**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)

PROTEST OF THE ALLIANCE FOR SOLAR CHOICE OF PHASE 2 SUPPLEMENTAL FILINGS PROPOSING INTERIM RATE CHANGES

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PROTEST OF THE ALLIANCE FOR SOLAR CHOICE OF PHASE 2 SUPPLEMENTAL FILINGS PROPOSING INTERIM RATE CHANGES

Pursuant to the Commission's Rule of Practice & Procedure and the October 25, 2013 *Assigned Commissioner's Ruling Inviting Utilities to Submit Interim Rate Change Supplemental Filings* ("ACR"), the Alliance for Solar Choice ("TASC")[1] hereby protests the interim rate change proposals submitted by San Diego Gas & Electric Company ("SDG&E"), Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company ("SCE") (collectively, "IOUs") in November 22, 2013 supplemental filings in the above-captioned proceeding ("IOU Proposals").[2]

The ACR requires interim rate proposals to be gradual and modest in scope and effect.[3] The IOU Proposals result in immediate changes to California's rate structures that extend well beyond modesty and would have a devastating impact on the solar industry. TASC believes

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1 TASC's members represent the majority of the nation's rooftop solar market and include SolarCity, Sunrun, Sungevity, REC Solar, Solar Universe and Verengo Solar. These companies are responsible for tens of thousands of residential, school and commercial solar installations in the State of California and have brought thousands of jobs and many tens of millions of dollars of investment to California's cities and towns.

2 While Rule 2.6(b) of the Commission's Rules of Practice and Procedure allows a "protest objecting to the granting, in whole or in part, of the authority sought in an application", Administrative Law Judge McKinney's November 24, 2013 ruling allows protests to the November 22, 2013 supplemental filings submitted in the above-captioned proceeding.

3 ACR at 4.

more modest rate changes can implement Assembly Bill ("AB") 327 in keeping with the ACR's goals, and TASC supports the proposal discussed in the Solar Energy Industries Association ("SEIA") Protest. If the Commission adopts changes as substantial as those proposed by the IOUs, those changes should be accompanied by an ability for all ratepayers to opt out of the changes and remain on their default rates until more permanent rates can be set in each utility's subsequent rate case.

I. The IOU Proposals Extend Beyond the Guidelines Listed by the ACR and are Contrary to the Rate Design Principles Established Thus Far in This Proceeding.

The substantial changes to the tier structure and tier differentials suggested in the IOU Proposals are not justified. The Commission has yet to establish in Phase 1 of this proceeding whether certain rate structures are part of "optimal residential rate designs".[4] For this reason, the ACR requests that the IOU Proposals be "modest", focus on changes to Tier 1 and Tier 2 customers and align with the Commission's residential electricity policies.[5] The ACR explains further that changes to "differentials between tiers should be gradual, that rates not unreasonably impair incentives for conservation and energy efficiency, and that rates not overburden low income customers."[6] Instead, the IOUs propose precipitous, sweeping changes to existing four-tier rate structures that will work against the Commission's rate design principle encouraging conservation and reducing peak demand.

4 *See id.* at 3.

5 *See id.* at 4 (requesting changes that are "modest"); ACR at 4-5 (discussing "minimum and maximum increases to Tier 1 and Tier 2", proposing three guidelines relating to Tier 1 and Tier 2, with the remaining two guidelines addressing CARE customers, and suggesting that "anyrate increase resulting from increased revenue requirements should be applied first to the lower tiers."); and ACR at 4 (stating the Commission's goal for the Phase 2 supplemental filings is to "better align residential electricity policies with the Commision's cost to serve and other policy objectives.").

6 *Id.* at 3.

State law unambiguously declares California's intent to induce its residents to make a "substantial private investment" in onsite renewable energy resources.[7] With this inducement, the legislature sought to achieve important state policy goals that align with the Commission's rate design principle to reduce demand for electricity during peak consumption periods and encourage conservation and efficiency.[8] Thus, there is a synergistic relationship between Californians' existing and future investments in onsite renewable energy resources and the achievement of the State's rate design goals.

