

**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
ENVIRONMENTAL DEFENSE FUND

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I. INTRODUCTION

Pursuant to Rules 1.9 and 1.10 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure and in accordance with the "Third Amended Scoping Memo and Ruling of Assigned Commissioner" (ALJ Ruling), dated April 15, 2014, the Environmental Defense Fund, Inc. ("EDF")¹ respectfully submits its Pre-Hearing Conference Statement describing the types of evidence necessary to resolve

¹ EDF is a leading non-profit organization representing more than 320,000 dues-paying members across the country, including over 55,000 in California. Since 1967, EDF has linked science, economics, law, and innovative private-sector partnerships to create breakthrough solutions to the most serious environmental problems. EDF has been active in California on environmental issues since the 1970s, and has participated in proceedings on energy-related topics at the California Public Utilities Commission since 1976.

the factual disputes involving time-of-use (“TOU”) rates.²

II. EDF Supports Additional Evidence Assessing the Benefits of Default Time of Use Rates

If used by large numbers of customers, the benefits that TOU rates can provide to ratepayers, the grid, and the environment were well reviewed by the Commission during the preceding’s regulatory investigation phase, which was launched in June 2012. On June 25, 2013, parties, including EDF presented residential rate design proposals, including TOU rates. On January 3, 2014, Energy Division Staff issued, “Staff Proposal for Residential Rate Reform in Compliance with R. 12-06-013 and Assembly Bill 327” (Staff Proposal). The Staff Proposal stated, “The proposed end-state is a default non-tiered, cost-based TOU rate structure with either a minimum bill or a fixed charge that would be determined in the applicable residential rate setting proceeding.”³ The Staff Proposal supported default TOU rates for the same reasons articulated by the Commission in D. 08-07-045.⁴ As stated in D. 08-07-045,

First, dynamic pricing can lower costs by more closely aligning retail rates and wholesale system conditions, thereby promoting economically efficient decision-making. In more concrete terms, dynamic pricing can lower peak usage and reduce the need to build additional generation capacity to meet the peak. Furthermore, dynamic pricing, coupled with advanced meters, will enable customers to better manage their electricity usage and reduce their bills.

Second, dynamic pricing can improve system reliability by providing customers an incentive to lower their usage when the supply and demand balance is strained

² R. 12-06-013, “Third Amended Scoping Memo and Ruling of Assigned Commissioner,” dated April 15, 2014, pp. 9-10.

³ Staff Proposal, p. 11.

⁴ *Id.*

or in the face of a system emergency. Dynamic pricing can reduce the bills of a customer who reduces his or her usage in the face of scarce supply.

Third, dynamic pricing can connect retail rates with California's greenhouse gas policies. When wholesale energy prices are high, the most inefficient generation sources with high greenhouse gas emissions are generally operating. By linking retail rates to wholesale market conditions, dynamic pricing can discourage customers from consuming polluting power. Conversely, if other time periods are dominated by non-emitting and low-cost resources such as nuclear, water, and wind, dynamic pricing could signal to customers that the supply of power is clean.

Finally, dynamic pricing will be a building block of a smarter, more advanced electric grid.⁵

Although the past year has allowed time for additional research verifying the efficacy of time-variant rates – including high customer rates of acceptance and associated insights into how to achieve high customer satisfaction levels; the bill savings associated with such tariffs, and, as compared with tiered rates, the greater transparency they offer – has been produced over the past year, it reinforces CPUC staff findings, which were themselves based on a large body of research and robust stakeholder process.

While the basic efficacy of TOU rates has been well established, further inquiry could provide an additional basis for the Commission to support their adoption on a large scale. EDF supports additional evidence to establish:

- 1) cost savings to the distribution and generation systems that can be engendered from TOU both in the near term by avoiding wholesale energy purchases at

⁵ D. 08-07-045, pp. 2-3.

- peak prices and lost energy on congested lines, and in the long term by avoiding major system and capacity investments.
- 2) the environmental benefits of TOU, particularly associated with reductions in the need for flexible capacity and related energy use that would otherwise trigger ratepayer costs and be met with fossil fuel generation;
 - 3) the benefits of enabling devices and storage that is coupled with TOU; and
 - 4) learning about how best to target TOU geographically to address area-specific needs and induce as much ratepayer benefits as possible.

EDF believes that evidence related to the above issues can be compiled expeditiously.

III. CONCLUSION

For the reasons stated above, EDF supports limited, additional evidence addressing the benefits of TOU rates.

Respectfully signed and submitted on May 1, 2014

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