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January 23, 2017

California Public Utilities Commission
Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Re: Protest to PG&E Advice Letter No. 4979-E

Dear Sir or Madam:

On December 16, 2016, the Pacific Gas and Electric Company (PG&E) submitted Advice Letter 4979-E seeking approval of the Default Time-of-Use Pilot Proposal ("Default TOU Pilot"), which was included as Attachment 1 to the Advice Letter. Pursuant to Section 3.11 of General Order 96-B and to the schedule adopted by ALJ McKinney via a Ruling on December 17, 2016, the Utility Reform Network ("TURN") submits this protest. It is timely submitted on or before January 24, 2017.

TURN protests the advice letter only on the grounds that the single proposed pilot TOU rate is insufficient to test potential load response and bill impacts of envisioned future TOU rates. TURN recommends that PG&E be ordered to test two pilot TOU rates, with one having a peak-to-off-peak ratio ("on/off peak ratio") of prices of at least 2.0 (meaning a two-to-one ratio of on-peak to off-peak energy prices).

TURN also responds to the Advice Letter to highlight the bill impact analyses offered by PG&E to assist the Commission's Section 745(d) analysis. The calculated bill impact analyses demonstrate the smallest possible impacts due to the use of a very moderate on/off peak ratio of 1.2. The Commission cannot reach conclusions, based on the modeling data in this advice letter, concerning the potential hardship due to any future default TOU rates that are significantly different from the pilot rates.

The Analyses Using the Proposed Pilot Rates Provide Only Very Limited Evidence to Satisfy the Requirements for a Section 745(d) Analysis of Hardship

The utilities' advice letters provide bill impact analyses that purportedly would help the CPUC to evaluate whether the proposed pilot TOU rates satisfy the requirements of Section 745(d). Section 745(d) requires the Commission to "explicitly considered evidence addressing the extent to which hardship will be caused on ... 1) Customers located in hot, inland areas, ... and 2) Residential customers living in areas with hot summer weather, as a result of seasonal bill volatility." The evidence concerning potential hardship is supposed to assume no shift in energy consumption from peak to off-peak periods.

In D.16-09-016 the Commission adopted two definitions that are relevant to the analysis. First, the Commission found that "areas with hot summer weather" for purposes of the seasonal volatility analysis include more than just hot inland climate zones.¹ The TOU Working Group determined that the main impact is that Edison's baseline territory 10 should be included in an analysis considering "hot summer weather."² Secondly, the Commission determined that the analysis pursuant to 745(d) should be limited to "financial hardship."³

TURN emphasizes that any finding on Section 745(d) impacts reached by the Commission based on this advice letter **must of necessity be limited** to the impacts of the proposed pilot TOU rates. As discussed below, the pilot rates are extremely "mild" and produce the smallest possible bill impacts. The Commission cannot conclude, based on this advice letter, that it has adequately considered evidence concerning the potential hardship which might be caused by any future default TOU rates, if such rates are significantly different from the proposed pilot rates.

PG&E Should Test at Least One Additional Pilot Rate with a Higher On/Off Peak Ratio

PG&E proposes to test a single tiered TOU rate with a "moderate" differential between on-peak and off-peak prices. Indeed, PG&E's proposed rate has a on/off peak ratio of only about 1.2.⁴ In contrast, SCE proposes to test two rates, with a summer on/off peak ratio of at least 1.8.⁵ SDG&E proposes to test two rates, both with an on/off peak ratio of about 1.6.

PG&E's proposed default rate is an example of the type of "TOU-Lite" rate that the Commission envisioned to be appropriate during a "transition period," until on/off peak ratios are increased to "more fully cost-based price differentials."⁶ Parties in this proceeding have testified that "cost-based" price differentials would result in on/off

¹ D.16-09-016, p. 18-19.

² AL 3531-E, p. 15.

³ D.16-09-016, p. 23.

⁴ Table 7, p. 35. $(0.33456 / 0.28037 = 1.19)$. The differential is only slightly higher for the separate non-CARE baseline rates (see Table 6).

⁵ SCE AL 3531-E, Tables III-1 and III-2, p. 25-26.

