

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 31, 2013

Advice Letter 4314-E

Brian Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94177

Subject: AL 4314-E – Implementation of Residential Rate Changes Authorized by Public Utilities Code Sections 739.1 and 739.9

Dear Mr. Cherry:

On November 13, 2013 PG&E filed Advice Letter (AL) 4314-E to implement residential rate changes authorized by Public Utilities (PU) Code Sections 739.1 and 739.9 added by Senate Bill (SB) 695 in 2009¹ for rates effective January 1, 2014.

AL 4314-E proposes to increase non-CARE and CARE residential rates for usage in Tiers 1 and 2 by 3 percent in accordance with Sections 739.9 and 739.1, with a corresponding downward adjustment in the rates applicable to non-CARE usage in Tiers 3 and 4 (rates applicable to usage above 130 percent of the baseline allowances). The proposed rate adjustments would be implemented on a consolidated basis with PG&E's January 1, 2014 Annual Electric True-Up supplement to AL 4278-E.

Energy Division staff reviewed PG&E's AL 4314-E and determined that it is in compliance with PU Code Sections 739.1 and 739.9 and is effective January 1, 2014.

The Utility Reform Network (TURN) filed a limited protest to PG&E's AL 4314-E on December 3, 2013. PG&E filed Reply Comments on December 10, 2013. TURN recommended:

- The Commission approve PG&E's AL 4314-E only if PG&E uses additional revenues to reduce Tier 3 rates, since the proposed Tier 3 and 4 rates differential is

¹ CPUC first authorized SB 695 related Tier 1 and Tier 2 residential rate adjustments in Decision 09-12-048 Ordering Paragraph 5, effective January 1, 2010.

not required by law and is inconsistent with the rate design changes proposed by PG&E for May 2014.²

- The utilities requested changes should still conform to the Commission's rate design policies recently enunciated in R.12-06-013, and should be consistent with very significant rate design changes that the utilities recently filed.
- PG&E's proposal to maintain a rigid 4-cent differential between Tiers 3 and 4 is not required and is inconsistent with PG&E's proposed future rate design. Any additional revenues should be used to reduce PG&E's Tier 3 rate.

Energy Division staff denies TURN's protest on the following grounds:

1. TURN's protest is outside the scope of CPUC authorized Advice Filing Rate Changes.
2. TURN is essentially asking staff to prejudge the rate design policies being considered in R.12-06-013. Staff cannot apply proposals in an open proceeding that has yet to be decided on by the Commission to PG&E's request.
3. PG&E's request is not inconsistent with AB 327. AB 327 provides the Commission with even more discretion to increase Tier 1 and Tier 2 rates than the current statutory authority (after an appropriate regulatory process).
4. SB 695 will not be repealed until January 1, 2014 and is still in full force and effect.
5. TURN states that "PG&E's citation to D.11-05-047 as justification for a fixed 4-cent differential between Tiers 3 and 4 rates is legally incorrect," and goes on to state PG&E's contention that the Commission "ordered" a tier differential of four cents is wrong as a matter of law³."

Ordering Paragraph 12, p.88 in D.11-05-047 states:

Pacific Gas and Electric Company's request to collapse Tier 4 into Tier 3 is denied. The Tier 3 versus Tier 4 differential shall be reduced, however, consistent with the rate tables set forth in Appendix A.

² TURN Protest to SDG&E Advice Letter 2542-E and Limited Protest to PG&E Advice Letter 4314-E Regarding Proposed Changes to Residential Rates Previously Authorized By Public Utilities Code Sections 739.1 and 739.9 filed December 3, 2013 at page 2.

³ TURN Protest at 6.

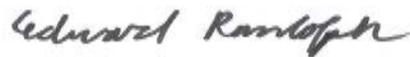
PG&E states in its Reply to TURN's Protest, "all of PG&E's Advice Letters filed since under D.09-12-048 have maintained a 4-cents per kWh differential, none of which were protested by TURN and all were approved with a differential of exactly 4 cents".

