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.	R.12-06-013 (Phase 2) (Filed June 21, 2012)

PROTEST OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION AND THE VOTE SOLAR INITIATIVE

CROSSBORDER ENERGY
R. Thomas Beach
2560 Ninth Street, Suite 213A
Berkeley, CA 94710
Telephone: (510) 549-6922
Facsimile: (510) 649-9790
E-Mail: tomb@crossborderenergy.com

Consultant to the Solar Energy Industries Association

GOODIN, MACBRIDE, SQUERI, DAY & LAMPREY, LLP
Jeanne B. Armstrong
505 Sansome Street, Suite 900
San Francisco, CA 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
E-Mail: jarmstrong@goodinmacbride.com

Attorneys for the Solar Energy Industries Association

MRW & ASSOCIATES, LLC
William A. Monsen
1814 Franklin Street, Suite 720
Oakland, CA 94612
Telephone (510) 834-1999
Facsimile: (510) 834-0918
Email: wam@mrwassoc.com

Consultant for the Vote Solar Initiative

ELLISON, SCHNEIDER & HARRIS, LLP
Chase B. Kappel
2600 Capitol Avenue, Suite 400
Sacrament, CA 95816
Telephone: (916) 447-2166
Email: cbk@eslawfirm.com

Attorneys for the Vote Solar Initiative

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Pursuant to Rule 2.6(c) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Solar Energy Industries Association (SEIA)[1] and the Vote Solar Initiative (Vote Solar) hereby protest the Supplemental Rate Proposals filed by Pacific Gas and Electric Company (PG&E),[2] San Diego Gas and Electric Company (SDG&E),[3] and Southern California Edison Company (SCE)[4] in the above captioned proceeding on November 22, 2013. As demonstrated below, Commission approval of the Supplemental Rate Proposals would be counter to the directive contained in the Assigned Commissioner's October 25, 2013 Ruling (ACR) that residential rate changes proposed in the Supplemental Filings be

1 The comments contained in this filing represent the position of the SEIA as an organization, but not necessarily the views of any particular member with respect to any issue.

2 Supplemental Filing of Pacific Gas and Electric Company for Summer 2014 Residential Electric Rate Reform, R. 12-06-013 (November 22, 2013) (PG&E Filing).

3 Supplemental Filing of San Diego Gas & Electric Company for Phase 2 Interim Rate Changes, R. 12-06-013 (November 22, 2013) (SDG&E Filing).

4 Phase 2 Supplemental Filing of Southern California Edison Company for Interim Residential Rate Design Changes , R. 12-06-013 (November 22, 2013) (SCE Filing).

"modest."[5] Moreover, such approval would prejudge policy decisions currently being examined in Phase 1 of this proceeding, while disregarding certain principles of residential rate design developed in that Phase 1 with input from all stakeholders.

I. IDENTITY OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION AND THE VOTE SOLAR INITIATIVE

SEIA is the national trade association of the United States solar industry. Through advocacy and education, SEIA and its 1,000 member companies work to make solar energy a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry, and educating the public on the benefits of solar energy. Effective on January 1, 2012, the Solar Alliance, a state-focused solar advocacy group which had been active in the rate design proceedings of California's investor owned utilities (IOUs) for the past six years, merged with SEIA. SEIA has continued such active participation.

Vote Solar, a project of the Tides Center, is a California non-profit, public benefit organization with the mission of working to fight climate change, increase energy independence, and foster economic opportunity by supporting solar energy as a mainstream energy resource. Vote Solar engages in local, state and federal advocacy campaigns to remove regulatory barriers and implement key policies necessary to build robust, sustainable and long-term solar markets. Vote Solar has over 50,000 members nationwide, approximately 9,000 of which are Californians. The vast majority of Vote Solar's California members are individuals receiving residential electric service from one of the California investor owned utilities.

Both SEIA's and Vote Solar's members have a strong interest in the adoption and implementation of policies and programs that will accelerate the movement toward a low-carbon

[5] Assigned Commissioner's Ruling Inviting Utilities to Submit Interim Rate Change Applications, R. 12-06-013 (October 25, 2013) (October 25 ACR), p. 4.

economy and stimulate the development and use of zero-carbon, renewable energy technologies such as solar photovoltaic (PV) generation.