Contrary to supporting these investments and encouraging the achievement of the State's energy policy goals, the tier structures and tier differentials suggested in the IOU Proposals will have a deleterious effect on the solar value proposition. Residential customers' rate savings are an important part of the value that ratepayers realize from installing onsite solar, and those savings are based on California's underlying rate structures. TASC conducted a preliminary analysis to compare the relative bill savings customers receive from deploying solar under current rates to the savings customers receive from deploying solar under the IOU Proposals. Figure 1 below shows an example of the results of that analysis and demonstrates how monthly bill savings from the deployment of a solar system vary between PG&E's current summer rates and PG&E's proposed summer rates. Each pair of columns represents the percent bill savings received by customers whose total consumption prior to deploying solar falls at a certain level relative to the baseline:

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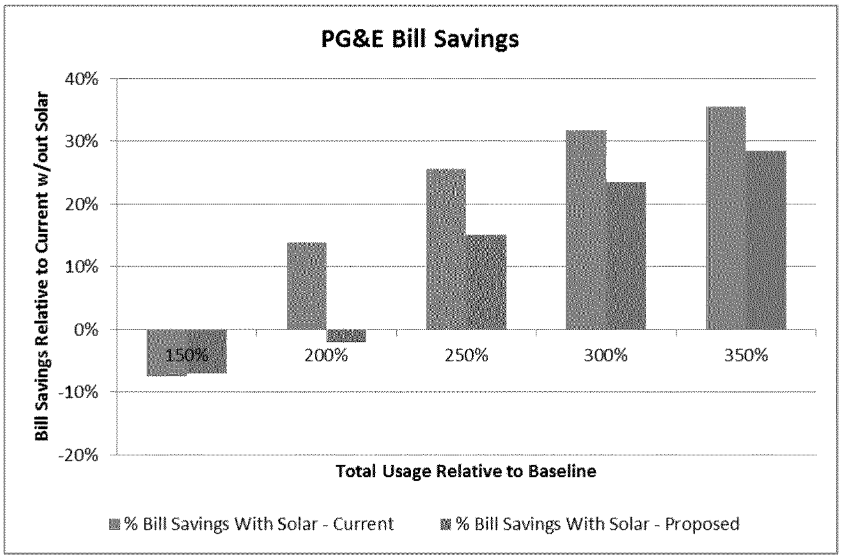
[7] Cal PU Code §2827(a) (Deering's 2013).
[8] *Id.*

Figure 1: Bill Savings From Deploying Solar Under PG&E's Current and Proposed Rates



These preliminary results are a good example of how the IOU Proposals result in substantial reductions to the savings customers will receive from the deployment of solar energy systems, and, in PG&E's case, how the proposal upends the economics completely for certain customer segments. This latter circumstance is particularly troubling since some customers who installed solar based on rate savings will find those savings eliminated under the IOU Proposals. As a result, customer-generators will find themselves in a worse position for having responded to the State's call to make substantial private investments in solar. For prospective customers, the results also indicate that the proposed rates will likely reduce the addressable market by reducing savings for a significant number of customers.

TASC has a substantial interest in maintaining the solar value proposition for its members' customers. TASC is comprised of companies whose business purpose is to install onsite solar systems on residential and commercial properties. The substantial changes to the tier structures in the IOU Proposals, combined with the significant uncertainty regarding the effect of other components of AB 327,[9] will harm TASC's members' ability to serve existing customers and will damage their ability to provide value to new customers.

II. TASC Supports the Pursuit of More Modest Changes to the IOUs' Rate Structures.

While the term "modest" is subjective, it is hard to characterize the IOU Proposals as meeting this standard. Figure 2, below, provides the percent change the proposed rates represent relative to current rates:

