



ORA

*Office of Ratepayer Advocates
California Public Utilities Commission*

505 Van Ness Avenue
San Francisco, California 94102
Tel: 415-703-2381
Fax: 415-703-2057

JOSEPH P. COMO
Acting Director

<http://ora.ca.gov>

March 26, 2014

Honorable Jean Fuller
California State Senate
State Capitol, Room 3063
Sacramento, CA 95814

RE: SB 1090 (Fuller) – Oppose unless amended

Dear Senator Fuller,

ORA (Office of Ratepayer Advocates) is the independent consumer advocate within the California Public Utilities Commission (CPUC). ORA's statutory mandate is to obtain the lowest possible rates for utility service consistent with reliable and safe service levels. ORA also advocates for customer and environmental protections in connection with utility service.

ORA respectfully opposes unless amended your SB 1090, which may have the unintended consequence of creating hurdles for the deployment of rate reform in California.

We share your concern about the effects of possible default time-of-use (TOU) rate design on residential customers in the hot inland areas of California. Any new rate design has the potential to affect different people in different ways. However, in the case of TOU rate design, ORA's analysis, and the analysis from the CPUC's report that you cited in your March 24th fact sheet, actually demonstrates that residential customers will be better off with TOU rates. TOU rates are transparent and predictable and give customers the ability to save money because they know when rates will be higher and when they will be lower. Current tiered rates don't offer customers that same level of transparency and predictability without signing up for tier alerts¹ from the utilities, which most customers do not do. But the most important aspect of TOU rates is that the analysis shows that most customers' bills will be about the same with or without TOU rates, assuming they do nothing to change their energy use pattern. So a customer that must use air conditioning in the afternoon in their home should not see a larger monthly bill under TOU rates as compared to tiered rates. However, if the same customer can defer some electricity use to the evenings and weekends, that customer can save money on their monthly energy bills by taking advantage of lower night and weekend rates. And for the subset of customers that actually experience higher bills under TOU, and can't change their energy use, they can opt-out to tiered rates.²

AB 327 (Perea, 2013) was a collaborative effort among the consumer groups (including ORA and TURN), utilities, and the Legislature to develop a framework that would allow the CPUC appropriate discretion for

¹ Tier alerts are warnings sent to customers generally by email or text message that they are crossing from one tier to the next. But once a customer crosses over into a higher tier there is nothing the customer can do, short of not using energy, to get a lower rate. That is unrealistic. To receive tier alerts, the customer must set them up online on the utilities' websites. TOU rates do not require this effort from the customer because the bills will show clearly when the TOU periods are.

² The customer who will be most impacted from the anticipated rate realignment over the next few years will be smaller customers. But the bulk of that impact will be from reducing the tier differentials that have grown because of the statutory restrictions on raising rates on the first two years. Currently, the top tier rates are up to three times higher than the rates in the first tier.

developing rates that could address the high bills currently experienced by residential households with large usage, while balancing the bill impacts to households that use less energy. While well-intentioned, SB 1090 may create additional steps for the CPUC that does not best advance this goal.

ORA recognizes your laudable intent to provide specified information and rate relief to those customers most in need. To help accomplish this, we suggest the attached amendments to make explicit that the CPUC should examine how modifications to default rates (such as from tiered to TOU rates) would affect various customer groups, including customers with hot summer climates. This type of analysis is central to any evidence that ORA would provide in any rate design proceeding.

If you have any questions or would like to discuss this matter further, please call ORA's Legislative Advisor Rebecca Lee, at (916) 327-1407 or me at (415) 703-2381.

Respectfully,

Joseph P. Como, Acting Director
Office of Ratepayer Advocates

By
Rebecca Lee
Legislative Advisor

SECTION 1.

Section 745 of the Public Utilities Code is amended to read:

745.

(a) For purposes of this section, "time-variant pricing" includes time-of-use rates, critical peak pricing, and real-time pricing, but does not include programs that provide customers with discounts from standard tariff rates as an incentive to reduce consumption at certain times, including peak time rebates.

