

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)

**OPENING COMMENTS OF THE JOINT IOUS IN RESPONSE TO ADMINISTRATIVE
LAW JUDGE'S RULING ON IMPLEMENTATION PATHWAY FOR
INCOME-GRADUATED FIXED CHARGES**

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I. INTRODUCTION

Pursuant to Rule 13.11 of the California Public Utilities Commission’s (CPUC or Commission) Rules of Practice and Procedure, and the *Administrative Law Judge’s (ALJ) Ruling on the Implementation Pathway for Income-Graduated Fixed Charges* issued in this proceeding on June 19, 2023 (Ruling), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (collectively, the Joint IOUs) hereby submit these Joint Opening Comments. On July 18, 2023, the assigned ALJ issued an email ruling granting the Joint IOUs’ Request for Extension of Time to Submit (1) Opening and Reply Comments, and (2) Joint Case Management Conference Statement.¹ Based on the email ruling, the new date for filing opening comments is July 31, 2023, and the new date for filing reply comments is August 21, 2023.

In these Opening Comments, the Joint IOUs provide specific additional responsive information prior to the ALJ’s decision on whether evidentiary hearings are needed for Track A of the above-captioned proceeding regarding income-graduated fixed charges (IGFCs), and request that a means for officially including this information in the record be provided.

II. SUMMARY OF THE RULING

The Ruling notes that in Track A opening testimony, “parties proposed a broad range of visions for how to design IGFCs to achieve the Legislative intent of AB [Assembly Bill] 205.”² The ALJ states that the CPUC “must consider how to manage the transition to this new residential rate structure” involving IGFCs, and that the transition should “(i) include customer

¹ Email ruling granting Joint IOUs’ motion for extension of Track A deadlines (July 18, 2023).

² Ruling, p. 2.

education and outreach to enhance customer understanding and acceptance of new rates, and (ii) minimize or appropriately consider the bill impacts associated with such transitions.”³ The Ruling states that “[a] gradual approach will allow the Commission to gain experience from the first version of the IGFCs and conduct research and solicit stakeholder input before providing design guidance for the next version of IGFCs.”⁴ The Ruling further references the Commission’s experience in implementing default residential time-of-use (TOU) rates, which included concurrently-filed utility rate design window applications, working groups led by consultants, CPUC workshops, studies, reports, pilots, and other transitional steps over the period from 2015 to 2020.⁵

The Ruling indicates that the ALJ plans to issue a Track A Proposed Decision (PD) in the first quarter (Q1) of 2024, which will include:

- (i) authorization of IGFCs for residential rates (thus complying with AB 205’s mandate),⁶
- (ii) directions for each IOU to file rate design window applications for approval of their respective first versions of the IGFC,
- (iii) guidelines for the design of the first version of the IGFC,
- (iv) interpretation of AB 205’s requirement for IGFCs,
- (v) authorization of working groups, workshops, and/or funding for consultants to develop marketing, education, and outreach (ME&O) plans as well as income verification proposals for the next version of IGFCs, and
- (vi) a timeline and procedure for developing future IGFCs.⁷

In the Ruling, the ALJ states: “I expect that the earliest that the first version of IGFCs could be implemented in rates is the end of 2026,” based on the following assumptions: (i) the IOUs’ rate design window applications will be resolved in the first quarter of 2026, (ii) the Marketing, Education, and Outreach (ME&O) plans will be approved in the second quarter of 2026, (iii) the IOUs’ billing systems will be prepared to implement the first version of IGFCs in the fourth quarter of 2026, and (iv) “the first version of IGFCs will leverage proven processes

³ *Id.* (quoting Electric Rate Design Principle 10, adopted in Decision (D.) 23-04-040).

⁴ *Id.* at p. 3.

⁵ *See id.* at pp. 2-3.

⁶ *See* Public Utilities Code (PUC) § 739.9(e)(1) (as amended by AB 205) (“The commission shall, no later than July 1, 2024, authorize a fixed charge for default residential rates.”).

⁷ Ruling, p. 3.

from existing low- and moderate-income assistance programs from California or other states to enable customers to self-attest and/or consent to verify their incomes to receive a lower fixed charge.”⁸

The Ruling seeks party submissions in two areas. First, the ALJ requests comments on 19 specific questions (with 31 subparts) “about how to design the first version of IGFCs and establish a pathway for implementing and improving IGFCs.”⁹ The Ruling expressly states that “parties’ responses should not rely upon changes to [current] statutory requirements or other [future] legislative actions.”¹⁰ Second, the Ruling states that “[p]arties [comments] may also respond to new proposals and information provided in [other parties’] reply testimonies” (which were served June 2, 2023).¹¹

As a procedural matter, the Joint IOUs assume that, because such underlying documents were entitled “Opening and Reply Testimony,” a provision will be made to ensure that these Opening Comments may be moved for admission into the evidentiary record. The Joint IOUs’ answers to the ALJ’s 19 questions, as well as our responses to new proposals made by other parties in Reply Testimony (which is often called Surrebuttal in other ratesetting proceedings) contain assertions of material facts not already on the record, as well as modifications to our original IGFC proposal given the Ruling’s new call for a “gradual pathway” for IGFC implementation. Therefore, we believe parties’ opening comments responding to the Ruling should effectively be treated as additional evidentiary testimony. As such, the Joint IOUs are prepared for our various specialized experts to be made available as witnesses at least to respond to other parties’ and Energy Division’s data requests (if no evidentiary hearings are ultimately deemed necessary), as well as to answer other parties’ cross-examination and the ALJ’s own questions to test these new assertions should evidentiary hearings be held in Track A.

The Joint IOUs’ respectfully request that the ALJ provide procedural guidance, after considering these comments as well as the parties’ upcoming Joint Case Management Statement, to allow each set of parties’ comments presenting substantive responses to the ALJ’s detailed Ruling to be marked for identification as an exhibit (pursuant to Rules 13.7 and 13.8) so that they may ultimately be moved for admission into evidence as part of the formal record for Track A of

⁸ *Id.* at pp. 3-4.

⁹ *Id.* at p. 4.

¹⁰ *Id.* at p. 4; *See also id.* at pp. 4-11 (listing questions for comment).

¹¹ *Id.* at p. 1.

this proceeding (pursuant to Rule 13.6) at the appropriate time and in the appropriate manner. Such a procedural ruling is warranted so that parties may cite to factual assertions as well as legal and policy arguments presented in each party's opening comments by exhibit number, page and line, in their closing briefs because Rule 13.12 requires that factual statements in closing briefs "must be supported by identified evidence of record."

III. JOINT IOUS' OPENING COMMENTS

The Joint IOUs appreciate the opportunity to provide these comments in response to the Ruling to allow for a streamlined process for implementing the Joint IOUs' respective First Version IGFCs. In the sections below, the Joint IOUs below provide: (A) a simplified proposal for a First Version IGFC to enable prompt implementation, (B) responses to the ALJ's questions for party comment, and (C) responses to certain new proposals and information provided in reply testimonies.

A. Joint IOUs' Proposal for a First Version IGFC

The Joint IOUs' testimony in this proceeding proposed IGFC income brackets and fixed charge levels that balanced the urgent need to encourage electrification via significantly lower volumetric charges while reducing bills for the lowest income, most vulnerable, customers. It also provided average bill decreases for moderate-income customers, in recognition of affordability concerns for households just above the low-income California Alternate Rates for Energy (CARE)/Family Electric Rate Assistance (FERA) levels.

The Joint IOUs' original proposal would implement the IGFC with four income brackets:

- Bracket 1 – CARE enrolled customers with household incomes \leq 100% of Federal Poverty Level (FPL)
- Bracket 2 – Remaining CARE enrolled customers with household incomes $>$ 100% FPL and all FERA enrolled customers
- Bracket 3 – Non-CARE or FERA customers with household incomes \leq 650% of FPL
- Bracket 4 – Non-CARE or FERA customers with household incomes $>$ 650% of FPL

To accurately assign all customers into one of these four income brackets, implementation of the Joint IOUs' original proposal would require the collection of household income data that is not currently available. Specifically, income information would be needed for non-CARE households in order to assign them to Bracket 3 or 4, and income information for

some CARE customers would also be needed in order to assign them to Bracket 1 or 2.¹² The Joint IOUs proposed that the collection and verification of this income data be performed by a third party, with the actual income data not provided to the IOUs. Instead, the IOUs would simply be informed by the third party regarding which income bracket to assign to each customer. Because this process for selecting the third party and collecting income data (and also possibly require new legislation to allow California Franchise Tax Board (FTB) data to be used), the full implementation of the IGFC would take some time as described in the Joint IOUs' testimony.

In recognition of the challenges of performing income verification, the Ruling envisions that the implementation of the eventual IGFC income brackets and monthly fixed charge levels will take place over time as part of a pathway to Future Versions of IGFCs. In the first step, which can be implemented more quickly, a First Version IGFC would be implemented that is more simplified and does not rely on the creation of vastly new processes regarding income data collection and verification. This would be followed at a later date with the implementation of a Future Version IGFC that would rely on verified income information.

