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 OFFICE OF RATEPAYER ADVOCATES ON PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS AND ELECTRIC COMPANY'S PHASE 2 SUMMER 2014 ELECTRIC RATE REFORM PROPOSALS

LEE-WHEI TAN
DEXTER KHOURY
Analysts for
the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2901/1200
Fax: (415) 703-1151
E-mail: lwt@cpuc.ca.gov
bsl@cpuc.ca.gov

GREGORY HEIDEN
Staff Counsel
Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 355-5539
Fax: (415) 703-2262
E-mail: gregory.heiden@cpuc.ca.gov

December 23, 2013

84050305

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 OFFICE OF RATEPAYER ADVOCATES ON PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS AND ELECTRIC COMPANY'S PHASE 2 SUMMER 2014 ELECTRIC RATE REFORM PROPOSALS

I. INTRODUCTION

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") hereby protests the proposals of Pacific Gas and Electric Company ("PG&E"), Southern California Edison Company ("SCE"), and San Diego Gas and Electric Company's ("SDG&E") Summer 2014 Electric Rate Reform Proposals in Phase 2 of the above-docketed proceeding. Together, the three companies will be referred to as the Investor-Owned Utilities ("IOU"s) in this protest.

The Assigned Commissioner's Ruling ("ACR"), in this Order Instituting the Rulemaking ("OIR") 12-06-013, invited IOUs to submit interim rate design change proposals in Phase 2 of this OIR.

The ACR provided the following general guidance for rate proposals:

> "Design and implementation of new residential rate structures should not be rushed. First, a long-term policy decision will be issued in Phase 1. Second, each utility will need to

> implement any new rate structure through a general rate case or other ratesetting proceeding. In the meantime, Phase 2 will endeavor to implement interim rate changes that will better align residential electricity prices with the Commission's cost to serve and other policy objectives, and that will reduce the size of rate changes required to implement future rate structures."[1]

ORA has examined the proposals submitted by the IOUs and will examine proposals for rate design changes in the spirit of the guidance provided by the ACR, paying special attention to bill impacts. The ACR further suggested that parties work amongst themselves to see if agreement can be reached on minimum and maximum increases to Tier 1 and Tier 2 rates and other terms. ORA will endeavor to work with the IOUs and other parties to reach an agreement if possible.

In this protest, ORA identifies a few high level issues based on the guidance provided by the ACR. ORA reserves the right to raised additional issues based on its review of other parties' protests.

II. GUIDELINES IN THE ASSIGNED COMMISSIONER RULING

The October 2013 ACR suggested that IOUs' Phase 2 rate design changes proposed for 2014 be modest, easy to evaluate, and consistent with AB 327.[2] It also provides the following guidelines for the Interim Rate Change Applications:[3]

1. To prevent further disparity in lower and upper tiers, any rate increase resulting from increased revenue requirements should be applied first to the lower tiers.
2. To avoid rate shock, and in compliance with statute, Tier 1 and Tier 2 rates should not be increased by an excessive amount.
3. To prevent future rate shock, Tier 1 and Tier 2 rates changes should begin to increase in 2014.

---

[1] ACR, p. 4.

[2] ACR, p. 4.

[3] ACR, p. 5.

4. Rates should be adjusted as necessary to prevent CARE rates from increasing beyond the statutory effective CARE discount rate of 35%.
5. If the effective CARE discount rate is already above 35%, CARE rates should be adjusted on a glide path towards the 35% effective discount limit without reducing the discount more than a reasonable percentage annually.

ORA notes that some of these guidelines potentially can conflict with each other, and that parties will assign differing priorities to these guidelines. For instance, items 1 and 2 might conflict with one another. This can occur when revenue requirements (and system average rates) may increase by more than ten percent for 2014 summer rates. Even before performing rate reform, the majority of the customers will see significant bill increases. Therefore, it is important that the revenue increase be spread among almost all the customers so that it would not cause major bill increases predominantly for the low and moderate usage customers.

