BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Insituting 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)

REPLY OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) TO PROTESTS OF SUPPLEMENTAL FILING

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I. INTRODUCTION

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company provides its Reply to Protests of Supplemental Filing (Reply). As discussed in more detail below, certain of the protests should be rejected as lacking any basis in fact or law, or as outside the scope of this proceeding.[1/] However, some of the protests identify issues regarding PG&E's Supplemental Filing that PG&E intends to discuss in more detail with interested parties through discovery, settlement discussions, and/or rebuttal testimony, as appropriate. As a general matter, PG&E appreciates the thoughtfulness and detail provided by most of the comments; such detailed comments will help Phase 2 of this proceeding move forward on an expedited schedule for a Commission decision in time for summer 2014 implementation of interim

1/ One of the protests, by Marin Energy Authority (MEA), raises an issue regarding PG&E's minimum bill rate design. But in its 2012 Rate Design Window (RDW) proceeding, A.12-02-020, PG&E has already proposed such a change in how the residential minimum bill is calculated. The new proposed residential minimum bill calculation has been litigated in that proceeding, addressed on the record in testimony and briefs, and is unopposed. A Commission decision approving PG&E's unopposed residential minimum bill proposal in A.12-02-020 will fully resolve MEA's protest here, and therefore MEA's protest should be found to be outside the scope of this Phase 2 proceeding.

rate design reforms and relief.

II. COMPLIANCE WITH ADMINISTRATIVE LAW JUDGE'S DECEMBER 24, 2013, RULING REGARDING CONSIDERATION OF THE CLIMATE DIVIDEND

In an email dated December 24, 2013, the Administrative Law Judge directed that the utilities "(1) not include the Climate Dividend when calculating bill impacts going forward (for example, if additional rate impact calculations are done in the Replies due January 3, 2014), and (2) to re-do the bill impact calculations and analysis from their November 22, 2013 Rate Change Requests to show the impact without the Climate Dividend." In an email dated December 26, 2013, to the ALJ and the service list, PG&E responded that the bill impacts in Appendices C and D of PG&E's prepared testimony in its Supplemental Filing, were developed without accounting for the effect of the Climate Dividend that all of PG&E's residential customers will receive beginning in 2014. Accordingly, PG&E has not re-done the bill impact calculations and analysis as part of its Reply to Protests on January 3, 2014, but instead incorporates Appendices C and D of its prepared testimony by reference in this Reply.

III. PG&E WILL CONSIDER THE PROTESTS OF TURN AND ORA IN MORE DETAIL IN PG&E'S RESPONSE TO DISCOVERY, SETTLEMENT DISCUSSIONS, AND/OR REBUTTAL TESTIMONY

The Utility Reform Network (TURN) and Office of Ratepayer Advocates (ORA) raise various objections to the technical design and bill impacts of PG&E's Supplemental Filing.[2/] For example, TURN argues that, to minimize bill impacts on low-usage customers, PG&E's non-CARE Tier 1 rate should be reduced below 15 cents/kWh with the lost revenue being recovered in the proposed Tier 2 rate.[3/] TURN also urges the Commission to direct the utilities to apply a consistent FERA discount approach based on charging for usage between 101 and -200 percent of baseline at rates for usage up to 100 percent of baseline.[4/] TURN further argues that PG&E's proposals to exempt non-CARE

2/ TURN Protest, pp. 2- 5; ORA Protest, pp. 4- 6.
3/ TURN Protest, p. 3.
4/ *Id.*

Tier 3 rates from changes in the event of revenue requirement increases and to prevent any reduction in CARE rates in the event of revenue requirement decreases are not reasonable.[5/]

Similarly, ORA states that it intends to evaluate various rate options and choose the ones that can reduce customers' bill impacts while still making progress towardsreducing the differential between tiers.[6/] According to ORA, the Commission needs to carefully evaluate the bill impacts of both any proposed changes to rate design and revenue requirement increases.[7/] ORA intends to assess the reasonableness of the revenue requirement increases of the proposals based on the bill impacts and other related elements.[8/]

PG&E welcomes TURN's and ORA's scrutiny and review of PG&E's rate design reform proposals for summer 2014 rate relief, including evaluation of the appropriate balance between reform of the tiered rate structure and ensuring that bill impacts are reasonable. PG&E already is making its bill impact and rate models available to ORA and TURN, and intends to continue ongoing discussions with both parties to address their questions and concerns about the specific impacts of PG&E's Supplemental Filing. In addition, as appropriate, PG&E will respond to TURN's and ORA's specific changes in rebuttal testimony.