The Joint IOUs continue to believe that the four-income bracket proposal that would apply to all residential rate schedules provided in our testimony would provide the best IGFC structure for the Future Version of rates. We do, however, appreciate and share the Commission's objective of establishing an IGFC that would apply to all residential rate schedules as quickly as possible, to put lower volumetric rates in place that more accurately reflect the actual cost of service, encouraging customers to install beneficial electrification technologies and critically provide relief to low-income residential customers. To this end, these Joint Opening Comments recommend that a somewhat modified version of the Joint IOUs' original proposal be adopted by the Commission for the First Version IGFC. Specifically, the Joint IOUs propose a three-income bracket structure for the First Version that maintains the lower income Brackets 1 and 2 as defined in our testimony but sets the income Brackets 3 and 4 at the same income level (*i.e.*, all non-CARE, non-FERA customers).

¹² The IOUs already have income data on a portion of current CARE customers and intend to have obtained missing self-certified CARE income subdivision data by the time the first step proposed here is implemented.

This structure maintains the desirable feature of having a distinct bracket containing the most vulnerable, very low-income customers who can take advantage of the lower volumetric rates made possible by the fixed charge revenue while also paying the lowest fixed charges. The Joint IOUs' First Version IGFC also remains compliant with AB 205's requirement that average CARE customer bills decrease in every IOU baseline territory. Moreover, it can be implemented using existing forms of low-income program verification. Combining Brackets 3 and 4 eliminates the need to collect income data for millions of non-CARE and non-FERA customers and would allow for quicker implementation. While the IOUs would still need income information on CARE customers to appropriately assign them to Bracket 1 or 2, this is manageable because it involves fewer customers – such information is already available for some CARE customers and can be obtained in the future through a minor modification to the CARE enrollment form and through customer solicitations for the remaining CARE customers in time for First Version IGFC implementation. This process, while appropriate for the First Version, is not scalable to the Future Version for income verification of non-CARE customers. Third party income verification is needed when the Future Version is implemented, as described in the Joint IOUs' testimony. Moreover, the Joint IOUs' proposed First Version IGFC rate structure, designed in consideration of an eventual four bracket structure, paves the way to the Future Version by avoiding costly re-work to IOU billing systems.

In Opening Testimony, the Joint IOUs provided significant information on relevant ME&O research and previous experiences with the residential TOU transition, which has informed the Proposed Phased IGFC Communication plan included as Table V-18.¹³ That plan was intentionally flexible and focuses on communication cadence and lead time prior to implementation of any rate changes, which can be applied to the First Version IGFC described here. Importantly, the phased process to make customers “aware,” and then further “informed,” will center around specific customer demographics and bill impact information.

In addition, the channels of communication described, including tactics ranging from direct communications to collaboration with community based organization (CBO) stakeholders, can be leveraged to communicate with and request self-reported income information from existing CARE customers who might fall into the “lowest income” bracket. Pending approval of a structure including the adoption of a lowest income bracket, the Joint IOUs will work to

¹³ Exhibit Joint IOUs-01, p. 120, Table V-18.

determine the best approach to communicate with customers and give them ample opportunity to provide this income information.

The Joint IOUs’ responses to the 19 questions in the ALJs’ Ruling, when combined, represent a viable and appropriate approach to designing and implementing a First Version IGFC. Tables 1-3 below illustrate and compare the Future Version rates originally proposed in the Joint IOUs’ testimony to the First Version rates described in these Opening Comments.

**Table 1
PG&E Illustrative Rate Comparison: Future Version vs. First Version**

Income Bracket	Criteria	PG&E IGFC - Future Version (\$/month)	PG&E IGFC - First Version (\$/month)
	Average Fixed Charge	\$53	\$42
1	CARE (<=100% FPL)	\$15	\$13
2	All other CARE/FERA	\$30	\$26
3	Non-CARE/FERA <=650% FPL	\$51	\$51
4	Non-CARE/FERA >650% FPL	\$92	\$51

**Table 2
SDG&E Illustrative Rate Comparison: Future Version vs. First Version**

Income Bracket	Criteria	SDG&E IGFC - Future Version (\$/month)	SDG&E IGFC - First Version (\$/month)
	Average Fixed Charge	\$74	\$60
1	CARE (<=100% FPL)	\$24	\$24
2	All other CARE/FERA	\$34	\$34
3	Non-CARE/FERA <=650% FPL	\$73	\$73
4	Non-CARE/FERA >650% FPL	\$128	\$73

Table 3
SCE Illustrative Rate Comparison: Future Version vs. First Version

Income Bracket	Criteria	SCE IGFC - Future Version (\$/month)	SCE IGFC - First Version (\$/month)
	Average Fixed Charge	\$49	\$41
1	CARE (<=100% FPL)	\$15	\$10
2	All other CARE/FERA	\$20	\$15
3	Non-CARE/FERA <=650% FPL	\$51	\$51
4	Non-CARE/FERA >650% FPL	\$85	\$51

To help mitigate adverse bill impacts for moderate-income non-CARE/FERA customers in Bracket 3, the Joint IOUs propose to set the fixed charge for Brackets 3/4 at the level originally proposed for Bracket 3, rather than increasing the fixed charge for Brackets 3/4 to maintain the same average fixed charge originally proposed. This has the effect of decreasing the average fixed charge, necessitating a slightly higher (approximately 2-4 cents per kWh) volumetric charge compared to our original proposals.¹⁴ In addition, to mitigate the adverse effect of the higher volumetric rate on the bills of customers in Bracket 1 and 2, and to ensure compliance with the AB 205 requirement that average CARE customer bills decrease in every climate zone, the fixed charges for those two brackets have been reduced compared to our original proposals.¹⁵ With these proposed First Version IGFC rates, customers in Brackets 1 and 2 would still see average bill decreases, although not as large as those under Future Version IGFC rates. Customers in Bracket 3 would on average see small bill increases in the First Version versus an average bill decrease under Future Version IGFC rates due to the higher volumetric charge coupled with no change to the fixed charge. Finally, customers in Bracket 4 would see average bill increases in the First Version IGFC, but smaller increases than under Future Version IGFC rates due to a lower fixed charge that more than offsets the higher

¹⁴ Like with the Joint IOUs' original rate proposals, these fixed charges would supplant any minimum bill amounts (which would be eliminated).

¹⁵ For PG&E, fixed charges in both Brackets 1 and 2 decrease by \$2 and \$4, respectively, compared to their originally proposed levels. Likewise, SCE's fixed charges decrease by \$5 for Brackets 1 and 2 in the First Version when compared to Opening Testimony. SDG&E's Bracket 1 and 2 First Version IGFCs are not adjusted from Opening Testimony and remain in compliance with AB 205.

volumetric charge. The Joint IOUs believe that, given the need for an interim IGFC rate design with fewer income brackets that does not require third-party income verification to allow for earlier implementation, the proposed First Version IGFC rates appropriately balance the objectives of providing a significant electrification incentive (in the form of an average volumetric rate just slightly higher than the Joint IOUs’ original proposed rates) and providing bill savings for the average low-income customer in each climate zone while also minimizing adverse bill impacts on moderate-income Bracket 3 customers. As shown in Table 4 below, the Joint IOUs’ First Version IGFCs still provides greater volumetric rate reduction than other proposals submitted in opening testimony.

Table 4
Summary of Average Fixed Charges (\$/month) and Non-CARE Volumetric Rate Reduction (\$/kWh) from Parties’ Opening Testimony and Joint IOU First Version IGFC¹⁶

Party	PG&E			SDG&E			SCE		
	Avg Fixed Charge (\$/month)	Avg Vol. Rate (¢/kWh)	% Reduction from Status Quo	Avg Fixed Charge (\$/month)	Avg Vol. Rate (¢/kWh)	% Reduction from Status Quo	Avg Fixed Charge (\$/month)	Avg Vol. Rate (¢/kWh)	% Reduction from Status Quo
Status Quo	-	34.4	-	-	49.1	-	-	35.2	-
Joint IOUs - Opening	\$53	21.9	-36%	\$74	27.8	-43%	\$49	24.3	-31%
Joint IOUs - First Version	\$42	23.6	-31%	\$60	31.8	-35%	\$41	26.1	-26%
TURN/NRDC	\$37	26.3	-23%	\$37	39.0	-21%	\$37	27.5	-22%
Cal Advocates	\$29	28.1	-18%	\$35	39.8	-19%	\$28	29.2	-17%
Sierra Club	\$28	28.8	-16%	\$36	40.1	-18%	\$37	27.8	-21%
CEJA	\$7	31.9	-7%	\$3	46.5	-5%	\$25	32.7	-7%
SEIA	\$8	32.5	-5%	\$11	45.8	-7%	\$8	33.3	-5%

