STATE OF CALIFORNIA GAVIN NEWSOM

PUBLIC UTILITIES COMMISSION
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FILED
04/21/20
01:55 PM

April 21, 2020

Agenda ID #18356
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 19-09-014:

This is the proposed decision of Administrative Law Judge Doherty. It will appear on the Commission's May 7, 2020 agenda. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Pursuant to Rule 14.6(c)(10), comments on the proposed decision must be filed within 5 days of its mailing and reply comments are not permitted.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ W. ANTHONY COLBERT for
Anne E. Simon
Chief Administrative Law Judge

AES:mph

Attachment

Decision **PROPOSED DECISION OF ALJ DOHERTY (Mailed 4/21/2020)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902 E) for Authority to Eliminate the Seasonal Differential in its Residential Rates Per Decision 19-04-018.	Application 19-09-014

DECISION ADJUSTS THE HIGH USAGE CHARGE OF THE LARGE ELECTRICAL CORPORATIONS

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DECISION ADJUSTS THE HIGH USAGE CHARGE OF THE LARGE ELECTRICAL CORPORATIONS

Summary

This decision adjusts the high usage charge of the large electrical corporations such that it is 25% of the Tier 2 price per kilowatt-hour instead of the currently authorized 75% of the Tier 2 price. This adjustment shall be applied to residential customer bills no later than June 1, 2020 and remain in effect until the latter of October 31, 2020, or the termination of Executive Order N-33-20 or a similar order.

This proceeding remains open.

1. Background

In Decision (D.) 19-04-018, the Commission considered and rejected a request by San Diego Gas & Electric Company (SDG&E) to eliminate the high usage charge for its residential tiered rate customers with very high electricity usage. SDG&E's request was premised on the theory that the elimination of the high usage charge would reduce summer bill volatility for tiered rate customers paying the charge. In rejecting SDG&E's proposal, the Commission ordered SDG&E to consider eliminating the seasonal differential in its residential rates instead, as the record demonstrated that such elimination would more effectively address seasonal bill volatility than SDG&E's original proposal.[1]

SDG&E filed the instant application in compliance with D.19-04-018 on September 23, 2019. Protests and responses to the application were filed by the Center for Accessible Technology (CforAT), the Public Advocates Office (Cal Advocates), the Utility Consumers' Action Network (UCAN), and the Utility Reform Network (TURN) on October 25 and 28, 2019. A prehearing

[1] D.19-04-018 at OP 2.

conference was held on November 6, 2019, and an Assigned Commissioner's Scoping Memo and Ruling (scoping memo) was issued on November 21, 2019.

The scoping memo created two phases of this proceeding. In the first phase, the Commission considered whether SDG&E's proposal to eliminate the seasonal differential between summer and winter rates in all of its residential rate designs – including its residential time-of-use rates – was reasonable, and whether the rate and bill impacts that would result from an elimination of the seasonal differential between summer and winter rates, including for all-electric customers, were reasonable. According to the scoping memo, the first phase of this proceeding was to be completed by April 2020 in order to allow SDG&E to make any approved changes to the seasonal differential in its residential rates in time for the summer 2020 season.

The second phase of this proceeding is to consider whether the high usage charge (HUC) in SDG&E's residential tiered rate should be modified or eliminated, and if so whether the rate and bill impacts that would result from a modification or elimination of the high usage charge are reasonable. The scoping memo contemplated ordering Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E) to join the second phase of this proceeding.

A Commission decision on some Phase 1 issues was approved at the Commission's business meeting on April 16, 2020. That decision removed the seasonal differential from SDG&E's tiered rate and postponed a decision on the seasonal differentials in SDG&E's residential TOU rates.

This decision does not concern the seasonal differential in any of SDG&E's residential TOU rates. Rather, it addresses a proposal to adjust the HUC in the residential tiered rates of the large electrical corporations. This proposal was codified in an ALJ email ruling of April 7, 2020 (April 7 ALJ ruling) and parties submitted comments on the proposal on April 14, 2020. Reply comments on the proposal were submitted on April 17, 2020. The April 7 ALJ ruling shortened the time for party comment on this decision to five days pursuant to Commission Rule of Practice and Procedure 14.6(c)(10).

2. Rationale for Proposed Adjustment to the High Usage Charge

The HUC is an extra charge that applies to residential energy usage that exceeds 400% of baseline. Currently, the HUC is scheduled to be 27.4 cents per kilowatt-hour (kWh) in SDG&E territory during the summer,[2] 19.8 cents per kWh in SCE territory, and 22.3 cents per kWh in PG&E territory. Readers should note that for purpose of this decision's discussion, findings, and orders, the HUC is considered an extra charge on top of Tier 2 prices. Therefore, if the Tier 2 price is 20 cents per kWh and the HUC is five cents per kWh, then the total price for a kWh used in excess of 400% of baseline is 25 cents.