Energy Division Staff finds that PG&E's request is consistent with the Commission's Ordering Paragraph 12. The rate tables set forth in Appendix A sets the rate differential between Tier 3 and 4 at exactly 4-cents.

For the reasons discussed above, Advice Letter 4314-E filed November 13, 2013 is determined to be in compliance with PU Code Sections 739.1 and 739.9 and TURN's protest filed December 3, 2013, is denied.

AL 4314-E is approved and effective January 1, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division

cc: TURN
Michael Campbell, ORA

November 13, 2013

Advice 4314-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Implementation of Residential Rate Changes Authorized By Public Utilities Code Sections 739.1 and 739.9

Purpose

The purpose of this advice filing is to make adjustments to Pacific Gas and Electric Company's ("PG&E") residential rates in accordance with Public Utilities Code ("PUC") Sections 739.1 and 739.9 added by Senate Bill (SB) 695 in 2009. The California Public Utilities Commission ("Commission") first authorized SB 695-related Tier 1 and Tier 2 residential rate adjustments in Decision ("D.") 09-12-048 effective January 1, 2010.

D.09-12-048 Ordering Paragraph ("OP") 5 stated:

5. Future annual filing to implement proposed changes in residential rates as authorized by Senate Bill 695 (Ch. 337, Stats. 2009) shall be by Tier 2 advice letter as set forth in General Order 96-B, filed no later than 45 days before the proposed effective date.

Accordingly, this advice filing **proposes to increase non-CARE and CARE residential rates for usage in Tiers 1 and 2 by 3.0 percent in accordance with Sections 739.9 and 739.1**, with a corresponding downward adjustment in the rates applicable to non-CARE usage in Tiers 3 and 4 (rates applicable to usage above 130 percent of the baseline allowances). The proposed rate adjustments will not result in any change in the revenue requirements authorized by the Commission but would be implemented on a consolidated basis with PG&E's January 1, 2014, Annual Electric True-Up ("AET") supplement to Advice 4278-E.

Rate Revisions

Section 739.9(a) states that annually through January 1, 2018, the Commission may increase the rates charged to non-CARE residential customers for electricity usage up to 130 percent of the baseline quantities (Tiers 1 and 2) by the annual percentage change in the Consumer Price Index ("CPI") from the prior year plus

1 percent, but not less than 3 percent and not more than 5 percent per year. As the change in the CPI is 1.5 percent, PG&E proposes to increase its non-CARE Tiers 1 and 2 residential rates by 3.0 percent. Although CPI plus 1 percent is 2.5 percent, this is superseded by the “not less than 3 percent” provision of Section 739.9(a). See Attachment 1 for calculation of the change in CPI and demonstration of PG&E’s compliance with the requirements of Section 739.9(b).¹

For CARE rate schedules, Section 739.1(b)(2) specifies that the Commission may increase the rates for electricity usage up to 130 percent of baseline quantities by the annual increase in benefits provided under the CalWORKs program for the fiscal year in which the rate increase would take effect, but not to exceed 3 percent per year.² In June 2013, Assembly Bill 85 was enacted, which, among other things, increases the maximum allowable CalWORKs benefit by 5 percent in fiscal year 2014, with an effective date of March 1, 2014.³ Thus, PG&E is also proposing to increase rates for CARE Tiers 1 and 2 by 3.0 percent. As required by PUC Section 739.1(b)(4), PG&E’s CARE rates do not exceed 80 percent of the corresponding non-CARE rates, excluding the DWR Bond Charge (“DWRBC”), CARE Surcharge, and any applicable California Solar Initiative charges or other exempt charges.⁴

