

**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)

**JOINT MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U902E),  
SOUTHERN CALIFORNIA EDISON COMPANY AND PACIFIC GAS AND ELECTRIC  
COMPANY FOR MODIFICATION OF PHASE 1 SCOPE AND SCHEDULE**

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**I. INTRODUCTION**

Pursuant to Rule 11.1 of the Commission's Rules of Practice and Procedure, San Diego Gas & Electric Company ("SDG&E"), Southern California Edison Company ("SCE"), and Pacific Gas and Electric Company ("PG&E") jointly request modification of the procedural schedule set by the Third Amended Scoping Memo and Ruling of Assigned Commissioner, issued on April 15, 2014, as follows:

- Establish a Phase 3 of this proceeding to consider default time-of-use ("TOU") rate issues; and
- Shorten the Phase 1 schedule to facilitate consideration of other long-term rate design issues to achieve a decision by December 2014.<sup>1</sup> A decision by December 2014 would allow sufficient time for customer outreach and education and other implementation activities so that the rate design changes could be put into effect as early as the first quarter of 2015.

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<sup>1</sup> Restructuring of the California Alternate Rates for Energy ("CARE") discount was previously determined to be outside the scope of Phase 1. A joint Administrative Law Judge ("ALJ") ruling issued May 7, 2014 clarified that restructuring of CARE rates is expected to be considered in a later phase of this proceeding or in a new proceeding dedicated specifically to rate design for the CARE program.

These scheduling changes should be adopted for several reasons. Assembly Bill (“AB”) 327 does not authorize the Commission to adopt default TOU rates until 2018 at the earliest, while no such bar exists for implementation of the other residential rate reforms that have been proposed in Phase 1. Thus, it makes sense to defer consideration of the default TOU issues so that the Commission can achieve a timely decision on Phase 1 issues that can and should be addressed without undue delay. Second, a decision issued by December 2014 on issues other than default TOU will provide equity and rate design certainty to customers. Some degree of “phasing” of the proceeding was also supported by several parties at the Prehearing Conference (“PHC”) that was held on March 14, 2014, including The Utility Reform Network (“TURN”)<sup>2</sup> and the Coalition of California Utility Employees (“CCUE”)<sup>3</sup> in order to meet the prior draft schedule for Phase 1 that would have resulted in a Commission decision by December 2014. Finally, phasing the proceeding to address rate changes that can be implemented as early as the first quarter of 2015 would streamline the issues to be determined in Phase 1, while deferring contentious issues regarding default TOU rates to Phase 3 where a more complete record on default TOU issues could be established and still leave adequate time to implement default TOU rates on the earliest possible date, should that be the Commission’s decision in Phase 3. The investor-owned utilities’ (“IOUs”) proposals regarding rate changes were submitted February 28, 2014. However, in response to concerns raised at the March 14, 2014 PHC, the current schedule calls for potential additional IOU testimony related to default TOU issues on June 16, 2014, nearly four months after the IOUs’ initial showing on other issues, which in turn necessitates more time for intervenor testimony, as reflected in the current Phase 1 schedule.

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<sup>2</sup> March 14, 2014 PHC Transcript, at p. 186-187.

<sup>3</sup> *Id.*, at p. 206.

For the above reasons, the IOUs propose that the following schedule be adopted:

***Phase 1 Proposed Schedule Everything Except Default TOU***

PHC Regarding Default TOU	May 13, 2014
Phase 1 Supplemental Utility Testimony (Attachment A)	May 16, 2014
Intervenor Testimony	July 16, 2014
Rebuttal Testimony	August 8, 2014
Evidentiary Hearings	August 18 29, 2014
Opening Briefs	September 19, 2014
Reply Briefs	October 3, 2014
Proposed Decision	Early November 2014
Final Decision	December 4, 2014

***Phase 3 Proposed Schedule Default TOU***

Supplemental Utility Testimony	November 14, 2014
Intervenor Testimony	February 16, 2015
Rebuttal Testimony	March 18, 2015
Evidentiary Hearings	April 6 17, 2014
Opening Briefs	May 13, 2015
Reply Briefs	June 1, 2015
Proposed Decision	August 2015
Final Decision	September 2015

The proposed phasing would allow the Commission to achieve a year-end decision on issues it currently has authority to act on while allowing further time to develop a robust record on which the Commission can base a longer-term decision on default TOU rates. The IOUs are open to collaborating with other parties on the above schedule provided that a final decision in Phase 1 is issued by year-end.

The phased approach is also being taken by Sacramento Municipal Utility District (“SMUD”) under which fixed charge and tiered rate issues are being addressed before addressing default TOU issues.<sup>4</sup> This presents a workable model for consideration of similar issues for the state’s IOUs.