II. THE IOUS' PROPOSALS

Pursuant to the Assigned Commissioner's October 25, 2013 Ruling in this proceeding allowing the submittal of interim rate change applications,[6] each IOU submitted supplemental rate design proposals on November 22, 2013. These proposals are markedly similar -- they all propose a collapsing of rate tiers, accompanied by a significant increase in Tier 1 rates. Specifically, both PG&E and SCE, which currently have four-tiered residential rate structures, propose to conflate their respective Tiers 2 and 3 into one tier. As a result of such conflation of PG&E's Tier 2 and Tier 3 rates, current Tier 2 rates will increase 33% from $0.154 to $ 0.198, while current Tier 3 rates will decrease 42 % from $0.328 to $0.198. With respect to SCE, conflation of Tiers 2 and 3 will result in current Tier 2 rates increasing 28% from $0.16 to $0.205, and current Tier 3 rates decreasing 24% from $0.268 to $0.205. Along with this combination of tiers, PG&E and SCE both propose increases in current Tier 1 rates of 13% and 23% respectively.[7] Similarly, SDG&E proposes to create a two-tier rate structure by combining Tiers 1 and 2 into a single tier and combining Tiers 3 and 4 into another tier. SDG&E's proposal would raise Tier 1 rates to Tier 2 levels, which would result in a 16% increase in current Tier 1 rates.[8]

III. THE INTEREST OF SEIA AND VOTE SOLAR IN THIS PHASE OF THE PROCEEDING

California is relying on the continued growth of customer-sited renewable distributed generation (DG), principally solar PV, to meet the state's ambitious goals to reduce carbon

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6 October 25 ACR, p.7.

7 SCE's projection of its rates for next summer shows an even higher Tier 1 rate increase of 36%.

8 *See* Section IV. B, *infra*, which includes a figure which illustrates the average rate changes which each of the IOUs propose, as a function of the size of the residential customer. The left side of the figure, for usage up to 100% of baseline, shows the proposed increases in the Tier 1 rate.

emissions and to transition to a much cleaner energy infrastructure. Electric utility rate designs can have a substantial impact on the economic incentives for customers to install solar PV systems. SEIA and its predecessor, the Solar Alliance, as well as Vote Solar, have participated actively in recent rate cases for all the major California investor-owned electric utilities, in order to ensure that rate design does not present barriers to the growth of the solar PV industry as a foundation for the state's clean energy infrastructure. As addressed herein, the IOUs' supplemental rate proposals propose significant changes to the current residential rate structure to be implemented in an expedited fashion. Such proposals, if approved by the Commission in their current form, could have a disruptive impact on the solar market in California -- a market which the Commission has been cultivating for almost ten years.

IV. PROTEST

A. The IOU's Fail to Propose *Modest* Changes to Residential Rate Design in Phase 2 of this Rulemaking Proceeding

The October 25, 2013 ACR indicated the Commission's willingness to consider only "modest" changes to residential rate design in order to "reduce the size of rate changes required to implement future rate structures."[9] The IOUs' proposals instead make sweeping changes to the tiered rate structure without careful examination of that structure as contemplated by the Order Instituting Rulemaking (OIR) in this proceeding.[10] In particular, the IOUs have proposed substantial increases to Tier 1 and Tier 2 rates without considering the impacts of these changes on energy efficiency or peak demand reductions in the residential class.

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[9] SEIA and Vote Solar maintain that the need to make any changes to the tiered rate structure prior to the Phase 1 long-term policy decision on the design of residential rates has not been demonstrated.

[10] Order Instituting Rulemaking on the Commission's Own Oder to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structure, the Transition to Time Varying and Dynamic Rates, and other Statutory Obligations. R. 12-06-013 (June 28, 2012) (OIR).

With this in mind, SEIA and Vote Solar submit that any flattening of the tiered rate structure should occur at the higher tiers -- *i.e.*, Tiers 3 and 4. Such changes could advance the ACR's apparent intent of minimizing potential future rate shock,[11] while avoiding prejudgment of policy decisions yet to be made in Phase 1 or running counter to the already-determined principles for restructuring residential rate design.

The combination of Tiers 3 and 4 will serve the purpose of tariff simplification, which is one of the guiding principles of the OIR,[12] as well as affording a modest amount of rate relief for customers in the highest tier of usage, which is the apparent key driver of the IOUs' rate proposals. The IOUs' Tier 3 and 4 rates are relatively close today; thus, combining these rates will represent a "modest" change, as the word modest is commonly understood. Customers with high levels of usage during the peak summer season will see bill reductions from the lower combined Tier 3/4 rate for usage above 200% of baseline.

Moreover, conflation of the upper tier rates rather than the middle tiers will not have as disruptive an impact on the advancement of energy efficiency and renewable energy programs. Two of the guiding principles for the restructuring of residential rates are that rates should (1) encourage conservation and energy efficiency, and (2) reduce both coincident and non-coincident peak demand.[13] PG&E and SCE propose to take what are currently Tier 3 usage customers (between 130 and 200 percent of baseline) and significantly reduce their rate by combining Tiers 2 and 3. Such a change would dramatically reduce the incentive for such customers to invest in energy efficiency measures or renewable sources of energy. For example,

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11 October 25 ACR, p. 5.

12 *See* Scoping Memo and Ruling of the Assigned Commissioner, R. 12-06-013 (November 26, 2012) (Scoping Memo) p. 7 (Principle 6: Rates should be stable and understandable and provide stability, simplicity and customer choice).

