ALJ/SW9/mef 3/23/2023

FILED
03/23/23
02:26 PM
R2207005

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates.	Rulemaking 22-07-005

ADMINISTRATIVE LAW JUDGE'S RULING PROVIDING ADDITIONAL GUIDANCE FOR TRACK A PROPOSALS

This ruling directs parties to follow the additional guidance herein for preparing Track A concurrent opening testimony.

1. Background

On November 2, 2022, the assigned Commissioner issued a scoping memo and ruling that established the issues in scope and schedule for Phase 1 of this proceeding. Track A of Phase 1 of this proceeding will (i) establish an income-graduated fixed charge for residential rates for all investor-owned electric utilities in accordance with Assembly Bill (AB) 205, Stats. 2022, ch. 61, and (ii) implement the requirements of AB 205 to adjust the average effective discount for California Alternate Rates for Energy (CARE) so that it does not reflect any charges for which CARE customers are exempted, discounts to fixed charges or other rates paid by non-CARE customers, or bill savings resulting from participation in other programs. The scoping memo provides that parties may serve Track A proposals through concurrent opening testimony.

On January 17, 2023, I issued a ruling to direct parties to follow the guidance in the ruling and the memo attached to the ruling for preparing Track A concurrent opening testimony.

On February 22, 2023, I sent a procedural email to grant a request to extend the deadline for serving Track A concurrent opening testimony to April 7, 2023, and to extend the deadline for serving Track A concurrent reply testimony to June 2, 2023. The procedural email did not adjust any of the other Track A procedural deadlines.

2. Additional Guidance for Track A Proposals

Track A concurrent opening testimony shall conform with the attached additional guidance for Track A proposals. This additional guidance addresses (a) how to use and present the results of the spreadsheet tool in testimony, and (b) requirements specific to proposals for small and multijurisdictional utilities.

IT IS SO RULED.

Dated March 23, 2023, at San Francisco, California.

/s/ STEPHANIE S. WANG
Stephanie S. Wang
Administrative Law Judge

STAFF GUIDANCE MEMO ON USING THE E3 FIXED CHARGE TOOL TO PREPARE OPENING TESTIMONY ATTACHMENT

Staff Guidance Memo on Using the E3 Fixed Charge Tool to Prepare Opening Testimony

Purpose of Memo

This memo lays out Commission staff's guidance for how parties should use the Energy+Environmental Economics (E3) Fixed Charge Tool to prepare opening testimony. This memo also provides guidance on how to prepare the required outputs, as well as specific guidance for small and multi-jurisdictional utilities (SMJU). Finally, this memo provides guidance on how to model proposals that use federal poverty level (FPL) and area median income (AMI) as the basis for income thresholds of the income-graduated fixed charge (IGFC). The guidance laid out in this memo was discussed at an informal workshop held on March 10, 2023.

Background

Commission staff has been working with E3 to develop a publicly-available spreadsheet tool that allows users to design proposed residential electricity rates for the three large electric investor-owned utilities (IOU) that feature an IGFC such that they comply with the requirements of AB 205 (2022). The tool allows the user to identify cost categories to recover through either a customer or demand charge, design an income-graduation scheme for the customer charge, specify how the CARE discount will be applied, see the resulting estimated impact on volumetric rates based on a revenue neutral rate design, and estimate the bill impacts for the average customer of each customer segment (customer segmentation in the tool is broken down by climate zone, CARE/FERA status, and income bracket). The tool also provides users with the ability to estimate the impact of the volumetric rate offset on the cost-effectiveness of vehicle and building electrification by estimating monthly bill savings before and after the implementation of an IGFC.

The main motivation for developing this tool was to ensure that parties are using a common set of assumptions and calculations to design IGFC proposals. This will also help Commission staff compare proposals to one another on a common basis. To achieve these goals, this memo provides specific guidance on what outputs from the tool should be included in testimony and how to prepare them.

