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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)

ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING PACIFIC GAS AND ELECTRIC COMPANY (PG&E) TO SHOW CAUSE WHY THE COMMISSION SHOULD NOT ORDER SANCTIONS AND OTHER REMEDIES IN RESPONSE TO PG&E CHARGING RATES NOT AUTHORIZED BY THE COMMISSION

Under Section 451 of the California Public Utilities Code, the Commission must ensure utility rates are just and reasonable. Electric utilities regulated by the Commission are not permitted to unilaterally set rates for retail customers.

The purpose of this proceeding is to reform residential rates to promote a variety of state policies including conservation and ensuring that an affordable quantity of energy is available to all residential customers. Cost causation is also an important principle of residential rate design. After three years of deliberations, the Commission determined, in Decision (D.) 15-07-001, that the first step in rate reform is the gradual shift from a steeply tiered rate system to a flatter tiered structure. This change would then be followed by a shift to time-of-use rates as the default residential rate structure. D.15-07-001 stressed the importance of avoiding rate shock when making changes to the residential

rate structure, and for this reason, the Commission instructed the utilities to transition rates gradually. The Commission set a specific glidepath for Pacific Gas and Electric Company (PG&E) to use as a guide to ensure that rate increases necessitated by flattening of the tiers would not result in rate shock for lower tier customers. As an example, the decision found that a 19% increase in a single year for Tier 2 customers was unacceptable because it would result in rate shock.¹

D.15-07-001 provided specific instructions for treating revenue requirement changes;² including setting a cap on Tier 1 rate increases that could change the shape of the glidepath. D.15-07-001 also required that in any event the glidepath should be no steeper than necessary to reach 1:1.25 by 2019.³ As this provision of D.15-07-001 indicates, ensuring the Commission intended a gradual glidepath is intended to give Energy Division the discretion to implement rate changes as gradually as possible along the glidepath in an effort to manage customer billing impacts.

D.15-07-001 directed PG&E to take the 2016 step in the glidepath between March and May 2016 by filing a Tier 1 Advice Letter (AL). To make review of the AL more efficient for Energy Division and interested parties, D.15-07-001 required PG&E to include a worksheet demonstrating that it had complied with the revenue requirement treatment (Required Worksheet).

¹ D.15-07-001 at 274-8 (finding that a 19.25% increase in Tier 2 rate was not acceptable because it would be too severe.)

² D.15-07-001 at 277.

³ D.15-07-001 at 278

On February 17, 2016, PG&E filed the Tier 1 AL with an effective date of March 1, 2016. Because of revenue requirement changes, however, it was not possible for PG&E to match the exact glidepath set forth in D.15-07-001. Instead, PG&E created an alternative glidepath that included a 38% rate increase for Tier 2 customers. PG&E's alternative glidepath is not consistent with the instructions and fundamental goals set forth in D.15-07-001. In addition, PG&E failed to include the Required Worksheet with the AL filing.

PG&E produced additional information to Energy Division staff on February 27, 2016, sufficient to allow Energy Division to determine that the AL was not compliant with D.15-07-001. Tier 1 ALs are effective on the date specified, unless they are rejected by the Commission prior to the effective date or subsequently suspended or rejected if found to be non-compliant.⁴ On February 26, 2016, Energy Division suspended AL 4795-E, and on February 29, 2016, Energy Division formally rejected the rates proposed by the AL.

On March 1, 2016, Energy Division staff contacted PG&E to remind them that the rejected rates are not authorized and could not be used. Nevertheless, based on staff's discussion with PG&E, it appeared that PG&E had already input the rejected rates into its billing system and had begun charging customers, when PG&E should have continued to charge the existing approved rates. This means that during this time some customers were overcharged for electricity and other customers were undercharged.

⁴ General Order (GO) 96-B governs disposition of advice letters, including the steps the utility must follow in the event a Tier 1 advice letter is rejected. *See*, for example, GO 96-B Section 7.3.3 (Effective Pending Disposition) and Section 7.5.3 (Advice Letters Effective Pending Disposition).

This type of billing error could have been quickly remedied, but as of March 8, 2016, it is Energy Division's understanding that PG&E has not commenced any remedial actions; is still charging the rejected rates, and has no plans to correct its billing system.

Therefore, **IT IS RULED** that Pacific Gas and Electric Company is directed to comply with the following by no later than March 11, 2016:

1. Confirm the rates charged to residential customers on March 1, 2016, by completing the information required in Attachment 1 of this ruling and filing it with the Commission's Docket Office as a supplemental filing.
2. If the rates were not authorized by the Commission, show cause as to why Pacific Gas and Electric Company should not be sanctioned by the Commission and ordered to make reparations at shareholder expense.

Dated March 9, 2016, at San Francisco, California.

/s/ DARWIN E. FARRAR for
Jeanne M. McKinney
Administrative Law Judge

ATTACHMENT 1

No later than March 11, 2016, Pacific Gas and Electronic Company (PG&E) shall file a supplemental filing in this docket, setting forth the following:

- (1) Remedial actions taken by PG&E after receiving the February 29, 2016 rejection letter.
- (2) Planned remedial actions.
- (3) The dates during which residential customers were charged rates that were not authorized by the Commission.
- (4) As of the date of PG&E response, total number of kWh overcharged in Tier 2.
- (5) As of the date of PG&E response, total number of KWh undercharged in Tier 3
- (6) Complete the following chart:

	Tier 1	Tier 2	Tier 3
Rate approved by Commission			
Rate charged by PG&E on March 1			
Under/Over charge per kWh			
Under/Over charge \$ total			

- (7) Provide table using binned data to show the extent and range of customer over and under charges. This table should provide information on the number of customers broken out by the amount of over and undercharge.

(END OF ATTACHMENT 1)