D.15-07-001 created the HUC, and in that decision the Commission expressed its intent for the HUC to signal to customers that their usage was abnormally high and provide a financial incentive to reduce usage to a normal

[2] The amount of SDG&E's summer HUC is likely to change after implementation of changes to SDG&E's tiered rates ordered by the Phase 1 decision in this proceeding.

level.[3] The HUC is only applicable to residential customers on a tiered rate, and is not applied to residential customers on a TOU rate.[4]

On March 4, 2020, Governor Newsom proclaimed a state of emergency to exist in California as a result of the threat of COVID-19 (emergency order). COVID-19 has continued to spread throughout California prompting Governor Newsom to issue Executive Order N-33-20 on March 19, 2020 directing Californians to follow state health directives to stay home (stay-at-home order). The stay-at-home order is unprecedented and severely restricts the movement of Californians beyond their homes for anything other than essential purposes. The effect of the stay-at-home order is to keep people at home much more than usual in attempt to slow the spread of the virus that causes COVID-19.

Data collected by the Commission's Energy Division suggests that residential energy usage is increasing between 10% and 20% during the early phase of the stay-at-home order, presumably because Californians are staying at home and using energy more than usual given the prescriptions of the order.[5] Because the HUC is triggered by abnormally high electricity usage, overall increases in residential electricity usage would mean that more residential customers would be subject to the HUC. This would raise their electricity bills.

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[3] D.15-07-001 at 124, finding that it is important to signal to residential customers that usage above 400% of baseline is high and that customers should conserve electricity once reaching that level of usage ("[w]e intend for the [HUC] adopted today to serve a similar notice role: sending a message to customers that their usage is not simply moving into another tier, but that their usage is significantly above typical household use. To be effective, this signal must go beyond a mere indication that the customer has passed into a higher usage tier; the customer must be able to clearly tell that a portion of their usage was far in excess of the typical household usage and that conservation steps should be taken").

[4] D.15-07-001 at 128.

[5] D.20-04-027 at 6-7.

Data collected by the Commission's Energy Division confirms that assumed usage increases of 10% or 20% by residential customers would lead to many more residential customers experiencing the HUC, and therefore higher bills.[6] Because the tiered rate remains the default residential rate for SCE and PG&E customers, but not for SDG&E customers, many more SCE and PG&E customers would experience the HUC as a result of a 10% or 20% increase in usage.

The tables below are based on data collected by the Commission's Energy Division from the large electrical corporations and assume increases in residential usage of 10% and 20% during May, June, and July. The tables then illustrate the estimated increases in customers experiencing the HUC along with their expected average bills

SCE	**May**	**June**	**July**
Historic HUC customers in 2019	36,281	26,009	42,520
Estimated HUC customers @ 10% usage increase	48,705	35,873	60,939
Estimated HUC customers @ 20% usage increase	64,796	48,717	85,084
Average non-CARE HUC bill @ 10% usage increase	$737	$858	$837
Average CARE HUC bill @ 10% usage increase	$367	$515	$472
Average non-CARE HUC bill @ 20% usage increase	$722	$837	$826
Average CARE HUC bill @ 20% usage increase	$358	$485	$468

[6] *See* responses of large electrical corporations to Energy Division data requests, attached to the April 7 ALJ ruling.

SDG&E	**May**	**June**	**July**
Historic HUC customers in 2019 [7]	1,648	1,414	2,483
Estimated HUC customers @ 10% usage increase	2,172	1,968	3,686
Estimated HUC customers @ 20% usage increase	2,891	2,670	5,209
Average non-CARE HUC bill @ 10% usage increase	$689	$742	$740
Average CARE HUC bill @ 10% usage increase	$341	$483	$502
Average non-CARE HUC bill @ 20% usage increase	$686	$739	$738
Average CARE HUC bill @ 20% usage increase	$340	$476	$499

PG&E	**May**	**June**	**July**
Historic HUC customers in 2019	56,018	104,384	99,758
Estimated HUC customers @ 10% usage increase	81,282	152,008	147,483
Estimated HUC customers @ 20% usage increase	113,846	210,726	207,404
Average non-CARE HUC bill @ 10% usage increase	$595	$594	$674
Average CARE HUC bill @ 10% usage increase	$327	$322	$433
Average non-CARE HUC bill @ 20% usage increase	$588	$599	$684
Average CARE HUC bill @ 20% usage increase	$322	$328	$437

The record reveals that increases in residential electricity usage consistent with early trends following the Governor's issuance of the stay-at-home order

[7] Historic data revised to account for movement of most residential customers to default TOU and away from the HUC.

will result in far more Californians – potentially twice as many – paying the HUC than historically observed. This calls into question whether the HUC is fulfilling its purpose as solely an economic signal to abnormally high users of electricity, or if it is starting to become a punitive rate element that is punishing ordinary users that have no choice but to use more electricity at home.[8]

In light of these facts, it is reasonable for the Commission to consider a short-term adjustment to the HUC that will help to reduce the amount of electricity bills that may be realized by customers experiencing the HUC due to the mandatory stay-at-home order.

