BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities.	Rulemaking 13-11-006 (Filed November 14, 2013)

COMMENTS OF THE CALIFORNIA FARM BUREAU FEDERATION ON ORDER INSTITUTING RULEMAKING TO DEVELOP A RISK-BASED DECISION-MAKING FRAMEWORK TO EVALUATE SAFETY AND RELIABILITY IMPROVEMENTS AND REVISE THE GENERAL RATE CASE PLAN FOR ENERGY UTILITIES

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I. INTRODUCTION

Pursuant to the schedule established in the Order Instituting Rulemaking, the California Farm Bureau Federation ("Farm Bureau")[1] submits its comments responsive to the scope of issues and questions raised in Sections 4.1 through 4.6 of the Rulemaking. Farm Bureau commends the Commission for instituting the Rulemaking. Although our focus in these comments is on the timing and the coverage of issues encompassed by the Rate Case Plan, the importance of the safety and reliability aspects of it is recognized and appreciated as well. The issues encompassed by regulatory proceedings have changed significantly since the last review of the Rate Case Plan, giving rise to a heightened need for assessment as to how changing regulatory proceedings affect general rate cases, which continue to be a major focus of the Commission.

The Farm Bureau represents a diverse membership throughout the State who operate in the service territories of most of the respondents to this proceeding, notably PacifiCorp, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company. The Rulemaking is timely, as our members have recently raised concerns about the ability to follow and respond to the frequent and sometimes substantial changes in utility rates that drive their operations. Thus, although the ability to participate, anticipate and respond to ongoing rate changes is the focus of our comments, Farm Bureau respects

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[1] The California Farm Bureau Federation is California's largest farm organization with approximately 78,000 agricultural and associate members in 53 county Farm Bureaus. California farmers and ranchers sell $44.7 billion in agricultural products annually, accounting for hundreds of thousands of jobs in California. Farm Bureau's members expect to pay in excess of $850 million for their electric service.

and appreciates the need for the Commission to augment its focus for safety and reliability. Perhaps no other customer group has as much experience on a day-to-day basis as do agricultural customers. As land-based businesses, farmers and ranchers sustain significant portions of the utility gas and electric infrastructure throughout the State from distribution and transmission lines that cross their property. Nevertheless, for the purpose of this proceeding, these comments focus on opportunities to better align rate proceedings with current realities of the rate changes faced by customers by responding to the points raised in Sections 4.3, 4.4 and 4.6 of the Rulemaking. Assessing impacts to customers has become increasingly important as they are expected more than ever to respond to the detailed rate design and changes resulting from the various rate cases.

II. TIMING OF THE GRC APPLICATIONS MUST TAKE INTO ACCOUNT IMPACTS TO RATEPAYERS (Sections 4.3 and 4.4)

A number of concepts are raised in the Rulemaking regarding how best to manage the general rate cases, as well as other intervening impacts. Farm Bureau urges the Commission to recognize the affect rate proceedings have on customers and the increasing difficulty they face in managing their operations to respond to electric costs. A longer period between GRCs, such as the four years suggested, is appropriate for consideration. A shorter period than the current three would create too many challenges for customers and interested parties alike.

For farmers and ranchers in California, like all business people, changes in electric rates are one of many inputs that must be accounted for in their operations. The more frequently rates change, the more time and attention that's required to assess whether changes should be made to operations to account for them. Because GRCs cover nearly all aspects of a utility's operations, they create significant cost implications. But they certainly are not the only cost drivers for utility rates. Ratepayers have seen rates driven recently by significant changes from ERRA costs, greenhouse gas emissions compliance requirements, plus the myriad accounts which are trued-up at the end of each year and resulting costs passed through to customers. Although the Rulemaking raises the concern that there might be increased pressure to allow various kinds of proceedings between rate cases,[2] the number of proceedings outside of GRCs that impact rates is already significant. A renewed focus on managing such other proceedings in a way that allows better transparency with rates should be considered along with changes to GRCs.

Because there are already interim cost drivers, a path toward lengthening the periods between GRCs may create some advantages. First of all, the current plan has become a bit off course, since SDG&E and SCE have been operating on a schedule where both have had their GRCs occur in the same year, which can create resource constraints. Secondly, GRCs are becoming larger and more complex, both with respect to Phase 1 and Phase 2. There are more parties interested and participating in the proceedings, which increases time required for litigation and/or settlement. Third, because of the increase in participants, the costs and resources required to effectively participate has increased as well. It would be a significant strain on parties to increase the frequency of a GRC, when at the same time other Commission proceedings resulting in both changes in policies and rates have increased.