⁶ D.15-07-001, p. 135-136.

peak ratios of at least 2.0, if not greater.⁷ Such higher ratios would result in higher bill impacts than those calculated by PG&E for its proposed TOU-C rate.

TURN strongly recommends that the Commission require PG&E to use two different TOU rates for its default pilot. The second TOU rate should have a significantly higher on/off peak ratio of at least 2.0. Only such a rate would provide necessary data on potential load response and bill impacts due to a TOU rate that is closer to what the Commission has envisioned as the final stage after the “transition” period.

PG&E’s Bill Impact Analyses Show the Potential for Large Bill and Bill Volatility Increases for the 1.7 Million Customers in the Hot Climate Zone

Despite the fact that PG&E is proposing the mildest possible version of a TOU rate, the data show significant bill impacts of the proposed TOU rate as compared to the expected 2018 tiered rate.⁸ Almost 70% of non-CARE customers experience higher bills, and 41% of CARE customers would see higher bills.⁹ PG&E emphasizes that most of the bill changes are relatively small. Nevertheless, about 20% of non-CARE customers would see **monthly** bill increases of more than \$5, meaning an annual increase of at least \$60. Over 5% of non-CARE customers would have an annual bill increase of \$180.¹⁰

These average increases mask significant geographic variability among customers, which is critical given that PG&E, with over 4.7 million residential customers, is the **largest utility** in the country.¹¹ Significant impacts to a subsection of PG&E’s customers are thus important. For example, while there are 2.361 million non-CARE customers (p. B-1) and 0.885 million CARE customers (p. B-20) in the comparison for all climate zones (on existing E1 and E1L rates); there are 0.718 million non-CARE customers (p. B-4) and 0.475 million CARE customers (p. B-22) located in PG&E’s hot climate zones (on existing E1 and E1L rates).¹²

PG&E provided additional bill impact analyses for customers in different climate zones in Appendix B. Customers in hot climate zones see significantly higher bill impacts. Over 40% of the non-CARE customers see monthly bill increases of more than \$5, and over 15% would see annual bill increases greater than \$120 (p. B-4). Almost 70% of CARE customers in hot climate zones would see annual bill increases.

Furthermore, all of these numbers are based on a comparison of expected 2018 tiered rates to PG&E’s proposed TOU rates. But most customers will be facing bill increases in each and every year 2016, 2017, and 2018 due to tier consolidation. PG&E’s bill impact

⁷ For example, SCE modeled a rate with an on/off peak ratio of about 2.3. See, Exh. SCE-16, p. 5.

⁸ The proxy tiered rate is a two-tiered rate with a high usage charge. PG&E explains how it developed proxy 2018 rates at p. 32.

⁹ AL 4979, Attachment 1, p. 38-39.

¹⁰ 5% with increase between \$10-\$20, assuming an average increase at the midpoint.

¹¹ Indeed, according to the EIA, of the 189 IOUs in the country, only four others, besides PG&E and SCE, have more than two million residential customers. See, <https://www.eia.gov/electricity/data.cfm#sales> and select “number of customers – residential sector” (Table 6).

¹² TURN has used the numbers from AL 4979-E. These numbers include NEM customers, and the customer count is reduced slightly when NEM customers are eliminated, as shown in AL 4979-E-A.

results would look significantly worse if comparing, for example, rates in 2016 versus TOU rates in 2018. But customers will be feeling the full impact of all rate changes, and will not feel any better knowing that only a portion of the increase is due to the shift to TOU rates.

PG&E's bill impact analyses assume no load shifting of electricity consumption due to price signals, thus fulfilling the requirement of Section 745(d). TURN appreciates that some customers may be able to shift load, and thus their bill impacts could be lower than the average. On the other hand, as discussed above, customers in hot climate zones will see higher bill increases, and customers who use more electricity than the average during the forecast peak period will see higher bill increases than the average. Most importantly, any future TOU rate that has higher on/off peak ratios than 1.2 will result in more significant bill increases. The Commission cannot reach conclusions, based on the modeling data in this advice letter, concerning the potential hardship due to any future default TOU rates that are significantly different from the pilot rates.

Sincerely yours,

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Cc: Edward Randolph, Director, Energy Division
Erik Jacobson, Director, Regulatory Relations, PG&E
Service List for R.12-06-013