However, two concerns raised by TURN appear to be outside the appropriate scope of Phase 2 of this Residential Rate Reform OIR proceeding or premature. First, TURN urges the Commission to adopt a CARE graduated discount (as proposed in Phase 1 of this rulemaking) with the deepest discounts applied to Tier 1 and smaller discounts applied to Tier 3.[9/] TURN's recommended change to the CARE program is premature

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5/ *Id.*
6/ ORA Protest, p. 4.
7/ *Id.*, p. 5.
8/ *Id.*, p. 6.
9/ TURN Protest, p. 3.

and more appropriate to consider in the triennial CARE program authorization proceedings, where similar changes to the targeting of CARE assistance can be considered. It is premature to look at a variable discount structure in this proceeding, because PG&E's upper tier CARE discount already exceeds 60 percent today, while the discount in Tier 1 is significantly lower. Accordingly, it may be more appropriate to first align the discounts across the tiers to be more consistent with the overall legislative targets before considering a variable discount structure. PG&E will engage in further discussions with TURN and other interested parties on these issues.

Second, TURN notes that it previously proposed changes to PG&E Central Valley baseline quantities in A.12-02-020 (PG&E 2012 Rate Design Window (RDW)), and that therefore similar changes should be considered alongside other proposed summer 2014 rate and baseline changes.[10/] Although not expressly prohibited under the Baseoline statute, TURN's proposal to set a higher baseline quantity in certain climate zones at the expense of other climate zones is unprecedented and carries inherent analytic complexities. As PG&E showed in its 2012 RDW, TURN's proposal actually would exacerbate high bill and bill volatility problems by increasing upper tier rates for customers throughout PG&E's service territory by 0.9 cents. (PG&E Reply Brief in A.12-02-020, p. 17 – 18). PG&E does not believe such changes should be considered as part of the interim summer 2014 rate changes in this Phase 2 proceeding. Instead, any such potential Baseline differentiation by area should be carefully considered based on existing Commission decisions and proceedings, such as are already on the record in PG&E's fully litigated 2012 Rate Design Window proceeding, A.12-02-020. TURN's proposal already has already been made in that proceeding, and the record thereis closed, with the parties awaiting a decision by the Commission. TURN's pending proposal should not be re-litigated here.

10/ *Id.*, pp. 4- 5.

IV. PROTESTS THAT RAISE NO MATERIAL ISSUES OF FACT OR LAW SHOULD BE REJECTED

Several parties protest PG&E's Supplemental Filing in general terms, without raising any material issues of fact or law.[11/] For example, the Greenlining Institute and Center for Accessible Technology (Greenlining/CforAT) protest PG&E's proposed changes to both CARE and non-CARE rates as "significant" such that electricity usage is no longer "affordable," even for customers eligible for CARE assistance.[12/] However, Greenlining/CforAT provide no factual basis or definitions of "significant" or "affordable." In fact, PG&E's testimony demonstrates that its proposed CARE rates remain at or below comparable CARE rates and discounts previously approved by the Commission as reasonable and consistent with the CARE statutory requirements.[13/] Moreover, without factual elaboration, Greenlining/CforAT protest PG&E's transition of CARE rates to the legislatively-mandated 30- 35 percent range as "rapid" and "too great."[14/] Greenlining/CforAT also cite the recent Low Income Needs Assessment (LINA) as support for their protest, but provide no facts or support from the LINA for their position.[15/] Accordingly, Greenlining/Cfor AT's general, unsupported protest should be rejected because it raises no material issues of fact or law.

