

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

<p>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.</p>	<p>RULEMAKING 12-06-013 (FILED JUNE 21, 2012)</p>
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**PROTEST OF SAN DIEGO CONSUMERS' ACTION NETWORK (SDCAN) TO SAN  
DIEGO GAS & ELECTRIC'S PHASE TWO SUPPLEMENTAL FILING**

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## **I. INTRODUCTION**

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure and the Assigned Commissioner's Ruling Inviting Utilities to Submit Interim Rate Change Applications, SDCAN hereby protests San Diego Gas & Electric Company's (SDG&E) GRC Phase 2 Supplemental Filing in this proceeding. On November 22, 2013, SDG&E filed the instant supplement and parties were directed to lodge protests no later than December 23, 2013. SDCAN has significant concerns with SDG&E's proposal to reduce its current four-tiered rate to a two-tiered rate. For a host of reasons, this proposal is contrary to law, to public policy and to the direction of the Assigned Commissioner in his Ruling.

## **II. GROUNDS FOR PROTEST**

SDCAN has three concerns about the supplemental filing that it plans to address in an evidentiary hearing process. They are as follows:

1. SDG&E's proposal constitutes rate shock for Tier 1 customers.
2. Its proposed rates unreasonably impair incentives for conservation and energy efficiency
3. Its proposed rates run counter to San Diego-based efforts to promote multi-tiered pricing.

SDG&E has proposed the consolidation of four pricing tiers for residential customers so that only two tiers would remain. To put this in context, SDG&E reduced the number of residential tiers to four in its last rate case and is now proposing to reduce the number of tiers from four to two. SDG&E justifies this change as a means to *simplify* the residential rate

structure in light of the new customer charge.<sup>1</sup> As will be discussed below, “dumbing-down” rate design by weakening price signals makes little sense in light of the state’s conservation efforts and the Smart Grid technologies recently deployed by SDG&E.

The first basis of SDCAN’s objection is that, if adopted, the majority of SDG&E’s customers who keep their consumption within the first tier will experience rate increases of 19%. Since 2001, these customers have not experienced an annual increase in excess of 6.34%. SDCAN submits that an annual rate increase in excess of 300% of their *historical high* constitutes rate shock and is, thus, at odds with the direction of the Assigned Commissioner’s Ruling.

Second, SDCAN asserts that charging proportionately higher energy rates for higher usage customers is a key tool for sending conservation price signals. Reducing the number of pricing tiers down to two tiers would have significant implications, including reducing energy conservation signals and reducing the financial viability of solar distributed generation. Such changes are also at odds with the Assigned Commissioner’s Ruling, SB 695 and outweigh the potential negative policy implications.

In its testimony, SDCAN will offer expert evaluation of why multi-tiered pricing at the higher usage levels increases conservation incentives for those customers with the opportunity for reducing the greatest amount of load. SDCAN will show that higher-usage customers tend to have higher incomes than customers with lower usage and that higher-usage customers typically have load patterns that are more peaked relative to the load patterns of customers with lower usage, and that their loads are concentrated more during the summer hours and during the hour

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<sup>1</sup> SDG&E Testimony of Chris Yunker, p. CY-4

of system coincident peak. As a result, higher-usage customers are likely to be more costly to the system on a per-kWh basis than are customers with lower usage. SDCAN's data suggest that SDG&E's proposal to consolidate Tiers 2 and 3 and to significantly reduce price signals for higher-usage customers while also increasing lower tier rates would not just be backwards from the standpoint of conservation incentives, but would also be regressive and would remove price differentiation that appropriately reflects the cost differentiation between customers in these tiers.

In addition, SDCAN notes that "smart" technologies will provide the opportunity for tiered pricing to work more effectively. SDG&E's recent deployment of smart meters creates the opportunity for customers (and third-party energy management companies) to use real-time data to access marginal tiered prices. This information will allow customers to make more informed decisions about their consumption levels and patterns. To abandon tiered pricing precisely when new technologies will be allowing customers to better utilize this pricing scheme would be counterproductive.

SDCAN also protests the SDG&E proposal because it runs counter to local efforts to integrate tiered pricing into all manner of utility services. The City of San Diego joined other San Diego County water districts and adopted significant water rate design changes in November 2013. For the first time, the 250,000+ customers of the City of San Diego will be charged a graduated 4-tier water rate design with a lower base fee and substantially differentiated tiers for single-family residential customers. As these customers – and other San Diego County water users – adapt to multi-tiered water rate designs that promotes cost-based conservation, SDG&E seeks to move an entirely different direction. One result: customer confusion. Another result:

customers will eschew low-carbon options. One of the issues that will be litigated in this proceeding is whether a multi-tiered rate design supports low-carbon energy policies. SDG&E argues that it does not. SDCAN (and other intervenors) maintain the converse. This will be both a factual and legal question that will need to be addressed by the Commission.

In its testimony, SDCAN will present an alternative proposal to SDG&E's rate design. SDCAN submits that residential customers are best served by a pricing scheme comprised of three equally differentiated tiers to preserve the conservation benefits of tiered rates while permitting the top tier levels to be reduced and better reflect costs. This rate design will continue to encourage customers who use a disproportionate amount of electricity -- generally large homes using significant amounts air conditioning and irrigation/water amenities -- to invest in consumption reduction efforts or to move to dynamic pricing plans. These are customers who will be more receptive to energy pricing incentives and who, correspondingly, impose greater costs upon the SDG&E system than customers with modest and predictable energy consumption.

### **III. PROCEDURAL MATTERS**

SDCAN submits that evidentiary hearings are necessary to resolve the above mentioned contentious issues and will be filing a motion to that effect on January 7, 2014. SDCAN strongly objects to the proposed schedule in that it only allows about ten weeks (most of which run through the holidays) to conduct almost an entire rate design proceeding. It leaves literally no time for any discovery or hearings. The continued absence of a final Commission decision in SDG&E's GRC Phase 2 makes it almost impossible for SDG&E to make an informed

application or for intervenors to assess SDG&E's application. These and other scheduling matters will be more fully addressed at the January 8th PHC.

#### **IV. EFFECT OF THE APPLICATION ON THE PROTESTANT**

SDCAN is a non-profit consumer advocacy organization and its director has a long history of representing the interests of SDG&E's residential and small commercial customers before this Commission. SDCAN's articles of incorporation specifically authorize our representation of the interests of such customers. The instant application harms the interests of SDG&E's residential and small commercial ratepayers, whose interests SDCAN represents,

Respectfully submitted,

Dated: December 23, 2013

/s/

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