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OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service.	Rulemaking 18-07-006

OPENING COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON THE ASSIGNED COMMISSIONER'S RULING INVITING COMMENTS ON PUBLIC OUTREACH STRATEGIES AND PROPOSALS TO MITIGATE ELECTRIC AND GAS RATE INCREASES

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I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

Pursuant to Rule 6.2 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, and the Assigned Commissioner's Ruling of May 20, 2022 as amended and revised by the Ruling of June 17, 2022 Ruling (Amended Ruling), extending the dates for filing these opening comments to July 31, 2022, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits its opening comments on the May 20, 2022 *Assigned Commissioner's Ruling Updating Proceeding Schedule and Inviting Comments on Public Outreach Strategies and Proposals to Mitigate Electric and Gas Rate Increases* (Ruling),[1] in the Affordability Order Instituting Rulemaking (OIR), Rulemaking (R.) 18-07-006. By virtue of the above, the Commission invites comments on outreach and discussion of issues presented in the 2022 Affordability Rulemaking En Banc: *Evaluating Innovative Proposals for Cost Containment and Customer Protection* (En Banc).[2]

Electric utility rates have far outpaced inflation, and the trend has been worsening in recent years. To reach the state's greenhouse gas (GHG) reduction targets, it is imperative that building and transportation electrification become cost competitive with equivalent natural gas appliances and gas-fueled vehicles. The Commission should take quick action to address electric rate affordability through the following:

- Adopt Cal Advocates' proposed structure for a residential, income-based fixed charge rate to encourage electrification and reduce the burden of high electricity rates on low-income customers.
- Identify utility cost drivers that should be removed from rates and instead utilize outside funding sources such as general funds

[1] *Assigned Commissioner's Ruling Updating Proceeding Schedule and Inviting Comments on Public Outreach Strategies and Proposals to Mitigate Electric and Gas Rate Increases* (hereinafter "Ruling"), R.18-07-006, May 20, 2022.

[2] Agenda and presentations for the 2022 Affordability Rulemaking En Banc: Evaluating Innovative Proposals for Cost Containment and Customer Protection (hereinafter "En Banc"), held on February 28 and March 1, 2022, are accessible at https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability, accessed July 26, 2022.

(these include non-cost-effective programmatic costs and the wildfire liability fund).

- Open an Order Instituting Rulemaking focused on improving oversight of transmission costs.
- Complete its evaluations of the current Percentage of Income Payment Plan (PIPP) pilot before determining future program implementation.

II. DISCUSSION

Retail electric rate increases continue to far outpace inflation. For example, since 2009, average residential rates for each of California's large investor-owned utilities have increased by 65%-106% whereas inflation only rose to 33%.[3] This situation is more acute for low usage customers whose rates have increased between 118% to 205% over the same time period.[4] Electricity service is increasingly less affordable for all households in California. Small movements in housing costs can have an outsized impact on a household's ability to pay for electric service, particularly when disposable income levels are low.[5] Cal Advocates supports the Commission's efforts to make utility service more affordable, and provides these comments to help achieve this goal.

A. Cal Advocates Proposal for an Income-Based Fixed Charge Framework that Could Provide Immediate Relief to Lower Income Customers

Cal Advocates proposes a residential, income-based fixed charge framework that will reduce volumetric rates, incentivize electrification, provide additional bill discounts for low-income customers, and recover the electric utility's cost to serve in a more equitable manner.

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[3] Inflation figures taken from https://www.bls.gov/data/inflation_calculator.htm, accessed July 26, 2022. Utility average rates taken from annual electric true up for Pacific Gas and Electric Company (PG&E) and annual consolidated from Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) advice letter filings going back to 2009.

[4] Utility tariff filings going back to 2009, see baseline rates for each IOU.

[5] 2019 Annual Affordability Report, April 2021, p. 36. Retrieved from https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/2019-annual-affordability-report.pdf, accessed July 18, 2021.

Currently, a utility recovers its costs of providing electric service by charging customers for the energy they consume. Higher usage levels are charged at higher rates. Customers are charged a rate per kilowatt hour, which is referred to as a volumetric rate. Volumetric rates are used to recover a large number of costs including those that are not associated with the marginal cost of providing safe and reliable service. When overall rates were lower, the current rate design structure provided a blunt but meaningful conservation price signal. However, with rates and bills increasing at the current pace, lower income customers' energy burdens have reached an unsustainable level. In addition to increasing energy hardships for low-income customers, it is hampering the state's transition to an electrified future.

Establishing income-based fixed charges is an action the Commission can immediately take to reduce the energy burden on lower income households and promote the transition to electrification. Cal Advocates' income-based fixed charge proposal is designed to reduce the volumetric rates for electricity and eliminate a significant disincentive to electrification. The income-based nature of Cal Advocate's fixed charge proposal results in lower income customers seeing immediate bill relief.

Promotion of electrification policies are vital in helping the state to achieve its aggressive greenhouse gas (GHG) reduction targets. If electric rates are too high, there is a risk that customers may not realize enough fuel cost savings to consider switching from gasoline-fueled vehicles to electric vehicles.

To achieve the important goals of improving equity and promoting electrification, the Commission should adopt an income-based fixed charge based on Cal Advocates' proposed structure in Table 1. Cal Advocates estimates that this proposal will reduce volumetric rates by 12%-14% depending on the investor-owned utility (IOU) compared to the same rate absent such an income-based fixed charge.[6]

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[6] Cal Advocates' estimated bill impacts from the income-based fixed charge proposal utilized a tier rate structure to better isolate the impact of implementing an income-based fixed charge. Implementing the income-based fixed charge proposal with a TOU rate may provide customers with even more savings depending on the customer's ability to shift load outside of the peak hours.

Cal Advocates' income-based fixed charge framework involves the establishment of three income brackets over which to apply three different fixed charges. These income brackets are compliant with statute,[7] will reduce cost burdens for lower income customers, and will simplify implementation.

Customer who are in the lowest income-bracket will be charged the lowest fixed charge with customers in the higher income brackets being charged progressively higher fixed charges. Each bracket's fixed charge is set 25% higher than the fixed charge levied on customers in the next lowest income bracket. California Alternative Rates for Energy (CARE)[8] customers would have their fixed charge reduced by the same percentage discount currently provided on their volumetric rates (between 30 and 35%).

To ensure the utility collects the necessary revenue from the fixed charge, Cal Advocates proposes to redirect a portion of the California Climate Credit (CCC) to offset fixed charges for customers in the lower income brackets. This would result in the highest income bracket being charged the full fixed charge amount. The discount provided to lower income customers would not result in an inflated fixed charge for the higher income earning households.[9] To further mitigate impacts on the lowest income customers, Cal Advocates has designed its fixed charge proposal to offset the entirety of the fixed charge with CCC funds.

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[7] PU Code 739.9(e)(1).

[8] The ratepayer funded California Alternate Rates for Energy (CARE) program provides customers below 200% of the federal poverty limit with a 30% - 35% discount on their energy bills. SCE CARE customers currently receive a 32.5% discount on their electric bill. PG&E and SDG&E CARE customers receive a 35% discount on their bill.