(b) The commission may authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The commission shall not establish a mandatory or default time-variant pricing tariff for any residential customer except as authorized in subdivision (c).

(c) Beginning January 1, 2018, *and subject to the commission making the findings required by subdivision (d) and reporting those findings as required by subdivision (e)*, the commission may require or authorize an electrical corporation to employ default time-of-use pricing for residential customers subject to all of the following:

(1) Residential customers receiving a medical baseline allowance pursuant to subdivision (c) of Section 739, customers requesting third-party notification pursuant to subdivision (c) of Section 779.1, customers who the commission has ordered cannot be disconnected from service without an in-person visit from a utility representative (Decision 12-03-054 (March 22, 2012), Decision on Phase II Issues: Adoption of Practices to Reduce the Number of Gas and Electric Service Disconnections, Order 2 (b) at page 55), and other customers designated by the commission in its discretion shall not be subject to default time-of-use pricing without their affirmative consent.

(2) The commission shall ensure that any time-of-use rate schedule does not cause unreasonable hardship for senior citizens or economically vulnerable customers in hot climate zones.

(3) The commission shall strive for time-of-use rate schedules that utilize time periods that are appropriate for at least the following five years.

(4) A residential customer shall not be subject to a default time-of-use rate schedule unless that residential customer has been provided with not less than one year of interval usage data from an advanced meter and associated customer education and, following the passage of this period, is provided with no less than one year of bill protection during which the total amount paid by the residential customer for electric service shall not exceed the amount that would have been payable by the residential customer under that customer's previous rate schedule.

(5) Each electrical corporation shall provide each residential customer, not less than once per year, using a reasonable delivery method of the customer's choosing, a summary of available tariff options with a calculation of expected annual bill impacts under each available tariff. The summary shall not be provided to customers who notify the utility that they choose not to receive the summary. The reasonable costs of providing this service shall be recovered in rates.

(6) Residential customers have the option to not receive service pursuant to a time-of-use rate schedule and incur no additional charges as a result of the exercise of that option. Prohibited charges include, but are not limited to, administrative fees for switching away from time-of-use pricing, hedging premiums that exceed any actual costs of hedging, and more than a proportional share of any discounts or other incentives paid to customers to increase participation in time-of-use pricing. This prohibition on additional charges is not intended to ensure that a customer will necessarily experience a lower total bill as a result of the

exercise of the option to not receive service pursuant to a time-of-use rate schedule.

(d) The commission shall not require or authorize an electrical corporation to employ default time-of-use pricing for residential customers unless it has made all of the following findings relative to any proposed time-of-use rates in contrast to the tiered rates that may be in effect at the time:

(1) Customers located in hot, inland areas will not experience unreasonable summertime bills, increases. assuming no changes in overall usage by those customers during peak periods.

~~(2) Any resulting shift in revenue collected between territories for baseline usage is reasonable, assuming no changes in overall usage or in usage during peak periods.~~

(2) Time-of-use pricing will take timing of peak solar generation into consideration.

(3) Seasonal bill volatility will not cause unreasonable hardship for residential customers living in areas with hot summer weather, assuming no change in summertime usage or in usage during peak periods.

~~(4) Use of default time-of-use pricing will not exacerbate the potential consequences of excess generation during times of peak solar generation.~~

~~(5) Costs for integration of eligible renewable energy resources will not increase as the result of employing default time-of-use pricing.~~

(4) Rates will provide customers a price signal that will help them reduce their bills.

(5) Assists in deferring the need for new peaking generation and system upgrades, and will lead to a long-term reduction in electric system costs.

(6) Encourages customers' investment in cost-effective energy efficiency measures and demand response programs.

(7) Contributes to the reduction of greenhouse gas and other air emissions.

(8) Provides customers with rates that are easy to understand and allows them to control their usage.

(e) The commission shall submit its findings made pursuant to subdivision (d) to the Legislature not less than 12 months prior to requiring or authorizing an electrical corporation to employ default time-of-use pricing for residential customers.