

**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 1)

**PREHEARING CONFERENCE STATEMENT OF
PACIFIC GAS AND ELECTRIC COMPANY (PHASE 1)**

CHRISTOPHER J. WARNER
GAIL L. SLOCUM

Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-6695
Facsimile: (415) 973-0516
E-Mail: CJW5@pge.com

Dated: March 10, 2014

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

I. INTRODUCTION

Pursuant to the February 13, 2014, “Assigned Commissioner’s Ruling Requiring Utilities to Submit Phase 1 Rate Change Proposals” (ACR), Pacific Gas and Electric Company (PG&E) provides its prehearing conference statement making recommendations regarding the procedural, factual and legal issues to be addressed in this Phase 1 rate design reform proceeding.

As discussed in more detail below, PG&E generally supports the proposed procedural schedule identified in the ACR, and intends to engage interested parties in settlement discussions in order to seek to narrow the potential contested issues in the proceeding. In addition, given the extensive record that already exists in the proceeding and the requirements of AB 327 on how to apply the Commission’s rate design principles in this proceeding, PG&E expects that the factual issues necessary for evidentiary hearings can be narrowed, and that policy and legal issues can be addressed through briefs.

II. THE SCOPE OF FACTUAL AND LEGAL ISSUES NEEDED TO BE DECIDED IN THIS PROCEEDING IS NARROW

The factual and legal issues in this proceeding are fairly narrow. AB 327 already has established specific legal criteria for approval of the rate design reforms proposed in the proceeding. In addition, the bill and rate impacts of the proposals are largely arithmetic and objectively derived based on inputs such as revenue scenarios recommended by the ACR, and thus not subject to significant factual dispute as to accuracy of the underlying facts. While resolution of certain policy issues will be informed by the underlying facts, the facts themselves are likely to be derived from models or external sources that are subject to limited dispute. Thus, PG&E would expect that the scope of evidentiary hearings would be limited to testing the accuracy of the parties’ uses of external data as well as their arithmetic calculations of bill and rate impacts and other modeling results, using the scenarios of revenue changes through the

2015- 2018 transition period.

Legal issues regarding compliance with the Commission’s rate design principles and the statutory criteria of AB 327 would be subject to briefs. In addition, policy issues regarding whether a particular rate design proposal is “reasonable” under the AB 327 statutory criteria and the Commission’s rate design principles also could be the subject of briefs and post-hearing comments based on the factual record.

Examples of these mixed legal and policy “reasonableness” issues that could be the subject of post-hearing briefs and comments would include:

- 1) Whether the rate change proposals are “reasonable” and subject to a “reasonable phase-in schedule” pursuant to Public Utilities Code Section 739.9(b);
- 2) Whether any fixed charge proposals collect a “reasonable portion of the fixed costs of providing electric service to residential customers” and do not “unreasonably impair incentives for conservation and energy efficiency” pursuant to Public Utilities Code Section 739.9(e);
- 3) Whether the differentials between residential rate tiers “avoid excessive rate increases for residential customers, and...establish an appropriate gradual differential between the rates for the respective blocks of usage” pursuant to Public Utilities Code Section 739.1(d)(1);
- 4) Whether the reduction in the level of the average effective CARE discount required by AB 327 is a reasonable percentage annual decrease pursuant to Public Utilities Code Section 739.1(c)(2);
- 5) Whether the level of the CARE discount correctly reflects the level of need pursuant to Public Utilities Code Section 739.1(b)(2); and
- 6) Whether the Commission should require utilities to employ default time-of-use pricing beginning January 1, 2018, and, if so, whether the default time-of-use pricing complies with the statutory criteria for such default pricing pursuant to Public Utilities Code Section 745(c).

As the ACR also points out, there are certain rate design-related issues that can and should be excluded from the scope of this Phase 1 proceeding, in order to provide for efficient and expedited consideration of the primary rate design reform proposals.

Among the excluded issues are:

- 1) Issues related to the design of the CARE program;
- 2) Issues related to the rates and tariffs applicable to eligible customer generators for net energy metering pursuant to Public Utilities Code Section 2827.1 enacted by AB 327;
- 3) Issues related to the rate design for the return of greenhouse gas allowance revenues allocated to utilities for the benefit of customers pursuant to Assembly Bill (AB) 32 and addressed in R.11-03-012 and D.12-12-033;
- 4) Issues related to electric rate design or tariffs that are not within the scope of the rate change proposals in this proceeding;^{1/} and
- 5) Utility revenue requirement changes pending in other Commission proceedings.

PG&E recommends that scoping memo issued subsequent to the prehearing conference adopt this outline of the scope of this Phase 1 proceeding.

III. PG&E WILL RESPOND TO DISCOVERY REQUESTS BEGINNING IMMEDIATELY, AND WILL ENGAGE PARTIES IN SETTLEMENT DISCUSSIONS

As is typical in rate design proceedings, PG&E will respond as promptly as possible to the discovery requests it receives. In addition, PG&E is open to discussions with interested parties on settlement or stipulations to resolve any of the potentially contested issues in this proceeding. No change to the preliminary procedural schedule is necessary to accommodate discovery or potential settlement discussions.

^{1/} As identified in PG&E's inventory of related, pending rate design proceedings submitted on February 14, 2014, only a small number of related residential electric rate design issues from other PG&E electric rate design proceedings need to be included within the scope of this Phase 1 proceeding.

IV. NEED FOR EVIDENTIARY HEARINGS

At this time, PG&E is unable to determine whether evidentiary hearings will be required or, if so, how many days and the scope of such hearings. After intervenors serve their testimony, if any, on May 16, 2014, PG&E will be able to better assess the need for evidentiary hearings and the scope and length of any such hearings.

V. PROCEDURAL SCHEDULE

PG&E supports the procedural schedule proposed in the ACR, except that the date for rebuttal testimony should be extended from May 30, 2014, to June 6, 2014, in order to allow sufficient time for parties to address and respond to what could be multiple numbers of intervenor testimony. The remainder of the procedural schedule would not need to be changed to accommodate this nominal extension of time.

VI. CONCLUSION

PG&E appreciates the diligence and cooperation of the Assigned Commissioner, ALJs, Commission staff, and interested parties in moving this important proceeding forward so that the Commission may consider issuing a decision by the end of December, 2014 implementing these Phase 1, post-2014 rate design reforms, as authorized by AB 327.

Respectfully Submitted,

CHRISTOPHER J. WARNER

By: /s/ Christopher J. Warner

CHRISTOPHER J. WARNER

Pacific Gas and Electric Company

77 Beale Street

San Francisco, CA 94105

Telephone: (415) 973-6695

Facsimile: (415) 973-0516

E-Mail: CJW5@pge.com

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