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)

REPLY BRIEF
OF THE OFFICE OF RATEPAYER ADVOCATES

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April 16, 2014

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I. INTRODUCTION

Pursuant to Rule 13.11 of the Commission's Rules of Practice and Procedure and to the Administrative Law Judge's (ALJ) March 26, 2014 e-mail ruling, the Office of Ratepayer Advocates (ORA) hereby submits its reply brief in this proceeding. This reply brief addresses arguments on the climate credit and affordability raised in other parties' opening briefs.

II. CLIMATE CREDIT

A. The IOUs Erroneously Claim that the Climate Credit is Part of the Electric Usage Billed Revenues.

The IOUs state that P.U. Code Section 739.1 (c)(1) language requires that the average effective CARE discount "shall be not less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers." They assert that the aforementioned legislation means that he California Climate Credit (CCC) should be considered part of the effective CARE discount because the actual dollars collected

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from customers on each monthly bill after taking into account all charges and credits on the bill should include the California Climate Credit (CCC).[1] [2]

Contrary to IOUs' assertion, the CCC is not part of the billed usage revenues. ORA, in its Opening Brief, pointed out that the CCC is not considered an electric bill or electric rate reduction. CCC is a product of the Cap-and-Trade (C&P) program, and the Commission intends that the CCC serve as a mitigation measure especially for low income customers when facing the prospect of increased daily expenditures on overall goods and services.[3]

ORA also noted that the Commission could consider having the State mail the CCC in the form of a check rather than using the IOU electric bills as the conduit for providing the CCC. If it were executed in such a manner, the CCC would not even show up in the customers' electric bills.[4] The reason that the CCC is included in the electric is to reduce the administrative costs and provide the maximum benefits. In their Opening Brief, Greenlining and CforAT also amplify this point:

> The Commission made clear that it could have ordered utilities to return the California Climate Credit off-bill and that it may revisit the issue, and do so in the future:
>
> If, at a later date, it is found that an off-bill approach achieves substantially greater customer understanding of the Cap-and-Trade program or administrative costs can be substantially reduced, we may reconsider whether an off-bill return is appropriate.
>
> The fact that the California Climate Credit could be returned to a customer off-bill via a separate check makes clear that it should be considered wholly independent of customers' bills and rates.[5]

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[1] PG&E Opening Brief, p. 17.

[2] SCE Opening Brief, p. 3.

[3] ORA Opening Brief, pp. 2-6.

[4] Id., p. 6.

[5] Greenlining and Central for Accessible Technology Opening Brief, p. 21.

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Implementing the CCC through the utility bill, while reducing administrative costs, has the potential downside of being viewed by the customer as being part of the bill. To mitigate this problem, the credit is a fixed discount paid twice per year rather than being incorporated into volumetric rates. To now consider the CCC as part of the CARE discount muddles this clear distinction between electricity rates and the CCC that the Commission attempted to make, potentially producing customer confusion.

B. Incorporating the Climate Credit into the CARE Discount Reduces the Total Support that the Legislature and the Commission Intend to Provide to the CARE Customers and Violates CARE Cost Allocation.

SCE showed that the effective CARE discount for its 2014 summer rates is 32.5%. However, the effective CARE discount increases to 34.9% if the CCC were included. [6] The other IOUs' results are comparable.[7] Whether the CCC should be included or not impacts the CARE customers more critically when the CARE discount is near or below 30%. For example, if SCE's effective CARE discount were to decline to 27.5% without the CCC, SCE would have to reduce the CARE rates to bring the discount back to at least 30% in order to satisfy P.U. Code Section 739.1 (c)(1).

TURN also points out that this would violate how CARE costs should be allocated:

> "[U]sing the Climate Credit to essentially offset the CARE discount violates the requirement that the costs of the CARE discount be allocated to all customer classes on an equal cents per kilowatt-hour basis. [8]

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[6] SCE OB, p. 1.

