

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)

**THE CENTER FOR ACCESSIBLE TECHNOLOGY AND THE
GREENLINING INSTITUTE'S CORRECTIONS TO STAFF
PROPOSAL FOR RESIDENTIAL RATE REFORM**

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January 31, 2014

I. INTRODUCTION

On January 3, 2014, the Commission’s Energy Division released its Staff Proposal for Residential Rate Reform in Compliance with R.12-06-013 and Assembly Bill 327 (ED Proposal). On January 6, 2014, the Amended Scoping Ruling of the Assigned Commissioner (Scoping Memo) authorized parties to “file proposed corrections to the ED Proposal no later than January 20, 2014,” and instructed that “proposed corrections must be limited to correcting characterization of a party position and any factual or typographical errors.” In keeping with these instructions, the Center for Accessible Technology (CforAT) and the Greenlining Institute (Greenlining) submit these corrections, noting that the ED Proposal fails to properly characterize the high usage surcharge recommended by CforAT/Greenlining in our rate design proposal.¹

In keeping with the instructions of the Scoping Memo, these corrections submitted by CforAT/Greenlining focus narrowly on this error in the characterization of our position on the preferred residential rate structure. This narrow focus should not be taken to indicate support for any other policy characterizations, arguments, or other positions set forth in the ED Proposal. CforAT/Greenlining expect to address our broad concerns about the rate structure set forth in the ED Proposal as permitted later in this proceeding.

II. THE ED PROPOSAL MISCHARACTERIZES THE CFORAT/GREENLINING’S HIGH USAGE SURCHARGE PROPOSAL BY REFERRING TO IT AS A TIER AND FAILING TO ADDRESS ITS USE IN ADVANCING IMPORTANT RATE DESIGN GOALS

In our rate design proposal, CforAT and Greenlining propose adoption of an expressly identified and targeted high usage surcharge that would encourage conservation by the customers with the highest usage levels, who would otherwise see a substantial cut in rates that would provide a disincentive to reduce usage or improve efficiency.² The

¹ Center for Accessible Technology and the Greenlining Institute’s Rate Design Proposal (CforAT/Greenlining Proposal), filed on May 29, 2013, at pp. 48-55.

² CforAT/Greenlining Proposal at pp. 48-55.

ED Proposal barely mentions this proposal, and in its sole reference to the surcharge proposal it mischaracterizes it simply as a proposal for additional tiers.³ This results in a failure to address the goals of the proposed surcharge and the way in which it would advance important principles of rate design.⁴

As set forth in the CforAT/Greenlining Proposal, the proposed surcharge would be an express incentive to encourage conservation, in keeping with two key elements of rate design that were identified as relevant to this proceeding, notably that rates should encourage conservation and that incentives should be explicit and transparent.⁵ It is not simply a consumption-based higher tier rate, and it is not necessarily even assessed in a volumetric manner; the purpose of the surcharge could also be met by assessing a flat surcharge on the bill of a customer whose usage in a particular cycle exceeds the requisite threshold.⁶

³ ED Proposal at p. 33 (“CforAT/Greenlining propose a 3-tier rate structure, but also include high consumption surcharges for usage in excess of 400 percent and 600 percent of baseline usage, making in effect a 5-tier rate”).

⁴ Of course, ED and other parties are free to dispute whether the proposal would effectively serve the goals that it is intended to advance; the error in the ED Proposal is in failing to identify the purpose of the proposed surcharge and instead folding the (virtually nonexistent) discussion of it exclusively into the broader discussion of tiers. By failing to address the targeted aspects of the proposal such as outreach and education which make it an explicit incentive to support efficiency and conservation, the arguments made by CforAT and Greenlining in support of this proposal are improperly excluded from the review.

⁵ CforAT/Greenlining Proposal at p. 48, referring to the principles of rate design set out for parties to address in the Administrative Law Judge’s Ruling Requesting Residential Rate Design Proposals issued on March 19, 2013 at Attachment A (*See* Rate Design Principle 4 (Rate design should encourage conservation and energy efficiency) and Rate Design Principle 8 (Incentives should be explicit and transparent)).

⁶ The CforAT/Greenlining Proposal sets out the concept of a surcharge to be assessed for consumption at a rate that exceeds 400% of baseline and an increased surcharge for consumption at a rate that exceeds 600% of baseline. The proposal does not address whether the surcharge should be assessed as a flat charge or a volumetric charge; either could potentially serve as an express incentive for conservation among customers whose usage is extremely high.

As an explicit mechanism to encourage conservation among the highest-usage customers, the proposal regarding the surcharge expressly provides that any assessment of the surcharge be both preceded and accompanied by outreach and education regarding conservation and efficiency options and incentives, specifically directed toward assisting affected customers in changing their consumption patterns.⁷ CforAT and Greenlining also proposed that the utilities communicate directly with such customers to understand their consumption patterns and assist them with conservation and/or efficiency efforts.⁸ Thus, the goal is not actually to collect the surcharge, but rather to use the surcharge as a mechanism to influence customer behavior.⁹

The proposed surcharge looks to the prior policy decision by the Commission regarding CARE customers with extremely high usage, who are now being targeted by efforts to encourage them to reduce consumption.¹⁰ As with the highest usage CARE customers, a targeted surcharge for the highest usage non-CARE customers would provide an opportunity to change the behavior of customers whose consumption patterns are non-typical.¹¹ Finally, as with high-usage CARE customer, a high usage surcharge

⁷ The CforAT/Greenlining Proposal discusses the education and outreach efforts that would accompany the surcharge in some detail. *See* CforAT/Greenlining Proposal at pp. 52-54. Specifically, CforAT and Greenlining propose that customers be given notice that their usage is extremely high and warning that unless their usage is reduced in 90 days, a surcharge will be applied. CforAT/Greenlining Proposal at p. 53. The customers would also receive information on conservation and efficiency options to assist them in reducing their usage. CforAT/Greenlining Proposal at pp. 53-54. These customers could also be targeted with information about solar installation, since they are likely to be good candidates for rooftop solar power. CforAT/Greenlining Proposal at p. 54.

⁸ CforAT/Greenlining Proposal at p. 54 (“IOUs may also want to develop a program to directly contact those residential customers with the highest level of usage in order to understand their consumption patterns and help them reduce usage and increase efficiency. This will assist customers who are interested in changing their usage patterns and avoiding the surcharge in doing so”).

⁹ CforAT/Greenlining Proposal at p. 54.

¹⁰ CforAT/Greenlining Proposal at pp. 49-51, 52-53.

¹¹ CforAT/Greenlining Proposal at p. 53.

would provide an opportunity to identify usage that may be misclassified as residential while properly belonging to another class.¹²

By simply calling the surcharge an additional “tier” and failing to address the intent of using this charge for outreach, education, and behavioral change, the ED Proposal errs in its characterization of the CforAT/Greenlining Proposal.

III. CONCLUSION

For the reasons set forth above, the ED Proposal’s discussion of the CforAT/Greenlining Proposal should be revisited in order to properly characterize the CforAT/Greenlining proposal to include a high-usage surcharge, in conjunction with an outreach and education program, to provide an explicit incentive for those customers who have extremely high usage levels to move toward conservation and efficiency. Without such a mechanism, the customers with the highest level of usage are likely to see the greatest reduction in their rates, which will reduce incentives for conservation and efficiency among those customers who consumer the most electricity. No other party offers any proposal to avoid this outcome, and the proposed high-usage surcharge set out by CforAT and Greenlining should be identified as an effort to address this issue.

Respectfully submitted,

January 31, 2014

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¹² CforAT/Greenlining Proposal at p. 54.