Similarly, several parties representing the solar industry filed protests that lack any factual or legal basis. For example, the Solar Energy Industries Association and Vote Solar Initiative (SEIA/VoteSolar) allege that the utilities' supplemental filings would have a "disruptive" impact on the solar market in California, but provide no factual bases for their claim.[16/] The Alliance for Solar Choice (TASC) argues that the utilities' rate design reform proposals will have a "devastating" impact on the solar industry and

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11/ *See, e.g.*, Greenlining/CforAT Protest, pp. 3- 6; SEIA/VoteSolar Protest, pp. 4- 5; TASC Protest, pp. 4- 6; IREC Protest, pp. 2, 5- 6; Sierra Club/NRDC Protest, pp. 3- 4.
12/ Greenlining/CforAT Protest, p. 4.
13/ PG&E Supplemental Filing, Prepared Testimony, pp. 2-14- 2-17.
14/ Greenlining/CforAT Protest, p. 6.
15/ *Id.*
16/ SEIA/VoteSolar Protest, p. 4.

"deleterious effect" on the "solar value proposition."[17/] However, TASC fails to provide any facts to support its argument other than a "preliminary" bill impact analysis that fails to address the reduction in the retail costs of rooftop solar systems that has made such systems much more affordable to residential customers.[18/] The Interstate Renewable Energy Council, Inc. (IREC) argues that PG&E's proposal would increase the bills of solar Net Energy Metering customers by 10 percent, and therefore is not based on a "reasonable" phase-in schedule.[19/]

PG&E does not disagree with the solar parties' arguments that moving the current tiered electric rate structure back closer to cost of service may have an effect on the economic subsidies and "arbitrage" the solar industry currently enjoys under the existing, distorted rate structure. However, the Commission's rate design principles as well as the California Legislature's statutory reforms of Net Energy Metering in AB 327 indicate a preference for moving electric rates back closer to cost of service, now that the industry is largely self-sustaining. Moreover, AB 327 mandates that the Commission directly address the level of solar subsidies in existing NEM rates, and the Commission is already doing so in proceedings separate from this Phase 2 proceeding.[20/] Accordingly, the solar industry parties' general protests of PG&E's Supplemental Filing should be rejected not only because they are factually unsupported, but also because the appropriate direction of solar NEM subsidies is being considered in other Commission proceedings.[21/]

The Natural Resources Defense Council and Sierra Club (NRDC/Sierra Club)

17/ TASC Protest, pp. 2, 4.
18/ *Id.*, p. 5.
19/ IREC Protest, p. 5.
20/ *See* Assigned Commissioner's Ruling, R.12-11-005, November 27, 2013.
21/ SEIA/VoteSolar's legal argument that the utilities' filings "prejudice" and "circumvent the process" for Phase 1 of this rulemaking, should be rejected as well. (SEIA/Vote Solar Protest, pp. 7-8.) Nothing in the Commission's OIR precludes the Commission from managing the different phases of this Rulemaking in order to allow consideration ofrate design proposals authorized by subsequent legislation, and nothing precluded the Commission from revising the scope of the Rulemaking in order to consider such proposals.

protest the utilities' supplemental filings as not sufficiently "modest" or "interim."[22/] However, NRDC/Sierra Club provide no factual support for their protest, other than referencing their prior comments in Phase 1 of the proceeding.[23/] NRDC/Sierra Club's protest should be rejected for the same reasons as the protests of the solar parties and Greenlining/CforAT.[24/]

V. PG&E AGREES WITH CLECA'S COMMENTS ON THE NEED TO REDUCE RATE SUBSIDIES AND PROVIDE MORE ACCURATE PRICE SIGNALS TO ELECTRIC CUSTOMERS

The California Large Energy Consumer Association (CLECA) generally supports the utilities' proposals, noting that the rate design reform proposals would reduce intra-class subsidies, ameliorating the inefficient economic decision-making on electric usage resulting from those subsidies and should help improve overall system efficiency.[25/]