13 Scoping Memo, p. 6.

under PG&E's proposal, the average rate for a typical residential customer with usage at 200% of baseline would decrease by 13%, and such a customer's marginal rate would be 38% lower. Such changes are patently not "modest," and will have the clear effect of encouraging greater consumption of electricity.

B. The IOUs' Proposals Prejudge Yet to be Made Policy Determinations Being Addressed in Phase 1

The IOUs' supplemental rate filings prejudge policy issues which are yet to be determined in Phase 1 of this proceeding. The rush to implement the proposed collapsing of tiers runs counter to the measured approach to change in residential rate design set forth in the order instituting this rulemaking proceeding.[14] The proposed collapsing of tiers that the IOUs are advocating – as distinct from a more gradual flattening of the tiers – is not required by AB 327.

The OIR recognized the varying (and sometimes competing) policies underlying residential rate design, including enabling conservation and efficiency on the customer side and increasing the reliance on non-fossil based generation to reduce overall greenhouse gas emissions, while also trying to implement cost-based rates.[15] Thus, the Commission determined that the result of this rulemaking proceeding was to "ensure for the foreseeable future that rates are both equitable and affordable *while meeting the Commission's rate and policy objectives for the residential sector*."[16] Specifically, with respect to the tiered rate structure currently utilized by all three IOUs, the OIR states that:

> [T]he Commission opens this rulemaking to examine whether the current tiered rate structure continues to support the underlying statewide-energy goals, facilitates the development of technologies that enable customers to better manage their usage and bills, and whether the rates result in inequitable treatment across

14 OIR, .

15 OIR, p. 6.

16 OIR, p. 1 (emphasis added).

customers and customer classes.[17]

This examination of the current tiered structure, including the relationship between tiers, in light of these policy objectives has not occurred. The outcome of Phase 1 is prejudiced where the Commission allows significant changes to the current tiered rate structure absent the careful examination of that structure contemplated by the OIR as parties' rights to contribute to a policy decision with significant long-term implications would be significantly curtailed.

SEIA and Vote Solar recognize, and no doubt the IOUs will rely upon, the fact that the October 25th ACR provided that after January 1, 2014, "residential rate structures are only required to have two tiers." However, AB 327 is not intended to circumvent the approach to residential rate design set forth in the OIR. Indeed, the ACR makes clear that:

> Phase 2 will allow some interim changes to be made to stabilize and rebalance tiered rates. *All 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*.[18]

The changes proposed by the IOUs do not, for the most part, reflect a reasonable phase-in schedule relative to rates in effect prior to January 1, 2014. Instead, as illustrated in the chart below, they reflect a significant restructuring of the tiered rate structure, with substantial increases to Tier 1 and Tier 2 rates and substantial reductions in average rates for customers who use more than the average amount of electricity (about 200% of baseline). Such proposed increases for those who use relatively modest amounts of electricity are in direct contravention to the ACR's directive that "rates not overburden low income customers."[19] Moreover, the IOUs' proposed

