

**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 UTILITY CONSUMERS' ACTION NETWORK (UCAN) TO THE PROPOSED PHASE 2
DECISION ON INTERIM RATE CHANGE SETTLEMENT AGREEMENTS**

Donald Kelly, Esq
Executive Director
Utility Consumers' Action Network
3405 Kenyon St, Suite 401
San Diego, CA 92110
(619) 696-6966
dkelly@ucan.org

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INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Utility Consumers Action Network (UCAN) files these Comments to the Proposed Decision (PD) of Administrative Law Judges (ALJs) Jeanne McKinney and Julie Halligan approving the settlement agreements of PG&E, Southern California Edison and SDG&E.

Although UCAN does not necessarily agree with the resolution of all matters not specifically mentioned, these Comments address the areas in the PD where we believe there are legal, factual, or technical errors. UCAN recommends that in its final decision in this proceeding the Commission includes the changes set forth below.

The PD concludes that the settlements for SDG&E, PG&E and Southern California Edison are reasonable in light of the whole record, consistent with law and in the public interest. Additionally, the PD concludes that the California Climate Credit should not be used in the calculation of the California Alternative Rates for Energy (CARE) discount. UCAN agrees with the PD's conclusions and will not be recommending any changes to the PD's Findings-of-Fact or

Conclusions-of-Law. However, UCAN does believe the PD's factual discussion of UCAN's position in the narrative should include mention of the facts listed below.

CHANGES TO THE FACTUAL NARRATIVE

The PD is limited in its discussion of UCAN's contribution to the SDG&E settlement, stating only: "UCAN stated that SDG&E's proposal results in excessive bill impacts for the lower tiers, particularly Tier 1. UCAN also supported ORA's tiered rate proposal." (PD, p. 40)

In fact, UCAN's testimony pointed out a number of issues that were unique to the case. UCAN observed that SDG&E used the 1 cent adder to the Tier 1 price to further reduce the Tier 4 price, i.e., as a revenue neutral flattening of the rate. UCAN's testimony noted that in circumstances where there is a substantial rate increase pending, a revenue neutral rate design change is usually avoided because of the potential bill impact consequences. SDG&E's 1 cent adder to Tier 1 was a 6.5% increase in the Tier 1 price prior to any pending rate increase. This revenue neutral "tilt" was dropped in the settlement.

In addition, UCAN's testimony noted that the relationship between the Tier 1 and Tier 4 price showed that raising the Tier 4 price to near or even above 40 cents could reduce the Tier 1 price significantly. In the settlement, ORA's position, supported by UCAN, raised the Tier 4 price to just under 40 cents. It was SDG&E's stated goal to keep the Tier 4 price under 40 cents.

UCAN's testimony also suggested that any Phase 2 rate design must not prejudice or bias the rate design toward either a 2-tier or 3-tier rate structure so that all parties face a level playing field in Phase 1. The final settlement compromise allows for both a 2 or 3-tier rate design to flow from the Phase 2 rate design.

Finally, UCAN's testimony notes that as the tiered residential rate flattens over time, customers in the upper two tiers will find their bills increasing at a lower rate than customers in the lower two tiers over the 2014 to 2018 period.

UCAN asks that the above noted facts regarding our testimony be included in the final

decision.

**UCAN SUPPORTS THE PD'S CONCLUSIONS ON THE SDG&E SETTLEMENT AND THE
CALIFORNIA CLIMATE CREDIT**

As noted above, UCAN supports the PD's conclusion that the SDG&E settlement should be approved. UCAN agrees that the settlement is fully supported by the record, is consistent with law and is in the public interest. Additionally, UCAN agrees with and supports the PD's conclusion that the California Climate Credit should not be considered a reduction in a customer's electricity bill, that it must be excluded from calculating the effective CARE discount and excluded from the calculation of bill impacts for the proposed rates in this proceeding.¹

CONCLUSION

For the foregoing reasons UCAN asks that the statement of UCAN's position be augmented to include mention of the facts listed here.

Respectfully submitted,

/s/ Donald Kelly

Donald Kelly, Esq
Executive Director
Utility Consumers' Action Network
3405 Kenyon St, Suite 401
San Diego, CA 92110
(619) 696-6966
dkelly@ucan.org

¹ See Conclusions-of-Law #13, 14, & 15.