While the tool was designed to accommodate the widest possible range of interpretations of AB 205 and different forms of IGFC proposals, some simplifying assumptions were needed due to timing and data availability constraints. Based on input from parties, Commission staff considers the main limitation that some parties may need to work around in order to model their IGFC proposals to be the tool's requirement that income thresholds for the IGFC be specified on the basis of absolute household income level. This requirement does not directly allow for consideration of household size, which is needed if income thresholds are expressed as multiples of FPL or AMI. This memo provides guidance on how parties should use the tool to model proposals with FPL- or AMI-based income thresholds.

Fixed Charge Tool Outputs to Include in Testimony

Commission staff needs to understand the final rate design that parties are proposing (including the income graduation design of the customer charge), as well as the estimated bill impacts for individual customer segments. The "Printable Results" tab of the Fixed Charge Tool summarizes all of these elements in a format that can be printed out and included in testimony.

After designing IGFC proposals for each of the three large IOUs,[1] this tab shows the percent of each cost category that is recovered by each rate component, the details on the customer and demand charges, the income-graduation applied to the customer charge (including the manner in which the CARE discount on the customer charge is designed), the method by which volumetric rates are offset, a summary of how much revenue requirement is collected by each rate component, the final values of the newly designed rates (assuming the same IGFC design is applied to all of the existing rates[2] included in the tool), and heat maps showing the bill impacts for the average customer of each customer segment for the currently selected IGFC rate and counterfactual rate.

	PG&E	**SCE**	**SDG&E**
Tiered Rate (Non-TOU)	E-1	D	DR
Default TOU Rate	E-TOU-C	TOU-D-4-9	TOU-DR1
EV Rate	EV2-A	TOU-D-PRIME	EV-TOU-5
Electrification Rate	E-ELEC	-	TOU-ELEC

Table 1: IOU Rate Options Included in Fixed Charge Tool

If a party plans on submitting different IGFC proposals for different rates (for instance, if the IGFC for a non-default rate deviates in design from the IGFC for a default rate), multiple versions of this "Printable Results" tab will need to be provided in testimony, with the relevant rates for each version of the tool output specified.

The tool also only shows the bill impact heat map for one rate per IOU at a time, so parties will need to provide multiple versions of the heat maps for the rates that are relevant for a given proposal. At a minimum, parties will need to provide the bill impact heat maps for default time-of-use (TOU) rates and non-TOU tiered rates, since some segments of existing customers were excluded from the default TOU rollout and will continue to be enrolled on tiered rates. Parties must include the bill impacts associated with implementing an IGFC in these default rates by customer segment in order for Commission staff to

[1] This can be accomplished through several steps: 1) specifying which cost categories should be recovered through each rate component on the "Cost Allocation" tab for each IOU; 2) providing inputs for the customer charge, demand charge, and volumetric charge for each IOU on the "Rate Design Dashboard" tab; and 3) updating all of the rates using the macro button at the top of the "Rate Design Dashboard" tab.

[2] The tool designs new rates that feature IGFCs when applied to default TOU rates (E-TOU-C, TOU-D-4-9, and TOU-DR1), tiered rates (E-1, D, and DR), and relevant non-default rates (EV2-A, E-ELEC, TOU-D-PRIME, EV-TOU-5, and TOU-ELEC).

assess whether a proposal complies with the requirements of AB 205.[3] In addition, if a party proposes an IGFC design for a non-default rate that differs from what is proposed for default rates, additional bill impact heat maps for those non-default rates will also need to be included.

When preparing the bill impact heat maps, parties will need to isolate the impact of the IGFC itself. To do this, parties will need to adjust the settings in the “Results Dashboard” tab of the tool. Parties will need to first indicate that the heat maps show the results for the same new and counterfactual rates across all customer segments[4] by selecting “User-selected rate across all subclasses” in cells D9 and D10 of this tab.

Next, parties will need to specify that the counterfactual rate used for the bill impact calculations is based on the model-calculated rate rather than the currently effective rate from tariff sheets by selecting “TRUE” in cell D18. This option is necessary to ensure that the counterfactual rate reflects the AB 205-mandated changes to the definition of the CARE effective discount, thus ensuring that the bill impacts isolate the impact of the IGFC.