3. Proposed Short-term Adjustment to the High Usage Charge

The April 7 ALJ ruling outlined a proposal for a short-term adjustment to the HUC in response to the stay-at-home order for all three large electrical corporations simultaneously. It proposed that the current HUC price per kilowatt-hour be adjusted such that it is 25% of the Tier 2 price per kilowatt-hour instead of the currently authorized 75% of the Tier 2 price. This adjustment would be applied to residential customer bills no later than June 1, 2020, and the April 7 ALJ ruling proposed that the adjustment would remain in place so long as the stay-at-home order is effective.

The April 7 ALJ ruling also proposed that upon the termination of the stay-at-home order, the Commission's Executive Director would send a letter to the large electrical corporations advising them of the termination and instructing them to return the HUC ratio to its current level.

[8] D.15-07-001 at 127, opining that the HUC should not be a punitive rate design element that harms ordinary residential customers.

For those residential customers that have yet to transition to default TOU rates, the April 7 ALJ ruling proposed that the modified HUC price should not be used to calculate their rate comparison notifications, and that a shadow HUC reflecting its current ratio should be used instead. Finally, the April 7 ALJ ruling also proposed that all residential customers of the large electrical corporations taking service on a tiered rate should be automatically notified by email or text message if their usage meets or exceeds 375% of baseline.

3.1. Party Comment on the Proposed Short-Term Adjustment to the High Usage Charge

The following parties served opening comments on the proposed short-term adjustment to the HUC on April 14, 2020: Cal Advocates, CforAT, SDG&E, TURN, SCE, and PG&E. The following parties served reply comments on April 17, 2020: TURN, SCE, SDG&E, PG&E, and Cal Advocates.

Cal Advocates, SDG&E, SCE, and PG&E were generally supportive of the proposal for a short-term modification to the HUC. Cal Advocates also asserted that the Commission should begin a workshop process to design other responses to the COVID-19 emergency that would assist utility ratepayers.[9] SDG&E wished to see an extension of the automatic period in which the HUC is reduced through October 2020 to account for SDG&E's summer rate season during that time.[10] SCE and PG&E sought certain modifications to the proposal despite their general support.

CforAT did not support the proposed short-term adjustment to the HUC, and instead proposed several other alternative methods of providing relief to

[9] Cal Advocates opening comments at 2-4.

[10] SDG&E opening comments at 2. In their reply comments, Cal Advocates also supported an extension of the short-term adjustment to the HUC through summer 2020.

customers that are increasing their usage due to the stay-at-home order, including raising the HUC threshold beyond 400% of baseline and waiving the HUC for customers that have never experienced the HUC in the past.[11] CforAT claims that adopting their proposed modifications would better assist customers than the relief proposed by the April 7 ALJ ruling.

TURN urged the Commission to reject the proposal to adjust the HUC. As a foundation to its argument, TURN asserts that adjusting the HUC will lead to a revenue shortfall that will be disproportionately shouldered by low-income customers.[12] TURN further argues that any relief provided in light of the stay-at-home order should be targeted toward those customers that need it, rather than applied to all high-usage customers regardless of their financial need.[13] As a result, TURN recommended that the Commission turn to increasing enrollment in low-income subsidy programs, reducing the HUC only for customers participating in low-income subsidy programs, and examining how to allocate potential overcollections within the residential class generally to benefit residential customers adversely affected by the COVID-19 emergency.[14]

3.2. Discussion

Data submitted by the large electrical corporations to the Commission's Energy Division showed that a short-term adjustment of the HUC ratio so that it is 25% of the Tier 2 price for electricity would reduce the average bills of HUC customers in May, June, and July. The table below describes the estimated

[11] CforAT opening comments at 5.

[12] TURN opening comments at 3.

[13] TURN opening comments at 3-4.

[14] TURN opening comments at 2.

average bill savings for HUC customers if this short-term adjustment to the HUC is adopted.

