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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)

**SECOND AMENDED SCOPING MEMO AND
RULING OF ASSIGNED COMMISSIONER AND
ASSIGNED ADMINISTRATIVE LAW JUDGE**

1. Summary

This Second Amended Scoping Memo and Ruling of Assigned Commissioner and Assigned Administrative Law Judge (Second Amended Scoping Memo) does the following: (1) finalizes the Phase 2 schedule and (2) sets forth the Phase 2 scope.

2. Background

The Commission initiated this Order Instituting Rulemaking (OIR) to examine current residential electric rate design. On November 26, 2012, the assigned Commissioner issued the original Scoping Memo and Ruling. On October 7, 2013, Assembly Bill (AB) 327 was signed into law. AB 327 lifts many of the restrictions on residential rate design. With its passage, the utilities can now propose residential rates that are more reflective of cost, in keeping with the

Commission's principle that rates should be based on cost-causation. AB 327 also contains limits designed to protect certain classes of vulnerable customers.

On October 25, 2013, the assigned Commissioner issued a ruling (October 25, 2013 Ruling) opening Phase 2 of this proceeding and inviting utilities to submit interim rate change proposals for summer 2014. Southern California Edison Company (SCE), Pacific Gas & Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E, and collectively with SCE and PG&E, the IOUs) submitted rate change proposals on November 22, 2013, and a Phase 2 prehearing conference (PHC) was held on December 5, 2013.

On January 6, 2014, the assigned Commissioner issued the Amended Scoping Memo and Ruling (January 6, 2014 Scoping Memo). A second PHC addressing Phase 2 matters was held on January 8, 2014.

3. January 8, 2014 PHC

At the January 8 PHC, we indicated that in order to fairly evaluate the IOU rate change proposals in time to implement new residential rates in 2014, the IOUs would need to revise and simplify their proposals. The IOUs were also ordered to submit additional testimony showing rate comparisons in a standardized format.

3.1. Revised Proposals

The simplified rate change proposals that are to be submitted by the IOUs should maintain the existing four-tiered structure and should not entail any major adjustments to California Alternative Rates for Energy (CARE), Family Electric Rate Assistance Program (FERA) or medical baseline programs. Instead, changes should be limited to increases in the lower tiers commensurate with projected increases in the overall revenue requirement allocated to the residential class, plus no more than a few percentage points, if necessary, to keep the upper

tiers within a range that will avoid the potential for significant bill volatility and rate shock in the summer. If the resulting CARE effective discount would be greater than 35%, the utility should propose an adjustment that would put CARE rates on a glide path to 35%. The adjustment should avoid rate shock for CARE customers.

If the IOUs have questions about these instructions, the IOUs should contact Energy Division staff. The IOUs should also consider working with other parties to determine how best to simplify rate design requests to expedite review.

3.2. Additional Supplementary Testimony

The IOUs were also instructed to provide additional testimony. In particular, in order to evaluate the rate change proposals, it is necessary to review comparisons between the proposed rates and current rates. The format of this additional testimony should be in a standardized format to allow for efficient review by all parties. The IOUs should work with Energy Division staff and other parties to identify rate comparisons that are useful and develop the standardized format.

4. Scope

The scope described below assumes that the IOUs submit simplified rate change proposals. If rate change proposals are complex, the scope may need to be further refined to include additional issues and sub-issues that need to be resolved to issue a decision.

The specific issues to be resolved are as follows:

- Should SCE's 2014 rate change proposal be adopted?
- Should PG&E's 2014 rate change proposal be adopted?
- Should SDG&E's 2014 rate change proposal be adopted?

Considerations for resolving these issues include: (a) is the rate change proposal consistent with AB 327?, (b) is the rate change proposal consistent with the ten rate design principles developed in this proceeding?, (c) are the assumptions on which the IOU based its calculations reasonable?, (d) do the proposed non-CARE rates avoid rate shock and rate volatility?, (e) do the proposed rates for CARE, FERA and medical baseline avoid rate shock and rate volatility?, (f) do the proposed rate changes maintain revenue neutrality?; and (g) are any other rates impacted by the rate change proposal, and, if so, to what extent should such impacts be addressed in this proceeding.

5. Procedural Schedule

The Phase 2 procedural schedule is as follows:

Event	Date
Simplified Rate Design Proposals Served	January 28, 2014
Supplemental Utility Testimony Served	January 28, 2014
Intervenor Testimony Served	February 28, 2014
Rebuttal Testimony Served	March 7, 2014
Evidentiary Hearings	March 17 – 19, 2014
Opening Briefs Filed	March 31, 2014
Reply Briefs Filed	April 9, 2014
Proposed Decision	May 9, 2014

The assigned Commissioner or Administrative Law Judge may modify the schedule as necessary to promote the efficient and fair resolution of this proceeding. In any event, it is anticipated that this proceeding will be resolved within 18 months of the date of this Second Amended Scoping Memo, pursuant to the requirements of Pub. Util. Code § 1701.5.

This proceeding was previously categorized as ratesetting and this ruling finds that hearings will be necessary for this Phase 2.

IT IS RULED that:

1. Provided that the utilities submit simplified rate design proposals, the scope is as set forth above.
2. The procedural schedule is as set forth herein and may be modified by the Assigned Commissioner or Administrative Law Judge if necessary.
3. Hearings are required for Phase 2.

Dated January 24, 2014, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

/s/ JEANNE M. McKINNEY

Jeanne M. McKinney
Administrative Law Judge