

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

Application of Pacific Gas and Electric  
Company To Revise Its Electric Marginal  
Costs, Revenue Allocation, and Rate Design

U 39 M

Application No. 06-03-005

**MOTION OF THE SETTLING PARTIES FOR ADOPTION OF  
SMALL LIGHT & POWER RATE DESIGN SETTLEMENT  
AGREEMENT AND COMMERCIAL BUILDING MASTER  
METER SETTLEMENT AGREEMENT**

ANN H. KIM  
SHIRLEY A. WOO  
DEBORAH S. SHEFLER

Pacific Gas and Electric Company  
77 Beale Street  
San Francisco, CA 94105  
Telephone: (415) 973-2959  
Facsimile: (415) 973-5520  
E-Mail: [dss8@pge.com](mailto:dss8@pge.com)

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

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Pursuant to Rule 21.1 of the Commission’s Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) submits this motion on behalf of the Settling Parties.<sup>1</sup> By this motion, the Settling Parties respectfully request that the Commission approve one settlement agreement on rate design issues and one settlement agreement on commercial building master meters. The rate design agreement addresses the small light and power (SLP) customer class and is supported as set forth in footnote 1 below. The other agreement addresses master meters and energy cost allocations in commercial buildings and is supported by PG&E and BOMA. A copy

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<sup>1</sup> The Settling Parties for purposes of this Motion are the following:

*For the Small Light & Power Rate Design Settlement Agreement:* California City-County Street Light Association (CAL-SLA); California Solar Energy Industries Association (CAL SEIA); Division of Ratepayer Advocates (DRA); Pacific Gas and Electric Company (PG&E); PV Now; The Utility Reform Network (TURN); and Vote Solar.

*For the Commercial Building Master Meter Settlement Agreement:* Building Owners and Managers Associations of San Francisco and California (BOMA) and Pacific Gas and Electric Company (PG&E).

of each settlement agreement is attached to this motion. As described below, the two settlement agreements are reasonable in light of the whole record, consistent with law, and in the public interest, and should therefore be adopted without modification.

## **I. PROCEDURAL HISTORY**

PG&E filed its application in this proceeding on March 2, 2006. PG&E's marginal cost, revenue allocation and rate design proposals were intended to "continue progress toward cost based, efficient pricing, while taking into consideration equity among customers and customer acceptance." One party – the Division of Ratepayer Advocates (DRA) – filed a protest on March 27, 2006.

Administrative Law Judge (ALJ) Fukutome and Assigned Commissioner Rachelle Chong held a prehearing conference in the proceeding on May 3, 2006, and established the proceeding's scope and schedule in a Ruling and Scoping Memo on May 25. PG&E updated its showing on June 26, DRA served prepared testimony on September 13, and AECA, BOMA, CAC, CAL-SLA, CFBF, CLECA, CLFP, CMTA-ICP, DACC, EPUC, FEA, PV Now, TURN, Vote Solar, and WMA served intervenor testimony on October 27.

In compliance with the Scoping Memo, PG&E held a meet and confer session with all parties and Commission staff on September 20. After providing notice pursuant to Rule 12.1(b), PG&E conducted additional settlement discussions with the active parties to the proceeding. Also in compliance with the Scoping Memo, PG&E held a mandatory settlement conference on November 1. Based on the settlement discussions, the Settling Parties sought extensions of the procedural schedule, which were granted by ALJ Rulings dated November 9 and December 14, 2006.

On January 5, 2007, PG&E's counsel notified ALJ Fukutome that the active parties to the proceeding had reached settlement in principle regarding marginal cost and revenue allocation issues and requested a further extension of the procedural schedule to memorialize the settlement and continue their efforts to reach agreement on rate design issues. ALJ Fukutome granted the request by written ruling dated January 10, 2007. PG&E filed an all-party settlement agreement

on marginal cost and revenue allocation issues with the Commission on February 9, 2007. There were no protests to this agreement, and a hearing was held April 17, 2007. That matter is now under submission.

PG&E and other parties continued discussions on rate design issues throughout February and March 2007, and reached agreement in principle on residential, streetlight, and medium and large light and power rate design issues. The terms of those agreements were filed on March 16, 2007. No protests were received within the protest period. However, on April 18, 2007, the City and County of San Francisco moved to intervene on the streetlighting issue.

Also on March 16, 2007, PG&E sought a further extension of time to continue settlement negotiations on remaining rate design issues. The ALJ granted the request by written ruling dated March 22, 2007, allowing the parties until April 27, 2007, to resolve all outstanding issues. The terms of agreements resolving SLP rate design issues and commercial building master meter (MM) issues are set forth in the settlement documents appended to this motion.

The only issues remaining unresolved are with regard to agricultural rate design. On April 23, 2007, PG&E and the agricultural parties sought a further extension of time until May 4, 2007, to continue negotiations on those issues, which the ALJ granted by written ruling April 24, 2007..