SCE	**May**	**June**	**July**
Average non-CARE HUC bill reduction @ 10% increase in usage	$111	$126	$110
Average CARE HUC bill reduction @ 10% increase in usage	$38	$51	$40
Average non-CARE HUC bill reduction @ 20% increase in usage	$107	$119	$106
Average CARE HUC bill reduction @ 20% increase in usage	$34	$47	$38

SDG&E	**May**	**June**	**July**
Average non-CARE HUC bill reduction @ 10% increase in usage	$100.04	$110.17	$91.68
Average CARE HUC bill reduction @ 10% increase in usage	$23.32	$68.21	$65.91
Average non-CARE HUC bill reduction @ 20% increase in usage	$97.39	$107.15	$89.53
Average CARE HUC bill reduction @ 20% increase in usage	$22.68	$63.83	$64.35

PG&E	**May**	**June**	**July**
Average non-CARE HUC bill reduction @ 10% increase in usage	$70.61	$61.64	$77.55

PG&E	**May**	**June**	**July**
Average CARE HUC bill reduction @ 10% increase in usage	$24.23	$15.30	$35.38
Average non-CARE HUC bill reduction @ 20% increase in usage	$67.91	$61.91	$78.88
Average CARE HUC bill reduction @ 20% increase in usage	$22.75	$15.87	$33.67

Some parties agreed that a short-term adjustment to the HUC is justified in light of the stay-at-home order and the consequent impact on the bills of residential customers on tiered rates. No party argued against the idea that the HUC was not designed to punish ordinary residential customers that have no choice but to use more electricity at home due to their compliance with the stay-at-home order.[15]

However, some parties such as TURN expressed concern regarding the expected revenue shortfalls that would result from the adjustment.

Because the stay-at-home order is estimated to expose far more residential customers to the HUC than usual, it is inappropriate to apply the HUC at its current level during the stay-at-home order. This is because the HUC is designed to signal residential customers that use an unusually large amount of electricity that they should reduce their usage.[16] It is not designed to penalize residential customers with higher electricity bills when those customers have no choice but to stay at home and use electricity more than they usually do.

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[15] *See, e.g.*, PG&E opening comments at 2.

[16] D.15-07-001 at 124.

Furthermore, the data provided by the large electrical corporations demonstrate that reducing the HUC so that it is 25% of the Tier 2 price will significantly reduce the average monthly bills of HUC customers in June and July, blunting some of the economic impacts of the COVID-19 public health emergency.

For these reasons, it is reasonable for the Commission to adopt a short-term adjustment to the HUC that will help to reduce the amount of electricity bill increases that would otherwise be realized by customers experiencing the HUC due to the mandatory stay-at-home order. Each of the large electrical corporations shall reduce the price of the HUC to a level of 25% of the Tier 2 price per kWh no later than June 1, 2020. For example, if the Tier 2 price is 20 cents per kWh, then the HUC should be set at a price of five cents per kWh, leading to a total charge for each kWh used over 400% of baseline of 25 cents per kWh.

This short-term adjustment to the HUC is meant to provide relief to residential customers on a tiered rate due to the effects of the stay-at-home order. However, at this time it is unknown when the stay-at-home order will be lifted, or whether there will be multiple stay-at-home orders imposed after Executive Order N-33-20 is lifted. Therefore, in order to provide some certainty to residential customers, provide certainty for purposes of developing and executing customer communications,[17] and to minimize the administrative burden on the large electrical corporations in making these changes to the HUC, the short-term adjustment to the HUC ordered by this decision shall stay in place

[17] PG&E opening comments at 6.

at a minimum during the months of June, July, August, September, and October 2020.

Because it is unknown when the stay-at-home order will be lifted or modified, or whether there will be additional stay-at-home orders imposed due to COVID-19, it is reasonable to extend the short-term adjustment to the HUC ordered by this decision past October 31, 2020 if necessary. If Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is still in place as of October 31, 2020, then the short-term adjustment to the HUC ordered by this decision shall remain effective until the termination of that order. In that event, upon the termination of Executive Order N-33-20, or a similar order to stay at home related to COVID-19, the Commission's Executive Director will send a letter to the large electrical corporations advising them of the termination of the order and instructing them to return the HUC ratio to its current level. Upon receipt of the letter, the large electrical corporations shall work as expeditiously as possible to return the HUC ratio to the level which existed before the short-term adjustment ordered by this decision took effect.

The ALJ assigned to this proceeding will issue a ruling in mid-October advising the parties if Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is expected to be in place on October 31, 2020, and seek party comment on that advice. This responds to some of PG&E's concerns regarding the appropriate thresholds for resetting the HUC to its original level.[18]

This decision notes SCE's opposition to the inclusion of October 2020 in the automatic short-term adjustment period. On balance, this decision finds it reasonable to include the month of October in order to provide some certainty to

[18] PG&E opening comments at 6.

customers and the large electrical corporations concerning the duration of the adjustment.

