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 CONFERENCE STATEMENT OF THE OFFICE OF RATEPAYER ADVOCATES ON PHASE I FACTUAL EVIDENCE FOR DEFAULT TOU

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I. INTRODUCTION

On April 15, 2014, the Assigned Commissioner issued the third Amended Scoping Memo and Ruling ("3rd Scoping Ruling"), which does the following:

(1) Finalizes the Phase 1 schedule,

(2) Sets the Phase 1 scope,

(3) Directs the utilities to serve additional Phase 1 testimony, and

(4) Provides additional information for understanding what specific rate design elements will be evaluated in Phase 1 and Phase 2 of this proceeding.

The ruling directs parties to serve Prehearing Conference ("PHC") Statements on May 2, 2014 describing types of evidence necessary to resolve factual disputes about default Time-of-Use ("TOU") rates. Pursuant to this 3rd Scoping Ruling, ORA hereby submits its PHC statement. However, as ORA is still reviewing the IOUs' filings and researching the TOU options, ORA or other parties may discover additional issues. Therefore, the Commission should not use these PHC statements to limit the scope of factually disputed issues.

II. DISCUSSION

The 3rd Scoping Ruling stated:

> At a PHC scheduled for next month, parties will have the opportunity to further identify areas of factual dispute and categories of data and types of studies that could be used to resolve these disputes. The IOUs will then have the opportunity to file additional written testimony on the areas of factual dispute raised at the PHC.[1]

It is ORA's understanding that these factual data and studies are intended to assist the Commission in determining whether default TOU rates will bring greater overall benefits to ratepayers, and better accomplish the State's energy policy goals, when compared with other options. It appears that there are two possible alternatives based on

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[1] R.12-06-013 Third Amended Scoping Memo and Ruling of Assigned Commissioner ("3rd Scoping Ruling"), filed April 15, 2014, http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M089/K641/89641201.PDF, p.9.

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Assembly Bill ("AB") 327. One is to retain default tiered rates plus optional TOU rates, while the other is to make TOU the default rate and allow customers to opt out to tiered rates. The main disputes between the two alternatives are:

- Which option better maintains energy affordability?
- Which option provides more efficient pricing signals so that customers change their usage behavior and use less energy when it is more expensive?
- Which option provides a better energy conservation incentive?
- Which option addresses climate change issues most effectively?
- Which option is more likely to be accepted by customers?

To address the above questions, ORA identifies the following factual data that need to be gathered:

Affordable Electricity:

1. What is the most effective way to design CARE rates based on a customer's financial need?

   a. What data are needed? Are they available?

   b. What obstacles exist to implementing income-based CARE rates? How can any obstacles be overcome?

2. Will the new TOU and tiered rate options retain energy affordability based on the bill impacts and energy burden ratio[2] results?

   a. What is considered affordable?

   b. What kind of bill impact should be considered acceptable?

   c. What additional measures should be considered when considering energy affordability?

[2] 3rd Scoping Ruling Appendix A already directs IOUs to provide energy burden ratio and additional bill impact analysis capability by the bill calculator.

Energy Efficiency, Conservation, and System Cost Savings:

3. Are there statistically significant reductions in annual or monthly system or local demand caused by TOU rates that have been implemented in other states? Were they voluntary or default TOU rates?

4. Is there statistically significant energy conservation provided by TOU rates?

5. Is there statistically significant energy conservation provided by tiered rates? What is/are the appropriate steps between tiers to achieve optimal energy conservation?

6. Under what circumstances will either tiered or TOU rates help promote customer adoption of demand-side management (DSM) measures (energy efficiency, demand response, customer generation)?

    a. What types of tiered or TOU rate designs maximize the value of DSM measures/resources?

    b. What issues need to be addressed in order to design DSM-friendly tiered or TOU rate structures?

For items 3 through 5 mentioned above,

a. What is the appropriate benchmark that should be used for any comparisons?

b. How should the Commission interpret results from other studies in light of future load shape changes as well as resource changes in California?

c. For TOU rates, what level of system cost savings or investment deferrals can be accomplished through shifting energy usage to lower cost TOU periods or through energy conservation? And can these savings be quantified?

d. For tiered rates, what level of system cost savings or investment deferral can be accomplished through conservation?

Customer Acceptance, Customer Outreach and Education:

7. Should the Commission establish milestone targets prior to default TOU implementation? These might include:

a. Percent of customers that can be expected to opt into TOU rates?

b. Percent of customers who opt into TOU rates who are satisfied with TOU rates (compared to the satisfaction rate of all customers who are defaulted to TOU rates)?

c. For a and b above, what are reasonable targets?

8. How do the marketing, education and outreach strategies and costs vary between default TOU and opt-in TOU programs? What is the incremental marketing, education and outreach expense (e.g., dollars per customer) to enroll a customer in TOU on an opt-in basis?

9. What marketing, education and outreach strategies and/or tactics maximize participation in TOU on an opt-in basis?

10. What is the nature and magnitude of ongoing customer care costs associated with default TOU rates?

11. Should the Commission wait for the IOUs' TOU pilot studies be completed prior to determining whether or not the IOUs should implement default TOU?

<u>Miscellaneous Issues:</u>

12. If opt-in TOU rates without tiers are offered, what level of revenue shortfall would begin to create problematic bill impacts for customers remaining on default tiered rates? Under what circumstances would the number of customers who voluntarily opt into untiered TOU rates become large enough to cause such a problem?

13. How would the level of revenue requirements increases impact how much progress can be made each year in reducing the number of tiers, with the goal of reaching a two-tiered rate design by 2018? How should the Commission address revenue uncertainties in implementing rate structure changes?

14. How do the bill impacts differ between TOU rates with and without a baseline credit? How does the bill impact vary by climate zone?

III. CONCLUSIONS

ORA appreciates the Commission's interest in exploring factual issues that underlie the policies that will be set in this proceeding. We recommend that the Commission adopt the above list of factual issues. Only with careful consideration of all the issues highlighted above, taken in the context of revenue requirements that may be in effect at the time of future rate changes, will California be able to effectively move forward with rate redesign in a balanced way as envisioned in AB 327.

Respectfully submitted,

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