[9] Typically, a discount provided to one category of customers necessitates a higher charge to another category. The repurposing of the CCC would require reduction of the twice-yearly credit on customer bills, but provides an important public policy benefit of making utility bills more equitable by taking into account a customer's ability to pay, without unduly burdening higher income households.

Table 1: Cal Advocates' Proposed 3 Bracket Income-Based Fixed Charge Utilizing the California Climate Credit

Proposed Fixed Charge					
CARE	Income Tier	Annual Income	PG&E	SCE	SDG&E
Non-CARE	1	< $45,000	$0.00 ($14.83 without the CCC)	$0.00 ($15.38 without the CCC)	$0.00 ($14.71 without the CCC)
	2	$45,000 - $124,000	$19.77	$20.51	$19.62
	3	> $124,000	$24.71	$25.63	$24.52
CARE	1	< $45,000	$0.00 ($9.65 without the CCC)	$0.00 ($10.38 without the CCC)	$0.00 ($9.57 without the CCC)
	2	$45,000 - $124,000	$12.86	$13.84	$12.76
	3	> $124,000	$16.08	$17.30	$15.85

1. The pace and magnitude of electric rate increases precipitate the need for rate design reforms to support low-income customers.

Since 2009, average residential rates have outpaced inflation. Specifically, between January 2009 and January 2022, residential average rates for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) increased by 65%, 69%, and 106% percent respectively. Inflation only increased by 33% over the same period.[10] Unfortunately, there are no signs of such rate increases slowing down. In fact, the Commission's 2022 Senate Bill (SB) 695 Report, predicts that rates will continue to increase between 4.2%

[10] Retrieved from https://www.bls.gov/data/inflation_calculator.htm, accessed July 26, 2022.

and 6.8% annually over this decade.[11] The 2022 SB 695 Report posits that the growth in rates can be largely attributed to increases in capital additions driven by rising investments in transmission by PG&E[12] and distribution by SCE[13] and SDG&E.[14] Other causes of rapidly increasing electric rates include the significant financial commitments utilities have made for wildfire mitigation and transportation electrification.[15]

The increases in overall residential average rates over the last 5 years has been staggering. Since 2017, the average residential rate for California's IOUs have increased by 6%-8% annually. Last year, the Energy Division developed a forecast of rates but the current pace of rate increases has already outstripped that estimate. Indeed, the with 2022 rates for PG&E and SDG&E already at the levels forecast for 2025 and 2027, respectively.[16]

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[11] 2022 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913.1, May 2022, p. 80.

[12] 2022 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913.1, May 2022, p. 23.

[13] 2022 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913.1, May 2022, p. 25.

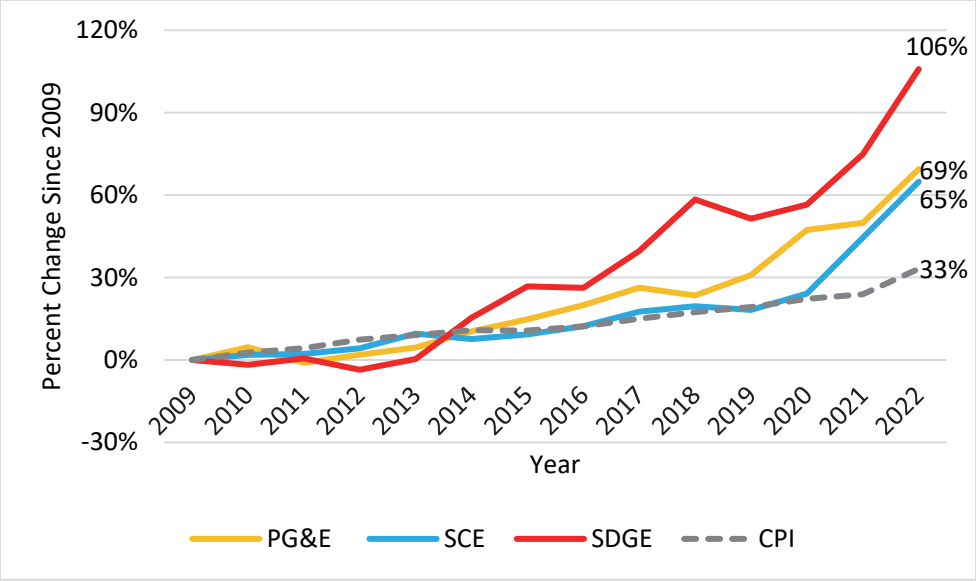
[14] 2022 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913.1, May 2022, p. 27.

[15] 2022 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913.1, May 2022, p. 9.

[16] Utility Costs and Affordability of The Grid Of The Future An Evaluation Of Electric Costs, Rates And Equity Issues Pursuant To P.U. Code Section 913.1, May 2021, pp. 4-5.

Figure 1: Change in Residential Average Rates Compared to Inflation

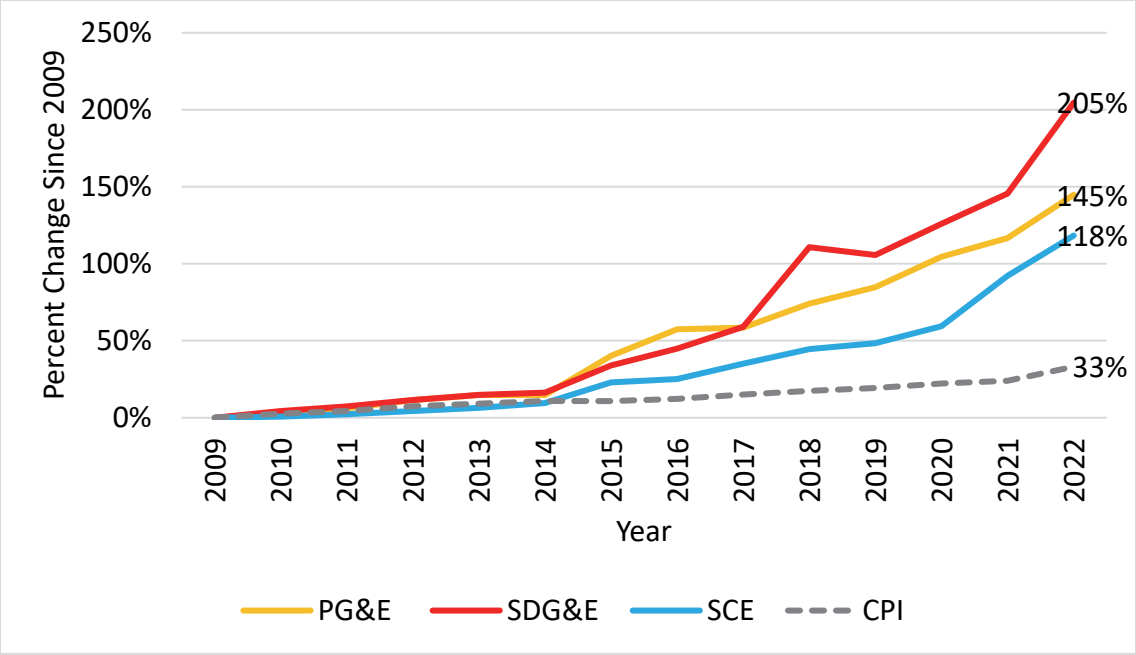
All IOUs



The situation is worse when looking at baseline rates,[17] specifically. The following graph shows that baseline rates for PG&E, SCE and SDG&E have increased by 118%, 145% and 205% respectively since 2009. As such, low usage customers have seen substantial increases in their bills.