3.3. Precedent for Phase 2 of this Proceeding

CforAT sought a specific acknowledgement that the short-term adjustment to the HUC adopted by this decision does not prejudice the consideration of the HUC underway in Phase 2 of this proceeding. CforAT's point is noted and parties should not presume that the order of this decision will prejudice the Commission's determination of the future of the HUC in Phase 2 of this proceeding.

4. Potential Revenue Shortfall

D.15-07-001 directed that the revenue collected by the HUC be used to reduce Tier 1 and Tier 2 electricity prices: "[a]pplying the revenues collected from the [HUC] to reduce the Tier 1 and Tier 2 rates will provide an added benefit to this structure. Therefore, we direct the [large electrical corporations] to apply the additional revenue collected from the [HUC] to Tiers 1 and 2."[19] It follows that if the short-term adjustment to the HUC is imposed and the large electrical corporations collect less HUC revenue than expected, then the rates for Tier 1 and Tier 2 electricity may increase.

Some parties highlighted this potential for a HUC revenue shortfall as a reason to reject the proposal. In particular, TURN speculated that any HUC revenue shortfall would be disproportionately borne by low-income customers. However, CforAT argued that while the reduction in the HUC might impact HUC revenues, "[t]he pandemic and the stay-at-home order are dramatically impacting electricity use throughout the state, and revenues are surely deviating

[19] D.15-07-001 at 127.

substantially from expectations for all customer classes; residential use is increasing while other forms of usage are lower than average, with overall electricity usage in California showing a substantial decline."[20]

This decision concurs with CforAT and finds that it is not appropriate to prejudge what impact this short-term adjustment to the HUC may have on revenues collected from the residential class, including the impacts on low-income residential ratepayers as highlighted by TURN. While a reduced HUC would not collect as much revenue as the normal HUC and potentially increase Tier 1 and Tier 2 prices, it is also true that residential electricity usage is increasing across the board, including HUC usage, which means that large electrical corporations may be receiving more revenue than expected from the residential class and the HUC due to the stay-at-home order. It is therefore not necessary to presume that there will be an actual shortfall in residential class revenues for the entire 2020 calendar year due to the short-term HUC adjustment.

Instead, this decision finds that it is appropriate to track the actual revenues collected from the residential class, including specifically the HUC, during the pendency of the short-term adjustment ordered by this decision. That actual revenue figure should be compared against the estimate of residential class revenue, including HUC revenue, the large electrical corporations expected to receive during the pendency of the short-term adjustment. Such estimates, or sales forecasts, are generally used by the large electrical corporations to set rates prospectively. This comparison will reveal at the end of the short-term adjustment whether there has actually been an undercollection in residential

[20] CforAT opening comments at 6.

class revenue, or whether the increased amount of usage overall has balanced out the short-term reduction in the HUC price.

For these reasons, the large electrical corporations shall file and serve a Tier 1 information-only advice letter in this proceeding no later than 30 days after the day the short-term adjustment to the HUC is no longer applied to any customer's bill. That advice letter shall report on a monthly basis the actual revenue collected from the residential class, including a specific breakout of HUC revenue collected, during the short-term adjustment ordered by this decision. That advice letter shall also compare that reported revenue with the estimate of residential class and HUC revenue the large electrical corporations expected to receive during the short-term adjustment had the HUC not been reduced. This information will allow the Commission to determine if any revenue shortfall occurred due to the short-term adjustment to the HUC, and provide the Commission with data that might be used to determine how to address any significant undercollection that occurs.

5. Customer Outreach

There are two elements of customer outreach that are affected by this decision's short-term adjustment to the HUC.

5.1. Automatic Customer Notifications

First, the stay-at-home order may cause many ordinary customers that would not normally be expecting the HUC to end up paying the HUC. These customers that are at risk of paying the HUC may benefit from advanced notification that they are approaching the HUC threshold of 400% of baseline. Such notification would be in accord with the original Commission decision authorizing the HUC, which held that customers experiencing the HUC should be receive a notification from their large electrical corporation.[21]

The April 7 ALJ ruling proposed notifying customers automatically through electronic means – either email or text message. The large electrical corporations resisted this proposal. SDG&E stated that they could only alert customers via email if their email addresses were known to SDG&E, and that only customers that opted into their text alert system should be alerted via text due to the fact text message recipients may incur charges from their cellular carrier. SDG&E also requested that they be allowed to use their existing HUC notification thresholds of 350% and 401% of baseline instead of the 375% threshold proposed in the April 7 ALJ ruling.[22] PG&E proposed that it be allowed to use its existing notification system, known as the "High Usage Alert," that "is sent to participating customers based on a projection of whether the customer's energy usage for that billing cycle is forecast to exceed 400% of baseline based on their first seven days' usage during that very billing cycle."[23] This means that PG&E would not wait until customers reached a certain threshold but would instead forecast whether they were likely to reach the HUC and then alert the customers. SCE also argued that it should be allowed to use its existing customer notification system, rather than being forced to implement notifications using new thresholds.[24]

The record reveals that thousands of residential customers may experience the HUC simply due to the stay-at-home order, which means that those

[21] D.15-07-001 at 125.

