

**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  
RESIDENTIAL RATE DESIGN SETTLEMENT AGREEMENT,  
STREETLIGHT RATE DESIGN SETTLEMENT AGREEMENT, AND  
MEDIUM AND LARGE LIGHT & POWER RATE DESIGN  
SETTLEMENT AGREEMENT**

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Pursuant to Rule 21.1 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company submits this motion on behalf of the Settling Parties.<sup>1</sup> By this motion, the Settling Parties respectfully request that the Commission approve three settlement agreements on rate design issues. The first addresses residential rate design and is supported by CAL SEIA, DRA, PG&E, PV Now, TURN, Vote Solar, and WMA. The second addresses streetlight rate design and is supported by CAL SLA and PG&E. And the third addresses medium and large light and power rate design and is supported by BOMA, CLECA, CLFP, CMTA, CRA, CAC,

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<sup>1</sup> The Settling Parties for purposes of this Motion are the following: Building Owners and Managers Associations of San Francisco, Greater Los Angeles, Orange County, and California (BOMA); California City-County Street Light Association (CAL-SLA); California Large Energy Consumers Association (CLECA); California League of Food Processors (CLFP); California Manufacturers & Technology Association (CMTA); California Retailers Association (CRA); California Solar Energy Industries Association (CAL SEIA); Cogeneration Association of California (CAC); Direct Access Customer Coalition (DACC); Division of Ratepayer Advocates (DRA); Energy Producers and Users Coalition (EPUC); Energy Users Forum (EUF); Federal Executive Agencies (FEA); Indicated Commercial Parties (ICP); Pacific Gas and Electric Company (PG&E); PV Now; The Utility Reform Network (TURN); Vote Solar; and The Western Manufactured Housing Communities Association (WMA).

DACC, EPUC, EUF, FEA, ICP, and PG&E. A copy of each settlement agreement is attached to this motion. As described below, the 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.

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 & power rate design issues. (By email to ALJ Fukutome today, PG&E seeks an extension of time to continue settlement negotiations on remaining rate design issues.) The terms of such agreement are memorialized in the settlement documents appended to this motion.

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

The three rate design settlement agreements accompanying this motion are all supplemental to the marginal cost and revenue allocation settlement agreement filed on February 9, 2007, in this proceeding. The rate design settlement agreements use the revenue allocation agreed to in the February 9 settlement and address rate design issues that were not resolved in that settlement. The Settling Parties request that the complementary outcomes of the rate design settlement agreements and February 9 settlement be consolidated in the Commission's final decision in this proceeding.

### **A. Residential Settlement**

The residential settlement describes the manner in which residential rates will be designed and includes the following fundamental components:

- Total bundled residential California Alternate Rates for Energy (CARE) rates will remain unchanged subject to the provisions of the February 9 settlement.
- Residential baseline quantities shall be revised in accordance with PG&E's testimony, subject to the AB 1X restrictions on residential customers for usage up

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

to 130% of baseline. Baseline quantities and revenue-neutral rate adjustments will be phased in beginning on May 1, 2008 for electric customers and April 1, 2008, for gas customers, subject to certain caveats.

- Total bundled rates for usage up to 130% of baseline will not be changed so long as AB 1X's rate restrictions are effective, subject to certain caveats. While such restrictions are effective, revenue increases to the residential class will be implemented as proportional changes to the generation surcharges in Tiers 3, 4, and 5, and revenue reductions to the residential class will be implemented by proportionally reducing generation surcharges in Tiers 3, 4, and 5.
- If a reduction to the residential class in excess of 3% is expected, PG&E will consult with DRA and TURN to determine the proper method of allocating that revenue between tiers, but rates for usage up to 130% of baseline shall not be reduced.
- Distribution and generation rates for non-CARE residential rate schedules shall be differentiated by tier, and distribution and generation revenue on non-CARE rate schedules shall be collected in each tier in the same proportion as the generation and distribution revenue is allocated to each rate schedule, prior to determining rates for the California Solar Initiative (CSI).
- The CSI rate will be determined as an equal proportion of pre-CSI distribution revenue in each tier as required to collect the CSI revenue allocated to the non-CARE residential schedules. Special provisions apply to customers taking service on the Family Electric Rate Assistance (FERA) program.
- The master-meter discount for Schedules ET and ES agreed to in PG&E's 2003 GRC Phase 2 proceeding shall remain in place until a new electric master meter discount is adopted in another PG&E rate design proceeding.<sup>3</sup>

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<sup>3</sup> The deadline for completing a new diversity benefit study, which will be used to determine a new electric master meter discount, shall be extended from July 1, 2007, to August 1, 2007.