[17] Baseline rates refer to the $/kWh charge for the first block (i.e. baseline quantity) per month. Usage that exceeds this amount are charged are higher $/kWh.

Figure 2: Change in Residential Baseline Rates Compared to Inflation – All IOUs



In the near future, residential electric rates are expected to increase due to continued declining sales and authorized revenue requirements increases. Simplistically put, average electric rates are calculated by dividing the revenue requirement[18] by electric sales. In the average rate calculation, the revenue requirement is likely to increase, while the sales base will continue on its downward trend.

University of California Berkeley (UCB) energy economist Dr. Borenstein similarly concludes that high volumetric rates place a large burden on lower- and average-income households while recovering a shrinking fraction of system costs from higher-income households because of the diffusion of rooftop solar.[19] Pricing reform that reduces the volumetric rate via an income-based fixed charge would dramatically reduce

[18] The revenue requirement is the Commission approved amount of revenue that utilities are guaranteed to recover through rates. The revenue requirement consists of the utility's cost to serve customers and additional public purpose costs intended to meet the Commission's policy objectives.

[19] Designing Electricity Rates for An Equitable Energy Transition, p. 7.

prices, spur electrification,[20] and *meet California's climate goals and protect lower-income ratepayers from cost shifts and bill impacts.*[21]

2. Recovering costs entirely in volumetric rates hinders vital electrification efforts.

High volumetric electricity rates pose challenges to achieving California's aggressive GHG reduction targets because they discourage electrification. Consistent with the state's renewable energy goals, the Commission needs to encourage customers to switch from carbon-intensive fuels (e.g. propane, natural gas and gasoline) to electricity, which has a lower GHG intensity. Although 37% of California's power generation comes from natural gas-fired power plants, the state's renewable energy goals are driving a reduction in the carbon intensity of our electricity production.[22]

Widespread transportation electrification is needed to achieve the goals set forth in the Charge Ahead California Initiative and to help reduce emissions of statewide GHGs "to 40 percent below 1990 levels by 2030 and to 80 percent below 1990 levels by 2050."[23] As part of these goals, the state has set a target of five million zero emission vehicles on the road in California by 2030.[24] Additionally, widespread transportation electrification requires electrical corporations to increase access to the use of electricity for use as a transportation fuel.[25]

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[20] Designing Electricity Rates for An Equitable Energy Transition, p. 5.

[21] Utility Costs and Affordability Of The Grid Of The Future An Evaluation Of Electric Costs, Rates And Equity Issues Pursuant To P.U. Code Section 913.1, May 2021, p. 7.

[22] Retrieved from https://www.energy.ca.gov/data-reports/energy-almanac/california-electricity-data/2020-total-system-electric-generation, accessed July 26, 2022.

[23] Public Utilities Code § 740.12(a)(1).

[24] Governor Brown Executive Order B-48-18. Office of Governor Edmund G. Brown, "Governor Brown Takes Action to Fund Zero-Emission Vehicles, Fund New Climate Investments," January 26 2018, accessed April 13 2021 at https://www.ca.gov/archive/gov39/2018/01/26/governor-brown-takes-actionto-increase-zero-emission-vehicles-fund-new-climate-investments/index.html, accessed July 26, 2022.

[25] D.20-08-045, p. 7. The Legislature also found that "[a]dvanced clean vehicles and fuels are needed to reduce petroleum use, to meet air quality standards, to improve public health, and to achieve greenhouse gas emissions reductions goals," and that widespread transportation electrification "requires electrical corporations to increase access to the use of electricity as a transportation fuel."

But as the cost of electricity increases relative to the price of natural gas and gasoline, the financial incentive to adopt electrification becomes less favorable. For the widespread adoption required to reach the state's climate goals, at a minimum, volumetric electricity rates need to remain low to reduce the ongoing costs resulting from electrification. A 2018 survey of diverse stakeholders in the commercial electric vehicle (EV) sector conducted by the Electric Power Research Institute (EPRI) found that the overall level of electric rates for fueling will be a key factor in commercial customers' EV adoption decisions over the next decade: "A common viewpoint was that when there is parity cost of vehicle, energy cost and operating/maintenance cost, electric rates will be a key determinant of long term EV viability."[26] Additionally, at the Commission's February 24, 2021 "En Banc on Energy Rates and Costs," David Rapson, Director of the Davis Energy Economic Program at the University of California, Davis, represented that "[e]ach $0.10/kWh increase in electricity prices [results in a] 15% decrease in EV demand" (in terms of EV miles driven).[27]

Escalating volumetric electricity prices have already posed multiple challenges to designing retail rates that provide fuel cost savings to customers who adopt electrification technologies. Time-of-use (TOU) and non-TOU rate schedules are widely available to residential customers on a default and opt-in basis. Because these rate schedules do not include fixed charges,[28] all costs are collected through volumetric charges. These rates also have tiers, which means each customer is allocated a predetermined kWh amount of usage (i.e. baseline allowance) per month (depending on climate zone and season), which is charged at lower rates. Every kWh consumed above this amount is charged at higher rates as mandated by PU Code section (739(d)(1)). This structure has become

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[26] A.20-10-011, Exh. PG&E Testimony on its Commercial Day Ahead Real-Time Pricing (DAHRTP) Pilot, p. 1-AttachmentA-29.

[27] Slide 36, Retrieved from https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energ_-_Electricity_and_Natural_Gas/Rates%20En%20Banc_PANEL%201_Updated.pdf, accessed July 26, 2022.

[28] With the exception of SCE's fixed charge, which is very small and insignificant at $0.94 a month.

problematic for spurring electrification because electrification, under tiered rates, would likely increase the customer's monthly usage beyond their baseline allowance. As such, the customer's increased consumption is charged at marginally higher rates. Simply adding an electric vehicle can approximately double a customer's monthly usage.[29]

These issues have necessitated the need to develop separate optional rates with lower volumetric rate, that circumvent certain statutory requirements for default residential rates, in order to encourage electrification. Such examples include rate schedules with fixed charges that surpass existing statutory fixed charge limits (i.e. $10 for non-CARE and $5 for CARE)[30] as well as untiered rates that exclude baseline credits. For instance, SDG&E's EV TOU-2/EV-TOU[31] and PG&E's EVA[32] rates exclude a baseline credit and do not have fixed charges. SCE's TOU-D-Prime[33] and SDG&E's EV TOU-5[34] rates both include fixed charges ranging between $12/month and $16/month and both exclude a baseline credit.