While the IOUs are supportive of the Ruling’s desire to phase in the move to future IGFC rates, we disagree that the First Version IGFC must be determined in a Rate Design Window (RDW) application. As described throughout our responses to the ALJ questions below, and detailed in the response to Question 16, the First Version IGFC can be implemented through the Advice Letter process, with the more complex elements of future IGFCs reserved for RDW applications or future phases of this proceeding. Failure to clearly define a First Version IGFC in the 2024 decision and then subsequently implement the First Version IGFC through an RDW process can result in inefficient and unnecessary re-litigation of many of the issues under consideration in this proceeding. With a clearly defined First Version IGFC in the Track A

¹⁶ Rate calculations are explained in Exhibit Joint IOUs-03, p. 11, Table II-1.

decision, the Joint IOUs will be able to implement the streamlined First Version rates as early as 2025.¹⁷ To do so, the 2024 Track A decision needs to include the following determinations:

1. Approve the full list of eligible fixed cost categories for each IOU that may be reflected in any IGFC.
2. Adopt the portion of eligible fixed costs to be included in the First Version IGFC, proposed here by the Joint IOUs.
3. Direct that the IGFC should be applied to all residential rate options and determine that specific pro-electrification rate IGFC levels would be appropriate, to provide stronger incentives for adoption, if the default rate's IGFC is lower than the current electrification rate fixed charge levels. In addition, specify that the minimum bill be eliminated in favor of the IGFC.
4. Define the number of income brackets and the type of income metrics to be used in the First Version IGFC (we recommend three brackets using the specific FPL percentage cutoffs set forth for our First Version IGFC).
5. Define the number of income brackets and criteria for the FPL percentage to be used in the future to subdivide the initial Non-CARE/FERA bracket, to allow the IOUs to pre-program it into their billing systems (we recommend four brackets using the specific FPL percentage cutoffs set forth for our Opening Testimony).
6. Specify the process by which annual adjustments will be made to the IGFC as revenue requirements change, and how imbalances will be treated.
7. Provide a schedule and process for more complex IGFC items that are not implemented in the First Version IGFC, including but not limited to a pathway to: (a) implement Future IGFCs that may include additional brackets beyond the initial three brackets, and (b) incorporate any eligible costs not included in the First Version of the IGFC (if any).
8. Adopt a timeline for the ME&O process for the First Version IGFC to begin, which would largely be concurrent with development and implementation of needed billing system structural re-programming.
9. Authorize a cost recovery mechanism for any incremental costs of implementation of the First Version of the IGFC, including ME&O.

¹⁷ The IOUs anticipate the First Version IGFC could be implemented between 12 and 36 months (varying by utility) after the Commission issues its Final Decision in this proceeding. PG&E has more complex implementation issues, including a major billing system upgrade and self-stated income collection for CARE participants for the First Version IGFC, pushing implementation for PG&E later than SCE and SDG&E.

A similar approval, concurrent review and implementation approach was used by the Commission when establishing the rates and program to migrate residential customers to TOU rates. D.19-07-004 determined the final rate levels and transition details, including recognizing an ME&O process with third party consultants, which was evaluated through the advice letter process. Further details such as final rates and ME&O details, such as review of call center scripts, were further evaluated through advice letters after the decision in that proceeding.¹⁸

To achieve the Future Version IGFC, we recommend the Commission adopt a pathway to: 1) develop a process that subdivides all non-CARE/FERA customers into moderate income and higher income brackets, contingent on engagement of a Third Party Administrator (TPA); and 2) address demand differentiation and/or other rate design issues in a subsequent proceeding to the First Version IGFC implementation.

A robust income verification process is essential to categorizing non-CARE/FERA customers into different income brackets. Therefore, we propose that the engagement of a TPA for income verification should trigger a process to subdivide non-CARE/FERA customers. Once a TPA is identified and established, that TPA could begin providing income category data to the IOUs, which the IOUs could then use to refine its future version rate design and income bracket proposals for non-CARE/FERA customers. The Joint IOUs' Future Version rate design is based on data provided in the E3 Public Tool, but as stated in Opening Testimony, real data could result in different customer distributions.¹⁹ Therefore, once the IOUs have sufficient data on customer income distributions, they should be required to file RDW Applications proposing income brackets that subdivide non-CARE/FERA customers.

Additional issues could be addressed in this RDW, including but not limited to determining: 1) how to categorize customers without any income data; 2) how to categorize customers who have a business's name on their account; 3) if the "moderate income" bracket should be adjusted based on customer population. Because the Joint IOUs' proposed First Version IGFC can be implemented without a new income verification process for non-CARE/FERA customers, these important issues can be addressed in a subsequent RDW, once an

¹⁸ SDG&E's implementation was approved by D.18-12-004, p. 63.

¹⁹ Exhibit Joint IOUs-01, p. 43, lines 7-10.

income verification process is established. Table 5 below sets forth a high-level timeline for this process, consistent with the Joint IOUs' Opening Testimony.²⁰

Table 5
Timeline to Adopt Future Version IGFCs

Milestone	Timeline
TPA is authorized	+0 Months
TPA gathers aggregate income data for rate design and remits population level statistics to IOUs ²¹	+12 Months
IOUs File RDWs for Future Version IGFCs	+18 Months
CPUC Adopts Future Version IGFC	+30 Months
TPA Integration Process/Billing System Updates	+30-50 Months
ME&O/Appeals Process as Described in Joint IOU Opening Testimony ²²	+50-56 Months
Implementation of Future Version IGFC	+56 Months

As discussed below, the Joint IOUs do not recommend the Commission adopt size differentiation in the First Version IGFC. Instead, we recommend the Commission address the issue in a subsequent RDW application or track of this proceeding, once an evaluation of the First Version IGFC has been conducted and a report issued regarding its implementation and overall rate performance. The Joint IOUs propose that the Commission wait at least one to two years after the implementation of the First Version IGFC to then assess the design of the First Version IGFC. Once this has occurred, the Commission could solicit proposals, request comments from parties to this proceeding on whether, and how, a size-differentiated component should be incorporated into a future version of the IGFC or direct the IOUs to file RDW applications proposing new rate design to address issues raised in the evaluation report. This process would be independent of the timeline to adopt and implement a Future Version IGFC as described here in. However, the additional IGFC elements designed through this process should be developed in a complementary fashion by building on directives from the final decision in this proceed establishing the basic framework for the Future Version IGFC. The timeline below in Table 6 envisions this proposal at a high level.

²⁰ Exhibit Joint IOUs-01, p. 102, Table IV-15.

²¹ The data provided to IOUs would be aggregated, population level statistics to be used for rate design purposes only.

²² Exhibit Joint IOUs-01, pp. 85-89 and p. 109, lines 4-17.

Table 6
Timeline to Assess Size-Differentiated IGFC Components

Milestone	Timeline
Implementation of First Version IGFCs	+0 Months
Customer Data Collected and Report Published	+24-28 Months
Commission Solicits Proposals/Comments on Size-Differentiated Components	+32-36 Months
Subsequent regulatory proceeding or phase begins to Assess Size-Differentiated Based Proposals	+37 Months

In summary, with the information and evidence submitted thus far and the directive of AB 205, the Joint IOUs believe the Commission’s 2024 Track A decision should adopt a First Version IGFC using existing forms of income verification and related information. This would allow California to make some modest interim progress towards providing bill relief for the average low-income customer and reduce today’s volumetric electric rates, as the CPUC adopts a parallel pathway to a Future Version IGFC based on additional customer research and stakeholder input and supported by a third-party income verification process. It is critical to begin reducing residential customers’ volumetric rates as soon as possible to better reflect actual costs and incent beneficial electrification.

B. Responses to the 19 Ruling Questions

The Ruling requests parties respond to 19 questions (with 31 subparts) regarding how to design the first version of IGFCs and the pathway for implementing and improving future IGFCs. The Joint IOUs respond to the questions as follows.

Question 1. Section 739.9(d)(2) requires any approved fixed charges to “[n]ot unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction.”

Question 1.a. How should the Commission address this requirement for IGFCs in the context of state policy goals of encouraging strategic electrification and improved grid utilization?

The Joint IOUs respectfully request that the Commission address this statutory requirement by applying its rate design expertise to strike a just and reasonable balance between AB 205’s requirement to reduce volumetric rates to support beneficial electrification and greenhouse gas (GHG) reduction goals, with the statute’s previous, but more narrow

conservation and energy efficiency goals, as outlined below. In short, the CPUC should give greater weight to beneficial electrification and GHG reduction goals. As addressed in the Joint IOUs' Opening and Reply Testimony, beneficial electrification and GHG reduction are unreasonably impaired by today's high volumetric rates that include a substantial amount of costs that do *not* vary with customer usage.²³ To address this, residential rate design reform, which separates out fixed charges, will be required to reduce volumetric charges enough to incent electrification.²⁴ Thus, as a preliminary matter, the Joint IOUs' position is that PUC Section 739.9(d)(2)'s phrase "not unreasonably impair" implies that volumetric rate levels should not significantly deviate from marginal costs.²⁵

Prior to AB 205, the original language of Section 739.9(d)(2) was interpreted as encouraging conservation and electric energy efficiency over the marginal costs of service. It is uncontested that the IOUs' current volumetric rates far exceed marginal costs under any CPUC-approved methodology.²⁶ Previous residential rate reform efforts arising out of AB 327, signed into law in 2013 and returning residential ratemaking authority to the CPUC, largely sidestepped the question of defining what an "unreasonable impairment" of conservation and energy efficiency would entail, and instead found that proposals on the table (consolidating rate tiers and introducing an AB 327 compliant fixed charge) would not unreasonably impair conservation and energy efficiency efforts.

