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 INTERSTATE RENEWABLE ENERGY COUNCIL, INC. TO INTERIM RESIDENTIAL RATE DESIGN PROPOSALS

Jason B. Keyes
Thadeus B. Culley
Keyes, Fox & Wiedman LLP
436 14th Street, Suite 1305
Oakland, CA 94612
Tele: (510) 314-8203
(510) 314-8205
Email: jkeyes@kfwlaw.com
tculley@kfwlaw.com

Attorneys for the Interstate Renewable Energy Council, Inc.

December 23, 2013

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 INTERSTATE RENEWABLE ENERGY COUNCIL, INC. TO INTERIM RESIDENTIAL RATE DESIGN PROPOSALS

Pursuant to the *Assigned Commissioner's Ruling Inviting Utilities to Submit Interim Rate Change Applications* filed October 25, 2013 (Ruling), the Interstate Renewable Energy Council, Inc. (IREC), respectfully submits this protest to address the impact on net energy metering (NEM) customers of the investor owned utilities' (IOU) applications filed November 22, 2013. The proposed changes to Tier 1 rates will increase NEM customer bills by over 30% in some cases, which leads IREC to conclude that the IOUs have not adequately tempered their proposed changes.

IREC enables greater use of clean energy in a sustainable way by (i) introducing regulatory policy innovations that empower consumers and support a transition to a sustainable energy future, (ii) removing technical constraints to distributed energy resource integration, and (iii) developing and coordinating national strategies and policy guidance to provide consistency on these policies centered on best practices and solid research. In pursuit of these objectives, IREC works to expand or preserve programs that facilitate consumers' ability to host a renewable energy system to directly self-supply energy needs or sell energy, including NEM.

IREC protests each of the IOU's interim residential rate design proposals, as IREC is concerned that these proposals move too fast to correct perceived rate inequities resulting from the current steeply-tiered residential rate structure. The IOUs proposed interim residential rates generally result in a rate design that compresses the distance between the lowest and the highest rate tier, creating a significant bill impact for customers whose consumption falls entirely within the first two rate tiers. While IREC appreciates that larger changes may be on the horizon, with the introduction of customer charges and further tier consolidation coming in future general rate cases (GRC), the interim rates are important as they begin to shift to the new rate paradigm and essentially create the new "baseline" or status quo from which future GRCs will start. IREC's analysis shows that the drastic increases in Tier 1 rates—and the corresponding decreases resulting from the IOUs' respective upper-tier consolidation proposals—will result in 20-30% bill increases for representative NEM customers. With the caveat that these numbers represent an initial analysis and that more discussion is needed with the IOUs to verify data and modeling assumptions, IREC protests the IOUs' individual interim residential rate proposals on the basis that they go too far, too fast, without consideration of the bill impacts on NEM customers, an important consideration in Phase 1 of this proceeding.

I. Relevance of IREC's Phase 1 Work to Phase 2.

IREC participated in Phase 1 to ensure that the impacts of residential rate proposals on NEM customers would be effectively modeled so that the Commission would have an adequate record to consider whether particular rate design proposals will "prematurely limit the future structure of the residential NEM program."[1] In Phase 1, NEM remains an important issue as the Commission required parties filing rate design proposals to explain how their proposals would "affect the value of net energy metered facilities for participants and non-participants compared to current rates."[2]

IREC did not put forward a specific rate design proposal in Phase 1 because its role was limited to analyzing NEM bill impacts of other parties' proposals. In that vein, IREC developed a NEM customer bill impact model to help respond to the Commission's question regarding the impacts that rate design proposals will have on the value of NEM facilities. This model relies on customer sample data provided by the three IOUs and a publicly available site-specific solar load profile from the National Renewable Energy Laboratory (NREL).[3]

To estimate bill impacts on NEM customers, the IREC model matches site-specific solar data with customer sample data for the same geographic area. In order to approximate a range of possible solar facilities, IREC scaled the NREL solar load profile to model impacts on four representative NEM customer groups, based on "small" and "large" NEM facilities, for both coastal and inland customers. A small NEM facility is defined as one providing 40% of a given customer's annual load, while the large NEM facility was modeled by assuming that 80% of that customer's annual load would be provided by on-site solar generation.

The scaled NREL solar data was then overlaid on the time-of-use (TOU) customer sample data provided by the utilities to approximate a NEM customer sample. In order to

---

[1] *See* Administrative Law Judge's Ruling on Workshop at 9 (January 31, 2013).
[2] March 19, 2013 Ruling, Attachment A-2.
[3] IREC obtained site-specific solar load profiles for various locations around California using the NREL PVWatts site Specific Data Calculator (Version 1) available on NREL's website at: http://www.nrel.gov/rredc/pvwatts/.

simplify bill impact calculations, the IREC analysis did not address any net surplus compensation that a solar customer may be eligible to receive.