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<sup>4</sup> SMUD General Manager’s Report and Recommendation on Rates and Services, May 2, 2013, at p. 13.

## **II. AB327 DOES NOT AUTHORIZE THE COMMISSION TO ADOPT TOU RATES ON A DEFAULT BASIS UNTIL 2018**

AB327 provides that, “Beginning January 1, 2018, the commission may require or authorize an electrical corporation to employ default time-of-use pricing for residential customers.”<sup>5</sup> By contrast, the Commission is authorized under Section 739.9 to make changes to rate tiers immediately, and to implement increased or new fixed charges starting January 1, 2015. Similarly, pursuant to Section 739.1, the Commission must address annually the reduction of the average effective California Alternate Rates for Energy (“CARE”) discount for IOUs whose average effective CARE discounts exceed 35%. A phased procedural schedule under which the Commission first addresses the issues on which it is currently authorized to act or must act before turning to the issue of default TOU rates, which cannot be implemented until January 2018, would create a natural fit with this statutory framework. Further, the bill impacts of default TOU cannot be adequately assessed without first knowing the rate structures that the Commission plans to implement for the period leading up to the time when default TOU is statutorily permitted. It is easier to address bill volatility, climate zone differences, and impacts on the low-income, disabled or elderly populations if the tiered rate alternative to TOU is known, especially in the 2017-2018 time period. Lastly, there are a host of actions that will be necessary in the interim related to default TOU, such as pilots, customer analysis and studies, education and outreach, etc., that will need more time to consider than the issues of fixed charges, tier consolidation and CARE reform.

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<sup>5</sup> Public Utilities Code Section 745(c).

### **III. A DECISION BY YEAR-END ON ISSUES THAT CAN BE IMPLEMENTED WITHOUT DELAY IS CRITICAL TO CREATE A MORE EQUITABLE RATE STRUCTURE**

AB327 authorizes but does not require the Commission to adopt a fixed charge and reduce the number of tiers to no less than two. It also requires that the effective discount afforded to CARE customers be between 30-35%. While all of these changes in rate design are being decided, market participants are left wondering what those changes will be and when they will occur. Without answers, customers are unable to realistically assess rate options and other offers. By addressing rate design issues that can be addressed by the end of the year, and without delaying default TOU proposals that cannot be implemented until 2018, the Commission will be able to restore some much needed rate design certainty and provide equity to customers suffering under a punitive tiered structure.

### **IV. PHASING THE PROCEEDING WAS SUPPORTED BY SEVERAL PARTIES AT THE MARCH 14 PREHEARING CONFERENCE**

The IOUs' proposed procedural schedule, which aims to have a decision issued by year-end, is not novel considering that the preliminary schedule specified in the February 13, 2014 *Assigned Commissioner's Ruling Requiring Utilities To Submit Phase 1 Rate Change Proposals* would have led to implementation of a similar timeline. The general idea of phasing the proceeding was also supported by several parties at the March 14 PHC, including TURN and CCUE. Counsel for TURN indicated:

And we agree fairly closely with ORA's proposal for phasing. But let me just give you a few more rationales for why we think that would best advance the Commission's goal of evaluating the changed rates that are now possible in order to set just and reasonable rates. Essentially, we see the work that would be done even to adopt rates for 2015 or potentially the 2015 through 2016 time period as requiring a lot of work in itself. Just dealing with the change from a four-tier to a three-tier or even a two-tier rate design requires significant analyses. On top of that, we have the

whole issue of the fixed charge, which is a new issue in the rate design end...<sup>6</sup>

The IOUs agree that it makes sense to consider these issues in phases and, therefore, seeks approval for this motion.

**V. PHASING THE PROCEEDING WOULD STREAMLINE THE ISSUES, WHILE DEFERRING TOU ISSUES TO A LATER PHASE IN WHICH A MORE COMPLETE RECORD COULD BE ESTABLISHED**

Deferring consideration of TOU issues to a later phase of the proceeding would streamline the issues to be considered in the first phase, allowing for a more expeditious schedule, while allowing sufficient time in which to develop a more robust record on TOU rate issues. This would help parties and Commission staff that may be facing resource constraints, while ensuring that TOU issues can be resolved on the most robust record possible, without unnecessarily rushing the Commission's consideration of these important issues.

**VI. CONCLUSION**

For the foregoing reasons, the IOUs respectfully request that the Commission adopt the procedural schedule proposed herein to allow a final decision on Phase 1 issues by December 2014 and sufficient time for customer outreach and education and other implementation activities to put the rate design changes into effect as early as first quarter of 2015.

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<sup>6</sup> March 14, 2014 PHC Transcript, at p. 186.

Respectfully submitted and dated this 8<sup>th</sup> day of May 2014.

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