[7] SDG&E Exhibit 9, Attachment D.1, at 100% revenue recovery, the effective CARE discounts are 37.8% (without climate credit) and 40.6% (with climate credit), respectively. At 50% revenue recovery scenario, effective CARE discounts are 38.3% (without climate credit) and 41.3% (with climate credit), respectively. PG&E OB Footnote 5 "….Exh. PG&E-8 shows that the Settlement's CARE discount under the 100 percent revenue requirement scenario would drop from 48.4 percent to 46.5 percent (1.9 percentage points), whereas under the 50 percent revenue requirement scenario it would drop from 48.4 percent to 44.9 percent (3.5 percentage points)."

[8] TURN OB, p. 4.

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The cost of the CCC is not allocated to all customer classes on an equal cents per kilowatt-hour basis. Thus, if this were made part of the CARE discount, the rule about equal cents per kilowatt-hour allocation would be violated. The Commission has just reaffirmed that the CARE costs should be allocated to all customer classes on an equal cents per kilowatt-hour basis in a recent Decision (D.14-01-002).[9]

C. Counting the Climate Credit as part of the CARE Discount Contradicts the Notion that the Climate Credit Provides Additional Benefits to the CARE Customers.

SDG&E suggested that the CCC provides additional benefits to the CARE customers. Therefore, SDG&E claimed that the CCC should be included in the CARE discount:

> In D.12-12-033 (issued in Rulemaking 11-03-012 *Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions*), the Commission made it clear that the structure of the California Climate Credit was intended to provide low income customers with additional benefits. For that reason, the California Climate Credit should be included as part of the average effective CARE discount calculation. In that regard, the Commission found the following with regard to the California Climate Credit (previously named the Climate Dividend) [10]

This is self-contradictory. Once the CCC is included in the CARE discount, the "additional benefit" to the CARE customers disappears since it is now part of the overall CARE discount.

Similarly, Greenlining and CforAT note this contradiction in their Opening Brief:

> If the California Climate Credit were to be counted as partial payment of the CARE discount, the effect would be to deny payment of the California Climate Credit to CARE customers. The California

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[9] Conclusion of law 18 "SDG&E's CARE cost allocation should be changed to allocate all costs for the CARE program on an equal cents per kilowatt-hour basis to all classes of customers on a going forward basis."

[10] SDG&E OB, p. 4.

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Climate Credit would effectively vanish from CARE customers, lost in the already existing (and mandated) CARE discount price.[11]

D. The CCC is a Payment of a Customer's Bill with Funds that Belong to that Customer.

SDG&E cited the Commission's Decision (D.) 12-12-033 (Finding of Fact 121) to support its argument that the CCC should be counted as part of the CARE discount. [12] However, Finding of Fact (FOF) 121 of that Decision reads:

> 121. An on-bill return of GHG allowance revenues to electricity customers will result in a decrease in electricity bills; however, that decrease will free up money for other purposes that customers would otherwise use to pay their electricity bills.

Again, that money freed up is intended to pay for the incremental costs of other goods and services rendered more expensive because of the cost of GHG allowances.

Greenling and CforAT made a compelling argument that the emphasis in FOF 121 is "that decrease will free up money for other purposes that customers would otherwise use to pay their electricity bills."

> Take the example of a SCE customer whose April 2014 bill includes total charges of $100. If the customer's semi-annual California Climate Credit payment in April 2014 is $32.50, that amount will be applied to pay the bill. The customer will then send in the remaining payment of $67.50. Thus, SCE has received a total of $100 in revenues from this customer.
>
> It would be incorrect to view this situation as a bill of only $67.50 charged to the customer, and only $67.40 received in revenue by SCE. Rather, the $100 bill in the example above has been *paid in full by the customer*, using the California Climate Credit to pay for some of it. If SCE were to account for only $67.50 in revenue received from the customer, then the customer would have an arrearage of $32.50. Clearly this is not the case.

