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)

NOTICE OF EX PARTE COMMUNICATIONS OF THE OFFICE OF RATEPAYER ADVOCATES

Pursuant to Rule 8.3 of the Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") submits this notice of ex parte communications in the above-captioned matter.

On June 3, 2014, ORA had an ex parte meeting at the Commission's offices, located at 505 Van Ness Avenue, San Francisco, California. The meeting was held to summarize ORA's support for the Proposed Decision in Phase 2 of the Residential Rate Design Rulemaking and to present the attached power point presentation. The meeting was at 3:30 p.m. with Nicolas Chaset, advisor to Commissioner Picker. ORA representatives at the meetings were Cheryl Cox, Policy Advisor, Michael Campbell, Program Manager of ORA's Electricity Pricing and Customer Programs Branch, and Lee-Whei Tan, Analyst for ORA. At the meeting ORA representatives stated that they support the Proposed Decision. ORA also distributed the attached handout. The meeting lasted fifty minutes.

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Respectfully submitted,

/s/ GREGORY HEIDEN

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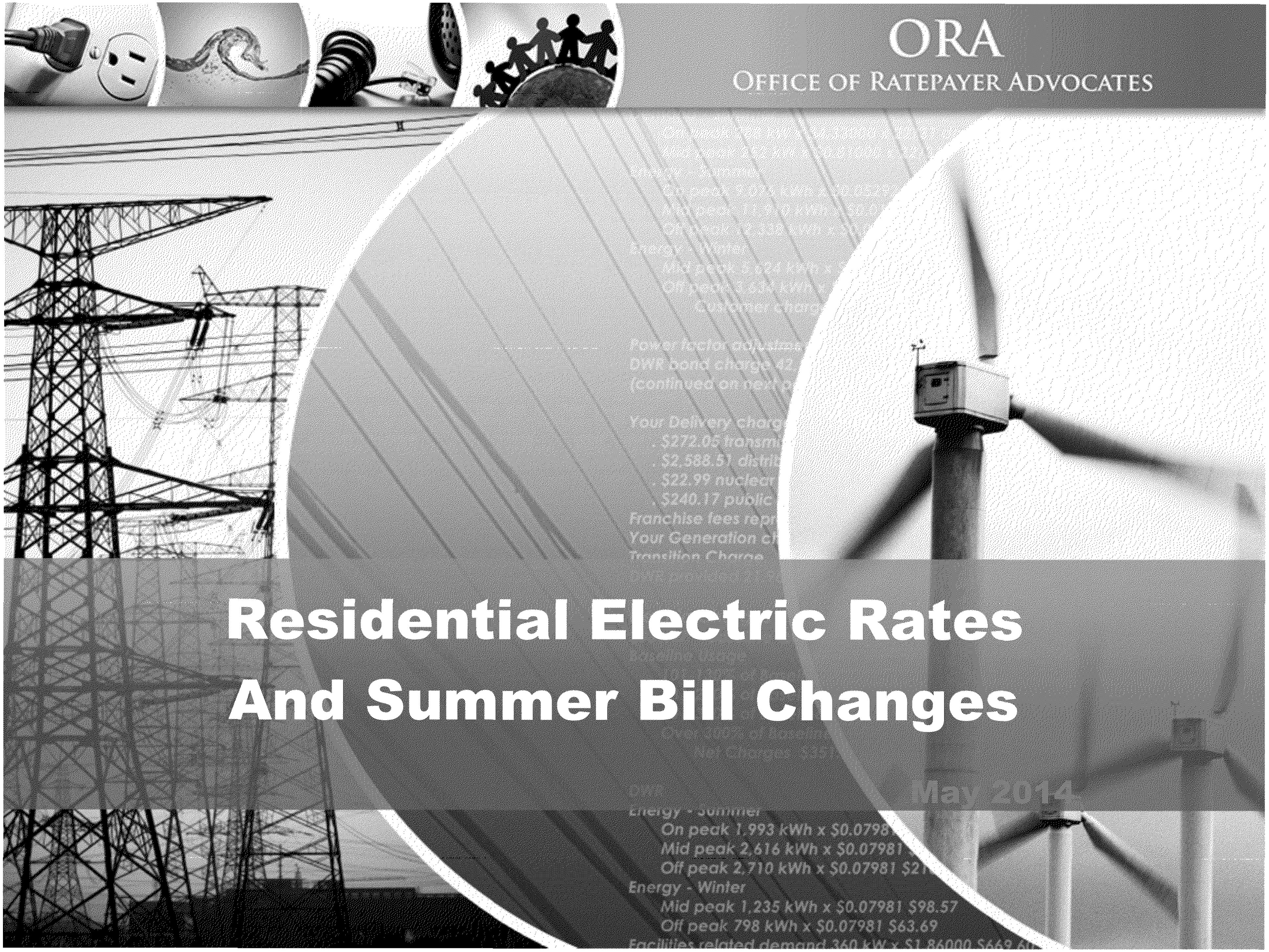
June 5, 2014


