

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)

**PREHEARING CONFERENCE STATEMENT OF THE GREENLINING
INSTITUTE AND THE CENTER FOR ACCESSIBLE TECHNOLOGY**

**CENTER FOR ACCESSIBLE
TECHNOLOGY**
MELISSA W. KASNITZ
STAFF COUNSEL
3075 ADELIN STREET, SUITE 220
BERKELEY, CA 94703
510/841-3224
service@cforat.org

THE GREENLINING INSTITUTE
ENRIQUE GALLARDO
LEGAL COUNSEL
1918 UNIVERSITY AVE
BERKELEY, CA 94704
510/926-4001
enriqueg@greenlining.org

March 10, 2014

I. INTRODUCTION

In accordance with the Assigned Commissioner’s Ruling Requiring Utilities to Submit Phase 1 Rate Change Proposals (“Phase 1 ACR”), directing the three major electric utilities in California (Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE)) to file rate change proposals for post-2014 residential rates, which was issued on February 13, 2014, the Center for Accessible Technology (CforAT) and the Greenlining Institute (Greenlining) timely file this Prehearing Conference Statement. In particular, CforAT and Greenlining make recommendations regarding the scope and the schedule for this phase of the proceeding intended to ensure that due consideration is given on a policy level to the future best option for future rate structure, without limiting the review to the proposals issued by the utilities.

This proceeding was originally opened as a Rulemaking intended to “ensure for the foreseeable future that rates are both equitable and affordable while meeting the Commission’s rate and policy objectives for the residential sector.”¹ Parties and the Commission put substantial time and effort into setting forth the various goals and elements for consideration in restructuring the overall design of residential rates,² and parties were invited to put forth rate proposals to design rates, in keeping with the principles of rate design, but unrestricted by then-effective statutes, with creative ideas encouraged.³

¹ See Order Instituting Rulemaking 12-06-013, p. 1.

² This culminated in a list of Principles for Rate Design, which was included in a Ruling Requesting Residential Rate Design Proposals, issued on March 19.

³ Proposals were submitted by numerous parties including CforAT and Greenlining on May 29, 2013.

Since the proposals were submitted, legislation (AB 327) was adopted eliminating some restrictions for residential rate design in California. This proceeding has been reclassified from “Quasi-legislative” to “Ratesetting,” with a new emphasis on setting actual rates for the various IOUs. However, despite this shift, it is vital to retain a forum for considering all rate design options. The recently-passed legislation, AB 327,⁴ did not set a definitive structure for residential rates. Rather, it enlarged the Commission’s discretion to set rates within broad parameters. Generally, all options that have been advanced by the parties through their rate design proposals still fit within the broad parameters of AB 327 and the various principles of rate design, and should be given consideration. In particular, all of the proposals should be evaluated based on how they advance all of the competing goals and principles of rate design, not just those highlighted by the IOUs.

I. SCOPE

A. The Policymaking Considerations of All Rate Design Proposals Should Be Considered.

Notwithstanding the initial scope of this proceeding, recent developments have blurred the distinction between efforts to set a new optimal framework for rate design and a more standard process to set actual rates for each utility. This proceeding was intended to explore “improved residential rate design structure in order to ensure that rates are both equitable and affordable, while meeting the Commission’s rate and policy objectives for the residential sector.”⁵ Yet the scope of Phase 1 was subsequently restated as instituting an already defined outcome:

⁴ AB 327 was signed into law on October 7, 2013.

⁵ Phase 1ACR at p. 2 (citing OIR at p. 1).

With the passage of AB 327, the Commission and the utilities now have the flexibility to implement default TOU residential rates starting in 2018. They also have the flexibility to make immediate changes to the existing tier system and to propose new fixed charges or bill minimums. Passage of AB 327 demonstrates the legislature's desire to lift constraints on residential rate design and move toward rates that are more closely aligned with costs.⁶

More directly, the scope of Phase 1 was shifted "from optimal hypothetical rate design proposals for the future to actual rate design proposals for the post-2014 period."⁷

While some movement toward actual ratesetting may make sense, the shift from policymaking to ratesetting risks excluding proposals that are not presented by the utilities in their Applications. The shift from policymaking to ratemaking also will likely set a rate design framework by default rather than through thorough analysis and active consideration. As noted in CforAT and Greenlining's Motion to Strike portions of this ruling, this shift, as articulated by the Amended Scoping Memo, risks prejudging the outcome of the proceeding and favoring certain rate design changes to the exclusion of other identified policy goals that must be considered through this process.

The shift risks changing the nature of this proceeding from one that considers all proposal on the table, including novel elements put forward by interested parties, toward a more standard application process, in which the utilities make proposals to which other parties respond, and the overall structure of the proceeding considers whether or not to adopt the utility proposals. Here, all parties' positions (as set out in their various rate proposals filed on May 29, 2013) should be on the table. The proposals may require very slight modifications to fit within the new Commission authority provided by AB 327, but

⁶ Amended Scoping Memo and Ruling of Assigned Commissioner ("Amended Scoping Memo"), filed Jan. 6, 2014, p. 6.

⁷ Id.

this is likely to be minimal as the new statute gives the Commission more, not less, discretion to shape a framework for residential rates.