[2] Rulemaking page 13.

III. REDUCING AND MANAGING COMPLEXITY OF RATE CHANGES FOR CUSTOMERS IS BECOMING INCREASINGLY IMPORTANT IN LIGHT OF THE EXPECTATIONS FOR CUSTOMERS TO MANAGE ENERGY USAGE (SECTION 4.6)

First and foremost, the rate proceedings should be managed in a manner which allows customers to adapt to the changes in rates which the decisions implement. Through the mandate for time variable pricing and other programs, customers are expected to manage their energy loads in response to increasingly detailed pricing structures. Even though the Commission is careful to facilitate transitions when significant changes are made to rates, such as to time variable pricing, it would also be appropriate to recognize the need to adapt to ongoing rate changes, particularly those resulting from GRC changes. Many agricultural customers have been on several different types of time variable pricing schedules for decades. However, with greater and greater specificity as to how costs are passed through in rates, an increasing level of attentiveness is required to fairly assess the bottom-line costs from changes in rates. Customers should be afforded a reasonable period after a decision is approved in order to incorporate the changes into their operations and make adjustments if necessary. One change that must be considered is the assumption that no additional notice to customers is required in advance of implementation of Phase 2 rates. Two examples highlight the need.

In 2013, the Commission's Decision in Phase 2 of Edison's General Rate Case was approved and then implemented within less than a month.[3] Contained in the decision is what appears to be standard language regarding the advice letter to be filed

[3] D.13-03-031, was adopted on March 21, 2013, published on April 2, 2013 and tariff sheets implementing the rates made effective as of April 1, 2013.

to implement the decision: "No additional customer notice need be provided pursuant to General Rule 4.2 of General Order 96-B for this advice letter filing."[4] A review of various Phase 2 decisions indicates that it has become standard not to make provision for notifying customers about changes that result from the Phase 2 decisions.[5] Such limited or non-existent opportunity for customers to be made aware of changes driven by the Phase 2 portion of GRCs deserves to be reconsidered. In the case of the Edison proceeding, structural changes in rates, as well as pricing levels from the Phase 2 decision, coupled with intervening changes from other proceedings, created significant impacts to customers' bills. In the SDG&E pending Phase 2 proceeding, the matter was submitted over a year ago making it very difficult for customers to plan for changing rates.

Even when notices do go out to customers about likely impacts from rate changes, such notices are typically presented in a very general manner, frequently presenting changes at only a customer group level. In the past, when anticipated increases were more evenly distributed among the three major elements of rates (generation, transmission and distribution), a broad approach may have been workable. However, for a variety of reasons, the way overall cost changes impact rate schedule components has become much harder for customers to decipher. Partly driven by greater complexity in rates and ratemaking, the time between when a request for rate change occurs (for which customers receive notice) and when the change is adopted has increased, potentially allowing for multiple interim rate changes. Once a decision is

[4] D.13-03-031, Ordering Paragraph 9.
[5] PG&E, D.11-12-053, Ordering Paragraph 4. A.11-10-002, the same language is also included in the proposed Phase 2 decision for SDG&E.

adopted, the cost implications from either decreases or increases will have changed from when the Phase 2 request was filed. Yet, like the Edison Phase 2 case, the assumption currently remains that no new information needs to be provided to customers as a result of the decision.

In light of the many efforts to encourage responses to sometimes complex price signals, customers need to be given time to respond when rate changes are implemented. Even when customers diligently pursue information about rate changes, the relatively unpredictable timing of rate changes can make it difficult for them to plan effectively. Building in time to update customers about the consequences of GRC decisions is particularly important for inclusion in the Rate Case Plan where pricing and structural changes are made to rates. How much time to respond should be discussed, but the assumption that no notice is required must be changed. Thus, not only is it important to consider the process to better assess the ability of the customers to participate in a proceeding, the process must be reconsidered to be able to inform customers about the impact from the outcome of the proceeding.

IV. CONCLUSION

The Rulemaking provides an excellent opportunity to examine the extensive changes that have taken place in utility ratemaking when the Rate Case Plan was last reviewed in 1989. Significant policy changes since 1989 have affected how rates are developed and delivered to customers. Processes for setting the rates and informing customers should be assessed to better align current practices with the needs of customers.

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Respectfully submitted,

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