[22] SDG&E opening comments at 2-3.

[23] PG&E opening comments at 3.

[24] SCE opening comments at 3.

customers may not anticipate the HUC or understand the bill impacts of their increased electricity usage. Furthermore, it is in accord with D.15-07-001 for the large electrical corporations to notify residential customers of their status as HUC customers.[25]

However, SDG&E's arguments concerning extra charges that may be imposed for text messages have merit, and this decision also recognizes that it is easier for SDG&E to notify customers in line with existing thresholds rather than a new 375% threshold. PG&E's comments concerning its existing notification system also suggest that this decision should order the large electrical corporations to utilize their existing HUC notification systems for the sake of administrative efficiency, so long as email notification is used by default for all customers if the customer's email is known to the large electrical corporation.

For these reasons, the large electrical corporations shall notify residential customers taking service on a tiered rate of the risk of incurring the HUC automatically by email if the email is known to the large electrical corporation, or text message if the customer has opted into a text messaging notification service, using each of their existing HUC notification thresholds and systems. In the case of SCE this means that SCE shall automatically enroll customers with usage reaching 375% of baseline into SCE's Budget Assistant emails.

5.2. Default TOU Bill Comparisons

The second customer outreach issue concerns the messaging due to be sent to some residential customers in SCE and PG&E territory this summer and fall ahead of the transition of those customers to default TOU rates. This pre-default messaging is intended to give customers a sense of the bill impacts they may

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[25] D.15-07-001 at 125 ("the [large electrical corporations] are directed to develop a system to notify customers… when their usage is over 400% [of baseline]").

experience on default TOU rates by calculating illustrative bills based on their past usage under both the tiered rate and the default TOU rate. If the reduced HUC ordered by this decision is used to calculate the illustrative tiered rate bill, then the messaging may include an artificially low illustrative tiered rate bill. Because the adjustment to the HUC ordered by this decision is temporary, customers receiving such notifications may be misled into thinking that the tiered rate will provide a lower bill in the future. This could lead to customer confusion and a negative reaction if the tiered rate reverts to a higher level and leads to higher bills than advertised.

In order to address this potential for customer confusion ahead of the default TOU transition, the April 7 ALJ ruling proposed that the modified HUC price should not be used to calculate the rate comparison notifications for customers due to be transitioned to default TOU rates in 2020, and that a shadow HUC reflecting its current ratio should be used instead. PG&E supported this approach and proposed to extend it to all bill comparisons sent to residential customers.[26] SDG&E objected to this proposal, due to billing system complications that would not allow for the design of shadow rates in time for a June 1, 2020 deadline.

It is important for pre-default notifications to residential customers due to be transitioned onto default TOU rates to accurately represent their future potential tiered rate bills. Using the temporarily reduced HUC to calculate the illustrative bills may cause customer confusion and may interfere with the rollout of default TOU rates. For these reasons, SCE and PG&E shall not use the HUC rate ordered by this decision to calculate the rate comparison notifications

[26] PG&E opening comments at 8.

for customers due to be transitioned to default TOU rates in 2020, and shall use a shadow HUC reflecting its current price instead. Because this order does not apply to SDG&E, their concerns regarding notifications to customers recently defaulted to TOU are moot.

6. Outstanding Motions and Evidence

Several large electrical corporation responses to data requests issued by the Commission's Energy Division were entered into the record of this proceeding by the April 7 ALJ ruling. This decision affirms that those responses should be considered as record and help form the basis for this decision's reasoning. This decision also deems all motions not previously ruled on denied.

7. Comments on Proposed Decision

As referred to in the April 7 ALJ ruling, in light of the emergency order and stay-at-home order, the comment period this proposed decision is shortened to five days pursuant to Rule 14.6(c)(10) of the Commission's Rules of Practice and Procedure. Reply comments are not permitted. If any party to this proceeding believes additional comment time is necessary, that party should notify the service list no later than one day after publication of the proposed decision and include a request for additional time in its comments on the proposed decision.

8. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Patrick Doherty is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. D.15-07-001 created the HUC, and in that decision the Commission expressed its intent for the HUC to signal to customers that their usage was abnormally high and provide a financial incentive to reduce usage to a normal level.

