BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates.	Rulemaking 22-07-005 (Filed July 14, 2022)

NOTICE OF WRITTEN EX PARTE COMMUNICATION

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Date: May 30, 2023

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On May 30, 2023 at approximately 11:30am, Ahmad Faruqui sent an email to Commission President Alice Reynolds and the service list with written comments included as an attachment. The attachment is included in this notice below. The written comments were sent on behalf of 15 highly experienced energy experts in response to the initial testimony and proposals filed in Track A of the above captioned proceeding. Accordingly, this is being filed as a written ex parte communication.

Respectfully Submitted,

/s/ Ahmad Faruqui

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Email: ahmad.faruqui@gmail.com

Date: May 30, 2023

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Ex Parte Comments filed by Multiple Co-Signatories

RE: R.22-07-005 Track A

The CPUC should not adopt Income Graduated Fixed Charges for Electricity

Executive Summary

The Income Graduated Fixed Charges (IGFC) will fail to encourage consumers to electrify their homes or their vehicles. In particular, they won't encourage low-income customers to electrify, because what they will save from the IGFC will not be sufficient to pay for the cost of replacing their gas-fired furnaces, water heaters and stoves in their homes or to purchase electric vehicles (EVs).

The proposed fixed charges are way too high compared to the national landscape. Finally, the IGFC will be burdensome for many, infeasible to administer, are likely to be challenged in court and are likely to unleash adverse unintended consequences, such as penalizing customers who use energy efficiently and frugally.

We believe that electricity rates should reflect the cost of providing electric service, and the proposed IGFCs have no clear connection to costs. They are arbitrary and capricious.

We call upon the Commission to reject the IGFC proposals for these reasons:

1. The fixed charges proposed by most parties are not reasonable. For example, the average fixed charge proposed by PG&E is $53 a month. Currently, that utility does not have a fixed charge, only a minimum bill of $10 a month. The national median across 173 investor-owned utilities is under $12. Most of them are under $20. In California, SMUD has a fixed charge of $23.50, which was arrived at gradually over several years. LADWP levies a fixed charge which rises with usage. The highest value is $15 for customers without TOU rates. For customers with TOU rates, it's $8. The state of Hawaii, which has very high electric rates, is planning to levy a fixed charge of just $20 and move all customers to TOU rates in which the off-peak rate is designed to be low enough to support electrification, attracting electric vehicle and heat pump water heater loads.

2. If the high IGFC proposed by the utilities are adopted, low users in the middle income brackets will see their bills go up. For example, a PG&E customer with a monthly bill of $50 will see it go up to $124. Customers with a monthly bill of $100 will also see their bills go up. So will customers in the upper middle income bracket whose bills are under $200 a month.

3. In every income bracket, the higher the customer's usage, the more they will save. In other words, low use customers in each income bracket will see their bills go up and high use customers will see their bills go down. Efficiency and frugality will be penalized and inefficiency and waste will be rewarded, in a reversal of the state's long-standing tradition of promoting efficient energy use, which is evident when one looks at the Rosenfeld curve.

4. Low electricity users could be single individuals living in apartments or couples living in a small house. They could be families living in single-family homes who have spent thousands of dollars to make their homes energy efficient or tens of thousands of dollars to install solar panels on their roofs to lower their bills and, in many cases, paired them with batteries to make the home more resilient.

5. There is no evidence that lowering volumetric charges by raising fixed charges will promote electrification. The Commission could convene a proceeding to gather evidence on this issue, since that remains an unproven hypothesis.

6. Income data is confidential. Most customers would not like their income data to be discovered by a third party acting on behalf of the utility. The IGFC concept will almost certainly raise issues which will be litigated all the way up to the highest state court. Many homes in the state are owned by non-California residents who do not report their income to the state franchise tax board. Customers' incomes vary over time. Incomes that are reported on tax forms are often erroneous and often misreported. Furthermore, the proposed procedure is cumbersome and subject to errors. Utility IT departments will have a difficult time billing customers whose fixed charges are income dependent. Finally, in current practice across the US, very rarely do electric fixed charges vary with income. When they do, they take the form of discounts for low-income consumers, and income disclosure is voluntary.

7. Utilities should be asked to propose a reasonable fixed charge that is based on a cost of service study and recovers the fixed costs of connecting customers to the grid: metering, billing and customer service. The fixed charges should be consistent with values seen elsewhere in the country. Finally, it should be implemented gradually over several years.

8. Fixed charges should not be based on income since there is no correlation between cost of service and income. As the Commission knows, CARE customers in California already get a 35% discount on their electric bill, so if a cost-based fixed charge were to be implemented in the underlying tariff, they would automatically receive a discount on that charge.

9. The utilities should consider offering new optional rates with higher fixed charges to see if they appeal to customers in the market to replace their gas fired water heater, furnace or car. It would be best to do this through randomized control trials featuring treatment and control groups. California did a number of pricing trials along these lines before moving to default time-of use rates.

