members) with higher usage as a population within CARE customers that may suffer repercussions from such a

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[44] For example, EDF"s proposal to deliver energy efficiency goods and services to CARE customers does not appear to involve diminution of the CARE discount. *See* Opening Comments of EDF on Residential Rate Design, pp. 5-6.
[45] *See* TURN Comments, p. 46.
[46] Greenlining has presented such usage data in the phase 2 of the last general rate cases for PG&E and SCE.
[47] *See* Opening Comments of DRA on Parties Rate Design Proposals, pp. 47-48.

proposal; NRDC also identifies a number of ways of addressing this issue.[48] CforAT/Greenlining support NRDC"s proposals for addressing negative rate impacts on large CARE households.

Moreover, NRDC correctly identifies large households generally as a population that may suffer negative repercussions of potential rate design changes. As demonstrated by customer usage date of customers on the Family Electric Rate Assistance (FERA) program[49], large households have higher average levels of energy usage, although, they may actually use less energy on a per-capita basis. Thus, large households may make efforts to conserve, but are still subject to affordability concerns. CforAT/Greenlining reiterate the need to maintain the FERA program as a mechanism for providing a discount for large households, whether in a tiered rate structure or a TOU rate structure.

**C. High Usage Surcharge and Arrearage Management Plan.**

PG&E argues in its comments that two proposals by CforAT/Greenlining, our proposal for a high-usage surcharge for non-CARE customers who have extremely high levels of energy usage and our proposal to institute an arrearage management program in conjunction with any other changes to the structure of residential electricity rates, are outside the scope of the proceeding.[50] PG&E is incorrect. Each of these proposals is within the scope of the proceeding and would advance the overall goals of policymakers.

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[48] *See* NRDC Comments, pp. 20-21. NRDC proposes that large CARE households be exempted from bill increases from a reform of the CARE structure described above until such time they receive an energy audit and retrofit. Such audits and retrofits could be accomplished through the ESA program. NRDC also proposes per-capita CARE baseline increment where household size is demonstrated to be greater than four individuals.

[49] *See* CforAT/Greenlining Comments, p. 24.

[50] PG&E Comments at pp. 22-25. PG&E also references this argument in its bullet point list in the introduction to its comments, and cites to an ALJ"s Ruling issued on January 31, 2013; this ruling says nothing about the scope of the proceeding, but rather recognizes the frustration of lacking timely data on the needs of low-income customers (though declining to delay the proceeding schedule).

### 1. The Proposed High Usage Surcharge is Appropriate to Support Conservation.

PG&E argues that that proposed high usage surcharge inappropriately applies CARE criteria to non-CARE customers.[51] This substantially mischaracterizes CforAT/Greenlining"s proposal; by correcting this mischaracterization, PG&E"s argument evaporates.

CforAT/Greenlining developed their proposal in order to avoid the inevitable signal that would be sent to the highest-consuming customers if any of the IOU proposals are accepted. For each IOU, their rate design proposals, if adopted in full, would result in a reduction in bills for customers that consume more than average amounts of electricity, with the most dramatic bill reductions delivered to those customers that consume the very most electricity. CforAT/Greenlining"s proposal would prevent this from happening in order to prevent any bill reduction from signaling to these customers that their levels of consumption are appropriate (or even that increased consumption would be acceptable).

The IOUs are quick to argue that price signals are necessary for low-income customers, yet they are silent when the same analysis is applied to non-CARE customers with extreme levels of consumption.[52] In fact, the non-CARE customers who consume the most electricity do so now in spite of bills that the IOUs characterize as excessive. If they are given a dramatic bill reduction, the most likely response will be to consume yet more. In any case, these households that almost certainly have ample opportunity to increase efficiency and to conserve would lose,

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[51] PG&E Comments at p. 23.

[52] PG&E"s assertion that "Greenlining/CforAT present no empirical evidence that the „high use surcharge" would result in greater conservation than other pricing levels or structures, such as time-variant pricing," (PG&E Comments at p. 23) is laughable on its face. PG&E"s own proposals for tiered rates would reduce the bills of these customers more than any other customer, which, by PG&E"s own arguments would not promote conservation. At the same time, PG&E"s proposal for TOU rates are purely opt-in, which means that these customers would only select such a rate if it, too, reduced their bills. No other party has proposed any mechanism to reduce or avoid bill reductions for households that consume extreme levels of electricity; thus no party has proposed an alternative to promote conservation among such households.

rather than gain, any incentive to change their behavior. This would be counter to a number of relevant principles of rate design.

