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 UTILITY CONSUMERS' ACTION NETWORK (UCAN) TO THE SUPPLEMENTAL FILING OF SAN DIEGO GAS AND ELECTRIC (U920M) FOR PHASE 2 INTERIM RATE CHANGES

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INTRODUCTION

This present rulemaking has for sometime been examining the Investor Owned Utilities residential rate structures exploring rate design issues in order to ensure that rates are both equitable and affordable while meeting the Commission's rate policy objectives for the residential sector.[1] In October 2013 AB 327 was signed into law which made significant changes to the types of residential rate structures that are permitted. [2]

On October 25, 2013 President Peevey issued an Assigned Commissioner's Ruling (ACR) in this rulemaking opening a Phase 2 which invited the Utilities to submit an interim rate change application seeking rate redesign in conformity to the requirements on AB 327. On November 22, 2013 San Diego Gas and Electric submitted a supplemental filing seeking interim rate redesign. The ACR invited protests to such applications to be filed by December 23, 2013. UCAN now submits this protest.

[1] ACR pg 2
[2] ACR pg 3

SDG&E's supplemental filing seeks, among other things, to reduce their four tier rate structure to two tiers by increasing the rates of tier 1 to tier 2 levels and then consolidate tiers 3 and 4 while simultaneously reducing their rates. Unfortunately, SDG&E's proposal will likely result in rate shock and increase rates by an excessive amount, something the ACR hopes to avoid. SDG&E has proposed an interim rate that yields a significant increase to tier 1 customers now, with the knowledge that there are rate increasing coming in 2014. These rate increases will be allocated to the lower tiers first, unfairly and excessively burdening the small residential customer in the interim year, precisely what the ARC cautioned against.

If this interim rate redesign cannot be addressed over more than a single year, UCAN would propose either smaller changes to the existing rate structure or no rate redesign because of the pending rate increases.

SDG&E'S TWO TIERED RATE STRUCTURE WILL RESULT IN RATE SHOCK

In considering the implementation of AB327, the Commission authorized a new phase to this proceeding and stated that:

> Phase two of this proceeding was proposed as a way to 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.[3]

Yet despite this guidance as well as the guidelines also proposed in the ACR to not increase rates by an excessive amount, SDG&E proposes to increase tier 1 rates by 15.7% to tier 2 levels. Specifically, SDG&E has proposed a conversion from a four-tier to a two-tier residential rate all at once at the same time that a General Rate Case increase is pending. This significant step is ill-advised even without pending rate increases without comprehensive analysis of the bill impacts on small, medium and large customers in the various climate zones.

[3] ACR at pg 3

The proposed rate changes that are shown in the table below are from a bill insert SDG&E provided to customers detailing the effects of this application:

Usage Tier	Current Rate Cents/kWh	Proposed Rate Cents/kWh	c/kWh change	% change
Tier 1 Baseline 100%	14.764	17.077	2.313	15.7
Tier 2 101-130%	17.077	17.077	0.00	0.0
Tier 3 131-200%	34.590	29.131	(5.459)	-15.8
Tier 4 Over 200%	36.590	29.131	(7.459)	-20.4

SDG&E's witness, Chris Yunker describes the rate proposals SDG&E makes as modest in nature, designed primarily to provide interim rate relief to the upper tiers in advance of summer 2014.[4] With all due respect to Mr. Yunker a 15.7% increase in rates all at once, in addition to the rate increases coming as a result of SDG&E's general rate case, is not modest, it is rate shock. While providing rate relief to the upper tiers in advance of summer 2014 is understandable, having low volume users impacted by so much, so fast, with more rate increases on the way is not in keeping with the ACR's guidance of avoiding rate shock by increasing rates an excessive amount.