In D.20-03-003, the Commission ordered PG&E and SDG&E to develop an electrification time-of-use rate (TOU) with a fixed charge that excludes a baseline credit.[35] PG&E's proposed E-ELEC was approved in D.21-11-019.[36] E-ELEC includes a

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[29] For example, a lower usage customer without an electric vehicle residing in SDG&E's coastal zone consumes 229 kWh/month. By comparison, the average electric vehicle separately metered under SDG&E's EV TOU rate consumes 181 kWh/month. – Data pulled from SDG&E's TOU-ELEC proceeding, A.21-09-001. SDG&E response to Cal Advocates' data request 02.

[30] These limits were adopted in 2016. Current values may incorporate inflation.

[31] Retrieved from https://www.sdge.com/sites/default/files/regulatory/6-1-22%20Schedule%20EV-TOU%20%26%20EV-TOU-2%20Total%20Rates%20Tables.pdf, accessed July 26, 2022.

[32] Retrieved from https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_EV%20(Sch).pdf, accessed July 26, 2022.

[33] Retrieved from https://edisonintl.sharepoint.com/teams/Public/TM2/Shared%20Documents/Public/Regulatory/Tariff-SCE%20Tariff%20Books/Electric/Schedules/Residential%20Rates/ELECTRIC_SCHEDULES_TOU-D.pdf, accessed July 26, 2022.

[34] Retrieved from https://www.sdge.com/sites/default/files/regulatory/6-1-22%20Schedule%20EV-TOU-5%20Total%20Rates%20Table.pdf, accessed July 26, 2022.

[35] D.20.03.003, pp. 51 and 52. Ordering Paragraphs 10 and 11.

[36] D.20.03.003, pp. 51 and 52. Ordering Paragraphs 10 and 11.

$15 fixed charge and no baseline credit. Similarly, SDG&E's proposed a TOU-ELEC[37] rate which includes a fixed charge ranging from $28.53/month and $85.41/month[38] and excludes a baseline credit. SDG&E's TOU-ELEC proposal is still pending before the Commission as of the submittal of these comments.

As volumetric rates continue to increase, the Commission will be less able to establish rates that recover the utility's authorized revenue while achieving its electrification goals. The Commission's requirement for PG&E and SDG&E to develop electrification using untiered rates (i.e. no baseline credit) with a fixed charge highlights the urgency of escalating volumetric rates. It demonstrates that the Commission has had to come up with workarounds (i.e., develop rates to circumvent tiers and fixed charge limits) to develop rates to encourage electrification. However, such workarounds are sub-optimal because they have cost shift implications. The imposition of a fixed charge usually only benefits high usage customers. In some cases, when such customers switch from a baseline rate without a fixed charge to an untiered rate with a fixed charge, the customer may see cost reductions even if the cost to serve that particular customer increases. The revenues to cover the additional cost to serve are recovered from other customers (i.e., a cost shift), further exacerbating rate pressures.

Cal Advocates' proposed income-based fixed charge would eliminate some of the cost shift potential associated with these optional electrification rates while providing cost reductions to low-income customers.

3. Income-Based Fixed Charge Method

Cal Advocates' proposed approach would provide bill reduction benefits to low-income customers, including those who are not enrolled or eligible for CARE, through a combination of fixed charges that vary based on income and an offset of fixed charges for low-income customers with a reallocation of the CCC. Additionally, the proposal will

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[37] A.21-09-001.

[38] A.21-09-001 SDGE-02 - Untiered TOU Testimony - Rate Design - REVISED CLEAN, p. HC-11.

slow down the growth of any cost shifts built into volumetric rates thus reducing upward pressure on rates over time and providing customers incentives to electrify.

Cal Advocates proposes that the fixed charges collect an average of $20/month from non-CARE customers. This charge is reduced for CARE customers by the CARE discount. The fixed charges would be collected across three income brackets for each IOU with a differential of 25% between each income bracket. Across the entire ratepayer population for each IOU, these fixed charges would collect an amount that roughly covers the cost of grid access and non-bypassable charges.[39] Because these costs do not vary depending on a customer's usage, they should be excluded from volumetric rates. This will provide more accurate price signals about a customer's cost of service and reduce potential for cost shifting while reducing the impacts of high volumetric rates on lower income customers.

i. Fixed charges should collect the cost of grid connection

Cal Advocate's proposed fixed charge is designed to collect the cost of grid access. The cost of grid access is captured by marginal customer access costs (MCAC). These costs are typically modelled in a utility's General Rate Case (GRC) Phase 2 proceeding where marginal costs are developed to inform rate design and revenue allocation decisions.[40] The MCAC represents the incremental cost of providing grid access to customers including ongoing costs associated with billing and customer services (among others), along with capital costs associated with physical connection equipment like meters, service drops and final line transformers (TSM equipment also known as hook up equipment).

Cal Advocates proposes to scale MCAC by its equal percent marginal cost (EPMC) multiplier. The EPMC multiplier is used to bridge the numerical gap between

[39] D.16-01-044, p. 90.

[40] I.e. determine how much of a utility's revenue requirement is assigned to each customer class i.e residential, small commercial, large commercial, agriculture, etc.

marginal costs and the utilities' revenue requirement. It is derived by taking the revenue requirement divided by the marginal cost revenues (revenues that would result if the IOU were to charge its services at marginal costs only). The most recent PG&E 2020 GRC 2 ruled that any prior restrictions concerning the use of the EPMC multiplier for determining a fixed charge is no longer binding.[41] Inclusion of this EPMC multiplier would also allow for larger reductions to volumetric rates and greater benefits for lower income customers.

The MCAC values resulting from employing various estimation methods are provided below. The column "RCNLD" contains the values of MCAC that would result from using the new estimation method approved in D.21-11-016. Values using this new method are not currently available for SDG&E. Cal Advocates expects SDG&E to serve new MCAC estimates in its upcoming GRC Phase 2 application on December 30, 2022. Table 2 shows that the MCACs for PG&E and SCE, using the RCDLD method approved in D.21-11-016, yields marginal cost estimates that fall somewhere in between those resulting from employing the RECC and NCO methods. Until new MCAC estimates are available for SDG&E, Cal Advocates employs the average MCACs resulting from the RECC and NCO methods for SDG&E.

[41] D.21-11-019, COL 31 p. 164.

Table 2: Comparison of MCAC Estimates by Method

PG&E			
Method	RCNLD	RECC	NCO
EPMC Scaled MCAC	$8.70[42]	$16.76[43]	$8.66[44]
SCE			
Method	RCNLD	RECC	NCO
EPMC Scaled MCAC	$12.53[45]	$23.52[46]	$6.07[47]
SDG&E			
Method	Average of RECC & NCO	RECC	NCO
EPMC Scaled MCAC	$16.06	$23.94[48]	$8.17[49]

[42] A $6.96 per customer month residential MCAC using the RCNLD method, prior to EPMC scaling, was adopted in PG&E's 2020 GRC 2. A. 19-11-019, Joint Motion of Pacific Gas and Electric Company and the Agriculture Energy Consumer Association (AECA) to Set Aside Submission, Reopen the Record and Receive Workpapers and Related Corrections into Evidence, p. 4.

