BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of its 2016 Rate Design Window Proposals.	Application 16-09-003 (Filed September 1, 2016)

REPLY BRIEF OF THE OFFICE OF RATEPAYER ADVOCATES ON SOUTHERN CALIFORNIA EDISON'S 2016 RATE DESIGN WINDOW APPLICATION

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I. INTRODUCTION

Pursuant to Rule 13.11 of the California Public Utilities Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA"), hereby submits its Reply Brief in Southern California Edison Company's ("SCE") Application ("A.") 16-09-003 for approval of its 2016 Rate Design Window ("RDW") Proposals. Parties, including ORA, filed opening briefs on September 8, 2017.

ORA's reply addresses the opening briefs of SCE, the California Large Energy Consumers Association ("CLECA"), and the Energy Users Forum ("EUF") regarding the marginal costs reference year and generation marginal costs to set the Base Time of Use ("TOU") periods. ORA only addresses misstatements and inaccuracies made in parties' opening briefs. ORA's silence on any issue should not be interpreted as agreement on those issues.

II. TIME-OF-USE CONSIDERATIONS

A. SCE, CLECA, and EUF Misinterpret the TOU OIR Decision by Choosing an End-Point Marginal Cost Forecast not Reflective of Average System Conditions

In this proceeding, SCE proposes using a 2024 forecast of marginal cost data to set Base TOU periods. CLECA and EUF support SCE's proposal.[1] Further, CLECA states that due to the fact that SCE now plans to implement the approved TOU periods in February 2019,[2] 2021 marginal costs data is inconsistent with the Commission's guidance in Rulemaking ("R.") 15-12-012, the Order Instituting Rulemaking on Time of Use Rates ("TOU OIR").[3] SCE, CLECA, and EUF misinterpret the TOU OIR Decision ("D.") 17-01-006 by choosing an end-point marginal cost reference year for the purpose of determining TOU periods.

In the TOU OIR, several parties suggested that the Base TOU periods, once established, stay in effect for at least five years or two GRC cycles.[4] In addition, Pacific Gas and Electric Company ("PG&E") and the Solar Energy Industries Association ("SEIA") suggested that the forecast year be set at least three years from the effective date of the new TOU periods. This

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[1] CLECA Opening Brief, pp. 4 and EUF Opening Brief, p. 4.

[2] SCE Rebuttal Testimony, Exh. SCE-03, p. 71.

[3] CLECA Opening Brief, p. 4.

[4] D.17-01-006, p. 44; One GRC cycle normally lasts three years. Therefore, two GRC cycles would be about six years. Further, this is consistent with the policy outlined for residential TOU rates by Public Utilities (P.U.) Code Section 745(c)(3) and in Commission Rulemaking 12-06-013, which state that TOU periods should be in place for at least five years.

mid-point method would reflect the average conditions during the minimum five-year lifetime of the Base TOU periods. In contrast, SCE recommended a forecast year based on the end-point of the minimum five-year period.[5] The TOU OIR Decision rejected SCE's proposal and adopted the mid-point recommendation, as the latter is a better reflection of average market and system operation conditions over the minimum five-year effective period of Base TOU periods.

ORA's and SEIA's proposals to use the 2021 mid-point forecast appropriately meets the Commission's goal of choosing data that reflects average conditions during the minimum lifetime of the Base TOU periods. Even with an implementation of Base TOU periods near the beginning of 2019, as SCE is now proposing, 2021 better represents the average conditions during 2019 through 2023 (the minimum five-year period). In contrast SCE's 2024 marginal cost proposal falls outside of the new Base TOU implementation period (2019). Further, errors associated with longer term forecasting introduce more uncertainty,[6] which can impact the integrity of the TOU periods. For instance, both residential and non-residential customers will be on new TOU rates starting in 2019.[7] SCE's 2024 marginal costs do not factor in the potential load impact due to such major changes[8] and relies on too many uncertain variables and trends that may not materialize. Finally, the Commission has created a pathway for the IOUs to update Base TOU periods.[9] If necessary, SCE can follow this guidance for updating Base TOU periods for years beyond the minimum five-year lifetime of the adopted Base TOU periods. This is a more sensible approach as the situation in 2024 may be very different than what SCE forecasted in 2016.

The Commission should make the same determination it did in the TOU OIR Decision and adopt a mid-point reference year, 2021, as the basis of determining TOU periods. The Commission should adopt ORA's time of use proposals as outlined below.

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[5] *Ibid.*

[6] SCE witness Garwacki, Reporters Transcript (RT), Volume #1, p. 104 line 9.

[7] Residential Rate Reform OIR Decision 15-07-001, p. 5.

[8] SCE witness Kan characterizes SCE's proposals as being a "very dramatic change." RT, Volume 1, p. 49 line 18.

[9] D.17-01-006, p. 46.

Period	Season	ORA Proposed
On-Peak	Summer	Weekdays: 3:00 p.m. - 8:00 p.m.
Mid-Peak	Summer	Weekends 3:00 p.m. - 8:00 p.m.
	Winter	Weekdays and Weekends: 3:00 p.m. - 8:00 p.m.
Off-Peak	Summer	Weekdays and Weekends: All hours except 3:00 p.m. - 8:00 p.m.
	Winter	Weekdays and Weekends: 8:00 p.m. - 8:00 a.m.
Super Off-Peak	Winter	Weekdays and Weekends: 8:00 am - 3:00 p.m.

B. CLECA Incorrectly Assumes Marginal Cost Values and Methods are within the Scope of this Proceeding

The Scoping Memo and Ruling of Assigned Commissioner ("Scoping Ruling") identifies as issues to be addressed in this proceeding, whether the Commission should approve SCE's proposal to "revise SCE's standard time-of-use (TOU) periods and seasons, and implement the revised standard TOU periods for all non-residential customers on rate schedules with standard TOU periods."

The Scoping Ruling does not identify marginal cost values and methods as being within the proceeding scope. CLECA incorrectly states that "SEIA's analysis and reasoning is flawed and *should be rejected*; SCE's proposed marginal generation capacity costs *should be adopted*."[10] The Commission is not making a determination on which marginal costs values and methods are reasonable in this proceeding. Rather, through the guidance of the TOU OIR, marginal costs are being used to inform TOU periods.

The General Rate Case ("GRC") Phase 2 proceeding is the appropriate venue for determining marginal costs values and methods. Marginal costs are currently being assessed in the pending SCE GRC Phase 2, A.17-06-030. SCE's RDW application and response to parties' protests make clear that marginal costs in this proceeding are used only to inform the TOU period proposals. This treatment is consistent with the 2015 SCE GRC 2 settlement,[11] which did not agree to litigate marginal costs for the purposes of determining TOU periods in this RDW.

III. CONCLUSION

The Commission should adopt ORA's recommendations in A.16-09-003 as set forth above and in its Opening Testimony. Further, the Commission should reject CLECA's proposal to adopt marginal cost methods and values as they are not within the scope of this proceeding.

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[10] CLECA Opening Brief, pp.6 (emphasis added).

[11] D.16-03-030, pp. 26.

Respectfully submitted,

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