SDG&E witness Cynthia Fang notes that SDG&E presently has a 4 tiered rate structure, with a 2 cent differential between tiers 3 and 4 and slightly over two cent differential between tiers 1 and 2. Because of the small rate disparities between tiers 1 and 2, and between 3 and 4 she concludes SDG&E effectively has a 2 tiered rate structure. She also notes that the ACR stated that Residential rate structures are only required to have two tiers,[5] and she notes that SDG&E has asked in A.11-10-002 for permission to combine tiers 3 and 4, and that decision is

[4] Direct Testimony of Chris Yunker at pg 4.
[5] Direct Testimony of Cynthia Fang at pg 2

still pending.[6] UCAN would like to point out that while the ACR notes that residential rate structures are only required to have 2 tiers, the ACR does not mandate 2 tiers.

While having only 2 tiers appears to offer simplicity in rate design, moving from a four tiered structure to a two tiered structure reduces the ability to mitigate rate shock. The ACR is trying to accomplish the goal of preventing further disparity in lower and upper tiered rates that result from increased revenue requirements, and states in guideline #1 that these increased revenues should be applied to the lower tiers first.

There is plenty of pending rate increase coming in 2014 that the ruling requires be allocated more to the lower tiers. This should be sufficient to move tier 1 and 2 closer together and both the higher tiers (3 and 4) and the lower tiers (1 and 2) closer to each other enough so that the eventual transition to a two–tiered rate structure will be a gradual step. It is simply not a gradual move now to combine tiers, and absorb the rate increases without rate shock.

It is easier to mitigate rate impacts using four tiers instead of just two since you can spread the revenue allocation among the four tiers to avoid undue hardship on small and medium sized customers. When you only have two tiers, the burden of putting the increases entirely in the single tier is much more impactful, and the rate impacts will be much harder to keep gradual as desired by the ACR. Keeping four tiers for now and gradually moving the rates between tiers closer together is precisely the gradual move that makes sense. Following that gradual interim rate strategy using pending rate increases first and restructuring from four tiers to two tiers later is less burdensome to ratepayers. It will be an easy and gradual final step to combine the tiers once they are much closer in price.

In SDG&E's filing, they show the residential rate increases for the class with and without pending rate increases combined with the tier changes which are shown in the table below:

Residential Class	Current Total Rate Cents/kWh	Proposed Total Rate Cents/kWh	Total Rate Change Cents/kwh	Total Percent Chg %
Tier Change Only (Revenue	20.599	20.165	(0.433)	-2.10%

[6] Direct Testimony of Cynthia Fang at pg 11

Neutral)				
2014 Projected Revenue Increase		23.108	2.509	12.18%
Supplemental Filing with SB 695 and GRC Phase 2		22.114	1.515	7.36%

It should be obvious that if the average for the residential class is 7-12 percent, then individuals and groups within the class would see increases well above and below that average.

As the ACR noted (AB) 1X which capped residential rates was enacted in 2001. Tier 1 and 2 rates have been out of cost of service balance for more than a decade. It would be unrealistic and burdensome to expect overnight restoration of the true costs of service to be reflected in tiers 1 and 2 rates; it should be a gradual process, and that takes time and consideration. Restoration of cost of service pricing will take time since it took a decade to diverge from it.

NO CHANGES SHOULD BE MADE TO SDG&E'S RATE STRUCTURE UNTIL THE RESULTS OF A.11-10-002 ARE KNOWN.

Throughout their filing SDG&E notes that they are waiting for the results in its pending GRC Phase 2 proceeding. For example, SDG&E notes that their proposal for tier 3 and 4 consolidation was requested in that proceeding and they are awaiting a decision. Other intervenors have also noted that the GRC Phase 2 decision is pending for SDG&E by noting that:

> . . . any interim rate changes must, by necessity, be submitted only after a final decision on that very relevant case. SDCAN is particularly concerned that SDG&E may seek interim rate changes to a case that continues to be under submission, thus requiring re-litigation of matters still under submission in a separate case." [7]

[7] Comments of San Diego Consumers' Action Network on ACR dated November 8, 2013 at pg 3.

UCAN agrees that the results of A.11-10-002 are of fundamental importance to this proposal from SDG&E, and the Commission would be well served to wait for that expected decision.

CONCLUSION

For the foregoing reasons, if this interim rate redesign cannot be addressed over more than a single year, UCAN would propose either smaller changes to the existing rate structure or no rate redesign because of the pending rate increases.

Respectfully submitted,

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