

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)

**COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES
ON PHASE I RATE ELEMENT INVENTORY**

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I. INTRODUCTION

On March 10, 2014, the Assigned Commissioner issued a ruling asking parties to comment on the Investor Owned Utilities' (IOUs') Rate Element Inventory, which was attached to the ruling. Pursuant to the direction sets forth by this Assigned Commissioner's Ruling (ACR), the Office of Ratepayer Advocates (ORA) hereby submits these comments, and a Rae Element Inventory¹.

II. DISCUSSION

The ACR explains that the purpose of the Rate Element Inventory is as follows:

- 1) Ensure that the same issue is not litigated in multiple proceedings;
- 2) Ensure that rate cases addressing similar issues are not in conflict;
- 3) Assist in planning future phases of this proceeding or new proceedings;
- 4) Minimize the number of proceedings in which an issue is addressed so that intervenors can appropriately allocate their resources; and
- 5) Promote fair and efficient resolution of rate issues.

ORA appreciates that the Assigned Commissioner, the ALJs, and the Energy Division (ED) staff is making an effort to coordinate similar rate issues in multiple proceedings. ORA agrees with the above-mentioned goals in the ACR and will comment on how ORA's suggested changes meet those objectives.

The ACR asks that all parties, including the utilities, provide comments on the Rate Element Inventory by addressing the following areas:

- 1) Any rate element that should be added to the list;
- 2) Any changes necessary to the assigned proceeding, and why; and
- 3) Any language that should be changed for clarity.

ORA provides comments only on the second item listed above, which is to address any changes necessary to the assigned proceeding. ORA also makes its suggested

¹ See Attachment A.

changes by annotating the ACR's Attachment A. ORA reserves the opportunity to respond to other parties' comments regarding items 1 and 3 above.

A. Bifurcate Rate Design for Year 2015 and 2016 through 2018 into Separate Phases

As ORA mentioned in its March 10, 2014 Prehearing Conference (PHC) Statement, the Commission should further bifurcate residential rate design OIR (RROIR) Phase 1 issues into two phases. Phase 1 should focus on setting both default tiered rates as well as optional TOU rates for 2015, while Phase 3 would address the policy issues for setting both tiered and TOU rates for years 2016 through 2018. Parties should be free to provide rules for how rates would change in those years given different increases in the residential revenue requirement. The two phases should have different schedules with the schedule addressing future rate design policy issues lagged relative to the schedule for 2015 ratesetting.

The February 13, 2014 ACR, directing utilities to submit Phase 1 Rate Change Proposals for the period beginning January 1, 2015, states:

All proposed 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. (California Public Utilities Code Sections 739.9(b); 739(d)(1); 739(e)(3)). In addition, if an electrical corporation provides an average effective CARE discount in excess of the 30-35% maximum, such discount must not be changed by more than a reasonable percentage each year. (Section 739.1(c)(2).)

There are many uncertainties that may impact how the IOUs transition toward optional two-tiered and default TOU rates so that the changes are gradual, will not unreasonably impair incentives for conservation and energy efficiency, and will not overburden low income customers. For instance, if the IOUs' revenue requirements increase by significantly more than the cost of living index, the Commission may have to slow down the progress toward a two-tiered rate and default TOU rates. This was the

situation that parties faced when they were asked to develop rates for summer 2014. The Assigned Commissioner ended up having to direct the IOUs to maintain their four-tier rate structures due to the significant revenue increases expected in 2014. To address issues covering years 2015 through 2018 in one phase will not allow parties and the Commission adequate time to address all crucial elements. When setting 2014 summer rates, the Assigned Commissioner and the ALJs had to provide additional guidance to significantly limit the scope of issues. Even with additional guidance and encouragement of settlement, it took four months for some parties to reach settlement. ORA and TURN have continued to discuss with SDG&E the possibility of settling the case even after ORA and TURN filed their testimony on March 5, 2014. It is expected that even more resources and time will be required to develop 2015 rates because there are many complicated issues being raised such as:

- Should the utilities transition to three or two-tiered rates in 2015?
- How should the tier differentials be set?
- Should there be fixed charges or minimum bills?
- What optional tiered or non-tiered TOU rate should be offered?
- Should TOU periods be changed?
- How should GHG costs be incorporated into rates?

