

**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)

**PRE-HEARING STATEMENT OF THE  
CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION**

Brad Heavner  
Policy Director  
California Solar Energy Industries Assoc.  
555 5<sup>th</sup> St. #300-S  
Santa Rosa, California 95401  
Telephone: (415) 325-2683  
Email: brad@calseia.org

March 10, 2014

꺆꺆꺆

꺆꺆꺆

**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)

**PRE-HEARING STATEMENT OF THE  
CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION**

**INTRODUCTION**

Pursuant to the Assigned Commissioner's Ruling issued on February 13, 2014, the California Solar Energy Industries Association (CALSEIA) hereby submits this pre-hearing conference (PHC) statement on the proposals from investor-owned utilities (IOUs) for changes to residential rates in the 2015-2018 time period.

CALSEIA is concerned that multiple state policy objectives are not being adequately balanced in these proposals. Making rates more closely match the cost of service is one important policy objective, but it should be balanced with the objectives of creating an electricity system that is not strained by excessive growth and the need to reduce the negative impacts of electricity consumption. There has recently been a philosophical embrace of cost-based rates that is so strong that it could prevent the state from being able to use rate structure to encourage positive outcomes in the evolution of our electricity system.

꺆꺆꺆

꺆꺆꺆

# 1. FACTUAL AND LEGAL ISSUES

## Tiers

AB 327 requires residential rates to maintain a tiered structure.<sup>1</sup> The inclusion of this provision demonstrates the intent from the Legislature that rate structure should continue to provide price signals to influence ratepayers to reduce the amount of electricity they require from the grid. A two-tiered system with only a 20% differential between the tiers does not achieve this. It is effectively a flat rate structure.

This proceeding will need to explore what is the appropriate number of tiers and differential between the tiers. CALSEIA believes a three-tiered structure with a 2-1 differential between the top and bottom tiers is appropriate. A two-tiered structure with a small differential was the system of the 1980s and is not the right system to address the challenges of today. When the number of tiers was expanded from two to five, the differential was set at 2-1.<sup>2</sup> Since the AB 1X rate caps have caused that differential to increase, and since AB 327 removed those caps, the state can now return to that differential. To mitigate disruptive impacts rate reform may have on the market, however, the pace at which we move from current rate structures to a substantially reformed rate design needs to be carefully considered.

## Time of Use Rates

Since serving peak load involves statewide strategies in addition to local strategies, we agree that this proceeding should include consideration of the time periods for time of use rates. It is not clear at this point, however, whether a final decision on time periods for each IOU should be made in this proceeding or if a decision in this

<sup>1</sup> [www.energy.ca.gov/2015/05/05\\_064.htm#35](#)

<sup>2</sup> [www.energy.ca.gov/2015/05/064.htm#35](#)

proceeding should include general recommendations for time periods, with specific time periods for each IOU later decided in general rate cases.

It must be made clear that actual load still peaks during mid-day hours and is projected to do so well into the future. The output of renewable energy systems on the grid is an important component of satisfying that load. Data showing net load, subtracting generation from wind and solar, can mistakenly lead to the impression that it is no longer necessary to encourage distributed generation to feed the grid during mid-day hours.

It is also important to include a baseline credit within time of use rates. ORA in its protest highlighted language from AB 327 indicating that it is a legal requirement that time of use rates contain tiers. We will need legal clarification on that question. Even if that is not true, tiers in time of use rates are still needed for the same reasons that support their importance in block rates.

**Fixed charge**

The majority of utility costs, including costs for grid construction and repair, have traditionally and justifiably been covered by volumetric rates. This is reasonable since the entities that make greater use of the grid should pay proportionally more to maintain it. Utilities should not be allowed to move volumetrically driven expenses into a category of fixed costs. Not only is this an unfair burden on judicious users of power, but it creates an unwise weakening of the incentive to conserve energy and reduce greenhouse gas production, which is well recognized as an overarching statewide imperative.

**Baseline**

Utilities are proposing to reduce baseline to the statutory minimum of 50% of average use. As stated previously, CALSEIA recommends a three-tiered rate structure, and in a structure with three tiers a reduced baseline may be reasonable. However, if the

Commission accepts the IOU proposals for a two-tiered rate structure the baseline should be higher. Since low rates have traditionally been available up to 130% of baseline, the baseline in a structure with two tiers should be set at a higher percentage of average use.

## **2. SETTLEMENT DISCUSSIONS**

CALSEIA is always willing to make good faith efforts to achieve consensus. It should be attempted in this proceeding, although we should be mindful that the scope is vast.

## **3. DISCOVERY**

Data on many facets of these proposals will need to be generated and analyzed. The IOUs have presented illustrative rates under their proposed rate structure, but in order to evaluate other rate structures we will need illustrative rates for other scenarios. Load data showing system peak times will need to be produced, along with any predictions of future load curves that may be relevant to the proceeding. It is likely those predictions will need to be run several times using different assumptions.

## **4. HEARINGS**

It is highly likely that disputes will not be settled by consensus and evidentiary hearings will be necessary. In addition to the issues highlighted above, all of the questions posed in the Assigned Commissioner's Ruling will need to be fully probed. The responses to these questions in the utility proposals are surprisingly brief, and cross-examination will almost certainly be necessary to uncover complete answers.

CALSEIA will be most interested in investigating questions 21-23 on distributed generation and net metering, recognizing that rate structure is inextricable from net metering. We will also be highly interested in the answers to question 4 on tiered rates, questions 5-10 and 25-30 on time variant rates, questions 11-13 on fixed charges and

minimum bills, questions 17-18 on greenhouse gas costs, the demand response portion of question 19, and question 24 on storage.

In this proceeding, CALSEIA will also seek to present information on the impacts of rate changes on clean energy adoption. This will include both quantitative evidence on rates of return and anecdotal evidence on customer motivations.

## **5. PROCEDURAL SCHEDULE**

It will be a challenge to complete discovery and prepare testimony on the schedule proposed in the ACR. Since speedy resolution is important in order to remove uncertainty and prepare the way to consider the net metering successor tariff under AB 327, however, CALSEIA is willing to stick with this schedule.

## **6. CONCLUSION**

CALSEIA respectfully requests that the Commission schedule evidentiary hearings and consider the issues noted.

Respectfully submitted this March 10, 2014 at Santa Rosa, California.

By:  /s/ Brad Heavner  
Brad Heavner

Brad Heavner  
Policy Director  
California Solar Energy Industries Association  
555 5<sup>th</sup> St. #300-S  
Santa Rosa, California 95401  
Telephone: (415) 328-2683  
Email: brad@calseia.org