Whereas a maximally electricity conservation-incentivizing rate design would feature very *high* volumetric rates, a maximally electrification-incentivizing rate design would feature very *low* volumetric rates. Therefore, AB 205's introduction of these competing policy objectives requires the CPUC to directly address at what point a rate design "unreasonably impairs" either objective, as a means of determining an appropriate balance between these opposing goals.

The Joint IOUs believe that the CPUC's recent decision (D.23-04-040) that updated its Rate Design Principles (RDP) effectively answers this Question 1, specifically through RDP 2

²³ Exhibit Joint IOUs-01, pp. 35-37.

²⁴ PUC § 739.9(d)(2).

²⁵ Exhibit Joint IOUs-01, p. 18, lines 12-17; Exhibit Joint IOUs-03, p. 49, lines 3-7.

²⁶ In Prepared Rebuttal Testimony, SEIA presented an alternative analysis that reflects arguments repeatedly rejected by the CPUC in the IDER (R.14-10-003) and NEM Successor (R.20-08-020) proceedings, most recently in D.22-05-004. This is an inappropriate venue to relitigate those issues.

(“rates should be based on marginal cost”), RDP 3 (“rates should be based on cost-causation”), and RDP 4 (“rates should encourage economically efficient use of energy, reduction of greenhouse gas emissions, and electrification”). In considering how to evaluate a proposal against RDPs, especially RDP 4, the Commission should recognize the high energy efficient nature of electric technologies relative to fossil-fuel counterparts (*e.g.*, traditional internal combustion engines) can waste over 75% of fossil fuel energy input via gasoline compared to an electric vehicle (EV), with losses of only 10%.²⁷ This holistic recognition of energy efficiency and the policy goal to move towards more efficient, and cleaner, technologies deserves consideration. The Joint IOUs propose that, at the very least, the resulting volumetric rate levels the CPUC adopts after implementing fixed costs through any new IGFC must ensure that building electrification measures can provide bill savings for the average customer relative to the status quo rate structure, which is satisfied by the Joint IOUs’ proposal.

To the degree the Ruling anticipates a gradual approach to move toward the ultimate goal of a cost-based IGFC over several years, the Joint IOUs propose that the CPUC prioritize taking the first step through the anticipated 2024 decision and adopt a First Version IGFC that meaningfully reduces volumetric rates in the nearer term. This approach considers customers who are deciding whether to adopt beneficial electrification technologies like electric vehicles (EVs) and/or heat pumps for water heating and climate control. The Ruling’s concept of waiting until late 2026, at the earliest, to provide *any* relief at all to current, higher volumetric rates to better align them with marginal costs, would appear to miss the point of the legislature’s stated desire through AB 205 to support beneficial electrification in the nearer term, as signaled through the legislature’s stated deadline of July 1, 2024 for CPUC authorization of an IGFC for default residential rates.

If the Commission is uncertain how to find the IGFC that best supports the goals of incenting energy efficiency and conservation with the newly added goals of beneficial electrification and GHG reduction, the Joint IOUs respectfully suggest that the policy goals added through AB 205 should be considered higher priority. This is because state decarbonization goals are critical to address the climate crisis, whereas the previously listed

²⁷ FuelEconomy.gov available at: *Electric Vehicles Are Way, Way More Energy-Efficient Than Internal Combustion Vehicles* <https://www.motortrend.com/news/evs-more-efficient-than-internal-combustion-engines/> (accessed July 15, 2023).

goals of conservation and energy efficiency are continuing to diminish in importance as California's generation mix is already dominated by non-GHG emitting sources, and State policy requires it to be 100% GHG-free in about 20 years (by 2045).

Question 1.b. How should the Commission incentivize beneficial electrification and greenhouse gas emissions reductions during off-peak periods while meeting general conservation and efficiency goals? For example, should IGFC reductions from volumetric rates be applied to reduce rates during off-peak periods while maintaining existing peak period rates at the current level to continue to incentivize conservation and energy efficiency during peak periods?

The Joint IOUs have thoroughly discussed how the CPUC should incentivize beneficial electrification through the IGFC in our previously served Track A testimony.²⁸ As to the specific question regarding focusing on off-peak hour incentives, the Joint IOUs' testimony to date mostly proposed an equal cents reduction, because the underlying costs proposed to be collected through a the IGFC are not currently time-differentiated. If the CPUC wants the resulting peak rates from any IGFC to be closer to what they are today (versus only a few years ago), then the Joint IOUs propose that it do so by including consideration of potential adjustments to generation rates that will maintain higher on-peak rates, not by arbitrarily applying time differentiation to distribution rates.

It would be inappropriate to disproportionately apply the volumetric rate reduction from IGFC implementation to off-peak delivery rates. None of the costs proposed to be collected in the IGFC by the utilities (or any other party for that matter) are meaningfully time differentiated and are not in the practice of most extant rate designs. For example, the time differentiation of PG&E's residential distribution rates (other than EV2) is solely attributable to the "Marginal Distribution Capacity Cost – Primary" cost category, which is not proposed to be collected through the IGFC.

To the extent the CPUC would prefer to see the resulting on-peak volumetric rates decline less than off-peak rates, the Joint IOUs believe this should be accomplished by increasing generation rate component TOU differentials to more closely match actual marginal cost-differentials. However, this is already in progress for PG&E – the summer TOU differentials for E-TOU-C are scheduled to increase per a settlement agreement adopted by D.21-11-016. The E-TOU-C differential was just increased by AL-6946-E and is scheduled to

²⁸ Exhibit Joint IOUs-01, p. 16, lines 3-9; Exhibit Joint IOUs-03, p. 40, line 15 to p. 42, line 25.

increase again in 2024 and 2025. SDG&E's current commodity rates for default TOU rates and many optional rates are already cost-based, and SCE's TOU differentials already reflect a ratio of 2:1 for TOU-D 5pm to 8pm, and 2.6:1 for TOU-D-PRIME.

In our Reply Testimony, the Joint IOUs also highlighted that our original proposal retains strong price signals in default TOU rates to encourage energy efficiency and load shifting. The Joint IOUs' proposals reduce volumetric rates the most, which is critical to incentivizing electrification. As shown in our Reply Testimony, significantly reducing volumetric rates increases the TOU differentials between the On-Peak and Super-Off-Peak period rates because fewer fixed costs need to be recovered in volumetric rates.²⁹ The First Version IGFC that the Joint IOUs now propose here follows a similar trajectory of maintaining strong differentials between TOU periods, helping balance conservation efforts during critical times of the day. It also reduces volumetric rates by helping make electrification technology adoption more affordable than the current status quo rate structure.

Question 2. AB 205 does not specify how much an IGFC should reduce bills for low-income customers to comply with Section 739.9(e)(1).

Question 2.a. What policies or principles should the Commission consider when determining how much the first version of IGFCs should reduce bills for low-income customers?

As highlighted throughout the Joint IOUs' testimony, submitted to date, the Joint IOUs' original four income bracket proposal offered significant annual savings for average low-income customers, while also providing the largest reduction in volumetric rates across all proposals applicable to the Joint IOUs customers. Providing meaningful bill savings for average low-income customers is critical to achieving equity policy goals, since low-income customers generally pay a greater percentage of their income towards their electricity bill, relative to other customers. While it is important to aim to achieve meaningful bill savings for the most economically vulnerable low-income customers on average, the Joint IOUs' testimony also highlighted the importance of balancing the need for sufficient fixed charge levels across all income categories to enable significant volumetric rate reduction and avoid placing a significant burden on other income brackets. Both the original four income bracket proposal offered in the

²⁹ Exhibit Joint IOUs-03, pp. 18 and 41.

Joint IOUs' Opening Testimony, as well as the proposal here for a First Version IGFC with three income brackets, balance these two important principles.

As this question notes, AB 205 did not state any particular amount of bill reduction that the IGFC should achieve for low-income customers; it merely guarantees that there must be *some* (non-zero) level of electric bill reduction for the average low-income customer in each baseline territory. In other words, it is clear the effective electric rate discount CARE customers would receive after applying the IGFC would need to end up being higher than the currently adopted approximate 35% off the entire bill. However, the legislature provided no express indication of *how much* higher that effective discount would be, but rather assigned to the CPUC the job of striking a reasonable balance among the various competing policy goals using its unique ratemaking expertise. Thus, to be AB 205-compliant, the CPUC must merely meet the legislature's requirement that it make *some (non-zero)* reduction to the average low-income customers' bills.