It is appropriate to focus on setting rates for 2015 so that the Commission can provide ample attention to all these important issues. ORA requests that the Commission extend the current Phase 1 schedule by moving ORA/Intervenors testimony due day to mid July 2014 for setting 2015 rates. As ORA mentioned in the last PHC, there is no urgent need to implement new rates on January 1, 2015 since the Commission is just about to set rates for the summer of 2014.

Furthermore, it is very likely that the Commission still will have to assess the IOUs' rates each year for the period between 2016 and 2018 based on both the IOUs' operation and market conditions at that time. Developing tiered and TOU rates for 2015 alone is equivalent to processing three rate design window proceedings simultaneously. To also develop rates for 2016 to 2018 at this time is an extra burden on the parties. In

addition, it is work that will have to be duplicated later on. If the Commission agrees with this concept to bifurcate the proceeding, the Assigned Commission and/or the ALJs can direct the IOUs to confer with the parties to present a schedule for Phase 3 and report back to the Commission.

B. Reduce Rate Design Cases in 2014

ORA recommends that IOUs' 2014 RDWs be consolidated into either RROIR Phase 1 (or into a Phase 3) or into the GRC Phase 2 proceedings.

Currently, the Commission, ED staff, ORA, and other intervenors are facing the challenges of having to deal with the following rate design cases this year:

- 1) RROIR Phase 1 (R.12-06-013)
- 2) RROIR Phase 2 (2014 summer rates with hearing dates expected on March 24-26, 2014) (R.12-06-013)
- 3) PG&E GRC Phase 2 (A.13-04-013): Parties are engaging in settlement talks on marginal costs, revenue allocation, master meter discount. Other items that are candidates on the list: EV rate design, existing opt-in TOU rate changes.)
- 4) SDG&E RDW (A.14-01-027): PHC is just established for April 2, 2014.
- 5) SCE RDW (A.13-12-015): PHC was held but schedule has not been set.
- 6) SCE 2015 GRC Phase 2: Application expected June 2014.
- 7) PG&E Peak Time Rebate (A.10-02-028): PG&E and ORA filed joint motion to withdraw the case, but it is not clear what the Commission's direction will be. If the Commission decides to move forward, this is another case to be dealt with.

ORA, which has a few more resources than other intervenors, has only four to five analysts on a full time basis. It is impossible to fully participate in all the above-mentioned cases and provide rigorous analysis to assist the Commission in making informed decision-making.

It is essential that the Commission prioritize the issues and decide which ones are more important to address. In general, ORA recommends dismissing the RDW

proceedings and consolidating the rate design issues into the utilities' GRC Phase 2 proceedings or into RROIR Phase 1 or 3.

Further, there is a significant overlap among the RROIR Phase 1 and SCE and SDG&E's RDW cases, especially regarding time of use periods and optional TOU rates. For example, the new optional TOU rates being designed in the RROIR Phase 1 are targeted for implementation on January 1, 2015, the same date that the TOU rate schedules in SDG&E's RDW proceeding would be implemented. It seems duplicative to be doing rate design in two different proceedings where the rates in one are dependent on decisions made in the other proceeding and vice versa. SDG&E's RDW testimony recognizes these interdependencies:

Since the overall structure of residential rates under AB 327 is still to be addressed before the Commission in the Residential Rate OIR, the residential rates presented in this RDW Application continue to reflect the current effective structure, which still reflects the SB 695 legislative constraints. Upon resolution and final adoption of new residential rate structures in the Residential Rate OIR, SDG&E will update rates in this proceeding to reflect such decisions.

When a similar problem arose in the PG&E GRC Phase 2 (A.13-04-012), ALJ Long suspended most of the residential rate design work in the GRC and deferred it to the RROIR, which mitigated the need for parties to address the same issues in two proceedings. All the parties as well as the Commission have limited resources. It is essential that the Commission provide guidance to reduce duplication of efforts by consolidating similar issues into one proceeding. In this case, ORA recommends that the TOU issues be consolidated into RROIR Phase 1.

III. RECOMMENDATIONS

ORA recommends that the Commission:

- 1) Bifurcate current RROIR Phase 1 into two Phases, one to set 2015 rates (Phase 1) and a lagged Phase 3 to address rates for future years.

- 2) Dismiss SCE and SDG&E's RDWs and, if necessary, move the issues into RROIR Phase 1 (or into Phase 3 if the Commission adopts ORA's bifurcation recommendation).
- 3) Adopt ORA's suggested changes in Attachment A.

Respectfully submitted,

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