In October 2013, Assembly Bill 327 (“AB 327”) was signed into law and will become effective January 1, 2014. Among other things, AB 327 removes the restrictions on increases to volumetric rates for non-CARE and CARE Tiers 1 and 2 in Public Utilities Code Sections 739.9 and 739.1(b), and allows changes to the tier definitions and number of tiers. AB 327 expands the CPUC’s authority to implement changes to residential rates compared to the limitations that exist under SB 695. Nothing in AB 327 invalidates or prevents continuation of the advice letter process implemented by D.09-12-048 for rate changes effective January 1, 2014. Accordingly, this advice filing request is made under the authority granted by prior

¹ PUC Section 739.9(b) further requires that the rates charged for usage up to the baseline quantity, including any customer charge revenues, cannot exceed 90 percent of the system average rate.

² The benefits amounts provided under the CalWORKs program are subject to an annual cost of living adjustment, effective July 1 of each year, as provided under Section 11453 (a) of the Welfare and Institutions (“W&I”) Code.

³ Assembly Bill 85 added Section 11450.025(a) to the California Welfare and Institutions Code, which provides that “Notwithstanding any other law, effective on March 1, 2014, the maximum aid payments in effect on July 1, 2012, as specified in subdivision (b) of Section 11450.02, shall be increased by 5 percent.”

⁴ PG&E uses its standard residential rate schedule and its CARE counterpart, Schedules E-1 and EL-1, to demonstrate compliance with this requirement.

Commission decisions as well as by AB 327, and is requested for approval by the Energy Division for implementation effective January 1, 2014.

A summary of the current October 1, 2013, and proposed illustrative January 1, 2014, Tier 1 and Tier 2 rates for residential Schedules E-1 and EL-1 is provided in the following table:

Illustrative E-1 and EL-1 Tier 1 and Tier 2 Rates (\$/kWh)

	Non-CARE (E-1)			CARE (EL-1)		
	Current Rate	Proposed Rate	Percentage Change	Current Rate	Proposed Rate	Percentage Change
Tier 1	\$0.13230	\$0.13627	3.00%	\$0.08316	\$0.08565	3.00%
Tier 2	\$0.15040	\$0.15491	3.00%	\$0.09563	\$0.09850	3.00%

PG&E proposes to reduce non-CARE Tiers 3 and 4 rates by an amount that offsets the revenue increase resulting from the Tier 1 and Tier 2 rate adjustments described above. Non-CARE Tiers 3 and 4 rates will be set to ensure the revenue allocated to the residential class is fully collected, while maintaining the fixed non-CARE Tier 3 and Tier 4 rate differential of \$0.04 per kWh, as ordered by the CPUC in PG&E's Phase 2 of its 2011 General Rate Case (D.11-05-047).

Assuming approval of this advice letter, PG&E will revise residential rates as described above and consolidate the change with PG&E's AET for rates effective on January 1, 2014. Additionally, PG&E will ensure AET consolidated rate change compliance with Section 739.9(b), which requires that the rates charged to non-CARE residential customers for electricity usage up to the baseline quantity, including any customer or minimum charge revenues, not exceed 90 percent of the system average rate ("SAR").⁵

⁵ PG&E uses its standard residential rate schedule and its CARE counterpart, Schedules E-1 and EL-1, to demonstrate compliance with this requirement.

Tariff Revisions

By this advice letter, PG&E is not filing any tariffs or illustrative rate tables. Instead, this advice letter addresses only the principles involved in implementing SB 695 and defers to PG&E's AET final implemented rates and tariffs.

Tier Designation

Pursuant to OP 5 of D.09-12-048, PG&E submits this advice letter with a Tier 2 designation.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **December 3, 2013**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E proposes that the rate changes described in this Advice Letter be incorporated into the AET and made effective **January 1, 2014**.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for A.09-10-013. Address changes to the General Order 96-B service list should be directed to email PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.