As discussed in our prior testimonies, the Joint IOUs' original four income bracket IGFC proposal balances the requirements of AB 205 to reduce low-income bills on average in each baseline territory against the bill impacts on moderate- and high-income customers and to reduce volumetric rates to support electrification. The Joint IOUs' First Version IGFC also balances competing objectives of the Rate Design Principles. Per D.23-04-040, the Commission will need to, during the gradual transition, balance several principles, including the following: affordability for lower income customers (RDP 1), collecting an increasing proportion of the total eligible fixed cost categories (RDPs 2, 3, and 5), and ultimately, creating proper cost signals to support widespread electrification (RDP 4), as well as its other RDP principles. To do so, the First Version IGFC must satisfy AB 205's requirement that the average low-income customer in each baseline territory would realize a lower average monthly bill.

Question 2.b. Should the first version of IGFCs differentiate between low-income and very low-income customers?

Yes. Although AB 205 does not require subdividing the CARE population, doing so is not prohibited. The Joint IOUs believe that, on balance, it would be reasonable for the CPUC's First Version IGFCs to include our original proposal for differentiating between CARE

customers at 100% FPL or less and low-income customers (all other CARE/FERA customers) into two separate income brackets, as set forth in our previously served testimony.³⁰

The Joint IOUs respectfully recommend the CPUC's 2024 Track A decision should adopt a nearer-term First Version IGFC leveraging existing forms of income verification and related information, to allow California to make interim progress to reduce today's high volumetric electric rates, even as the CPUC adopts a parallel pathway through which additional steps along a gradual IGFC pathway could be adopted in the future. While the First Version IGFC can be implemented without extensive additional regulatory proceedings, the Ruling is correct that there is a need for additional factual evidence to help the CPUC identify a reasonably accurate method of third-party income verification to subdivide the non-CARE/FERA pool of customers, such as into our proposed four bracket system with moderate versus high income non-CARE/FERA customers getting different IGFC amounts. After the full range of such evidence is gathered and evaluated, the CPUC can determine whether any proposed new third-party income verification process provides a reasonable means to support a more complex second step IGFC to refine the nearer-term initial simplified IGFC proposed here. Such a second step would be part of the Ruling's envisioned gradual pathway leading to more cost-based rate components over time.

Using the following income brackets for a First Version IGFC (versus simply relying on CARE, FERA and non-CARE/FERA categorization) is practical and achievable to better position customers for a Future Version IGFC as proposed:

- (Bracket 1) CARE enrolled customers with household incomes at or below 100% FPL,
- (Bracket 2) all other CARE enrolled customers, plus FERA-enrolled customers, and
- (Brackets 3 and 4) all other non-CARE/FERA-enrolled customers.

Combining Brackets 3 and 4 for the First Version IGFC eliminates the need to collect income data for millions of non-CARE and non-FERA customers, allowing for nearer-term implementation.

The Joint IOUs would still need income information on CARE customers in order to appropriately assign them to Bracket 1 or 2. This is manageable because it involves far fewer customers, and such information is already available for many CARE customers and can further

³⁰ Exhibit Joint IOUs-01, pp. 4-5.

be obtained through a minor amendment to the CARE enrollment form and through customer solicitations for the remaining CARE customers in time for First Version implementation. This process, while appropriate for the First Version, is not scalable to the Future Version for income verification of non-CARE/FERA customers. Third party income verification is needed when the Future Version is implemented, as described in the Joint IOUs' testimony.

Alternatively, if the Commission prefers the First Version IGFC not to utilize the existing income information collected and further make minor modifications to the existing CARE form and processes to expand collection of income information for CARE customers for Bracket 1, then CPUC can still progress in the near term. The CPUC can adopt a simplified three-bracket IGFC structure using existing processes by utilizing a three-income bracket structure with Bracket 1 being all CARE-enrolled customers, Bracket 2 being all FERA-enrolled customers, and Bracket 3 being all other customers not enrolled in either CARE or FERA. However, the Joint IOUs prefer the former three-bracketed initial IGFC structure because each IOUs' FERA population is relatively small (roughly 1% of residential customers), whereas the Joint IOUs' approach creates a larger segment for Bracket 2 by segregating from the overall "low-income" category of all CARE customers, a significantly sized larger group for Bracket 1 (estimated to be 11% - 13% using data from the Public Tool) to provide the most economically vulnerable CARE customers with the greatest initial IGFC bill savings while also resulting in bill reductions for this group and Bracket 2 low-income customers starting as early as 2025.³¹

Our proposal here represents a variation on the Ruling's notion of creating a multi-year gradual IGFC implementation process, by kicking off that process with a nearer-term, simplified First Version IGFC, the structure for which can be authorized in the CPUC's 2024 Final Track A Decision. The Decision should further be prescriptive enough to allow final calculations and subsequent annual adjustments for the First Version IGFC to be presented in post-decision Tier 2 Advice Letters. This will enable earlier initial reductions in electric volumetric rates (to move them somewhat closer to marginal costs), than is possible if the CPUC pursues a separate application process to adopt a First Version IGFC. Thus, the Joint IOUs' First Version IGFC proposal here better supports AB 205's policy goals of (1) incenting beneficial electrification and decarbonization, as well as (2) realizing equity goals by providing initial bill savings for low-

³¹ See Exhibit Joint IOUs-01, p. 60, Table III-11 for the estimated customer distribution in each bracket per the data in public tool.

income customers. Adopting the First Version IGFC in mid-2024 as proposed by the Joint IOUs, also provides greater administrative efficiency because it enables the CPUC to use the record that has already been thoroughly created over the past year in Track A of this proceeding, and thus avoid needless, duplicative litigation of those issues in the future.

The Joint IOUs' approach, to include a First Version IGFC to be approved in mid-2024, uses the low- and very-low-income bracket definitions into which customers can be assigned to using existing CARE/FERA processes and CARE-generated data (as well as CARE-approved categorical eligibility data the large IOUs will be collecting during the CARE application and recertification processes). The Joint IOUs' First Version IGFC would provide important lessons learned before creating a foundation for future iterations of the IGFC. The Joint IOUs continue to support our previous testimony's provision for eventual activation of a fourth income bracket that would subdivide moderate income from higher income non-CARE/FERA-enrolled customers. This subdivision of non-CARE/FERA customers in either Bracket 3 (moderate income, non-CARE/FERA customers with household incomes up to 650% FPL) or Bracket 4 (non-CARE/FERA customers with household incomes above 650% FPL), will require adoption of a new, more robust income verification process going beyond the CARE/FERA processes used in our initial IGFC version, and should utilize a third-party administrator for all the reasons we stated in our previous testimony.³² These more complex issues and their related costs, would merit an RDW application process. Meanwhile, we continue to support the use of our original proposal's two low-income categories for the First Version IGFC proposed here, as well as for later steps, as doing so ensures that the very lowest income customers receive the greatest bill relief, yet still provides overall electric bill reductions for the average low-income customer for each baseline territory.

Adoption of this First Version IGFC in 2024 through an Advice Letter process, is an initial step to begin the longer-term gradual IGFC implementation pathway process and is a reasonable compromise that allows more timely progress on volumetric rate reduction that is more consistent with the statute. Our variation on the Ruling's envisioned pathway approach provides adequate time to conduct more research, hold stakeholder workshops and compile

³² Exhibit Joint IOUs-01, p. 19, line 3 to p. 20, line 14; Exhibit Joint IOUs-03, p. 56 line 16 to p. 57 line 13.

additional evidence, if needed, before more complex aspects of the IGFC are adopted and implemented for the Future Version IGFC.

Question 2.c. What are the legal, policy, and/or operational justifications for your proposal?

For reasons already discussed in the Joint IOUs' previously served testimony, a "very low income" bracket can be beneficial to help the Commission better balance policy goals of equity and affordability and meet the statute's requirement of an at least three-bracketed IGFC in the near term. The Joint IOUs' proposed three-income bracket First Version IGFC could be implemented as early as 2025, leveraging existing income information collected during the CARE/FERA enrollment processes, to ultimately provide some level of bill reductions for these customers as prescribed by AB 205.

As described in Question 2b above, the Joint IOUs recommend the income brackets of the First Version IGFC be defined as:

- Bracket 1 – CARE enrolled customers with household incomes at or below 100% FPL
- Bracket 2 – all other CARE enrolled customers, plus FERA-enrolled customers, and
- Brackets 3 and 4 – all other non-CARE/FERA-enrolled customers.

This simplified three-bracketed approach could be reasonably executed leveraging existing CARE program information, without the need to adopt the type of new, broader third-party income verification processes needed for an IGFC that subdivides non-CARE/FERA customers.

The Commission does not need a separate application to adopt an initial, simplified three-bracketed version of a First Version IGFC that uses existing income verification methods and data. Rather the record needed to direct a prompt implementation of a First Version IGFC and begin the vital transition away from inequitable volumetric-only residential rates already exists in this Track A proceeding and it can be accomplished using existing CARE/FERA processes plus data expected to be in place in 2025. Issues that already have a record for decision are discussed below, including, for example, determining the universe of eligible fixed cost categories, even if only a portion of that universe of costs is included in the First Version IGFC. As such, cost category-eligibility issues will not need to be relitigated in the future.