[43] PG&E proposed an $11.52 per customer month residential MCAC using the RECC method prior to EPMC scaling. A. 19-11-019, PG&E July 2020 Prepared Errata Testimony, Exhibit PGE-02, Table 9-1.

[44] Cal Advocates proposed a $3.58 per customer month residential MCAC using the NCO method prior to EPMC scaling. A. 19-11-019, Cal Advocates Prepared Testimony, Chapter 1, Table 1-1. EPMC scalar is 2.42.

[45] AECA proposed a $6.17 per customer month residential MCAC using the RCNLD method prior to EPMC scaling. A. 20-10-012, Response to data request Cal Advocates-AECA-01, question 1, MCCR.XSLX, tab "Customer MC," cell AK8.

[46] SCE proposed a $12.02 per customer month residential MCAC using the RECC method prior to EPMC scaling. A. 20-10-012, SCE Prepared Testimony, Exhibit SCE-02, Table I-18.

[47] Cal Advocates proposed a $2.94 per customer month residential MCAC using the NCO method prior to EPMC scaling. A.20-10-012, Cal Advocates' Second Amended Prepared Testimony, Chapter 1, Table 1-1 p. 1.

[48] SDG&E 2019 GRC 2, A.19-03-002, Chapter 5 Prepared Rebuttal Testimony of William G. Saxe, Attachment B.3.

[49] SDG&E 2019 GRC 2, A.19-03-002, Cal Advocates' workpapers entitled "Chapter 4 - Distribution Revenue Allocation (Wildfire Costs Included in EPMC Revenues) - Tables 4-2 (Public)", tab "Distrib Class EPMC Rates & Rev"

ii. Fixed charges should collect non-bypassable charges

A Non-Bypassable Charge (NBC) should be included in a fixed charge, because they are not directly correlated to a customer's decision to use more or less electricity. NBCs includes funds for electric rate discounts to low-income program participants,[50] technological research related to California's energy and climate goals,[51] and marketing/outreach related to transitioning residential customers to default TOU rates, among other costs. These categories do not directly increase nor decrease as a result of changes to consumption levels.

Thus, including NBCs in volumetric rates sends the wrong price signal that a customer's consumption decision influences such costs. A customer who reduces consumption for example, would avoid paying such "non bypassable" charges despite the fact that such costs have not actually decreased as a result of the customer's reduced usage. Consequently, if this cost is no longer collected from this customer, it would need to be collected from other customers in the form of rate increases the following year. Therefore, inclusion of NBCs in the income-based fixed charge would also ensure that these costs are truly non-bypassable.

The following table converts several NBCs to a dollar per customer per month charge which forms a reasonable starting basis for the NBC components of Cal Advocates' fixed charge as there are other costs that may be considered non-bypassable.

[50] California Alternative Rates for Energy (CARE)

[51] Electric Program Investment Charge (EPIC)

Table 3: Non-Bypassable Charges Converted to Monthly Fixed Charge ($/Customer-Month)

	PG&E	SCE	SDG&E
Public Purpose Program	$11.02	$10.49	$6.40
Nuclear Decommissioning[52]	-$0.07[53]	$0.05	$0.02
Competition Transition Charge[54]	$0.12	$0.10	$0.39
Wildfire Fund/DWR Bond Charge[55]	$2.30	$3.22	$1.07
Total	$13.38	$13.86	$7.89

Table 4 combines the MCAC and non-bypassable charges to form "cost-based" values. However, as previously mentioned, Cal Advocates has opted to propose simplified fixed charges for all three IOU's that would be less likely to cause undesirable bill impacts. Because SDG&E has yet to submit MCAC values that account for RCNLD, the customer connection component of SDG&E's fixed charge may be lower than what Cal Advocates used to develop SDG&E's cost-based fixed charge amount. Thus, Cal Advocates proposes to collect on average $20/month from non-CARE customers and up to $13.50/month from CARE customers.

On a weighted average basis for all residential customers, these average charges would equate to $16.26/month to $18.16/month per customer over each IOU's

[52] Fee to restore closed nuclear plant sites to as near their original condition as possible.

[53] PG&E's negative Nuclear Decommissioning rate is due to a $130 million dollar refund in 2022 rates pursuant to D.21-09-003. See PG&E Advice Letter 6408-E, p. 8.

[54] Costs for power plants and long-term power contracts approved by state regulators that have been made un-economic by the shift to competition.

[55] Charge on behalf of the State of California department of Water Resources (DWR) to fund the California Wildfire Fund. The wildfire insurance fund was created pursuant to Assembly Bill (AB) 1054 (2019). The fund may be used to cover the costs of future wildfires related to utility infrastructure in California.

population. As illustrated in Table 5, these averages are between $4.30/month and $10.03/month less than the cost-based values determined in Table 4 for PG&E and SCE respectively.

Table 4: EPMC-Scaled MCAC and NBCs ($/Customer-Month) by IOU

Component	PG&E	SCE	SDG&E
EPMC-Scaled MCAC	$8.70	$12.53	$16.06
Non Bypassable Charges	$13.38	$13.86	$7.89
Total	$22.08	$26.39	$23.95

Table 5: Average Fixed Charge Proposed for Non-CARE and CARE Customers by IOU

	PG&E	SCE	SDG&E
Non-CARE	$20.00	$20.00	$20.00
CARE	$13.01	$13.54	$13.01
Weighted Average	$17.79	$16.26	$18.16

iii. Three income brackets is sufficient.

After calculating the appropriate fixed charges (i.e. $20 for non-CARE and $13.50 for CARE), Cal Advocates determined the number of income groupings or "brackets" and the differentials between each bracket. Cal Advocates proposes an income-based fixed charge based on three income brackets, with 25% scaling between bracket.

Fewer brackets and flatter differentials in between the brackets will provide for easier implementation, and will minimize the consequences of error in income verification during the earlier years of implementation.[56]

[56] If the fixed charge is large, the value of the discount would be more significant, and the failure of qualified customers to receive that discount for any reason could have adverse consequences on affordability.

The lowest bracket (i.e. Bracket 1) captures customers with gross annual incomes up to $45,000 per year. A little more than a quarter of the IOUs' total residential customers would be assigned to Bracket 1.[57] The second "middle" bracket (i.e. Bracket 2) captures customers with annual incomes between $45,000 and $124,000. Depending on the utility, 43% to 65% of residential customers would be assigned to Bracket 2. Finally, Cal Advocates proposes a third bracket (i.e. Bracket 3) that captures customers with annual incomes above $124,000. The level of fixed charges in each bracket is calculated to collect an amount of revenue equal to the amount that would be collected if all customers were charged the fixed charge amounts displayed in Table 5 while ensuring that fixed charges are sized to be 25% higher than the fixed charges set for the next lowest income bracket. The weighted average fixed charge collected from all customers equates to the values delineated in Table 5. The illustrative fixed charge levels resulting from these criteria are presented in Table 7 below.