10. In addition, utilities should consider providing low income customers with rebates to offset the higher cost of electrification technologies.

11. The IGFC proposal does nothing to address the real problem in California, which is that our rates are absurdly high, not only compared to the other utilities in the country but also compared to where these rates were just two decades ago. This proposal could easily have the effect of exacerbating this discrepancy as wealthy customers would be incentivized to add solar, batteries and local backup generation in order to cut the cord entirely and bypass the high fixed charges.

Respectfully Submitted,

/s/

Robert Balzer, PE. Balzar Energy and Solutions Technology

John Chamberlin, Retired Energy Economist

John Di Stastio, Former General Manager, Sacramento Municipal Utilities District

Ahmad Faruqui, Economist-at-Large

Clark W Gellings, P.E., Principal, Clark Gellings and Associates, LLC

Jim Lazar, Regulatory Economist.

Roger Levy, President/ Owner Levy Associates

Ronnie Lipschutz, President, Sustainable Systems Research Foundation & Emeritus Professor of Politics, UC Santa Cruz

Richard McCann, Partner, MCubed

Harvey Michaels, Lecturer and Research Director, MIT Sloan School of Management

Karl R. Rabago, Principal, Rabago Energy LLC

Karl Stahlkopf, Managing Partner and Founder of SPS Energy & Finance

Chris Villarreal, Independent Consultant

Andrew J. Van Horn, Director of Energy Policy and Markets, GreenFire Energy, Inc.

Greg Wikler, Principal, Wikler Consulting, LLC

Biographies of the Signatories

Robert Balzar. During his four decade career, he served as Vice President of Energy Efficiency and Demand Response at the Tennessee Valley Authority. TVA achieved 1100 MWs of virtual power plant capability with these two resources and avoided a capital investment of $700 million. Previously, he led teams at NV Energy, Seattle City Light and Imperial Irrigation District. He retired as Principal Consultant with DNV Energy Services, where he worked with a team of over 450 professionals and helped design, develop and implement world class energy efficiency programs at energy utilities. Previously, Manager of Energy Operations in La Quinta Ca for the Imperial Irrigation District. During his utility career, he held management positions in energy efficiency, renewable project development, key account management, resource planning, transmission planning, research and technology, new program/ program development and unregulated energy services.

John H. Chamberlin. He has worked in the areas of utility cost of service, rate design, energy efficiency and demand side planning, and regulatory policy for 50 years. He has testified on these and related topics in more than 150 regulatory proceedings, in the majority of North American regulatory jurisdictions. He is the author, or coauthor of several books, and numerous articles on energy efficiency,

utility rate design and cost of service. Prior to his retirement, Dr. Chamberlin served in Executive positions at Barakat and Chamberlin, Quantec, Xenergy and several other consulting organizations.

John Di Stasio. He has worked for over forty years in the energy industry. During his tenure as SMUD's CEO (2008 - 2014), the utility was one of the highest rated utilities nationally with a strong focus on serving the community & consumers. They were rated as the best utility in California by JD Power and Associates during that time based on measures of reliability, affordability and environmental stewardship. In 2013, he was recognized nationally as the large utility CEO of the year by Electric Light and Power. He currently serves as the President of the Large Public Power Council representing twenty-eight of the nation's largest public power utilities across 22 states and Puerto Rico, collectively serving over 30 million electric consumers nationwide. He has testified before Congress and the Federal Energy Regulatory Commission in Washington DC and remains active in national energy and environmental policy discussions. He has testified on matters including cyber security, infrastructure and grid modernization, EPA power plant rules, and high transmission. He has sat on several public and private Boards including serving as Chair of the California Municipal Utility Association and Northwest Public Power Association, and an executive member of the American Public Power Association and National Electric Reliability Corporation.

Ahmad Faruqui. He has worked on energy issues since he joined the California Energy Commission in 1977 and retired recently as a Principal of The Brattle Group. He led the firm's practice in retail rate design, electrification, and related topics. Earlier in his career, he worked on rate design, energy efficiency and load forecasting for 11 years at the Electric Power Research Institute and for seven years at Barakat & Chamberlin. While working at Charles River Associates, he co-led the design and evaluation of California's pathbreaking Statewide Pricing Pilot in the early 2000's. The results of the pilot enabled the rollout of smart metering in the state and eventually led to the introduction of default time-of-use rates in California. The pilot spawned a whole new generation of pilots across the US. He has worked on electricity pricing projects on all six continents and frequently testified or appeared before regulatory bodies, governments and legislative committees. The Association of Energy Service Professionals (AESP) has recognized him as a game changer in rate design over the past three decades. In March 2023, the Energy Systems Integration Group (ESIG) conferred on him a Lifetime Excellence Award for his work on time-varying and dynamic pricing rates.