ORA
OFFICE OF RATEPAYER ADVOCATES
Residential Electric Rates
And Summer Bill Changes
May 2014

Overview of Rate Design

- 2001 Energy Crisis Impact on Rate Design
- Provisions of Assembly Bill 327
- Summer 2014 Revenue Drivers and Impact by Utility
- Rate Design Goals for 2014 and Beyond
  - **Near-Term:** Bring Tier 2 & 3 rates closer together and reduce CARE discount for PG&E
  - **Mid-Term:** Merge Tiers 2 & 3
  - **Longer-Term:** Default Two-Tier TOU Rate

Energy Crisis Impact on Rates

- **2001 - Assembly Bill 1X:** Froze Tiers 1 & 2 Rates, creating the need to establish five tiers to recover future revenue requirement increases.
- **2009 - Senate Bill 695:** Allowed modest increases to Tiers 1 & 2, making it possible to reduce the number of tiers from five to four in 2010 – 2012.
  - To keep Tier 4 from getting too high, the Tier 3 rate was allowed to increase to collect more revenues.
  - This has resulted in a large difference between Tier 2 and Tier 3 rates.
- **2013 - Assembly Bill 327:** Provides greater flexibility in setting residential rates to address previous framework that set limitations on tiers 1 and 2 causing rates for tiers 3 and 4 to more than double those for tiers 1 and 2.

Provisions of Assembly Bill 327

- Repeals limitations on Tiers 1 and 2 rate increases established by Assembly Bill 1X and Senate Bill 695.
- Requires at least two rate tiers to accommodate baseline.
- Allows a monthly fixed charge, starting in 2015: up to $10 for non-CARE customers and $5 for CARE customers.
- Allows default Time of Use (TOU) rates in 2018.
- Establishes the CARE discount at 30% - 35%.
- Requires the development of new NEM rates that would be applied to new customers starting in 2017 that balances the costs and benefits of NEM.

Near-Term Goals: Summer 2014

- Tier Differentials
  - Reduce rate differences between highest and lowest tiers.
  - Bring Tier 2 and Tier 3 rates closer together.
  - Revenue Requirement increases will impact how much tier differences can be reduced this summer.
    - SDG&E is projecting the smallest increases; SCE the largest.
- CARE
  - CARE discounts close to statutory limits for SCE and SDG&E, and 2014 rate changes may put them outside the limits.
  - PG&E's CARE discount is ~49% and needs to slowly be reduced.
- Avoid Large Bill Impacts for Both Large and Small Customers
  - Percentage increase for small customers is likely to be larger because increases on Tiers 1 and 2 have been constrained for over a decade.

Residential Rate Design Settlement

- ORA entered into settlements with PG&E, SCE, and SDG&E for 2014 residential rates.
- Complies with the law and minimizes bill impacts on baseline usage and low-income customers.
- Proposes rules that would adjust the rates depending on the Revenue Requirement changes, given they are uncertain at this time.
  - Rate Design does NOT set Revenue Requirements.
- Addresses both non-CARE and CARE tiers rate adjustments.

PG&E Pending Revenue Changes

Summer 2014

PG&E Revenue Allocation to Residential Class ($ millions)		
November 2013	Total Request	Likely Outcome
5,418	5,836	5,675

2014 PG&E Revenue Drivers

- 2013 under-collection in procurement costs; 2014 transmission increase ($200 million); power exchange settlement credit ($300 million reduction).
- Pending General Rate Case ($730 system million increase from existing levels, including $200 million for nuclear O&M, hydro upgrade, and $460 million customer care costs).

PG&E 2014 SUMMER RATES

	Nov 2013 Rates	Jan 2014 Rates		Illustrative Summer 2014 Settlement Rates			
			% Change btwn Jan 2014 & Nov 2013	Likely CPUC Authorized Revenue	% change btwn Summer 2014 & Nov 2013	High Case – CPUC Authorizes 100% of PG&E Request	% Change btwn Summer 2014 & Nov 2013
Non-CARE Rates							
T1 <100% BL	$0.1323	$0.1363	3%	$0.1470	11%	$0.1470	11%
T2 100-130% BL	$0.1504	$0.1549	3%	$0.1700	13%	$0.1774	18%
T3 130-200% BL	$0.3192	$0.3135	2%	$0.2795	12%	$0.2972	7%
T4 >200% BL	$0.3592	$0.3535	2%	$0.3395	5%	$0.3572	1%
CARE Rates							
T1 <100% BL	$0.0832	$0.0857	3%	$0.0924	11%	$0.0924	11%
T2 100-130% BL	$0.0956	$0.0985	3%	$0.1063	11%	$0.1063	11%
T3 130-200% BL	$0.1397	$0.1397	0%	$0.1508	8%	$0.1508	8%
T4 >200% BL	$0.1397	$0.1397	0%	$0.1508	8%	$0.1508	8%

Notes:
Likely CPUC Authorized Revenue assumes CPUC authorizes 50% of PG&E's revenue increase request.
High Case Revenue assumes CPUC authorizes 100% of PG&E's request.