2. On March 4, 2020, Governor Newsom proclaimed a state of emergency to exist in California as a result of the threat of COVID-19.

3. COVID-19 has continued to spread throughout California prompting Governor Newsom to issue Executive Order N-33-20 on March 19, 2020 directing Californians follow state health directives to stay home.

4. Residential energy usage is increasing during the early phase of the stay-at-home order, presumably because Californians are staying at home and using energy more than usual given the prescriptions of the order.

5. Assumed usage increases of 10% or 20% by residential customers would lead to many more residential customers experiencing the HUC, and therefore higher bills.

6. Increases in residential electricity usage consistent with early trends following the Governor's issuance of the stay-at-home order will result in far more Californians – potentially twice as many – paying the HUC than historically observed.

7. A short-term adjustment of the HUC ratio so that it is 25% of the Tier 2 price for electricity would reduce the average bills of HUC customers in May, June, and July.

8. Reducing the HUC to 25% of the Tier 2 price will significantly reduce the average monthly bills of HUC customers in June and July, blunting some of the economic impacts of the COVID-19 public health emergency.

9. It is unknown when the stay-at-home order will be lifted, or whether there will be multiple stay-at-home orders imposed after Executive Order N-33-20 is lifted.

10. While a reduced HUC would not collect as much revenue as the normal HUC at the same usage level, it is also true that residential electricity usage is

increasing across the board, including HUC usage, which means that large electrical corporations are receiving more revenue than expected from the residential class and the HUC due to the stay-at-home order.

11. The record reveals that thousands of residential customers may experience the HUC simply due to the stay-at-home order, which means that those customers may not anticipate the HUC or understand the bill impacts of their increased electricity usage.

12. If the reduced HUC ordered by this decision is used to calculate an illustrative tiered rate bill for residential customers, then that illustrative tiered rate bill may be artificially low and mislead customers.

Conclusions of Law

1. The dramatic forecasted increase in residential customers paying the HUC due to the stay-at-home order calls into question whether the current HUC will fulfill its purpose as solely an economic signal to abnormally high users of electricity, or if it will start to become a punitive rate element that punishes ordinary users that have no choice but to use more electricity at home.

2. It is reasonable for the Commission to consider a short-term adjustment to the HUC that will help to reduce the amount of electricity bills that may be realized by customers experiencing the HUC due to the mandatory stay-at-home order.

3. Because the stay-at-home order is estimated to expose far more residential customers to the HUC than usual, it is inappropriate to apply the HUC at its current level during the stay-at-home order.

4. It is reasonable for the Commission to adopt a short-term adjustment to the HUC that will help to reduce the amount of electricity bill increases that

would otherwise be realized by customers experiencing the HUC due to the mandatory stay-at-home order.

5. In order to provide some certainty to residential customers and to minimize the administrative burden on the large electrical corporations in making changes to the HUC, it is reasonable to maintain the short-term adjustment to the HUC ordered by this decision during the months of June, July, August, September, and October 2020.

6. Because it is unknown when the stay-at-home order will be lifted, or whether there will be additional stay-at-home orders imposed due to COVID-19, it is reasonable to extend the short-term adjustment to the HUC ordered by this decision past October 31, 2020 if necessary.

7. It is appropriate to track the actual revenues collected from the residential class, including specifically the HUC, during the short-term adjustment ordered by this decision.

8. It is in accord with D.15-07-001 for the large electrical corporations to notify residential customers of their status as HUC customers.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company shall reduce the price of the high usage charge to 25% of the Tier 2 price per kilowatt-hour no later than June 1, 2020, and this ratio shall be maintained at least through October 31, 2020. On November 1, 2020, Southern California Edison Company shall return to the price ratio of the high usage charge to the ratio utilized on May 31, 2020 unless Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is still in place as of October 31, 2020.

2. In the event Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is still in place as of October 31, 2020, Southern California Edison Company shall maintain the price of the high usage charge at 25% of the Tier 2 price per kilowatt-hour until receipt of a letter from the Commission's Executive Director advising it of the termination of the relevant order and instructing it to return the high usage charge ratio to the ratio utilized on May 31, 2020. Upon receipt of the letter Southern California Edison Company shall work as expeditiously as possible to return the high usage charge ratio to the level utilized on May 31, 2020.

3. San Diego Gas & Electric Company shall reduce the price of the high usage charge to 25% of the Tier 2 price per kilowatt-hour no later than June 1, 2020, and this ratio shall be maintained at least through October 31, 2020. On November 1, 2020, San Diego Gas & Electric Company shall return to the price ratio of the high usage charge to the ratio utilized on May 31, 2020 unless Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is still in place as of October 31, 2020.