Vice President - Regulatory Relations

cc: Service List for A.09-10-013

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4314-E**

Tier: **2**

Subject of AL: **Implementation of Residential Rate Changes Authorized By Public Utilities Code Sections 739.1 and 739.9**

Keywords (choose from CPUC listing): Compliance, CARE

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.09-12-048

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **January 1, 2014**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

Pacific Gas and Electric Company
Section 739.9 Residential Rate Change
Attachment 1
Workpaper Supporting 80% and 90% Tests to Comply with
Revisions to PU Code 739.1 and 739.9

Year	<u>CPI-W History</u>		
	Jul	Aug	Sep
2012	225.568	227.056	228.184
2013	230.084	230.359	230.537
Prior Year Change			1.49%
Incremental adder:			1.0%
Total:			2.49%
Rate Increase for Tiers 1 & 2:			3.0%

Note: Prior year change defined as the percentage change from the third quarter of 2012 to the third quarter of 2013

PU Code Section 739.1 (b) (4) - "80% Test"

		Tier 1	Tier 2
A)	Proposed E-1 (Non-CARE) Total Rates	\$0.13627	\$0.15491
B)	less DWR Bond	\$0.00512	\$0.00512
C)	less CARE Srchrg	\$0.00714	\$0.00714
D)	less CSI Adders	\$0.00089	\$0.00089
E)	E-1 residual	\$0.12311	\$0.14175
F)	80% * E-1 residual	\$0.09849	\$0.11340
G)	Proposed EL-1 (CARE) Total Rates	\$0.08565	\$0.09850
H)	Is (G) <= (F) ?	YES	YES

PU Code Section 739.9 (b) - "90% Test"

A)	Proposed System Bundled Average Rate			\$0.16335
B)	90% * Proposed System Bundled Average Rate			\$0.14702
		Proposed Revenue	Forecast Sales	Proposed Avg Rate
C)	Proposed E-1 (Non-CARE) Tier 1	\$1,769,198,669	12,983,133,869	\$0.13627
D)	Minimum Bill	\$6,044,400		\$0.00047
E)	Baseline, including Minimum Charge			\$0.13673
F)	Is (E) <=(B)?			YES

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

1st Light Energy	Douglass & Liddell	OnGrid Solar
AT&T	Downey & Brand	Pacific Gas and Electric Company
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Praxair
Anderson & Poole	G. A. Krause & Assoc.	Regulatory & Cogeneration Service, Inc.
BART	GenOn Energy Inc.	SCD Energy Solutions
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCE
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Braun Blaising McLaughlin, P.C.	Green Power Institute	SPURR
CENERGY POWER	Hanna & Morton	San Francisco Public Utilities Commission
California Cotton Ginners & Growers Assn	In House Energy	Seattle City Light
California Energy Commission	International Power Technology	Sempra Utilities
California Public Utilities Commission	Intestate Gas Services, Inc.	Slice-Energy
California State Association of Counties	K&L Gates LLP	SoCalGas
Calpine	Kelly Group	Southern California Edison Company
Casner, Steve	Linde	Spark Energy
Center for Biological Diversity	Los Angeles Dept of Water & Power	Sun Light & Power
City of Palo Alto	MRW & Associates	Sunshine Design
City of San Jose	Manatt Phelps Phillips	Tecogen, Inc.
Clean Power	Marin Energy Authority	Tiger Natural Gas, Inc.
Coast Economic Consulting	McKenna Long & Aldridge LLP	TransCanada
Commercial Energy	McKenzie & Associates	Utility Cost Management
County of Tehama - Department of Public Works	Modesto Irrigation District	Utility Power Solutions
Crossborder Energy	Morgan Stanley	Utility Specialists
Davis Wright Tremaine LLP	NLine Energy, Inc.	Verizon
Day Carter Murphy	NRG Solar	Water and Energy Consulting
Defense Energy Support Center	Nexant, Inc.	Wellhead Electric Company
Dept of General Services	North America Power Partners	Western Manufactured Housing Communities Association (WMA)
Division of Ratepayer Advocates	Occidental Energy Marketing, Inc.	