Finally, parties will need to use cells D23 through F24 to indicate the specific rate that should be reflected in the heat map for each IOU. The same rate should be specified for each IOU’s new and counterfactual rates, to show the impact of implementing an IGFC for that specific rate. As mentioned previously, parties will need to generate heat maps for the TOU and tiered rates at a minimum. If parties propose a different IGFC design for a non-default rate, they will need to include the bill impact heat maps for those rates as well.

Rate Options
There are two options for both the new rate and the counterfactual rate
"User-selected rate across all subclasses" will model all subclasses on the same rate, based on the "Use-selected rate options" table below
"Most subscribed rate per subclass" will model each subclass on the most popular rate for that subclass
These options can be selected independently for the new rate and the counterfactual rate

Select a new rate option	User-selected rate across all subclasses
Select a counterfactual rate option	User-selected rate across all subclasses

Model-calculated counterfactual rates
Model-calculated counterfactual rates are included to isolate bill impacts of the income graduated fixed charge by developing both new rates and counterfactual rates in the same model.
Selecting "TRUE" will use the a version of the rate calculated in the model including only fixed charges that are in the rate today (with no income graduation)
Note that model-calculated rates include AB205 treatment of CARE-exempt charges and model-calculated CARE program funding.
Selecting "FALSE" will use the IOUs' tariff sheets as of 1/1/2023 for the counterfactual rates.

Use model-calculated counterfactual rates	TRUE

User-selected rate options
If "user-selected rate across all subclasses" is selected above, this table will determine which rates are used

	PG&E	SCE	SDG&E
User-selected new rate (if applicable)	E-TOU-C	TOU-D-4-9	TOU-DR1
User-selected counterfactual rate (if applicable)	E-TOU-C	TOU-D-4-9	TOU-DR1

Figure 1: Screenshot of "Results Dashboard" Tab Showing Inputs to Isolate Impact of IGFC for TOU Rates

While parties are welcome to supplement their testimony with alternate assumptions, calculations, and datasets that deviate from what is built-in to the Fixed Charge Tool, they will need to provide the outputs described here using an “unmodified” version of the tool (aside from changes to the user input

[3] Section 739.1(e)(1) of the Public Utilities Code was amended by AB 205 to say: “[t]he fixed charge shall be established on an income-graduated basis with no fewer than three income thresholds so that a low-income ratepayer in each baseline territory would realize a lower average monthly bill without making any changes in usage.”

[4] The alternate option the tool provides is for the heat maps to reflect the rate that each customer segment is most subscribed to (for the new and/or counterfactual rate). Parties can see which rate is the most subscribed rate for each customer segment in the “Subclass Metrics Summary” tab of the tool.

fields). This is needed to ensure that proposals can be compared to one another on a common basis. If parties do include supplemental material in their testimony that reflects alterations to the Fixed Charge Tool, those modifications should be described in detail and justified. Parties should provide the same outputs described in this memo from the modified version of the tool, with that output clearly labelled as being generated from a modified version of the tool. Parties should include in their testimony what datasets, calculations, and assumptions have been modified in the tool along with an explanation for why those changes are reasonable, and this discussion should be included as a separate section within their testimony that can be easily identified.

Guidance for Small and Multi-Jurisdictional Utilities

The Fixed Charge Tool was developed with the goal of providing parties with a common tool for designing IGFC proposals for the three large IOUs. Commission staff and E3 worked closely with IOU subject matter experts to pull together the large amount of data needed to develop this tool. A similarly comprehensive tool for the SMJUs would not have been possible to develop given the timing constraints posed by the procedural schedule, which was in turn dictated by the statutory deadline of July 2024 to authorize IGFCs in default residential rates. However, because SMJU residential rates are much simpler compared to the large IOUs' residential rates, such a tool is not necessary to evaluate proposals for the SMJUs.