The residential settlement also includes provisions regarding the Minimum Average Rate Limiter (MARL) for residential master-metered customers that receive a submeter discount; CARE customers taking Direct Access and Community Choice Aggregation service; ongoing Time-of-Use meter charges for voluntary residential rate schedules; franchise fee surcharge calculation for DA and CCA service; time-variant tariffs for solar customers; time-of-use schedule for multifamily accounts currently eligible to take service under Schedules EM or EML; customers on submetered rate schedules and eligibility for CSI incentives; revisions to Schedule E-9 for electric vehicles; and timing of rate changes.

### **B. Streetlight Settlement**

The streetlight settlement describes the manner in which rates for streetlight customers will be designed and includes the following fundamental components:

- Non-energy streetlight rates are set forth in Exhibits A and B to the settlement.
- A specific formula shall be used to calculate the energy charge for streetlights.
- There shall be an upper-most limit of 150 watts of non-conforming load on customer-owned streetlight circuits.

The streetlight settlement also includes provisions regarding Schedule TC-1 (traffic control service) and additional streetlight rate design matters as set forth in PG&E's direct testimony. The streetlight settlement includes attachments with draft tariffs required to implement the settlement's terms.

### **C. Medium and Large Light & Power Settlement**

The medium and large light & power (MLLP) settlement describes the manner in which rates for the customer class will be designed and includes the following fundamental components:

- The basic rate designs for each of the applicable MLLP rate schedules will be updated upon settlement implementation using the methods underlying

development of the illustrative settlement rates for Schedules A-10, A-10 TOU, E-19, E-20, and Standby presented in Exhibit A to the settlement.

- There shall be one additional modification of PG&E's MLLP proposals to ensure that total bundled service volumetric rates by TOU period under Schedules E-19 and E-20 will vary at least in proportion to the variation in PG&E's marginal energy costs. That is, for service at transmission and primary distribution service voltages, Schedule E-19 and E-20 TOU generation energy charges will be set residually so that the sum of generation energy charges and those nonbypassable charges that do not vary by TOU period vary in direct proportion to the TOU profile established by the settlement generation energy marginal costs.
- PG&E's proposed customer charges for the MLLP rate schedules are reasonable, and the ongoing monthly TOU meter charges currently applicable for customers taking voluntary TOU service under Schedules E-19V and A-10 TOU should no longer be applied when the customer's existing TOU meter is replaced as part of the Advanced Meter Infrastructure (AMI) Project and the new meter is activated and used for billing.
- Rate Limiters for Schedules E-19 and E-20 will be modified so that summer season average rate limiters will continue for Schedule E-19 and E-20 customers taking service at secondary and primary distribution voltages (at revised levels set forth in Exhibit A to the settlement).

The MLLP settlement also includes provisions regarding standby service rates, non-firm customers transferring to Base Interruptible Program Schedule E-BIP and enrolling on Schedule E-DBP (PG&E's Demand Bidding Program), franchise fee surcharge calculation for DA and CCA customers, and timing of rate changes.

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

#### **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>4</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>5</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>6</sup>

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

#### **B. The Settlement Agreements Are All-Party Settlements**

To qualify as an all-party settlement, the sponsoring parties must show that 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;

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<sup>4</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>5</sup> D.05-03-022, mimeo, p. 8, citing D.92-12-019, 46 CPUC 2d 538, 553.

<sup>6</sup> See generally D.05-03-022, mimeo, pp. 7-12.

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>7</sup>

Each of the three rate design settlement agreement meet 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 the settlement agreements.

Each of the three rate design settlement agreements meets the second condition because the parties to each agreement fairly represent the interests of the parties affected by such agreement. That is, CAL SEIA, DRA, PG&E, PV Now, TURN, Vote Solar, and WMA fairly represent the interests of residential customers. CAL-SLA and PG&E fairly represent the interests of streetlight customers. And BOMA, CLECA, CLFP, CMTA, CRA, CAC, DACC, EPUC, EUF, FEA, ICP, PG&E, and Wal-Mart fairly represent the interests of medium and large light & power customers.

Each of the three rate design settlement agreements meets the third condition because they are consistent with law. Finally, each of the three rate design settlement agreements meets the final condition because the record will contain the prepared testimony of all the parties and because the agreements contain detailed descriptions regarding the timing of rate changes and the manner of implementing rate changes between GRCs.

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

The Commission should adopt the rate design settlement agreements because they represent a reasonable compromise of the parties' positions. In addition, the settlement agreements comply with all applicable statutes and prior Commission decisions. By resolving

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<sup>7</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 residential, streetlight, and medium and large light & power rate design issues raised in PG&E's application, the settlement agreements saves the Commission and parties from the time, expense, and uncertainty associated with litigating these issues. For these reasons, the three rate design settlement agreements are in the public interest.

**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 in accordance with the terms of the Settlement Agreements.

Respectfully submitted,

By: \_\_\_\_\_ /s/  
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On Behalf Of The Settling Parties

Dated: March 16, 2007