Definitions: "BL" = Baseline Quantity. "T1" = Tier 1, "T2" = Tier 2, etc.

SCE Pending Revenue Changes

Summer 2014

SCE Revenue Allocation to Residential Class ($ millions)		
November 2013	Likely Outcome	Optimistic Outcome
5,128	5,747	5,447

2014 SCE Revenue Drivers

- ERRA filing (a net of $1.2 billion revenue increase from the current level due to the fact that there are two years' ERRA requests accumulated into one single year).
- Likely outcome assumes $450 millions in SONGS, costs not to be decided in time for summer rates.
- Pending outcomes for SONGS (possible disallowance of $300 million).

SCE 2014 SUMMER RATES

	November Rates	Likely Outcome	% Change	Optimistic Outcome	% Change
Non-CARE Rates					
T1 <100% BL	$ 0.128	$ 0.149	16%	$ 0.149	16%
T2 100-130% BL	$ 0.160	$ 0.193	21%	$ 0.193	21%
T3 130-200% BL	$ 0.278	$ 0.279	0.4%	$ 0.262	5.8%
T4 >200% BL	$ 0.318	$ 0.319	0.3%	$ 0.312	1.9%
CARE Rates					
T1 <100% BL	$ 0.085	$ 0.097	14%	$ 0.097	14%
T2 100-130% BL	$ 0.107	$ 0.125	17%	$ 0.125	17%
T3 130-200% BL	$ 0.214	$ 0.210	1.9%	$ 0.196	8.4%
T4 >200% BL	$ 0.214	$ 0.210	1.9%	$ 0.196	8.4%

Definitions: "BL" = Baseline Quantity. "T1" = Tier 1, "T2" = Tier 2, etc.

SDG&E Revenue Changes

Summer 2014

SDG&E Revenue Allocation to Residential Class ($ millions)	
November 2013	Anticipated Revenue
1,611	1,822

2014 SDG&E Revenue Drivers
(Less uncertain than other IOUs)

- Cumulative effects from two years of ERRA filings that were approved for 2014 rates ($558 million net effect).
- ERRA Trigger filing for 2013 and 2014 ($293 million system revenue increase, $213 million included in the above $588 million).

SDG&E 2014 Summer Rates

Phase 2 Proposed Settlement Terms

Illustrative Summer Rates (cents/kWh)

	Current (2/1/2014)	Illustrative Rates (Full Revenue Change)	% Change from Current	Illustrative Rates (50% Revenue Change)	% Change from Current
RAR	21.1	23.3	11%	21.7	3%
Non-CARE Rates					
T1 <100% BL	15.4	17.3	13%	16.5	7%
T2 100-130% BL	17.8	20.4	15%	18.9	6%
T3 130-200% BL	34.9	37.7	8%	34.6	1%
T4 >200% BL	36.9	39.7	8%	36.6	1%
CARE Rates					
T1 <100% BL	10.3	11.6	13%	10.8	5%
T2 100-130% BL	12.0	13.5	13%	12.6	5%
T3 130-200% BL	17.6	20.3	16%	19.0	8%
T4 >200% BL	17.6	20.3	16%	19.0	8%

Mid-Term Goals: 2015 - 2017

- **Tier Differentials**
  - When the rates for Tiers 2 and 3 get close enough, merge the two tiers to collapse the four-tier rate design into three tiers.
  - After transitioning to a three-tier rate design, start to slowly reduce the difference between the top two tiers so they can be merged in the future.
- **CARE**
  - Continue to move PG&E's CARE discount closer to the 30% – 35% statutory limits.
- **Time-of-Use Rates (TOU)**
  - Establish voluntary introductory TOU rates that place a surcharge on the tiered rates in the on-peak hours and an offsetting credit in off-peak hours.
  - The surcharge and credit initially would be small, and the rate heavily marketed, in order to prepare for a future transition to default TOU rates.

Long-Term Goals: 2018 and Beyond

- Tier Differentials
  - When rates for Tiers 2 and 3 get close enough, merge the two tiers to collapse the three-tier rate design into two tiers.
  - Work towards reducing rate differential in the two-tiered rate to 20% - 30%.
- CARE
  - Continue to move PG&E's CARE discount closer to 30% – 35% statutory limits.
- Time-of-Use Rates (TOU)
  - In 2018, transition to default TOU rates whether or not rates have been collapsed to two tiers, and use a small on-peak surcharge and off-peak credit to simplify the rate.
  - Allow customers to opt out to a non-TOU tiered rate design where the tiered rates are similar to the TOU rate without the surcharge and credit.
  - Market voluntary, more aggressive cost-based TOU rates to prepare customers for moving from the default TOU rate to a fully cost-based design (with on-peak to off-peak rate differences of 2.5 to 1).
  - When a two-tiered rate design becomes possible, offer the default TOU rate as a simple non-tiered rate with a baseline credit.

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The Current Four Tier Rate Design

Chart shows PG&E's history of tiered rates since energy crisis