Instead, Commission staff present a list of minimum requirements for SMJU IGFC proposals which parties can prepare using their own independent analysis. SMJU IGFC proposals should, at a minimum include the following elements:

- Details of proposed IGFC rate design (cost categories recovered through a fixed charge, average fixed charge level, income graduation design, CARE discount and demonstration of compliance with AB 205 changes to CARE discount, and volumetric rate impact), including supporting work papers demonstrating revenue neutrality and compliance with AB 205 requirements
- Proposed income thresholds and income verification implementation plan
- Estimated bill impacts for CARE and non-CARE customers
- Post-implementation assessment plan

For additional guidance, parties should refer to the guidance memo attached to the January 17, 2023 ruling.[5]

Guidance for Alternate Approaches to Income Thresholds

The tool's requirement that income thresholds be specified on an absolute basis at the household level does not allow for direct modeling of thresholds that are dependent on household size. This is an issue that is relevant for any party looking to propose income thresholds that are multiples of either FPL or AMI. This section provides guidance for using the Fixed Charge Tool to model proposals of these forms.

[5] https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M501/K282/501282388.PDF, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M501/K282/501282487.PDF

Federal Poverty Level-Based Income Thresholds

Commission staff's proposed solution for modeling FPL-based income thresholds is twofold: 1) use the tool's built-in ability to differentiate fixed charges for CARE and non-CARE customers to model a 200% of FPL income threshold, and 2) assume a 3-person household to estimate the absolute income level that corresponds to other multiples of FPL.

The Fixed Charge Tool allows for parties to specify different fixed charges for CARE and non-CARE customers by selecting "User-Defined CARE Charges" in cell E28 of the "Rate Design Dashboard" tab. This allows the user to input the fixed charge amount for CARE customers directly and allows for differentiation by income bracket within the CARE customer segment. The fixed charge for non-CARE customers is then calculated based on the remaining user inputs and can be differentiated by income bracket through weighting factors that are specified on the same tab of the tool. If parties select this option, they must also specify how much of the difference in fixed charge for CARE and non-CARE customers is attributable to the CARE program, with the remaining difference funded through higher fixed charges for higher income households.[6] Because the CARE program has an income eligibility requirement of 200% of FPL or less, users can effectively establish a 200% of FPL income threshold by differentiating the fixed charges for CARE and non-CARE customers.

For other multiples of FPL, Commission staff notes that the average household size in California is 2.92.[7] For modeling purposes, staff proposes rounding this up to a household size of 3 and using the most recent Federal Poverty Guidelines to identify an absolute income level. Based on 2022 Federal Poverty Guidelines, 100% of FPL for a household of 3 persons is $23,030.[8] Staff proposes that parties use multiples of this income level to identify multiples of FPL other than 200% for modeling purposes.

Area Median Income-Based Income Thresholds

Similar to FPL-based income thresholds, AMI-based income thresholds require income eligibility cutoffs that are based on household size. As an added complication, AMI-based income thresholds will vary by region whereas the Fixed Charge Tool requires income thresholds that are uniform across each IOU's service territory. To address this limitation, staff proposes using statewide average AMI levels and using the AMI-based definition of low-income status that is applicable for households of size 4 or less.

The US Department of Housing and Urban Development's (HUD) Office of Policy Development and Research publishes statewide low-income limits, which are defined as 80% of AMI. For fiscal year 2021, the California low-income limits are shown in the table below with the low-income limits for 1 to 4 person households outlined in red.[9] Staff proposes using the upper end of this income range (approximately $72k/year) as a proxy for 80% of AMI for modeling purposes. This would allow parties to

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[6] This additional specification is needed to calculate the size of the CARE program, which is funded by all customer classes, whereas the remaining discount on the fixed charge for lower-income households is funded only by residential customers.

[7] https://www.census.gov/quickfacts/CA

[8] https://www.cdph.ca.gov/Programs/CID/DOA/Pages/OA_ADAP_Federal_Poverty_Guideline_Chart.aspx

[9] https://www.huduser.gov/portal/datasets/il/il2021/2021summary.odn?states=%24states%24&data=%24data%24&inputname=STTLT*0699999999%2BCalifornia&stname=California&statefp=6&year=2021&selection_type=state

use the upper end of the third income bracket in the Fixed Charge Tool ($50k/year - $75k/year) as an approximate income cutoff that reflects 80% of AMI on a statewide basis.

FY 2021 Low-Income (80%) Limit (LIL)							
1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
50,450	57,650	64,850	72,100	77,850	83,600	89,400	95,150

Table 2: HUD 2021 California Low-Income Limits by Household Size

END OF ATTACHMENT