If the Commission does not proceed cautiously with the summer rate changes, there is a danger that customers may attribute their bill increases entirely to the rate reform rather than to the combination of rate reform and the overall revenue requirement increases. This could lead to customer dissatisfaction and resistance to rate reform. Based on these considerations, ORA recommends that guideline 2 take priority over guideline 1. When revenue requirement increases are fairly large, they cannot be applied in a way that would unfairly burden the first two tiers.

III. ISSUES TO BE ADDRESSED IN THIS PROCEEDING

ORA identifies several major issues that need to be addressed in this proceeding: 1) Bill impacts; 2) Rate Structure; 3) CARE discounts; 4) Treatment of the Climate dividend, and 5) Treatment of revenue requirements increases until the next rate design proceeding.

A. Bill Impacts

The Commission should examine what level of bill impacts would be acceptable when it implements summer 2014 rate design changes combined with increased revenue requirements. The IOUs' proposals would result in substantial bill impacts, especially for low usage, low income customers as sampled below:

PG&E Bill Impact

- Tier 1 rates will increase about 14% compared to current rates (Oct 2013).
- About 46% of customers would see 10 – 20% increases before considering expected revenue increases for 2014 summer rates.
- The CARE customers would see more than a 15% rate increase.

SCE Bill Impact

- SCE's proposals would result in substantial bill increases compared to current rates.
- ORA used SCE's OIR bill impact model to determine the bill impacts comparing current and SCE's proposed rates. ORA found that:
    - Approximately 70% of Non-CARE customers would receive a 10% or greater bill increase.
    - Of these customers, 15.6% would receive average monthly increases of $16.39, 15.8% would receive average monthly increases of $18.73, and 39.2% would receive average monthly increases of $14.37.
    - Approximately 80% of CARE customers would receive a 10% or greater bill increase. These customers would receive average increases between $11.10 and $14.35 per month

SDG&E Bill Impact

- Tier 1 would see a 16% rate increase compared to the current rates prior to considering revenue increases for 2014 summer rates.
- Non-CARE customers would see a 15% increase for usage of 50 to 350 kWh per month.

ORA intends to evaluate various rate options and choose the ones that can reduce customers' bill impacts while still making progress towards making the differential between tiers less severe.

B. Rate Structure

Both PG&E and SCE have proposed to merge the current tiers 2 and 3 to create a new three-tier rate structure, while SDG&E proposes to combine the current tiers 1,2 and tiers 3, 4 to make a two-tier rate structure. These are significant changes from the current residential rate design structures. Although the recently enacted Public Utilities Code Section 733.9 allows reducing the number of rate tiers to two, the Commission needs to be cautious and should not make too many changes in the residential rate structure for the summer of 2014.[4] Because of the impending large revenue requirements increases, the Commission needs to carefully evaluate the bill impacts of both any proposed changes to rate design and revenue requirements increases.

C. CARE Discount

Rate design proposals need to examine the level of the CARE discount, and should follow the new CARE discount guidelines enacted in AB327. For IOUs which currently have a CARE discount that exceeds 35%, gradual movement should be made to reduce the CARE discount to the range of 30% to 35%.

D. Climate Dividends

It is inappropriate to view the Climate Dividends as a reduction of customer bills, and ORA recommends that they should not be included in the bill impact analyses in this proceeding. The Commission is enacting Climate Dividends in A.13-08-002 , and a decision is pending before the Commission. Currently the Commission is proposing to extend Climate Dividends to customers twice a year as a bill credit on customers' bills. The Climate Dividends are intended to offset part of the cost increases that will be passed onto customers because of increased carbon costs being added to the rates of commercial and industrial customers. Businesses will pass these costs on to residential customers in the price of various products that residential customers purchase. The Climate Dividends

---

[4] Public Utilities ("PU") Code Section 739.9 (c) (AB 327), signed into law in October 2013 states: "Except as provided in subdivision (c) of Section 745, the commission shall require each electrical corporation to offer default rates to residential customers with *at least two usage tiers*. The first tier shall include electricity usage of no less than the baseline quantity established pursuant to paragraph (1) of subdivision (d) of Section 739."(Emphasis added.)

are being provided to residential customers as semi-annual credits so that they do not blunt the price signals that customers would see for using electricity.

