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Sent: 11/6/2013 4:09:19 PM

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Cc:

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Subject: FW: Modified Scoping Memo - A 13-04-012 re PG&E's marginal costs, revenue allocation, and rate design

**From:** Long, Douglas M. [mailto:douglas.long@cpuc.ca.gov]

**Sent:** Wednesday, November 06, 2013 3:29 PM

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**Cc:** ALJ Docket Office

**Subject:** RE: Modified Scoping Memo - A 13-04-012 re PG&E's marginal costs, revenue allocation, and rate design

Ms. Slocum:

After consulting with the assigned office for both this proceeding and Rulemaking 12-06-013, as well as the Judge assigned to that rulemaking I can offer the following clarifications.

1. Judge McKinney will issue a timely directive in the rulemaking regarding the venue and schedule for filing and any other relevant guidance on residential rate design testimony.

2. Rate design application:

a. Regardless of what we may determine in this proceeding for revisions to electric master meter discounts (for Schedule ES, ESL, ET and ETL) there would inevitably be a potential for further adjustment in subsequent rate design applications for all sorts of reasons including the eventual ripple effects of AB 327.

b. Parties should indeed not overlook that (somehow or other) there is PG&E's proposal for revisions to natural gas baseline quantities (to reflect updated usage data by climate zone) lurking in Exhibit PG&E-4, dated August 16, 2013, that the parties should still timely address in the current schedule.

If anyone is confused by this email they should reply to me and not initially "spam" the entire service list. Anything that might emerge from those inquiries will be shared if it would be helpful to others.

Ms. Slocum, please serve this email on the distribution list for Rulemaking 12-06-013.

**Douglas M. Long**

Administrative Law Judge

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**Cc:** ALJ Docket Office  
**Subject:** RE: Modified Scoping Memo - A 13-04-012 re PG&E's marginal costs, revenue allocation, and  
rate design

ALJ Long:

The purpose of this note is to specify two residential rate proposals that PG&E believes should remain in the current GRC Phase II application (A.13-04-012), and update you on our understanding of status relative to the OIR.

In the aftermath of passage of AB 327, PG&E appreciates your October 18, 2013 ruling that suspended work on residential ratemaking issues pending further clarity from the CPUC in its rulemaking on residential rate reform (R.12-06-013 or the "Rulemaking"). We are grateful that your ruling also provided clarity that work on non-residential ratemaking and all other GRC Phase 2 issues should continue per the established GRC Phase 2 schedule.

## 1. Status Relative to the OIR

As you know, on Friday, October 25, 2013, Commissioner Peevey issued a ruling in R.12-06-13 stating that a new ratesetting phase of the Rulemaking proceeding would be opened to "implement interim rate changes that will better align residential electricity prices with the Commission's cost to serve and other policy objectives." Parties to that proceeding were asked to file comments on November 8 regarding the proposed schedule in that new ratesetting phase, including on the proposed schedule the CPUC included in the October 25 ruling. The CPUC's proposed schedule is expedited and appears targeted solely on hearing initial, summer rate relief proposals that are "modest and easy to evaluate." Such initial proposals are to be presented by the utilities on November 22, in just three weeks as part of a schedule designed to allow a final CPUC decision providing interim rate relief before May 1 (the start of the summer season).

PG&E's comments on November 8 will *also* request that the CPUC establish a parallel schedule in R.12-06-013, or in another appropriate forum, for consideration of the remaining residential rate reform issues. Regardless of what proceeding it happens in, PG&E in the near

future intends to file this additional set of proposals on residential rate reform that follow-on from summer 2014 rate relief and are intended to become effective by January 1, 2015. These additional proposals would supersede most of PG&E's primary residential rate proposals currently within the scope of its existing GRC Phase II testimony (for example, tier consolidation, fixed customer charges, time-of-use rates, CARE discounts). It is important to PG&E that the schedule for such follow-on residential rate reform proposals allow for a CPUC decision by the end of 2014 for relief in rates effective January 1, 2015. Further guidance is still needed from the CPUC about the preferred venue that will allow consideration of such issues to proceed to a decision by the end of 2014. Therefore, PG&E would appreciate your maintaining the current suspension in your October 18 email ruling, with two exceptions set forth below.

## **2. Two Residential Rate Issues that We Believe Should Remain “on Track” in GRC Phase II**

Since your October 18 ruling, PG&E has reviewed its residential rate proposals and believes that there are two proposals that are independent of the residential rate reforms for which scheduling clarity is expected soon in R.12-06-013. The two residential proposals (currently described in Exhibit PG&E-4 dated August 16, 2013) that we believe should continue “on track” in our GRC Phase 2 are:

a. **Revisions to electric master meter discounts** (for Schedule ES, ESL, ET and ETL). As you have already noted in response to WMA's request, these would continue to be heard in the GRC Phase 2 proceeding. PG&E would merely note that the diversity benefit adjustment and line loss calculations that are part of the master meter discounts would need to be updated in future residential rate design proceedings based on changes to residential rates in the aftermath of AB 327.

b. **Revisions to natural gas baseline quantities** (to reflect updated usage data by climate zone) should continue to be heard in this proceeding. These are a mere data input based on actual usage in more recent years..

The above two limited residential issues, as well as the remaining non-residential issues, should stay on track, with responsive testimony from ORA on November 15 and from intervenors on December 13, so that settlement discussions on such foundational issues as marginal costs and revenue allocation can begin promptly.

Please let me know if you have any questions. It would be helpful to all parties if you could provide clarity on whether you concur that these two issues should continue to be included in

the GRC Phase 2 regardless of what the CPUC does in the OIR.

For your information, given your suspension ruling and because residential rate design affects the allocation of costs to all other customer classes through the allocation of the cost of the CARE discount, PG&E will make available to all Phase II parties a revised revenue allocation and rate design model that incorporates a “no change” version of residential rate design (i.e. one using the current rate structure).

Respectfully yours,

**Gail Slocum**

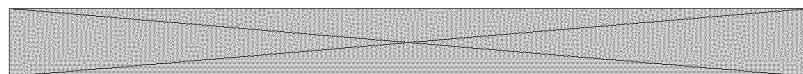
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**Cc:** ALJ Docket Office

**Subject:** Modified Scoping Memo - A 13-04-012 re PG&E's marginal costs, revenue allocation, and rate design

**Importance:** High

Effective immediately I am modifying the scope of A. 13-04-012, Pacific Gas & Electric Company's (PG&E) application to revise its marginal costs, revenue allocation, and rate design. I have the authority as Presiding Officer to make this ruling to modify the scope of the proceeding.

Parties are directed to immediately stop all work on residential rate design issues at this time. Residential rate design is hereby deferred pending further direction from the Commission in Rulemaking (R) 12-06-013\* to address the Commission's policy preferences for any initial implementation of Assembly Bill 327 or longer-term implementation of changes to residential rate design.

Parties are further directed to continue with all other work pending in A. 13-04-012 related to determining PG&E's marginal costs, revenue allocation, and rate design excluding residential rate design.

At some later date, depending on the further direction provided by the Commission in R. 12-06-013, PG&E's residential rate design will be examined either in a later "track" to this proceeding or elsewhere as directed.

All currently scheduled milestones for intervenor testimony, rebuttal, settlement, evidentiary hearings, and briefs, etc., remain intact.

**Douglas M. Long**

Administrative Law Judge

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\* R. 12-06-013: 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.

PG&E is committed to protecting our customers' privacy.  
To learn more, please visit <http://www.pge.com/about/company/privacy/customer/>