4. In the event Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is still in place as of October 31, 2020, San Diego Gas & Electric Company shall maintain the price of the high usage charge at 25% of the Tier 2 price per kilowatt-hour until receipt of a letter from the Commission's Executive Director advising it of the termination of the relevant order and instructing it to return the high usage charge ratio to the ratio utilized on May 31, 2020. Upon receipt of the letter San Diego Gas & Electric Company shall work as expeditiously as possible to return the high usage charge ratio to the level utilized on May 31, 2020.

5. Pacific Gas and Electric Company shall reduce the price of the high usage charge to 25% of the Tier 2 price per kilowatt-hour no later than June 1, 2020, and this ratio shall be maintained at least through October 31, 2020. On November 1, 2020, Pacific Gas and Electric Company shall return to the price ratio of the high usage charge to the ratio utilized on May 31, 2020 unless Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is still in place as of October 31, 2020.

6. In the event Executive Order N-33-20, or a similar order to stay at home related to COVID-19, is still in place as of October 31, 2020, Pacific Gas and Electric Company shall maintain the price of the high usage charge at 25% of the Tier 2 price per kilowatt-hour until receipt of a letter from the Commission’s Executive Director advising it of the termination of the relevant order and instructing it to return the high usage charge ratio to the ratio utilized on May 31, 2020. Upon receipt of the letter Pacific Gas and Electric Company shall work as expeditiously as possible to return the high usage charge ratio to the level utilized on May 31, 2020.

7. Southern California Edison Company shall file and serve a Tier 1 information-only advice letter in this proceeding no later than 30 days after the day the short-term adjustment to the high usage charge is no longer applied to any customer’s bill. That advice letter shall report on a monthly basis the actual revenue collected from the residential class, including a specific breakout of high usage charge revenue collected, during the short-term adjustment ordered by this decision. That advice letter shall also compare that reported revenue with the estimate of residential class and high usage charge revenue Southern California Edison Company expected to receive during the short-term adjustment had the high usage charge not been reduced.

8. San Diego Gas & Electric Company shall file and serve a Tier 1 information-only advice letter in this proceeding no later than 30 days after the day the short-term adjustment to the high usage charge is no longer applied to any customer's bill. That advice letter shall report on a monthly basis the actual revenue collected from the residential class, including a specific breakout of high usage charge revenue collected, during the short-term adjustment ordered by this decision. That advice letter shall also compare that reported revenue with the estimate of residential class and high usage charge revenue San Diego Gas & Electric Company expected to receive during the short-term adjustment had the high usage charge not been reduced.

9. Pacific Gas and Electric Company shall file and serve a Tier 1 information-only advice letter in this proceeding no later than 30 days after the day the short-term adjustment to the high usage charge is no longer applied to any customer's bill. That advice letter shall report on a monthly basis the actual revenue collected from the residential class, including a specific breakout of high usage charge revenue collected, during the short-term adjustment ordered by this decision. That advice letter shall also compare that reported revenue with the estimate of residential class and high usage charge revenue Pacific Gas and Electric Company expected to receive during the short-term adjustment had the high usage charge not been reduced.

10. Southern California Edison Company shall notify residential customers taking service on a tiered rate of the risk of incurring the high usage charge automatically by email if the email is known to Southern California Edison Company, or text message if the customer has opted into a text messaging notification service, by automatically enrolling customers with usage reaching

375% of baseline into Southern California Edison Company's Budget Assistant emails.

11. San Diego Gas & Electric Company shall notify residential customers taking service on a tiered rate of the risk of incurring the high usage charge automatically by email if the email is known to San Diego Gas & Electric Company, or text message if the customer has opted into a text messaging notification service, using San Diego Gas & Electric Company's existing high usage charge notification thresholds and systems.

12. Pacific Gas and Electric Company shall notify residential customers taking service on a tiered rate of the risk of incurring the high usage charge automatically by email if the email is known to Pacific Gas and Electric Company, or text message if the customer has opted into a text messaging notification service, using Pacific Gas and Electric Company's existing high usage charge notification thresholds and systems (the High Usage Surcharge Alert program).

13. Southern California Edison Company shall not use the high usage charge ratio ordered by this decision to calculate the rate comparison notifications for customers due to be transitioned to default time-of-use rates in 2020, and shall use a shadow high usage charge reflecting its unadjusted ratio instead.

14. Pacific Gas and Electric Company shall not use the high usage charge ratio ordered by this decision to calculate the rate comparison notifications for customers due to be transitioned to default time-of-use rates in 2020, and shall use a shadow high usage charge reflecting its unadjusted ratio instead.

15. Application 19-09-014 remains open.

This order is effective today.

Dated ______________________________, at San Francisco, California.