Table 6: Distribution of Customers by Income Bracket

Income Bracket	Annual Income	PG&E	SCE	SDG&E
1	< $45,000	28%	24%	35%
2	$45,000 - $124,000	43%	65%	42%
3	> $124,000	28%	11%	23%

[57] Data was provided by the IOUs and are from 3rd party vendors. The PG&E data is drawn based on a random sample of 5000 customers currently enrolled in Schedule D. The SCE data is based on a random sample of 5000 customers from Schedule D. SDG&E's data is based on a random sample of 5000 customers enrolled in schedule TOU-DR-1.

Table 7: Proposed Fixed Charge (Illustrative)

CARE	Income Tier	Annual Income	PG&E	SCE	SDG&E
Non-CARE	1	< $45,000	$14.83	$15.38	$14.71
	2	$45,000 - $124,000	$19.77	$20.51	$19.62
	3	> $124,000	$24.71	$25.63	$24.52
CARE	1	< $45,000	$9.65	$10.38	$9.57
	2	$45,000 - $124,000	$12.86	$13.84	$12.76
	3	> $124,000	$16.08	$17.30	$15.85

The fixed charges shown in Table 7 for Bracket 1 customers for both CARE and non-CARE customers do not account for Cal Advocate's proposal to use the CCC to offset such fixed charges. Thus, the charges listed for this bracket merely reflect the charges that would apply absent such an offset.

iv. Reallocation of the credit climate to offset low-income customers' fixed charge will improve affordability for such customers.

To mitigate the impact of Cal Advocates' fixed charge proposal on low-income customers, Cal Advocates proposes to offset the fixed charge for low-income customers using the CCC. This will result in a more progressive allocation of the climate credit such that lower income customers will receive more per year than their higher-income counterparts. The CCC is typically distributed to customers twice a year and represents

the revenues the IOUs gain from GHG auctions.[58] Cal Advocates proposal would not exhaust the entire CCC climate credit given out on an annual basis. Rather it would simply reallocate a larger share of it to low-income customers who disproportionately suffer from the effects of climate change and environmental degradation more than their higher-income counterparts.

Cal Advocates' proposal would require $536 million per year in funding which represents 48% of the total amount of climate credit distributed to customers (i.e. customer account) across all IOUs in 2022.[59] Discussion of how to fund the fixed charge discount should the CCC be anticipated to decline to a level where it could not adequately reduce the fixed charge for lower income households should be considered in future proceedings. The following table provides the required annual climate credit funding required to offset Bracket 1 customer fixed charges for each of the IOUs relative to the total estimated amount of credits distributed to customers in 2022.

Table 8: California Climate Credit Annual Funding Requirement by IOU

IOU	PGE	SCE	SDGE
Total Climate Credit (2022)	$393,678,947	$540,994,010	$172,147,319
Funding Required to Offset Bracket 1 Fixed Charge	$252,426,700	$200,707,091	$82,959,412
Percentage of Total Credit	64%	37%	48%

[58] Retrieved from https://www.cpuc.ca.gov/climatecredit/, accessed July 26, 2022.

[59] Using the per customer amounts from https://www.cpuc.ca.gov/climatecredit/ and then multiplying that amount by the number of customers for each IOU.

v. Comparison to Other Fixed Charge Proposals Outlined at 2022 Affordability En Banc

Cal Advocates' income-based fixed charge proposal is comparatively moderate compared to other income-based fixed charge proposals[60], [61] and existing fixed charges in California.[62] In particular, Cal Advocates' proposal includes fewer income brackets and scaling between brackets which should facilitate administration and minimize the impact of income verification errors during the initial years. Conversely, having more brackets and scaling in the early years could lead to revenue shortfalls if income verification is inaccurate. Further, steeper scaling between such brackets could increase the size of shortfalls if income verification errors are committed at a large enough scale. Additionally, starting with lower fixed charges is reasonable because implementing high fixed charges could result in "rate shock" for lower usage households and undermine the policy goals of an income-based fixed charge altogether.

4. Bill impacts

Cal Advocates' proposal properly strikes a balance between conveying economically efficient price signals and providing low-income customers rate reductions without exorbitantly high bill increases for other customers.

Tables 9-11 detail the bill impacts for the various income brackets between CARE and non-CARE customers for each of the IOUs. The complete bill impact results are available in the appendix which further breaks down the bill impacts by usage levels. Bill impacts for PG&E, SCE and SDG&E are based on a representative random sample of customers enrolled in each respective IOU's default residential rate to capture the

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[60] Natural Resources Defense Council, retrieved from https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/en-banc/chhabra-v2-with-alt-image-link-text.pdf slide 19, accessed July 26, 2022.

[61] UC Berkeley, retrieved from https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/en-banc/fowlie-slides-v2-w-alt-image-text.pdf, accessed July 26, 2022. slide 6.

[62] Sacramento Municipal Utility District uses a fixed charge of $23.05/month. Retrieved from https://www.smud.org/en/Rate-Information/Residential-rates, accessed July 26, 2022.

broadest coalition of customer possible. Thus, the bill impacts presented in this section are indicative of what bill impacts may result from Cal Advocates' fixed charge proposal. The "Share of Population" row provides each customer group's share of the total sample. For example, Bracket 1 CARE customers make up 18% of the total sample evaluated for PG&E. The percentages provided in the rows under "Bill Impact Distribution by Income Bracket" provides the percentage of customers predicted to see certain bill impacts for each customer grouping. For instance, 68% of PG&E's Bracket 1 CARE customers are expected to see monthly bill reductions of more than $10/month.

The patterns of bill impacts are consistent across all three IOUs. All non-CARE and CARE customers classified under the Bracket 1 income group with the application of the CCC offset would see bill reductions under Cal Advocates' proposal. Thus, low-income customers that do not qualify for CARE would still see some bill relief. Many moderate and higher usage customers in Brackets 2- and 3-income groups would also see bill reductions, meaning customers who increase usage via electrification may see further bill savings compared to current rates. On the other hand, lower usage customers in these brackets would experience low ($0-$5/month) to moderately (>$10/month) bill increases.

Table 9: Bill Impacts Resulting from Cal Advocates' Income-Based Fixed Charge for PG&E

	CARE			Non-CARE		
Fixed Charge Bracket	<$45K	$45K - $124K	>$124K	<$45K	$45K - $124K	>$124K
Share of Population	18%	19%	7%	10%	24%	21%
Bill Impact Distribution By Income Bracket						
$10+ decrease	68%	21%	16%	62%	24%	14%
$5 to $10 decrease	24%	20%	11%	32%	9%	12%
$0 to $5 decrease	8%	25%	21%	7%	11%	8%
Subtotal (decrease)	**100%**	**66%**	**49%**	**100%**	**44%**	**34%**
$0 to $5 increase	0%	24%	25%	0%	13%	12%
$5-$10 increase	0%	10%	20%	0%	13%	15%
$10+ increase	0%	1%	7%	0%	29%	39%
Subtotal (increase)	**0%**	**34%**	**51%**	**0%**	**56%**	**66%**

Table 10: Bill Impacts Resulting from Cal Advocates' Income-Based Fixed Charge for SCE