In keeping with the goals of this proceeding to encourage conservation and efficiency, as well as to make rates more transparent, CforAT/Greenlining have proposed a transparent surcharge, to be instituted following an educational effort and outreach campaign targeted at the population who would be charged, specifically in order to encourage behavior changes that would obviate the actual application of the surcharge.[53]

The trigger points that were offered by CforAT/Greenlining for application of this surcharge, 400% of average consumption with an increase at 600% of average consumption, were selected because Commission precedent, in the form of the CARE decision, recognize these levels to be extremely high. As stated by CforAT/Greenlining at the workshop on parties" rate design proposals, there is nothing magic about these levels. However, they demonstrate electricity use well above basic needs, and they have been accepted by the Commission in D.12-08-044 as appropriate levels to trigger additional review of customer behavior.

In this way, the precedent set in the CARE proceeding is used as support for the CforAT/Greenlining proposal, but it in no way applies CARE standards to non-CARE customers. PG&E argues that the CARE program limitations are a condition on eligibility for a rate subsidy, which a customer can avoid by declining to participate in the program or *by conserving* electricity. The idea that a customer would avoid being disqualified for a program by declining to participate in the program is meaningless. The appropriate response for a customer, indeed the very response that the limitation was intended to prompt, is recognized by PG&E: the customer will attempt to conserve energy in order to avoid the consequence of over consumption. PG&E"s recognition of this action, as the exact action being encouraged,

[53] *See* CforAT/Greenlining Rate Design Proposal at pp. 48-54.

undermines its own argument that a high-usage surcharge would be "mandatory and unavoidable" for customers.[54] The surcharge could be avoided in the exact same manner as the CARE scrutiny could be avoided: the customer could "install energy efficiency equipment or otherwise make stronger behavior efforts to conserving [sic] energy."[55] Indeed, this is exactly the purpose of the surcharge, as well as the accompanying outreach and education efforts recommended by CforAT/Greenlining.

### 2. The Proposed Arrearage Management Program is Appropriate to Promote Affordability.

PG&E argues against CforAT/Greenlining"s proposal to develop and implement an arrearage management program (AMP) in conjunction with efforts to redesign residential rates[56] as being outside of the scope of the rate design proceeding because it would constitute a new form of low income assistance.[57] However, evidence suggests that other states that have adopted an AMP have found them to have a positive impact on utility revenues as customers in the plan make higher payments than would have been the case if they were not in the plan, and continue to make higher payments even after completing the plan. Additionally, in states with an AMP, utilities have found that costs to administer the program are offset by reduced collection and termination costs.

The positive outcomes for both customers and utilities from an AMP have evolved from the theoretical underpinnings of such a program, as articulated in "Win-Win Alternatives for Credit & Collections," written by utility accounts manager Ron Grosse in 1995.[58] In investigating customers with arrearages, the Wisconsin utility described in this paper concluded

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[54] PG&E Comments at p. 23.
[55] PG&E Comments at p. 23.
[56] *See* CforAT/Greenlining"s Rate Design Proposal at pp. 65-71.
[57] PG&E Comments at p. 22.
[58] Ron Grosse, "Win-Win Alternatives for Credit & Collections" (2008 Revision, drafted by Grosse and Nancy Brockway, then the Director of Multi-Utility Research and Analysis for the National Regulatory Research Institute).

that most such customers had the desire to pay, but the company"s collection approach, which resulted in administrative costs and service terminations, did not effectively collect. Instead, the company instituted a program based on early intervention and personal contact with customers, which resulted in fewer terminations of service while keeping the company"s write-offs as a percentage of revenues" remained below the industry average. In addition, the cost of collection per account also was below the industry average. Subsequent to the Wisconsin model, similar approaches have resulted in beneficial programs, which have the support of the local utilities, in Massachusetts, Ohio, and Pennsylvania, among other states.

To the extent that this proceeding is supposed to approach the issue of residential rate design with a clean slate and to seek to create a system that supports multiple policy goals at the same time, it is fully appropriate to consider a program that has been found to benefit low-income customers, other ratepayers, and the utilities which have adopted it. While further detail would be needed to model options for such a program, it is appropriately within the scope of the proceeding. Not only should CforAT/Greenlining"s proposal be given consideration, but it should be adopted.

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## IV. CONCLUSION

CforAT/Greenlining reiterate that parties should have an opportunity to review and comment on the rate design proposal submitted by the Energy Division.

Respectfully submitted,

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