The CPUC should adopt a First Version IGFC in its 2024 decision in this proceeding and find that the Joint IOUs' proposed simpler three bracket First Version IGFC described here can be achieved using existing income verification and data already tested and approved for the CARE/FERA programs. Issuing such a decision by mid-2024 will allow implementation of volumetric rate reductions as early as 2025.³³ Not doing so in Track A in the near term would miss an opportunity to initiate most of the future four bracket IGFC structure the Joint IOUs still support and could cause additional customer confusion if and when CARE customers not below 100% of FPL might eventually be moved into a higher fixed charge bracket. From an operational perspective, the Joint IOUs have determined it would only take minor modifications to the existing CARE application/recertification form to obtain self-certified household income information from CARE customers to allow the proposed CARE subdivision which would result in two, reasonably sized low-income IGFC brackets. Initiation of such a structure in the low-income bracket through the 2024 decision can promote overall understanding and awareness when the non-CARE/FERA customer groups are eventually segmented into Brackets 3 and 4 once a final income validation process and a third-party administrator can be put into in place.

Question 3. Should the Commission adopt a Definition of Moderate-Income Customer for IGFC design purposes?

A rigid definition of "moderate income" is not required by AB 205. However, the Joint IOUs recommend that the CPUC's mid-2024 decision adopt the Joint IOUs' already-proposed definition of the category of residential customers who should ultimately qualify for a moderate-income fixed charge, even if a distinct moderate income fixed charge cannot be calculated or implemented until a later version of the IGFC once new income verification processes have been fully evaluated and adopted. The proposed bracket definition for "moderate income" households (which our previous testimony called "IGFC Bracket 3") consists of non-CARE/FERA customers with incomes up to or equivalent to 650% of FPL.³⁴

The CPUC should adopt the Joint IOUs' recommended moderate- and high-income bracket definitions in its 2024 Track A final decision, with breakpoints for non-CARE/FERA customers at or below 650% FPL, and non-CARE/FERA customers above 650% FPL, even if these will not part of the First Version IGFC. This breakpoint may be further refined in future

³³ As discussed in footnote 17, implementation timelines will vary depending on IOU.

³⁴ Exhibit Joint IOUs-01, p. 3, lines 3-4.

versions of the IGFC as more accurate household information is available from a TPA. The CPUC should not require a further separation of the non-CARE/FERA customer group to take place until a reliable, accurate and cost-effective income verification process can be fully assessed, approved, and made operational including establishing a process that is overseen by a TPA. Ultimately, including a moderate-income category aligns with affordability policy goals because on average, these moderate-income customers – in addition to low-income customers, pay a greater percentage of their income toward their electricity bills (relative to higher income customers).³⁵ The Joint IOUs’ original four-bracket proposal, as set forth in prior testimony, resulted in bill savings for Bracket 3 customers.³⁶ The source of the proposed definition of income (Federal Poverty Level or FPL) which has already been established for the CARE program (*e.g.*, Wages, Social Security, Pensions, Child Support, etc.) should be used as the starting point.³⁷

Question 3.a. Please provide the source of your proposed definition.

The source of the Joint IOUs’ proposed Bracket 3 definition is based on concepts presented in the Next 10 and U.C. Berkeley Haas Institute Reports,³⁸ as well as the income measure (FPL) for the existing CARE and FERA programs, simplified to a four-bracket approach. As we provided in our prior testimony, a system with four brackets strikes the right balance between cost to implement and maintain and customer understanding. The Joint IOUs’ approach captures the essence of what the Berkeley Haas Reports were aiming to accomplish and is compliant with AB 205. The Joint IOUs request the 2024 Proposed Decision index both the first version of IGFCs and any future iterations to FPL-based income definitions – rather than a geographically variable income definition like Area Median Income – especially because the CARE and FERA programs will remain tied to FPL definitions.³⁹

³⁵ Next 10 and Energy Institute at Haas, University of California, Paying for Electricity in California: How Residential Rate Design Impacts Equity and Electrification (Sept. 2021), available at: <<https://www.next10.org/sites/default/files/2022-09/Next10-paying-for-electricity-final-comp.pdf>> (accessed July 14, 2023).

³⁶ Exhibit Joint IOUs-01, p. 9, lines 10-14.

³⁷ Exhibit Joint IOUs-01, p. 4, lines 5-6.

³⁸ Next 10 and Energy Institute at Haas, University of California, Paying for Electricity in California: How Residential Rate Design Impacts Equity and Electrification (Sept. 2021), available at: <<https://www.next10.org/sites/default/files/2022-09/Next10-paying-for-electricity-final-comp.pdf>> (accessed July 14, 2023).

³⁹ As required by PUC § 739.1.

Question 3.b. Should the first version of IGFCs be designed to impact the average monthly bill of moderate-income customers (in each baseline territory) in a particular way?

No, the First Version IGFC should not be designed to impact the average monthly bill of moderate-income customers (in each baseline territory) in a particular way. AB 205 does not include any specific requirement about the degree of bill impact for “moderate-income,” customers – it only mentions a metric for the average low-income customer in each baseline territory. However, the Joint IOUs’ proposal provided in our original testimony highlighted average bill savings for non-CARE, non-FERA customers with household incomes at or below 650% of FPL which could be considered a moderate-income customer. If a sufficient third-party income verification method becomes available, the Joint IOUs could implement the four-bracket proposal described in their testimony, differentiating between customers in Bracket 3 and Bracket 4 and allowing for a higher fixed charge for Bracket 4 customers. This change would help make the final IGFC more progressive and should provide bill savings for Bracket 3 average moderate-income customers, as described in testimony. If, however, a third-party income verification process does not become available for subsequent IGFC iteration, there would be no way to include a subdivision that differentiated moderate income non-CARE/FERA customers from higher income non-CARE/FERA customers. Thus, the Joint IOUs’ proposed three bracket First Version of the IGFC would assign the same level of fixed charge to both moderate and higher-income non-CARE/FERA customers as a starting point.

The Joint IOUs acknowledge that initial bill impact studies of the First Version IGFC proposed here would result in a slight average bill increase for moderate income customers (see E3 Public Tool printable results on proposed near-term First Version IGFC with three income brackets, attached hereto as Appendix A). However, we believe the CPUC can find this slight, near-term bill impact to be reasonable since it enables a more-prompt reduction in volumetric rates to make the electrification transition more affordable, while providing bill reductions to low-income customers.

Question 3.c. What are the legal, policy, and/or operational justifications for your proposal?

As described below, there are legal, policy, and operational justifications for the Joint IOUs’ proposed First Version IGFC to initiate the Ruling’s gradual pathway approach. The legal justification for the Joint IOUs’ proposal to subdivide the low-income category into a Bracket 1

(at or under 100% FPL) and a Bracket 2 (other CARE customers above 100% FPL plus FERA-enrollees) rests in AB 205's express concern about bill reductions for the average low-income customer in each baseline territory, as well as its overall focus on adding an income graduation element to allow those with lower incomes to pay less and those with higher incomes to pay more. The Joint IOUs are simply applying that same principle to subdivide the overall low-income demographic so that those with the very lowest household incomes would see even greater bill reductions, as they are the most economically vulnerable Californians. There are no express bill impact requirements in AB 205 relating to customers not considered "low income;" the statute's only requirement is that higher income customers should simply have a higher IGFC.

The policy justifications for this proposal were discussed in the Joint IOUs' Opening Testimony including noting the CPUC's updated RDPs reflecting a particular equity concern about affordability for low-income customers (RDP 1). In addition, the Joint IOUs believe that our original proposal satisfies the provision, in RDP 7, that "rates should avoid cross-subsidies that do not transparently and appropriately support explicit state policy goals." AB 205 explicitly expresses an equity goal, along with goals of affordability and moving to more cost-based rates to better support beneficial electrification.

Operationally, after receiving the Ruling, the Joint IOUs determined that it would be possible to move forward with a simplified First Version IGFC that could be implemented more efficiently than under the Ruling's concept of a separate application for the First Version IGFC (as described in the sections above). The Joint IOUs' proposal here will allow the CPUC to make progress in reducing volumetric rates to help incent beneficial electrification through a clearly defined First Version IGFC in the Track A decision.

The Joint IOUs generally agree with the Ruling and as confirmed by our original testimony, a third-party income verification process must consider several factors and would not be ready in time for a Q1 2024 PD. Indeed, the Joint IOUs' testimony has already cautioned that even the Equifax *The WorkNumber*TM product's approach (supported by TURN/NRDC and Cal Advocates' testimonies to date) could not only prove to be a costly income verification method with a high customer and operational burden, but also the time needed to fully implement it through a third-party administrator would be much longer than the six months or less implied (without full basis) in other parties' conclusory testimony to date – which also lacked any

specific transition plan or basis for determining their proposal's associated timing and cost ramifications.