As requested by the Commission, the IOUs' interim residential rate proposals focus on Assembly Bill 327 changes to tiered rates, and do not address TOU rates or customer charges. As pointed out in SCE's application, the IOUs are not permitted to begin making these structural changes at this time.[4]

IREC's protest is based on its initial run of its NEM bill impact model on the interim residential rate proposals, but IREC expects to be able to provide more detail on its results in future pleadings after we have had time for further discovery and discussion with the IOUs. Our modeling uses the customer sample data and determinants underlying the Phase 1 utility models. To the extent that the utilities have used updated customer sample data in the supplemental applications, it would be worthwhile to update our model for the newer customer samples. For this reason, IREC is not submitting graphical representations of the impacts on NEM customers at this time, but will do so in subsequent filings as we investigate and analyze the IOUs' updated customer sample data.

II. The IOUs' Proposals Will Increase Most NEM Customer Bills by More Than 10%, and Many SCE Customers Will Face 30% Increases in Summer Rates.

For the current phase of this proceeding IREC has returned to its model to conduct a preliminary analysis of the potential impact of the utility supplemental application proposals on NEM customers. Our preliminary analysis shows that the utility applications have the potential to create immediate and significant adverse bill impacts for NEM customers:

[4] Exhibit SCE-1 at pp. 9-10.

- SCE's proposal for summer 2014 rates would increase bills by more than 30% for more than a third of all inland customers and for more than half of coastal customers with small arrays. On average, SCE's NEM customers would face annual bill increases of 10-15%.
- PG&E's proposal results in a slightly more tempered impact; a majority of customers with solar installations would see bill increases in excess of 10%.
- We are in the process of conducting an initial analysis of the potential NEM impact of SDG&E's rate proposal and will provide results of this analysis in a future filing.

III. The IOUs Proposals Are Not Based on a Reasonable Phase-in Schedule.

In the Assigned Commissioner's Ruling inviting the utility applications, the Commission noted that "[a]ll changes must be consistent with the statutory requirements that changes be made through a ***reasonable phase-in schedule*** relative to rates in effect prior to January 1, 2014, that 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."[5]

IREC is concerned that drastically reducing the tier differentials will establish a new status quo (or baseline) that could erase any meaningful differential between lower-tier and upper-tier consumption. In particular, raising the Tier 1 rate so significantly at this time assumes that this will be the starting point in future negotiations and rate cases, eroding the leverage of consumer advocates and other parties interested in maintaining affordable rates for baseline consumption and a conservation price signal in upper-tier rates. This shift will create a presumption of reasonableness for Tier 1 rates when the IOUs begin to propose significant fixed customer charges after 2015. In short, the heart of the issue is not whether these changes will occur, but how quickly and whether an abbreviated proceeding such as Phase 2 is the appropriate venue to so substantially change the playing field.

---

[5] ACR p. 3.

While the necessity to address AB 327 changes has appropriately led the Commission to focus on near-term changes to tiered rates, the eventual shift to TOU rates should not be forgotten. This docket has TOU rates in its title, and there seemed to be a consensus in Phase 1 that TOU rates would result in operational efficiencies, and thus should be implemented. A shift to TOU rates in the future will have significant implications for NEM customers, with some benefiting and others facing substantial bill increases. Given that future change, IREC suggests that the Phase 2 interim changes be tempered to avoid large swings in bills for NEM customers for a single year, with potential additional significant changes resulting from Phase 1 restructuring in a subsequent year. Such a "back-and-forth" approach to rate reform could decrease confidence in the state's commitment to a strong set of energy policy goals.

IREC suggests that moving too fast, too soon to eradicate tier differentials gives the IOUs too much leverage going forward. Setting a new, substantially different Tier 1 status quo undermines intervenors' ability to litigate rate cases to mitigate negative impacts on a diverse set of stakeholders. While raising Tier 1 rates has a negative impact on low-consumption and low-income ratepayers, it also dampens the conservation signal in upper-tier rates, reducing the cost-effectiveness of taking long-term energy reduction measures, including installation of onsite generation to participate in net metering. Because Tier 1 rates are unlikely to be reduced in a future GRC, given the Commission's emphasis on providing relief to the upper tiers, the changes that are accepted in Phase 2 are likely to be a point of no turning back.

The range and magnitude of potential bill impacts shown by IREC's preliminary analysis indicates that the utilities' applications may impose an onerous and unreasonable phase-in schedule. IREC's understanding of this phase of the proceeding is that it is intended to be limited in scope and aimed at creating merely a "short-term transitional rate change." While the

Commission continues to consider long-term residential rate policy in Phase 1, IREC suggests that the IOUs need to temper their Phase 2 temporary rate change proposals to minimize bill impacts on all customers, including NEM customers. Accordingly, IREC protests the interim residential rate design proposal on this ground and encourages the Commission to approve only modest or incremental changes to Tier 1 at this time.

IV. Conclusion

IREC encourages the Commission to modify the proposed increases to Tier 1 consumption and the reductions in upper-tier rates due to tier consolidation to moderate the impacts of interim rates on all customers, including customers who have invested in renewable electrical generation facilities to participate in NEM.

Respectfully submitted at San Francisco, California on December 23, 2013,

By /s/ Jason B. Keyes

Jason B. Keyes
Thadeus B. Culley
Keyes, Fox & Wiedman LLP
436 14th Street, Suite 1305
Oakland, CA 94612
Tele: (510) 314-8203
(510) 314-8205
Email: jkeyes@kfwlaw.com
tculley@kfwlaw.com

Attorneys for the Interstate Renewable Energy Council, Inc.