PG&E agrees with CLECA's identification of the key rate design principles that should guide evaluation of the utilities' proposals. Reducing the distorted price signals in the current residential electric rate design structure is a key public policy goal that should not be lost in the debate over bill impacts and transition periods in this proceeding. As PG&E repeatedly has pointed out – in this Rulemaking and other Commission proceedings over the last several years – the current rate structure is broken and has caused over a million PG&E residential customers to pay average electric rates significantly higher than the average cost to serve them. PG&E's Supplemental Filing is the first step in the phased process of reforming residential rates to redress this fundamental inequity and unfairness as intended by AB 327.

22/ Sierra Club/NRDC Protest, pp. 3- 4.

23/ *Id.*, p. 3.

24/ PG&E's comments in Phase 1 of this proceeding fully responded to NRDC/Sierra Club's objections to rate design reform in their Phase 1 comments. See *Opening Comments of PG&E on Rate Design Proposals*, July 12, pp. 6- 13; *Reply Comments of PG&E on Rate Design Proposals*, July 26, 2013, pp. 4- 12.

25/ CLECA Comments, pp. 1- 3.

VI. GREENLINING/C FOR AT'S RECOMMENDED EXTENDED PROCEDURAL SCHEDULE SHOULD BE REJECTED AS UNNECESSARY

Greenlining/CforAT repeat their objections to a procedural schedule that would enable implementation of a Commission decision by the time the utilities implement their summer, 2014, rates (May 1, 2014 for PG&E).[26/] Greenlining/CforAT's schedule would delay a final CPUC decision on 2014 summer rate relief until late July or August, 2014 – yet PG&E's and SDG&E's summer seasons both start on May 1, and SCE's on June 1. Accordingly, the ACR for this phase presented a schedule calling for a Proposed Decision in March 2014, and, as was noted at the first PHC, the last CPUC Decision Conference before PG&E's and SDG&E's summer seasons start is April 10, 2014. Instead, under Greenlining/CforAT's much slower schedule, there would not even be a *proposed* decision until June, 2014, which would delay any possible implementation of summer rate reform until after a Commission decision in late July or August, 2014.

Greenlining/CforAT claim this longer schedule is necessary because a more expedited schedule "does not allow for full development of party positions and appropriate due process." But their proposed elongated procedural schedule should be rejected as unnecessary and unjustified. The utilities' supplemental filings have kept the issues narrow, as requested by the ACR. Moreover, the filings, including bill impact analyses, have now been available to all parties for five weeks, and Greenlining/CforAT have yet to request any discovery from PG&E. In addition, the legal and factual framework for PG&E's Supplemental Filing is straightforward: AB 327 mandates that PG&E's CARE discount percentage be reduced over a reasonable transition period to no greater than 35 percent, and PG&E's Supplemental Filing proposes to begin that transition with summer 2014 CARE rate levels that are within the range of CARE rates the CPUC has *previously* approved for SCE and SDG&E. In addition, PG&E agrees with TURN's recommendation that the CARE eligibility reforms in AB 327 should be

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26/ Greenlining/CforAT Protest, pp. 15- 16.

implemented at the same time or before the Supplemental Filings, and PG&E has already begun to do so.[27/] Accordingly, there should be no need for procedural delays in consideration of PG&E's Supplemental Filing. In fact, PG&E's changes to CARE rates for summer 2014 should be capable of being approved without the need for evidentiary hearings, given the consistency of PG&E's proposed rates with previously approved CARE rates for the other utilities.

VII. CONCLUSION

PG&E has fully reviewed and considered the parties' protests to its Supplemental Filing, and respectfully requests that the Commission address the protests as recommended in this Reply.

Respectfully submitted,

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27/ TURN Protest, pp. 1- 2; *see also*, PG&E Advice 3437-G/4324-E, December 5, 2013 (immediately effective Tier 1 advice filing revising CARE program eligibility consistent with AB 327.)