The Joint IOUs agree that workshops and additional testimony on disputed issues of material fact, would be appropriate before adopting a Future Version IGFC based on an entirely new income verification process performed through a third-party administrator. Such proceedings certainly would be needed to support a more granular level income categorization with a fully fleshed out new third-party income verification process that would be difficult to get into the record before the Q1 2024 decision. The Joint IOUs' First Version IGFC proposal will provide the CPUC, customers, and all interested parties to this proceeding actual IGFC experience and data to inform subsequent versions.

Question 4. Do you recommend a cap on how much the first version of IGFCs may increase the average monthly bills of higher-income customers (in each baseline territory)? If so, what would be a reasonable amount? What are the legal and/or policy justifications for your proposal?

No. The Commission should not adopt a cap on how much the First Version IGFC may increase the average monthly bills of higher-income customers. Caps on bill impacts are arbitrary and would restrict the degree of volumetric rate reduction possible. Because rate design is by nature a zero-sum exercise, every rate design change necessarily results in benefiter and non-benefiter relative to the status quo. The IGFC design is mandated to provide the average low-income customer in each baseline territory with lower average monthly bills. Mathematically, the corresponding offsetting result is that higher-income customers will be required to pay more, on average (just as non-CARE/FERA customers' rates currently subsidize the discounts mandated by statute for the CARE and FERA income-qualified rate discount programs). Instead of adopting a cap, the Commission should consider the bill impacts of the proposed IGFC rate designs and balance those impacts against the other priorities in this proceeding. This approach aligns with RDP 10,⁴⁰ which emphasizes consideration of bill impacts when transitioning to new rate designs. Regardless of the income bracket within which a household falls, the bill impacts associated with the transition should be reasonable and

⁴⁰ Electric Rate Design Principle 10, adopted in D.23-04-040, p. 22: Transition to new rate structures should (i) include customer education and outreach that enhances customer understanding and acceptance of new rates, and (ii) minimizes or appropriately consider the bill impacts associated with the transitions.

managed through structural changes in the rate design itself. The Joint IOUs disagree with the use of caps to limit the average monthly bill impacts for higher income households. Such capping would necessarily constrain the volumetric rate reduction possible in the First Version IGFC and would also limit volumetric rate reductions that would result from Future Versions of the IGFC. Artificially imposed, administratively determined caps on bill changes, or on rate components, can lead to the unintended consequence of a meaningful portion of fixed costs continuing to be recovered through volumetric charges. It is this type of deficiency within the current residential rate structure that the legislature sought to rectify through AB 205.

Policies and considerations that yield measures to address the level of bill impacts should also be informed by the average change to customers' electricity burdens⁴¹ rather than a simple review of the absolute or percentage change in the average bill. The affordability perspective provided by an electricity burden metric (based on data like the type that is already available through the E3 Public Tool) gives the Commission, and parties, a view of how changes in household electricity expenditures, as a proportion of household income, impact affordability along the pathway to a Future Version IGFC that balances the many competing policies and goals.

To illustrate how the metric of electricity burden can be incorporated in a bill impact review, the Joint IOUs offer the following conceptual example using SCE's IGFC levels from the IGFC proposal offered in opening testimony and the illustrative SCE First Version IGFC levels. From the Opening Testimony proposal, the high-income (*i.e.*, Bracket 4) averaged \$32-per-month, which corresponded to a percent change on the electric bill of 18%. As a proportion of household income, the change represents 0.2%. These results indicate that while the average change in dollars and percentage terms appears to be at levels may initiate consideration of mitigation measures like caps, the electricity burden metric shows that as a proportion of monthly household income the change is insignificant. Additionally, as incomes increase, the

⁴¹ The electricity burden is a measure of the electric bill costs as a proportion of household income. For example, an average change in electricity burden can be calculated from the E3 Public Tool output for each income septile by dividing the monthly bill impact change for the septile by the septile midpoint monthly income. Thus, an average \$15 per month bill increase, results in an electricity burden change of 0.1% ($\$15/\$14,583=0.1\%$). The concept is similar to the Affordability Ratio recently adopted by the Commission (D.22-08-023) to trend changes in affordability due to rate adjustments. The electricity burden, however, does not exclude housing costs from household income as is reflected in the Affordability Ratio.

change in electricity burdens will continue to decline, further reducing the need to consider caps. We recognize that this aggregate view of electricity burden does not consider the specific details with respect to how leveraged a household may be or whether the average-, low- or high-income for a given segment is the appropriate level. However, the perspective electricity burdens provide is similar to the perspective provided by Affordability Ratios in the broader affordability discussion, which is to place into context the relative impact on affordability associated with a change in electricity bills. Should the Commission consider this approach, the details regarding how electricity burdens are calculated and used can be determined through a stakeholder process or a subsequent proceeding.

In a future track or phase of this proceeding or through a separate RDW, the Commission could consider a method of size differentiation of the IGFC as a means to further refine the IGFC structure. A future IGFC size-differentiation component could potentially relieve upward pressure on affected customer bills through an approach that maintains an established relationship between fixed and variable charges. Because higher usage customers (*i.e.*, those with monthly usage in kWh above the system average usage in kWh) in general benefit from a greater proportion of fixed charge recovery, the non-benefitting bill impacts are expected to occur mostly among low- to medium-usage households. A size differentiation mechanism such as those described at a high level in response to Question 7 below should be explored and adopted in the future, through either an RDW Application, General Rate Case (GRC) Phase 2 proceeding, or future track of this proceeding.

Question 5. What types of fixed costs should be eligible to be included in any given IGFC (Eligible Fixed Costs)? Please explain why specific types of costs should (or should not) be categorized as Eligible Fixed Costs based on legal or policy justifications?

The Joint IOUs have addressed the question of what cost categories should be found eligible for potential inclusion in any IGFC in our previously submitted testimony.⁴² The Joint IOUs respectfully note that the Commission now has before it an adequate record to reach a conclusion, in the Q1 2024 decision, defining what cost categories will be designated as part of the total universe of fixed costs eligible for use in any IGFC. Even if only a portion of the costs within the defined cost categories are included in the earliest version(s) of the IGFC, the Commission should continue to move towards an end-state IGFC that is based on cost-causation

⁴² Exhibit Joint IOUs-01, pp. 37-42.

that exhibits greater alignment of rate priorities and principles by recovering the full level of costs within each designated cost category.

The Joint IOUs continue to support a CPUC decision in this phase that identifies all cost categories the CPUC finds to constitute electric service “costs that do not vary with usage.” This list, which we respectfully urge be adopted through Track A in 2024, would then comprise the existing universe of fixed cost categories that would be eligible for potential inclusion for recovery in any given version of an IGFC, even though it is anticipated that, for the earliest versions of the IGFC, the CPUC may opt to include only a portion of the total of all eligible fixed costs.

Below, the Joint IOUs reiterate and identify the different cost categories currently recovered in electric rates that should be determined to make up the existing universe of eligible fixed cost categories. The Joint IOUs discuss whether the near-term, First Version IGFC recommended to be authorized in the CPUC’s 2024 Track A final decision, to be followed by final calculations through a Tier 2 Advice Letter process, should include all eligible costs. The Joint IOUs also discuss how the CPUC should determine an appropriate portion of that existing universe of eligible fixed costs to recover through the First Version IGFC. A determination of the full list of eligible fixed cost categories as well as what portion of that total should be recovered through the First Version IGFC proposed here will enable a prompt implementation than would be possible if the CPUC waited until 2026 to order a First Version IGFC, per the Ruling’s supposition.⁴³

The following list of cost categories are described in the Joint IOUs’ Opening Testimony as qualifying for fixed cost recovery and listed in the eligible universe of costs that comprise the IGFC.

- **Marginal Customer Access Costs**

Marginal Customer Access Costs (MCACs) represent the incremental costs of connecting an additional (*i.e.*, marginal) customer to the grid that are not driven by volumetric energy usage or demand. The two cost components of MCACs are: 1) the marginal customer equipment costs (MCEC) consisting of final line transformer, service line drop, and meter costs, and 2) the ongoing and variable Revenue Cycle Service (RCS) costs associated with keeping customers connected to the grid, such as customer billing, meter

⁴³ Exhibit Joint IOUs-01, pp. 37-42.

reading, and credit and collections. This category should be deemed an eligible fixed cost and collected through a fixed charge.