B. Affordability of Essential Uses Must Be Examined.

Pub. Util. Code § 382(b) establishes that essential electricity use should be affordable. Thus, this rulemaking should examine whether the various rate proposals, including those provided by both utilities and intervenors, provide for affordable rates for essential electricity use.

C. The Impact of Customer Charges on Affordability.

The rulemaking should examine the impact of customer charges on affordability of essential electricity usage. The rulemaking should examine if minimum bills would guarantee collection of fixed costs, but not adversely impact affordability.

D. Whether Default Time of Use Rates Should Be Instituted.

The Energy Division Staff Proposal proposes that time of use (TOU) rates should be a default for most residential customers beginning in 2018. This proposal should be examined. Included in this examination is the impact of TOU rates on affordability of essential electricity usage.

E. Number of Tiers and Tier Differential.

The rulemaking should analyze the impact of rate design on affordability of essential energy usage. The rulemaking should examine what would be the optimal rate design in regards to the number of tiers, the size of the tiers, and the tier differentials, in regards to affordability of essential energy usage.

F. Affordability for Moderate Income Large Families.

The rulemaking should examine the various proposed rate designs in regards to affordability for customers whose large household size drives certain usage patterns. The rulemaking should ensure that the Family Electric Rate Alternative (FERA) program still provides affordability assistance to customers even if the rate design has changed.

G. Impact on Conservation and Energy Efficiency.

The rulemaking should examine the impacts of the various rate design proposals on conservation and energy efficiency.

There are likely other issues in the scope of the proceeding that will be revealed in the future.

III. PROPOSED SCHEDULE

CforAT and Greenlining propose that the proceeding must analyze the policy-oriented aspect of considerations of optimal rate design (and to consider all of the principles of rate design, as set forth in the Ruling Requesting Residential Rate Design Proposals issued on March 19, 2013. However, policy recommendations should not be rushed or finalized without ample consideration.

Thus, there should be no great urgency to consider further changes in rate design. Phase 2 of this proceeding will likely result in fairly significant changes in rate design for the summer of 2014. Further changes to rate design should not occur until the summer of 2015. Thus, rates for 2015 should be targeted for the summer of 2015. Although this still results in an ambitious schedule, it allows greater consideration of policy matters than would be possible if the Commission were to seek to make changes in advance of January 1, 2015.

Moreover, it would be incredibly difficult to try to consider rate changes for 2015, 2016, 2017 and 2018 concurrently. Rate changes for future years should not be rushed into a contracted schedule. Rate changes for future years should be considered in a separate Phase of this proceeding.

Greenlining/CforAT propose the following schedule to consider policy issues and 2015 rates, with a decision by summer of 2015. Rate changes for subsequent years should proceed on a different track.

Schedule for Policymaking Issues and 2015 Rates

Event	Phase 1 ACR Proposed Dates	Greenlining/CforAT Proposed Dates
Phase 1 Scoping Memo Issued	March 31, 2014	March 31, 2014
Supplemental Utility Testimony served (if necessary)	April 11, 2014	
ORA/Intervenors Testimony served	May 16, 2014	July 2014
Rebuttal Testimony served	May 30, 2014	August 2014
Evidentiary Hearings held	June/July 2014. Actual dates and number of days to be determined after PHC.	October 2014. Actual dates and number of days to be determined after PHC
Opening Briefs filed	August 15, 2014	December 2014
Reply Briefs filed	August 29, 2014	January 2015
Proposed Decision Issued	October 21, 2014	March 2015
Rates become effective	---	Summer 2015

IV. OTHER PROCEDURAL ISSUES

A. Need for Evidentiary Hearings

Evidentiary hearings are needed in this proceeding. As Greenlining/CforAT propose that policymaking issues.

B. Need for Corrections in the ED Proposal.

On January 6, 2014, the Energy Division released a Staff Proposal for Residential Rate Reform (ED Proposal), which was intended to make recommendations regarding an

optimal residential rate structure that would comply with the framework set out in AB 327 and as a tool for evaluating residential rate design proposals. The ED Proposal purported to summarize and synthesize other parties' proposals, as submitted earlier in the proceeding. Parties were given an opportunity to identify errors in the ED Proposal, including any mischaracterizations of a party position. On January 20, 2014, CforAT and Greenlining filed corrections regarding the ED Proposal's mischaracterization of their high-usage surcharge proposal. Because the original ED Proposal mischaracterized CforAT and Greenlining's proposal, as noted in the proposed corrections, ED should issue a revised proposal as contemplated in the Amended Scoping Memo.⁸

Respectfully submitted,

Dated: March 10, 2014

/s/ Enrique Gallardo
Enrique Gallardo
Legal Counsel
The Greenlining Institute
1918 University Avenue, Second Floor
Berkeley, CA 94704
Telephone: 510 926 4000
enriqueg@greenlining.org

/s/ Melissa Kasnitz
Melissa Kasnitz
Legal Counsel
Center for Accessible Technology
3075 Adeline, Suite 220
Berkeley, CA 94703
Telephone: 510 841 3224
service@cforat.org

⁸ See Amended Scoping Memo, p. 5.