E. Treatment of Revenue Increases Among the Tiers within RROIR and the Next Rate Design Proceeding

The Commission also needs to consider how to implement further revenue requirements increases to residential rate tiers in Phase 2 of this OIR and until the next rate design proceeding.

PG&E has proposed the following:

- In the case of revenue requirement increases, the non-CARE Tier 3 rate would remain at 35.0 cents per kWh and all other rates (i.e., the non-CARE Tier 1 and 2 rates, along with the CARE Tier 1, 2, and 3 rates) would be increased by an equal percentage so as to collect the incremental revenue amount.
- In the case of revenue requirement decreases, the CARE rates would remain at their then-current levels and all other rates (i.e., the non-CARE Tier 1, 2 and 3 rates) would be decreased by an equal percentage so as to collect the lower revenue amount.

SDG&E has proposed the following:

- After transitioning to a two-tier rate structure, tier 1 rates and tier 2 rates would be increased by factors of 1.5 and 1 respectively. For example, a 2% residential class average increase would result in a 3% increase to the tier 1 rates and a 2% increase to tier 2 rates.
- This process would be followed until a differential of 20% between the tier 1 and tier 2 rates is achieved.
- Any revenue requirements decrease would be applied to tier 2 only until a 20% differential is reached.

ORA will assess the reasonableness of these proposals based on the bill impacts and other related elements.

IV. CASE CATEGORIZATION AND SCHEDULING

ORA agrees with the ACR's designation that this phase of the OIR should be considered rate setting, because the IOU proposals are seeking to set residential rates for the IOUs' customers for the summer 2014. Rate design proceedings usually require hearings. Hearings are necessary to verify facts and clarify assumptions that parties make. Because there are important facts and assumptions regarding the proposed rate designs and the resulting bill impacts of those proposals, ORA will file a motion for hearings on January 7th. If settlements on these issues can be reached, scheduled hearing dates could be cancelled.

In addition, ORA continues to support its proposed schedule advocated in the ORA/TURN Joint Comments ("Joint Comments") on October 2013 ACR, as amended pursuant to instructions from the ALJ. The IOUs' rate changes require using complex rate design models to develop rates as well as bill impact models to assess the impact to customers. The non-IOU parties would need time to examine those models and run their own alternative rate scenarios. In most rate design cases, parties generally need at least two to three months after the scoping memorandum is issued to prepare their testimony. But those cases generally deal with only with one utility and one model. In contrast, this case will require work on multiple models.

Therefore, ORA and TURN recommend that the non-IOU parties serve their testimony on February 28, 2014. The following schedules reflect some date changes proposed at the December 5, 2013 PHC and later confirmed by the ALJ on her e-mail to the parties on December 10, 2013.

Event	**ACR Schedule/Revised at 12/5/2103 PHC**	**ORA/TURN Proposed Schedule/Reflect 12/5 revision**
Comments on procedural schedule and need for evidentiary hearings	November 8, 2013	November 8, 2013
Applications filed; Opening Testimony served	November 22, 2013	November 22, 2013
Protests filed	December 23, 2013	December 23, 2013
Replies filed	January 3, 2014	January 3, 2014

Motions for Evidentiary Hearings filed	January 7, 2014	January 7, 2014
Prehearing Conference held	January 8, 2014	January 8, 2014
Phase 2 Scoping Memo issued	January 14, 2014	January 14, 2014
Reply Testimony served	February 3, 2014	February 28, 2014
Rebuttal Testimony served	February 10, 2014	March 14, 2014
Proposed Decision issued for comment	March 2014	Set by ALJ
Parties file comments on the Energy Division White Paper/ straw man on Phase 1 policy issues		April 15, 2014

V. CONCLUSIONS

ORA intends to be an active party in this case. ORA recommends adoption of its proposed schedule because it will provide more time to perform the required analysis. ORA further recommends that the issues discussed above be included in any list of issues for this proceeding.

Respectfully submitted,

/s/ GREGORY HEIDEN

Gregory Heiden
Staff Counsel

Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 355-5539
Fax: (415) 703-2262
E-mail: gxh@cpuc.ca.gov

December 23, 2013