	CARE			Non-CARE		
Fixed Charge Bracket	<$45K	$45K - $124K	>$124K	<$45K	$45K - $124K	>$124K
Share of Population	12%	23%	2%	11%	42%	10%
Bill Impact Distribution By Income Bracket						
>$10 decrease	66%	12%	11%	80%	16%	22%
>$5 to $10 decrease	26%	13%	6%	18%	6%	8%
<$0 to $5 decrease	8%	21%	20%	2%	9%	10%
Subtotal (decrease)	**100%**	**45%**	**37%**	**100%**	**32%**	**39%**
$0 to $5 increase	0%	31%	33%	0%	27%	11%
$5-$10 increase	0%	24%	27%	0%	30%	28%
>$10 increase	0%	0%	4%	0%	11%	22%
Subtotal (increase)	**0%**	**55%**	**63%**	**0%**	**68%**	**61%**

Table 11: Bill Impacts Resulting from Cal Advocates' Income-Based Fixed Charge for SDG&E

	CARE			Non-CARE		
Fixed Charge Bracket	<$45K	$45K - $124K	>$124K	<$45K	$45K - $124K	>$124K
Share of Population	15%	9%	2%	12%	35%	27%
Bill Impact Distribution By Income Bracket						
>$10 decrease	48%	12%	16%	72%	19%	25%
>$5 to $10 decrease	49%	10%	15%	27%	14%	13%
<$0 to $5 decrease	2%	37%	21%	1%	0%	18%
Subtotal (decrease)	**100%**	**58%**	**52%**	**100%**	**33%**	**55%**
$0 to $5 increase	0%	25%	21%	0%	23%	20%
$5-$10 increase	0%	16%	18%	0%	26%	0%
>$10 increase	0%	0%	9%	0%	18%	24%
Subtotal (increase)	**0%**	**42%**	**48%**	**0%**	**67%**	**45%**

B. Cal Advocates' Recommendations to Remove the Recovery of Certain Costs from Rates

Cal Advocates recommends the Commission identify cost drivers that could be removed from electricity rates and instead funded by other sources such as the state's general fund. The criteria for removal of certain costs from rates should be that that the programs: 1) serve a public or societal interest but are not directly related to the provision of safe and reliable electricity service, and 2) are not cost effective. Cal Advocates has identified several programs that cost ratepayers more than the benefits the programs

produce. These programs include energy efficiency, demand response, community solar, and energy storage incentives[63] to name a few. Although these programs were established to achieve specific policy objectives, they do not provide sufficient benefits to ratepayers to warrant inclusion in rates. These programs increase the overall cost to serve ratepayers because their costs outweigh their benefits; they would be more equitably recovered through external funding sources. In addition, the Commission should regularly evaluate programs for cost effectiveness and institute sunsetting measures to limit the non-cost-effective programs from being recovered in rates.

Taken independently, the removal of the costs of each of these programs from rates may seem to have a minimal effect on overall rates. However, these non-cost-effective programs will cost PG&E, SCE and SDG&E customers (collectively) approximately $1.2 billion dollars. Recovering these costs through electric rates increases the rates for all customers, and funding them through energy usage results in a regressive payment structure that unreasonably burdens lower income households. Non-cost-effective programmatic costs that are deemed to be in the public interest should be recovered through external sources, such as the state's general fund. This type of funding mechanism would be progressive, so that the costs would be paid based on a customer's income which serves as a better proxy for a customer's ability to pay, and would result in a lower cost burden for those less able to afford additional expenses.

Cal Advocates also recommends that the portion of the AB 1054[64] Utility Wildfire Liability Fund that ratepayers are responsible for should also be removed from rate recovery, and instead recovered from the general fund. The Utility Wildfire Liability Fund was established to ensure electric utilities were able to remain solvent in the event they were found liable for a catastrophic wildfire. The financial responsibility for this fund was shared between electric ratepayers and shareholders of participating electric

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[63] Notable examples of specific programs with these cost categories include Flex Alert, Energy Savings Assistance Program (ESAP), Self Generation Incentive Program (SGIP), and the Energy Research Development and Deployment Program (EPIC).

[64] Stats. 2019, ch. 79.

utilities. Currently ratepayers pay approximately $902 million a year into the Utility Wildfire Liability Fund. The ratepayer obligation for this fund will total about $12.6 billion dollars by the time funding concludes in January 1, 2036. Recovering this obligation through general funds[65] would reduce the revenue recovered through electric rates.

Removing non-cost-effective programmatic cost and the ratepayer portion of the Utility Wildfire Liability Fund costs from rates would help reduce electric rates and ensure costs are recovered more equitably.

C. Cal Advocates' Transmission Rate Recommendations

1. The Commission Should Open an Order Instituting Rulemaking Focused on Improving Oversight of Transmission Costs.

In light of the increasing transmission costs the Commission should initiate an Order Instituting Rulemaking to improve transmission cost oversight with the following goals:

- Establishing reporting requirements that allow regulators to see the root causes of transmission cost escalation. This could expand on the Federal Energy Regulatory Commission's (FERC) existing transmission reporting format (detailed below) to include a spreadsheet that itemizes transmission component costs (conductors, labor, etc.) from recent projects. This would allow the Commission to see what the cost drivers for transmission are.[66]
- Establishing reporting requirements that provide detailed explanations for scheduling delays. The current reporting requirements do not provide detailed explanations; for example,

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[65] Legislation would be necessary to modify PU Code section 3289 to recover the remaining ratepayer portion through general funds. PU Code section 3289 establishes a non-bypassable charge to recover a portion of the wildfire liability funds from ratepayers.

[66] Commission Decision (D.) 16-06-052 requires that the IOUs publish a unit cost guide for electric system components to support "additional cost transparency in support of generation interconnection." This guide is not binding, is intended for renewable energy developers, and is not transmission-focused. (Decision 16-06-052 in Rulemaking 11-09-011. Issued July 1, 2016. P.6. Available at https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M164/K376/164376491.pdf.)

SCE attributes the change in the Riverside Transmission Reliability Project (RTRP) in-service date to "Licensing Delays."[67]

- Developing ways to disincentivize cost and scheduling overruns.
- Investigating and establishing Commission oversight over "self-approved" transmission projects. Currently, projects that do not expand the capacity of the grid (upgrades, maintenance, etc.) do not need to be reviewed by the Commission. With the CAISO's approval, these "self-approved" account for 40.8% of the IOUs' transmission capital costs between 2010 and 2019.[68]
- Assessing and itemizing the impact that federally-approved Returns on Equity (ROEs) for transmission owners have on California ratepayers.[69]

The Commission identified rising transmission costs as a driver of electric rate increases,[70] and cost and schedule overruns contribute to escalating costs. The Commission can and should take action to better evaluate the increasing costs associated

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[67] Although the project was approved by the Commission in early 2021, SCE stated that the in-service date would be October 2026. (SCE's Stakeholder Review Process (SRP). December 1, 2021. SRP ID SP-10: The Riverside Transmission Reliability Project.)