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[11] G/CforT Opening Brief, p. 20.

[12] SDG&E Opening Brief, p. 5.

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> This review makes evident that the California Climate Credit is not a reduction in a customer's bill – it is a *payment of a customer's bill with funds that belong to that customer.*[13]

III. ENERGY AFFORDABILITY

E. Greenlining and CAforT Err in Asserting that the Settlements did not Evaluate Rate Affordability

Greenlining and CAforT argued that the proposed rates reached in the settlements fail to adequately consider the impacts on affordability. They further claimed that the settling parties merely provided bill impacts, and yet failed to address affordability or rate shock.

> Neither the proposals nor the settlements take on these issues squarely, providing bill impacts but no contextual evaluation of whether the proposed rates are affordable (one of the rate design principles) or whether the proposed rates avoid rate shock for customers. None of the relevant documents, including the Second Amended Scoping Memo, addresses compliance with Section 382(b) of the Public Utilities Code.[14]

Greenlining and CAforT are mistaken in asserting that the bill impact analysis does not address energy affordability. By definition, to mitigate bill impacts is to prevent rate shocks. Similarly, making sure that the bill impacts are moderate will preserve energy affordability. Furthermore, the Commission has mostly relied on bill impact analysis results in evaluating whether the new rates may cause rate shocks or make energy unaffordable in rate design proceedings, such as the general rate case (GRC) phase 2 and the rate design window (RDW) proceedings.[15]

The Joint Opening Briefs already demonstrate the fact that the settled rates limit the bill impacts for baseline and CARE tier 1 usage customers. Moreover, the settlements also provide

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[13] G/CAforT OB p. 20.

[14] G/CAforT OB, footnote 6.

[15] For instance, in PG&E 2012 GRC phase 2, D.11-05-047, the Commission extensively discussed the bill impacts based on PG&E and intervenors' proposals to adopt a set of rates that it considered affordable and just and reasonable.

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high effective CARE discounts, especially for PG&E and SDG&E,[16] and retain discounts that appropriately assist FERA customers. These additional elements help maintain affordable energy for CARE and medical baseline customers.

While ORA would not deny the usefulness of information in the recent Low Income Needs Assessment (LINA) report pursuant to D.12-08-044 to judge the severity of bill impacts, these impacts must be considered in the light of other contextual issues as well. First, Assembly Bill 327 requires that the CARE discount be brought to the 30% - 35% level, and this requires changes particularly to PG&E's and SDG&E's CARE rates. Second, the bill impacts associated with the settlement rates is far less than that shown in the utilities' initial applications in October 2013. Third, as the table for PG&E on page 6 of the Greenlining/CAforT opening brief shows, the energy burden for customers consuming into tier 3 tends to be higher than that for customers who only reach tiers 1 or 2. Indeed, the intent of the settled rates is to bring the tiers closer together. Fourth, while the Greenlining/CAforT brief shows significant bill impacts for the three IOUs on pages 10 – 12, a large percentage of those bill impacts come from the underlying revenue requirements changes and not the rate realignment.

The settlement rates have accomplished the multiple objectives set forth in the scoping rulings by moving the IOUs down the path towards realigning rates to reduce the disparities between higher tier and lower tier rates, moving CARE rates to within the 30% - 35% mandated range, and retaining affordable energy.

IV. CONCLUSION

For the above reasons, and those reasons identified in ORA's opening brief, the Climate Credit should not be considered in calculating the effective CARE discount. Further, the Commission should adopt the Phase 2 Settlement Agreements because the Settlements comply with Assembly Bill 327 requirements, they balance the rate design principles, and they retain affordable energy for baseline usage and low income customers.

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[16] As shown in footnote 7 in this reply brief, SDG&E's effective CARE discount is 38% while PG&E's discount is 45% without CCC.

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Respectfully submitted,

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April 16, 2014