## **II. SETTLEMENT TERMS<sup>2</sup>**

The SLP rate design settlement agreement accompanying this motion is supplemental to the marginal cost and revenue allocation settlement agreement filed on February 9, 2007, in this proceeding. The SLP settlement agreement uses the revenue allocations agreed to in the February 9 settlement and addresses rate design issues that were not resolved in that settlement, or in the settlements filed March 16, 2007. The Settling Parties request that the complementary

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<sup>2</sup> This section describes the fundamental components of the two settlement agreements and necessarily simplifies some of the terms. To the extent there is any conflict between the exact wording of the settlement agreements and this motion, the settlement agreements govern.

outcomes of the SLP settlement agreement and February 9 settlement be consolidated in the Commission's final decision in this proceeding, along with the terms of the MM settlement.

### **A. Small Light & Power Settlement**

The small light and power (SLP) settlement is at Attachment 1. It describes the manner in which rates for that customer class will be designed and includes the following fundamental components:

- Revenue neutrality will be established between Schedules A-1 and A-6 in two steps. In the first step, upon settlement implementation, Schedules A-6 and A-1 will move approximately two-thirds of the way toward full revenue neutrality. The movement toward full revenue neutrality will occur on January 1, 2010, and will be maintained until the next GRC Phase 2 proceeding. These adjustments will correct current inappropriate rate relationships whereby customers can realize significant bill savings simply by switching from Schedule A-1 to A-6 despite having poor time-of-use (TOU) load profiles.
- The basic rate designs for each of the applicable SLP rate schedules will be updated upon settlement implementation using the methods underlying development of the illustrative settlement rates for Schedules A-1, A-6, A-15, and TC-1 presented in Exhibit B to the settlement.
- The maximum demand limit for up to a cumulative total of 20 megawatts of solar system capacity among participating Schedule A-6 customers who install a solar photovoltaic system will increase from 500 kilowatts to 1,000 kilowatts. This increase will allow a customer whose maximum billing demand has been between 499 and 999 kilowatts for at least three consecutive months during the most recent 12-month period, or who otherwise is currently taking service, or would be required to take service, on Schedule E-19 on a mandatory basis to voluntarily move to Schedule A-6, so long as the customer installs a solar photovoltaic system that meets at least 20 percent of the measured maximum demand. Current

mandatory Schedule E-19 solar customers who meet these criteria will have a one-time option to switch to Schedule A-6 within 90 days of settlement implementation, and will count toward the 20 megawatt pilot program cap.

- The ongoing monthly TOU meter charges currently applicable for customers taking voluntary TOU service under SLP schedules will cease once the customer's existing TOU meter is replaced as part of the Advanced Meter Infrastructure (AMI) Project (D.06-07-027) and the new meter is activated and used for billing.
- The calculation of the California Alternate Rates for Energy (CARE) discount for commercial CARE customers under Schedule E-CARE shall be based on a rate per kWh discount, rather than the current methodology, which is tied to percentage discount, surcharges, and June 10, 1996 rates. The new methodology will improve customer understanding of the rate, simplify billing, avoid the current requirement to calculate a phantom bundled bill for DA commercial CARE customers, and maintain parity between residential and commercial CARE average discount percentages.
- Revised SLP TOU tariffs are deemed to fulfill the requirements of Senate Bill (SB) 1, Public Utility (PU) Code section 2851(a)(4), in terms of creating the maximum incentive for ratepayers to install solar systems, but settling parties are not restricted from taking positions they deem appropriate in a subsequent proceeding that addresses time-variant rates. However, prior to the next GRC Phase 2 proceeding, no settling party may argue that the SLP TOU rates do not meet the SB-1 requirement.

The SLP settlement also includes provisions regarding the SLP fixed monthly customer charge, the special facility charge related to direct current electrical service on Schedule A-15, and the franchise fee surcharge calculation applicable to direct access (DA) and Community Choice Aggregation (CCA) service.

## **B. Commercial Building Master Meter Settlement**

The MM settlement is at Attachment 2. It describes principles to govern the manner in which commercial building owners may allocate costs to their commercial tenants so that those tenants may receive price signals through the allocation of non-common master meter energy costs. The MM agreement includes the following fundamental components:

- The settling parties agree that it is in the public interest that commercial building tenants receive price signals and have the opportunity to participate in dynamic pricing and energy conservation programs.
- PG&E and BOMA agree that it is in the public interest that building owners participate in dynamic pricing and energy conservation programs, and BOMA agrees to encourage its membership to do so, and to timely pass on to commercial tenants dynamic pricing and energy conservation options or incentives that may become available. Revisions to PG&E Electric Rules 1 and 18 designed to accomplish the goals of the MM settlement are attached to the MM Settlement.
- Nothing in this Master Meter Settlement is intended to create or constitute evidence of a wholesale relationship between PG&E and commercial building owners, a commercial relationship between PG&E and tenants in commercial buildings, or a utility relationship between commercial building owners and their tenants.
- PG&E and BOMA agree that the cost of electricity allocated to commercial building tenants will, in total, be equal to the charges billed by PG&E to the building owners under the CPUC approved rate schedule servicing the master meter.
- PG&E and BOMA agree that all attachments and devices on the customer's side of the master meter used to measure tenant electricity use for the purpose of taking advantage of dynamic pricing and energy conservation opportunities shall

conform to all applicable safety rules, regulations, and general orders established by state and local governments.