[68] Utility Costs and Affordability of the Grid of the Future. California Public Utilities Commission July 2021. Table 12. P. 41. Available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2021/senate-bill-695-report-2021-and-en-banc-whitepaper_final_04302021.pdf, accessed July 26, 2022.

[69] Under federal regulations, owners of transmission assets receive relatively high returns on the equity they invest in those assets. SCE and SDG&E's current ROEs are 10.3% and 10.1%, respectively. (SCE's 2022 Formula Transmission Rate. Available at https://www.sce.com/regulatory/open-access-information/formula-transmission-rate and SDG&E's Transmission Owner Tariff, available at https://www.sdge.com/sites/default/files/Current%20and%20Effective%20Transmission%20Owner%20Tariff_0_0.pdf, accessed July 26, 2022.) In 2019, SCE requested an ROE of 17.12%, citing wildfire risks that have downgraded the company's credit rating and as such necessitate higher returns. (Southern California Edison Files Request with Federal Regulator to Increase Return on Equity Due to Unique Wildfire Risk. SCE Newsroom. April 11, 2019. Available at https://newsroom.edison.com/releases/southern-california-edison-files-request-with-federal-regulator-to-increase-return-on-equity-due-to-unique-wildfire-risk, accessed July 26, 2022.)

[70] "Across all three IOUs since 2013, rates have increased by 37% for PG&E, 6% for SCE, and 48% for SDG&E. The growth in rates can be largely attributed to increases in capital additions driven by rising investments in transmission by PG&E and distribution by SCE and SDG&E." (Utility Costs and Affordability of the Grid of the Future. California Public Utilities Commission. May 2021. p. 7. Available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2021/senate-bill-695-report-2021-and-en-banc-whitepaper_final_04302021.pdf, accessed July 26, 2022.)

with transmission. That evaluation will allow the Commission to develop data-based solutions to mitigate transmission costs.

Transmission project costs and timelines in California have historically outpaced initial estimates, and federal regulations allow for the risks associated with transmission projects to be transferred to ratepayers.[71] A study conducted by the Brattle Group found that major transmission projects approved by the California Independent System Operator (CAISO) showed an average cost escalation of 41%.[72] Additionally, due to federal incentives that allow transmission owners to collect revenue before a project becomes operational,[73] scheduling delays can impact rates while also denying ratepayers the benefits of new transmission.

Existing oversight processes over approved transmission projects provide some transparency but are not sufficiently granular or enforceable to mitigate the problems described above. To begin with, the most comprehensive oversight transmission tool currently available is the Stakeholder Review Process, which was established by the FERC, as part of Transmission Owner settlements with the IOUs. For example, in the PG&E's Stakeholder Transmission Asset Review (STAR) process, PG&E is required to produce a Project Data Spreadsheet on the status and cost of its transmission projects

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[71] As an example, when SCE applied to construct Riverside Transmission Reliability Project (RTRP), their cost estimate was $234.5 million (M). SCE now estimates the projected final cost to be roughly 150% ($585M) more than its estimated cost. (SCE's Stakeholder Review Process (SRP). December 1, 2021. SRP ID SP-10: The Riverside Transmission Reliability Project.)

[72] The Brattle Group looked at 18 major transmission projects constructed by California's three IOUs and approved by the CAISO. (Cost Savings Offered by Competition in Electric Transmission. The Brattle Group. April 2019. Figure 23. Available at https://www.brattle.com/wp-content/uploads/2021/05/16726_cost_savings_offered_by_competition_in_electric_transmission.pdf, accessed July 26, 2022.).

[73] These include the Construction Work in Progress incentive, which allows transmission owners to recover costs before a project is operational. This incentive is under review by the FERC but is still active. (Howland, Ethan. FERC proposes expanded state role in effort to spur transmission development. Utility Dive. April 22, 2022. Available at https://www.utilitydive.com/news/ferc-state-transmission-planning-cost-allocation/622532/, accessed July 26, 2022.) They also include Allowance for Funds Used During Construction (AFUDC), which allows transmission owners to recover costs associated with servicing debt taken out to finance a project. (Allowance for Funds Used During Construction. FERC. Available at https://www.ferc.gov/enforcement-legal/enforcement/accounting-matters/allowance-funds-used-during-construction, accessed July 26, 2022.)

twice a year, including information such as proposed project location, purpose, status, and cost.[74]

In its advocacy at the FERC, the Commission has pointed out that PG&E and SCE's review processes, as required by the FERC, could end within the next two years and that these processes are "non-binding, meaning that the IOUs are not required to address stakeholders' concerns." While reporting requirements do not necessarily mitigate cost and schedule overruns, they can identify cost and schedule drivers, giving the Commission the data it needs to take meaningful action. As such, it is essential to establish detailed, regular, oversight mechanisms.

D. The Commission Should Not Expand Percent of Income Payment Plan (PIPP) Programs Until the Commission Completes its Evaluation of the Recently Approved Pilots

The Commission should consider expanding Percentage of Income Payment Plan (PIPP) program implementation only after the current pilots have been evaluated.[75] The Commission currently does not have metrics or an evaluation study to determine whether PIPP has an impact on residential customer disconnection rates, arrearages, and bills.[76] It is premature to expand PIPP pilot eligibility to a larger group beyond the proposed customer base[77] without analysis showing the efficacy of the program in influencing these metrics.

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[74] Attachment G – Stakeholder Transmission Asset Review Process Tariff Sheets. Result of PG&E's Partial Settlement under FERC Docket No. ER.19-13-000 et al., Docket No. ER 19-1816-000 et al., consolidated.

[75] The Commission approved the implementation of a Percentage of Income Payment Plan (PIPP) in Decision (D.) 21-10-012 on October 7, 2021. PIPP caps the amount a given customer is charged for their monthly electric and/or gas bills to a percentage of their monthly income. The Commission ordered an evaluation contractor to evaluate the results of PIPP in reducing residential customer disconnections. The evaluation contractor will complete the PIPP evaluation report within 25 months of the Commission's approval of the IOUs' PIPP advice letter filings.

[76] There is currently no expected date for when the PIPP evaluation report will be filed. The Commission has not yet approved the IOUs' PIPP advice letter filings.

[77] D.21-10-012, Attachment A, p. 1. The Commission ordered up to 15,000 customers to be enrolled in PIPP among PG&E, SCE, SDG&E, and SoCalGas. Customers must be enrolled in CARE and 1) located

(continued on next page)

The evaluation report ordered by the Commission in D.21-10-012 includes research questions intended to determine the role of PIPP in affecting electric and/or gas bill affordability. Once published, the Commission should convene stakeholders to provide comments on the evaluation report results before deciding whether PIPP should be implemented on a broader scale in the Affordability OIR.

III. CONCLUSION

Cal Advocates supports measures to ensure the affordability of electricity for ratepayers, and the Commission should adopt Cal Advocates recommendations contained herein.

Respectfully submitted,

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in one of the zip codes in California with the highest rates of recurring disconnections prior to the beginning of the statewide disconnection moratorium, or 2) have been disconnected two or more times in the twelve months prior to the beginning of the statewide disconnection moratorium.