Figure 2: Percent Change Between Rates Under Current Rate Design and Proposed

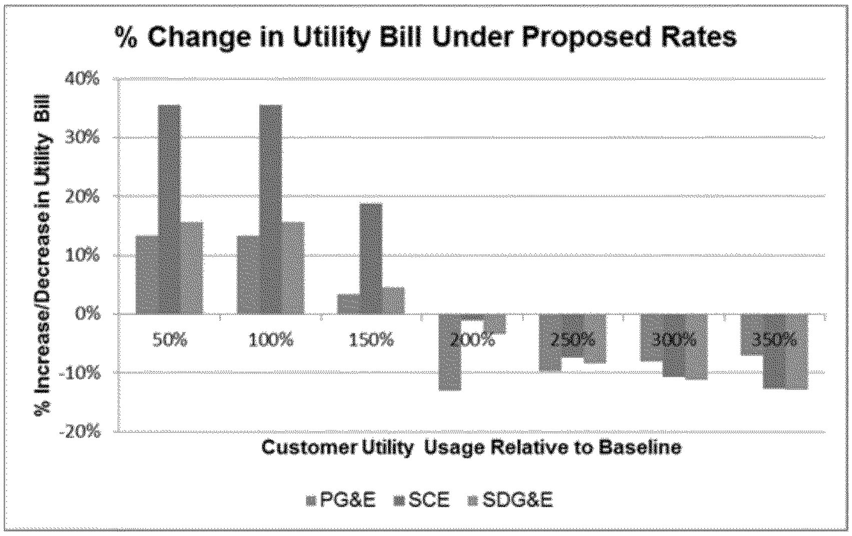
PG&E			SCE			SDG&E		
Current Rates	Proposed Rate Design	% Change	Summer 2014 Current Rate	Summer 2014 Proposed Rate Design	% Change	Current Rates	Proposed Rates	% Change
$ 0.132	$ [illegible]	13%	$ [illegible]	$ [illegible]	36%	$ [illegible]	$ [illegible]	16%
$ 0.150	$ [illegible]	32%	$ [illegible]	$ [illegible]	41%	$ [illegible]	$ [illegible]	0%
$ 0.319	$ [illegible]	-38%	$ [illegible]	$ [illegible]	-31%	$ [illegible]	$ [illegible]	-16%
$ 0.359	$ [illegible]	-3%	$ [illegible]	$ [illegible]	-22%	$ [illegible]	$ [illegible]	-20%

With the exception of the proposed change in PG&E's tier 4 rate, none of the changes proposed by the IOUs are less than ten percent relative to current rates.

Moreover, Figure 3, below, translates the above rates into a graph showing how customers' utility bills will increase or decrease under the proposed rates as compared to the current rates:

9 The Commission is currently determining in R.12-11-005 whether existing customer-generators will be able to continue to participate in net metering for the reasonable expected life of their onsite solar systems.

Figure 3: Percentage Change in Utility Bills Resulting from Proposed Rates



As depicted above, bill impacts on lower usage customers can be substantial. In SCE's case, customers that consume around 130% of baseline, or less, will see bill increases in excess of 35%. Notably, these impacts will affect solar customers to the extent their residual bills have pushed them into lower tiers. It is difficult to characterize such significant changes as meeting the "modest" levels the ACR envisioned.

TASC believes more measured changes to existing rate design structures can accomplish the ACR's goal to "better align residential electricity policies with the Commission's cost to serve and other policy objectives."[10] SEIA suggests in its Protest that any flattening of tiered rate structures should occur in tiers 3 and 4. TASC believes such a rate structure could satisfy the Commission's intent to implement interim AB 327 changes in a more gradual manner that does not impair incentives for conservation, energy efficiency and reductions in peak demand. TASC suggests that rates should change no more than 5% in any tier if the interim rate design changes are to approach what can be reasonably deemed a modest proposal.

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[10] ACR at 4.

III. All Ratepayers Should Be Able to Opt Out of the IOU Proposals' Suggested Rate Changes.

The IOU Proposals constitute drastic and abrupt changes to existing rate structures, with particularly stinging impacts for customer-generators and Tier 1 and Tier 2 ratepayers. If the Commission adopts changes as significant and immediate as those in the IOU Proposals, it will be essential for the Commission to provide ratepayers the ability opt out of the changes and remain on their default rates until more permanent rates can be set in each utility's subsequent rate case. The notion of using an opt-out as a tool for rate changes is not new to this proceeding and gained wide acceptance as a potential tool to use during a transition to default time-of-use rates in Phase 1.[11] AB 327 also endorses the notion of an opt-out for significant changes to the rate structure.[12] Without the ability to opt out, customer-generators and other ratepayers will be left vulnerable to the harmful and immediate impacts of the IOU Proposals.

IV. Conclusion

For the reasons discussed above, the Commission should not grant the IOUs authority to implement the interim rate changes submitted in the IOU Proposals. Rather, the Commission should pursue more modest changes to existing rate structures, such as those suggested by SEIA. If the Commission does grant the authority to implement rate changes similar to those suggested in the IOU Proposals, the Commission should require the IOUs to offer opt-outs to ratepayers until more permanent rates are set in each utility's subsequent rate case.

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11 Most parties that proposed setting TOU rates as the default in Phase 1 included an opt-out under certain circumstances. *See, e.g.,* DRA Phase 1 Proposal at 13.

12 *See* Cal PU Code §745(c)(6) (Deering's 2013) (creating an opt-out for ratepayers under potential default time-of-use rates).

Respectfully submitted,

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