Jim Lazar. He is one of the nation's most well-known experts on rate design. He was senior adviser to the Regulatory Assistance Project for two decades and published a number of reports, including "Electricity Regulation in the US: A Guide" and "Smart Rate Design for a Smart Future." He appeared numerous times before regulatory commissions, government agencies and legislative bodies and was a frequent presenter on a wide variety of issues including rate design at national conferences. He has also consulted with clients in several other countries. Earlier, he had his own consulting practice.

Roger Levy. He was actively involved with the utility industry for over 50 years as a regulator, business system developer, and as a research consultant completed over 200 projects for US and foreign clients in demand response, rate design, and technology development. Roger was the principal consultant for the California Energy Commission advance metering and pricing initiatives, authored the CEC business case that opened the market for advanced metering, developed and implemented a demand response expert system for the American Public Power Association, and was the DOE/LBNL lead consultant providing smart grid training, technical, and policy support to NARUC and over 20 state regulatory commissions.

Ronnie Lipschutz. He is the president and founder of Sustainable Systems Research Foundation and Professor Emeritus in the Department of Politics at the University of California, Santa Cruz. He has researched and written on a range of topics related to global political economy, including U.S. global economic and military policy and strategy, changing conceptions and practices of security, changing forms of war, global governance, global civil society and corporate social responsibility, environmental politics, energy and resources, sustainability, political economy and popular culture and the governmentality of biosurveillance. At the Sustainable Systems Research Foundation, he is engaged in projects with local impact.

Richard McCann. He co-founded M.Cubed, an economic and policy consulting firm specializing in energy, climate change, environmental and water issues. He has helped shape the energy regulatory landscape for CCAs and DERs, and identified financing sources and incentives for GSAs to recharge aquifers and upgrade flood protection. He has testified before legislative bodies and worked for a wide variety of clients including private industry associations representing agriculture, and property management firms to non-profit environmental groups to governmental agencies.

Harvey Michaels. He's on the faculty of MIT's Sloan School. His work on Energy and Climate Innovation is focused on investigating climate initiatives for cities, the state and federal government. He also serves as a Lecturer and Principal Investigator of the Clean Heat Transition study for MIT's Systems Dynamics Group. At MIT, he has served on faculty teams for several cross-campus energy studies, including Community Energy Innovations, the Future of the Electric Grid, and campus energy planning. Prior to 2009, he served as president of Xenergy (now part of DNV -GL and ConEdison Solutions) which was one of the top three consulting firms in the US in the field of energy efficiency services, analytical studies, and software development. He later served as Chairman and CEO of Nexus Energy Software (now Aclara Software).

Karl Rabago. He has more than 30 years in clean energy, electricity regulation, sustainability, and advocacy. Experienced as a public utility commissioner, federal R&D executive, utility executive, advocate, and attorney.

Karl Stahlkopf. He has served as Senior VP, Energy Solutions and Chief Technology Officer of Hawaiian Electric Company, Inc. (HECO). He is a recognized expert in the use of new technology to aid the integration of intermittent renewable (wind, solar, and hydrokinetic) energy on a utility grid. Prior to joining HECO, he was VP of Power Delivery & Utilization at the Electric Power Research Institute (EPRI) in Palo Alto, CA. He had overall responsibility for the direction of an international R&D program in the transmission, distribution and end use of electricity. He was founder and first President and CEO of EPRIsolutions, the technical consulting and services subsidiary of EPRI. Karl is the author of six technical books and over 90 peer review papers and holds three patents on the application of lasers to high speed communication and four patents on an interface device between wind farms and the electrical transmission grid and remains an active inventor, with two patents and several more pending, on energy storage devices.

Andrew J. Van Horn. He has advised electric and gas utilities, EPA, EPRI, DOE, IPPs and cities on critical energy, environmental, regulatory, technology, economic, ratemaking and market issues. He has testified before the CPUC, FERC and courts. During 2007-2014, Van Horn Consulting was an Independent Evaluator of RFOs by SDG&E and SCE. Since 2014 he has helped GreenFire Energy develop renewable, carbon-free, closed-loop geothermal (CLG) energy systems.

Chris Villarreal. He has served on the staff of the California Public Utilities Commission and focused on rate design issues from 2008-14. He has been active in the area of electricity rate design for over 15 years. In addition to being on the staff of the CPUC, he was Director of Policy for the Minnesota Public Utilities Commission and assisted in the initiation of a rate design docket for the Minnesota PUC. Mr. Villarreal was also the chair of the NARUC Staff Subcommittee on Rate Design and oversaw the development of the NARUC Distributed Energy Resources Rate Design and Compensation manual. He is currently an independent consultant working with state commissions, environmental advocates, and customer advocates on areas including distributed energy resources, distribution system planning, data access, data privacy, and rate design.

Greg Wikler. He has consulted on clean energy issues for over 4 decades in California, the US, Canada, Europe and Asia. His clients include utilities, regulators, academics, nonprofits, governments, and businesses. Greg specializes in assessing the feasibility, deployment and effectiveness of demand-side resources including energy efficiency, demand response, and distributed energy resources.