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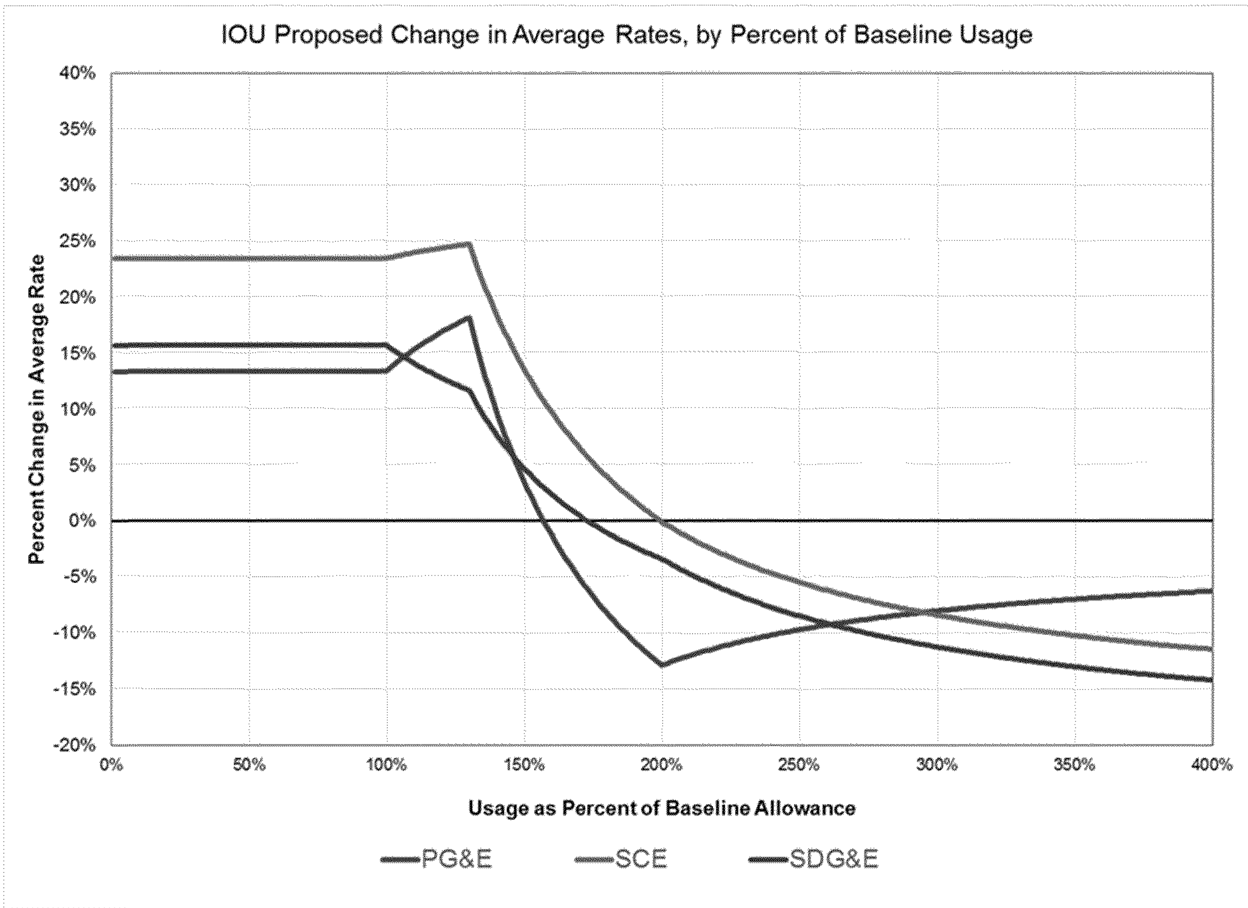
17 OIR, p. 2.

18 October 25 ACR, p. 3 (emphasis added).

19 October 25, ACR, p. 3.

changes to the tiered rate structure do not take into account any impacts that their proposals may have on conservation and energy efficiency. Indeed, such potential impacts are not mentioned in the IOUs' filings.



In short, the IOUs have exploited the opportunity afforded them by the October 25th ACR by attempting to circumvent the process set forth in the OIR for making changes to the residential rate structure. The Commission should reject the sweeping changes to the tiered rate structure advanced by the IOUs and require the IOUs to consider the impacts of their proposals on conservation and efficiency on the customer-side. Furthermore, to the extent the Commission proceeds with consideration of changes to that structure, the OIR mandates that such changes must be "modest."[20] As noted above, only modest changes should be approved now, particularly given that the Commission has yet to decide its policy direction on residential rate design in Phase 1 of this OIR.

V. CONCLUSION

For the above stated reasons, SEIA and Vote Solar submit that the Commission cannot accept the IOUs' Supplemental Rate Design Proposals. To the extent any changes are made to the current residential rate design structure in Phase 2 of this proceeding, they must be modest in nature, the impacts of those changes on customer-side conservation and energy efficiency must be considered, and residential rate design changes should not result in a predetermination of the policy issues being examined in Phase 1. If the residential rate structure does change, the more appropriate approach would be a conflation of residential Tier 3 and Tier 4.

Respectfully submitted this 23rd day of December, 2013 at San Francisco, California.

CROSSBORDER ENERGY
R. Thomas Beach
2560 Ninth Street, Suite 213A
Berkeley, CA 94710
Telephone: (510) 549-6922
Facsimile: (510) 649-9790
E-Mail: tomb@crossborderenergy.com

Consultant to the Solar Energy Industries Association

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Jeanne B. Armstrong
505 Sansome Street, Suite 900
San Francisco, CA 94111
Telephone: (415) 392-7900
E-Mail: jarmstrong@goodinmacbride.com

By *<u>/s/ Jeanne B. Armstrong</u>*
Jeanne B. Armstrong

Attorneys for the Solar Energy Industries Association

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[20] October 25 ACR, p.4.

MRW & ASSOCIATES, LLC
William A. Monsen
1814 Franklin Street, Suite 720
Oakland, CA 94612
Telephone (510) 834-1999
Facsimile: (510) 834-0918
Email: wam@mrwassoc.com

Consultant for the Vote Solar Initiative

ELLISON, SCHNEIDER & HARRIS, LLP
Chase B. Kappel
2600 Capitol Avenue, Suite 400
Sacrament, CA 95816
Telephone: (916) 447-2166
Email: cbk@eslawfirm.com

By *<u>/s/ Chase B. Kappel</u>*
Chase B. Kappel

Attorneys for the Vote Solar Initiative

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