

**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 Invest 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)

**OPENING COMMENTS OF THE SILICON VALLEY LEADERSHIP GROUP ON INVESTOR
OWNED UTILITIES' RESIDENTIAL RATE STRUCTURES AND THE TRANSITION TO
DYNAMIC RATES**

Tim McRae
on behalf of Silicon Valley Leadership Group
2001 Gateway Place Suite 101E
San Jose, CA 95110
Telephone: 408-501-7864
Email: tmcrae@svlg.org

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I. INTRODUCTION:

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Silicon Valley Leadership Group ("Leadership Group") respectfully submits the following comments on Rulemaking 12-06-013.

Overall, the Leadership Group supports transitioning to real-time pricing as an opt-in option for all customer classes to enable consumers to take maximum advantage of energy information, distributed generation, energy storage, automated devices, and other smart grid technologies. The Leadership Group bases its recommendations for residential rate design on the following principles:

1. Rates should be based on marginal cost and marginal cost should emphasize a "long run" perspective as appropriate;
2. Rates should be based on cost-causation principles;
3. Rates should encourage conservation and integration of renewables;
4. Rates should reduce peak demand and improve load factor;
5. Rates should provide stability, simplicity and customer choice; and
6. Rates should encourage economically efficient decision-making.

II. BACKGROUND:

The Silicon Valley Leadership Group was founded in 1978 by David Packard of Hewlett-Packard and represents more than 375 of Silicon Valley's most respected employers on issues, programs and campaigns that affect the economic health and quality of life in Silicon Valley, including energy, transportation,

education, housing, health care, tax policies, economic vitality and the environment. Leadership Group members collectively provide nearly one of every three private sector jobs in Silicon Valley and have more than \$3 trillion in annual revenue. For more information, visit www.svlg.org.

III. LEADERSHIP GROUP OPINION ON SUBMITTED RATE DESIGN PROPOSALS:

A. Rates should align with costs.

Rates should better align with cost of service and minimize cost shifting across all customer segments. Consistent with the notion of simplifying tiers this can be achieved via a flattening of rate tiers, as has been proposed by a number of parties.

B. Simplify tiers with consistency across the state.

Silicon Valley Leadership Group is of the opinion that in the short term, tiers should be simplified for improved customer understanding with an eventual move towards non-tiered Time of Use (TOU) rates. To the extent possible, the Commission should aim to create consistency and predictability across the state by implementing any changes uniformly across the three investor owned utilities (IOUs). This would assist businesses with planning statewide operational budgets and provide greater market predictability for green technology and energy efficiency vendors. We encourage the Commission to assist with the sharing of successful strategies and to the extent possible, to implement a consistent policy across the IOU territories.

C. Opt-in dynamic rates.

The Leadership Group is in favor of a residential rate design in which consumers are transitioned to an opt-in dynamic price structure thus reducing peak demand and improving overall load factor. With the near complete installation of advanced metering infrastructure in all three California IOU territories, smart technologies will enable residential customers to participate in dynamic pricing of various kinds that is already available to commercial and industrial customers. The Commission should strive to add “real-time pricing” specifically prices based on the California Independent System Operator (CA ISO) day-ahead hourly prices as an opt-in option for all customer classes. This enables the greatest opportunity, for those customers interested and able, to respond to prices to shift usage to lower cost times, especially via automated response enabling consumers to take maximum advantage of energy information, distributed generation, energy storage, automated devices, and other smart grid technologies. Such prices also inherently reflect the availability of intermittent renewable resources. Note that such pricing has been

shown to be a popular option for some residential customers in Illinois, Washington, D.C., and the Pacific Northwest (“prices to devices”) in pilot and initial regular programs. In addition, these types of programs create additional business opportunities for technology companies to develop and deliver associated new products and services.

In addition, based on our principle of providing customer choice, the Leadership Group suggests that when customers call to initiate electricity service, the utilities explain that there are two rate options available for them to choose from i.e. Tiered and Time of Use; this provides customers the opportunity to make their choice at that time.

D. Transition customers incrementally and provide customer education.

The Leadership Group believes that any changes made to the rate structure should be measured and incremental to ensure a successful customer transition, prevent market disruption and avoid undermining customer decisions to invest in energy technologies and programs that promote California’s energy goals. Customers must be adequately educated on rate structures to make informed decisions on energy usage and costs. Customer outreach and education should include education about TOU rates and enable customers to understand and change the hourly profile of their energy usage.

E. Fixed charges.

The Leadership Group believes that fixed charges may conflict with our view that rate structures should enable and support the deployment of innovative technologies, though we recognize that fixed charges might be impossible to avoid. However, should the Commission deem fixed charges as needed and necessary, they should only cover actual fixed costs and should be adopted gradually for smooth customer transition.

F. Enable innovative technologies.

The Leadership Group encourages a longer-term perspective on marginal cost to ensure that any changes made to the current residential rate structure are sustainable and account for the adoption of advanced technologies over time. The rate structure should enable consumers to use and support their investment in innovative energy technologies to access energy information, deploy and use distributed generation cost-effectively, and use automated devices and other smart grid technologies to improve energy conservation,

reduce peak demand, and improve load factor. Over time the Commission should strive to add real-time pricing (specifically day-ahead hourly pricing) as an opt-in option for all customer classes.

IV. CONCLUSION:

The Leadership Group appreciates the opportunity to provide comments on this OIR. Overall, we support a transition towards non-tiered TOU rates. We applaud the efforts of the Commission to undergo this important endeavor and look forward to continuing to participate in this examination of residential rate design structures.

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WHEREFORE, Silicon Valley Leadership Group respectfully requests the Commission consider the above stated comments.

Respectfully submitted,

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Telephone: 408-501-7864
Email: tmcrae@svlg.org

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