The MM settlement also includes provisions further defining the applicability and limitations of the new rules, regarding participation in Commission proceedings addressing how dynamic pricing and energy conservation programs may be made available to commercial building tenants, and providing for the payment of the costs associated with implementation of the terms of this agreement.

### **III. THE COMMISSION SHOULD ADOPT THE SETTLEMENT AGREEMENT**

#### **A. Commission Policy Favors Settlements.**

The Commission has a history of supporting settlement of disputes if they are fair and reasonable in light of the whole record.<sup>3</sup> This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.<sup>4</sup> This strong public policy favoring settlements weighs in favor of the Commission resisting the temptation to alter the results of the negotiation process. As long as a settlement taken as a whole is reasonable in light of the record, consistent with the law, and in the public interest, it should be adopted.<sup>5</sup>

Each portion of each settlement agreement is dependent upon the other portions of that same settlement agreement. Changes to one portion of a rate design settlement agreement would alter the balance of interests and the mutually agreed upon compromises and outcomes contained in that settlement agreements. Similarly, changes in one portion of the MM agreement would alter the balance of interests, compromises, and outcomes in that agreement. As such, the Settling Parties request that both these agreements be adopted as a whole by the Commission, without modification.

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<sup>3</sup> D.05-03-022, mimeo, pp. 7-8, citing D.88-12-083 (30 CPUC 2d 189, 221-223) and D.91-05-029 (40 CPUC 2d. 301, 326).

<sup>4</sup> D.05-03-022, mimeo, p. 8, citing D.92-12-019, 46 CPUC 2d 538, 553.

<sup>5</sup> See generally D.05-03-022, mimeo, pp. 7-12.

**B. The Settlements Are Reasonable In Light Of The Record, Consistent With Law, And In The Public Interest.**

The Commission should adopt both the settlement agreements described herein because they represent a reasonable compromise of the parties' positions. In addition, these agreements comply with all the applicable statutes and prior Commission decisions. By resolving the SLP rate design and MM issues raised in PG&E's Application, the settlement agreements save the Commission and parties from the time, expense, and uncertainty associated with litigating these issues. For these reasons, the settlement agreements are in the public interest.

**C. The SLP Settlement Agreement Is An All-Party Settlement.**

To qualify as an all-party settlement, the sponsoring parties must show that a settlement meets the following four conditions:

- a. The settlement agreement commands the unanimous sponsorship of all active parties to the proceeding;
- b. The sponsoring parties are fairly reflective of the affected interests;
- c. No term of the settlement contravenes statutory provisions or prior Commission decisions; and
- d. The settlement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.<sup>6</sup>

The SLP settlement agreement presented here meets the first condition because the Settling Parties are all the active parties (*i.e.*, those parties submitting testimony) on the issues in this proceeding that are the subject of that settlement agreement.

The rate design settlement agreement meets the second condition because the parties to it fairly represent the interests of the parties affected by such agreements. That is, CAL-SLA, CAL SEIA, DRA, PG&E, PV Now, TURN, and Vote Solar fairly represent the interests of SLP customers.

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<sup>6</sup> D.05-03-032, p. 9, citing D.92-12-019, 46 CPUC 2d 538, 550-551 (1992); D.97-06-066, 1997 Cal PUC LEXIS 229, \*19; D.96-09-037, 1996 Cal. PUC Lexis 904, p. 12; and D.96-07-057, 1996 Cal. PUC Lexis 809, p. 25.

The SLP agreement meets the third condition because it is consistent with law.

Finally, the SLP agreement meets the final condition because the record will contain the prepared testimony of all the parties and because the agreement contains detailed descriptions regarding the timing of rate changes and the manner of implementing rate changes between GRCs.

#### **IV. CONCLUSION**

For the reasons set forth above, the Settling Parties respectfully request that the Commission:

1. Find that the attached Settlement Agreements are reasonable in light of the whole record, consistent with law, and in the public interest;
2. Adopt the Settlement Agreements without modification; and
3. Authorize PG&E to implement changes in rates and tariffs in accordance with the terms of the Settlement Agreements.

Respectfully submitted,

By: \_\_\_\_\_ /s/  
DEBORAH S. SHEFLER

Pacific Gas and Electric Company  
77 Beale Street  
San Francisco, CA 94105  
Telephone: (415) 973-2959  
Facsimile: (415) 973-5520  
E-Mail: DSS8@pge.com

On Behalf Of The Settling Parties

Dated: April 27, 2007