- **Marginal Distribution Demand Costs**

Marginal distribution demand costs measure the cost of serving an additional unit of customer kilowatt (kW) demand on the electric distribution system and vary by IOU. In general, the majority of such costs tend to qualify as fixed (*i.e.*, do not vary with changes in usage of the homes behind such distribution facilities). Distribution demand costs reflect the costs to deliver electricity from the substation to the customer’s premise based on the customer’s maximum kW demand and consist of substation and circuit facilities costs and applicable operations and maintenance (O&M) costs.⁴⁴

- **Additional PG&E-Specific Costs that Should be Included on a PG&E-specific list of Fixed Costs Eligible for Inclusion in any IGFC**

In addition to the above-referenced categories for distribution costs that are applicable to all the IOUs (*i.e.*, Marginal Customer Access and other Non-Marginal Costs), PG&E proposes that its **Distribution – MDCC Primary New Business Costs** also be found eligible for potential inclusion in any given PG&E IGFC adopted along the Ruling’s envisioned “gradual pathway.” While this marginal cost is calculated on a \$/kilowatt (kW) level, it only reflects costs that are incurred when a customer connects to the grid based on required load, and therefore meets the definition of a fixed cost because it does not vary with changes in the volume of electricity a customer consumes. This recommended inclusion in the costs eligible for inclusion in any PG&E IGFC aligns with the CPUC’s longstanding exclusion of these costs from being considered in the CPUC’s Avoided Cost Calculator (ACC) as an “avoidable cost” with changes in customer demand.⁴⁵ While, in theory, a demand charge could be the most cost-

⁴⁴ Exhibit SDGE-01-E, (SDG&E Errata Opening Testimony), (Chapter 1 - Rate Design & Cost Recovery), pp. 11-12; Exhibit PG&E-01-E (Errata Opening Testimony) (Chapter 1 - PG&E-Specific Implementation of Income Graduated Fixed Charge), pp. 1-2; and Exhibit SCE-01-E (SCE Errata Opening Testimony) (SCE’s Income Graduated Fixed Charge Proposal), pp. 4-5.

⁴⁵ Only “Primary Capacity” and “Secondary Capacity” are used within the ACC, not “New Business.” This has been longstanding practice in the ACC and has remained through multiple fully litigated

based way to recover such costs, a fixed charge is the next best choice and is more appropriate for residential customers as a means of replacing the current recovery of fixed costs as an embedded addition to volumetric rates that makes them higher than marginal costs.

- **Non-Marginal Distribution Costs**

The Joint IOUs propose to collect all non-marginal distribution costs through the fixed charge, as these do not vary with the volume of electricity consumed. There are many costs recovered through distribution rates that are not directly linked to marginal costs. The Joint IOUs recover the costs of wildfire mitigation and vegetation management, reliability improvements, safety and risk management distribution costs, ongoing distribution operations and maintenance, many regulatory balancing accounts, and various programs and policy mandates through its distribution rates. These costs are not driven by a customer's usage, and therefore should be deemed eligible fixed costs and collected through the IGFC. The Commission should find all non-marginal distribution costs to be eligible for inclusion in the IGFC but may choose to only include a portion of those total costs in the First Version IGFC.

- **Public Purpose Programs**

The Public Purpose Programs (PPP) charge funds essential programs such as energy efficiency and CARE discounts that have no relationship to the volume of electricity consumed by customers and are explicitly authorized by AB 205 to be collected through a fixed charge. These critical public policy programs should be funded through the intentionally progressive mechanism of the income-based fixed charge because continuing to include them in a flat volumetric rate can have regressive effects contrary to equity goals. In the E3 Public Tool, this category is split into three subcategories (non-CARE Exempt, Self-Generation Incentive Program (SGIP), and Residential CARE contribution). All three subcategories should be deemed eligible fixed costs and recovered through the IGFC.

decisions on distribution avoided cost methodologies. 2022 Distributed Energy Resources Avoided Cost Calculator Documentation (June 22, 2022), version 1a, p. 50: <<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-side-management/acc-models-latest-version/2022-acc-documentation-v1a.pdf>> (accessed July 17, 2023).

- **Transmission and Reliability Services**

Transmission costs and retail rate design fall under the jurisdiction of the Federal Energy Regulatory Commission (FERC), and therefore do not fall within the scope of a CPUC proceeding setting the Joint IOUs' retail IGFC rate component. Conceptually, many of the costs to operate and maintain the transmission system do not vary with usage and would be considered eligible for inclusion as a fixed charge. However, due to the jurisdictional boundary in this CPUC proceeding, the Joint IOUs are not proposing that the IGFC be authorized to collect any transmission costs.

- **Other Non-Bypassable Charges**

All non-bypassable charges (NBCs) would theoretically be better collected through an IGFC than volumetric rates, given that the underlying revenue requirements do not vary with customer usage. However, as discussed in the Joint IOUs' Briefs on AB 205 statutory interpretation,⁴⁶ the Wildfire Fund Charge, Competition Transition Charge, and prospective charges for continued operation of Diablo Canyon likely cannot be collected through the IGFC due to statutory restrictions. Further, there are other charges that lack such statutory restrictions, but nonetheless have contractual restrictions, including the Wildfire Hardening Charge, securitized Fixed Recovery Charges, and the Recovery Bond Charge/Credit. Remaining NBCs that *should* be collected through a fixed charge are the current Nuclear Decommissioning Charge (ND or NDC) and New System Generation Charge (NSGC)/Local Generation Charge (LGC). The NDC funds the decommissioning of nuclear power plants that have already been built; changes in customer usage will have no impact on the level of these costs. Likewise, NSGC/LGC funds essential generation reliability resources procured per state policy requirements. The NDC and NSGC/LGC should be included in the Commission's list of eligible fixed costs.

- **Marginal Energy Costs**

Marginal Energy Costs (MECs) are those costs necessary to procure a marginal amount of energy. MECs reflect a combination of wholesale market prices and costs of meeting renewable portfolio standard requirements. Since MECs are tied directly to wholesale

⁴⁶ Joint IOUs' Opening Brief on Statutory Interpretation Questions Posed by December 9, 2022 Ruling (Jan. 23, 2023), pp. 25-27, and Reply Brief (Feb. 13, 2023), pp. 12-13.

electricity market prices, these costs are appropriately recovered through volumetric rates. These costs should be excluded from the Commission's list of eligible fixed costs.

- **Marginal Generation Capacity Costs**

Marginal Generation Capacity Costs (MGCCs) reflect changes in generation capacity costs that are associated with usage coincident with peak demand. These generation capacity costs do not include the cost of energy itself, as such costs are instead captured by the MEC calculation. Instead, MGCCs look at the cost of the physical capability to generate electricity, which usually consists of costs to construct a new power plant and its associated operation and maintenance costs. While MGCCs do not strictly vary according to volumetric usage, they are more appropriately recovered through time-varying rate designs. MGCC should not be included in the Commission's list of eligible fixed costs. How this aspect of rate design should be altered is being addressed in other phases of this proceeding.

- **Power Charge Indifference Adjustment**

The Power Charge Indifference Adjustment (PCIA) is a charge intended to ensure that both IOU customers as well as those who have left IOU service to purchase electricity from other providers pay for the above-market costs for electric generation resources that the IOUs had to procure on their behalf. "Above-market" refers to the difference between what the utility pays for electric generation and current market prices for similar resources. While traditionally denominated as a \$/kWh charge, the underlying costs recovered through the PCIA do not vary with volumetric usage. Much of the costs included in the PCIA reflect early investments in high-cost, GHG free resources to grow the clean energy industry, not costs incurred simply to meet least-cost procurement needs. As such, it can be argued that these costs would be better recovered through a progressive cost recovery mechanism, such as the IGFC. The Commission should include PCIA in its list of eligible fixed costs. However, the Joint IOUs are not proposing to recover PCIA costs through the IGFC.

- **Non-Marginal Generation Costs**

This value is residually calculated by subtracting MEC, MGCC, and PCIA from the total generation revenue requirement, and reflects the degree to which present procurement

costs exceed the marginal costs estimated in the most recent GRC. Non-Marginal Generation Costs should be included on the Commission's list of eligible fixed costs, but the Joint IOUs do not propose to collect these costs through any version of the IGFC.

- **Electrification Incentive Adjustment**

To reach a volumetric rate that is more accurately cost-based and more effectively incentivizes electrification and the transition to carbon-neutral energy, SDG&E is proposing a new rate component, the Electrification Incentive Adjustment (EIA) rate. Because PG&E's and SCE's proposed fixed charges result in an average volumetric rate that is \$0.25/kWh or lower, PG&E and SCE are not proposing an EIA rate component that would act as a policy adder to the fixed charge. The purpose of this rate component for SDG&E is to collect more revenue in a fixed charge and in real time return that same revenue through a credit to the volumetric rates. The concept is similar to the conservation Incentive Adjustment/Total Rate Adjustment Component (CIA/TRAC), which functionally collects more revenues from higher usage customers and returns that revenue in real time as a discount to Tier 1 (baseline) rates based on a specified differential. The EIA charge would collect more funding through a \$/month fixed charge and reduce \$/kWh rates than would otherwise be possible under the Joint IOUs' determination of costs that should be collected from the IGFC at this time. This charge is a transparent way of increasing the fixed charge to a level that will allow for enough volumetric rate reduction to incentivize beneficial electrification. The EIA is discussed in more detail in SDG&E's rate design testimony (Exhibit SDGE-01). For the Joint IOUs' proposed First Version of the IGFC, the average SDG&E \$/month EIA charge would be lower than in Opening Testimony.

In sum, the Joint IOUs recommend the CPUC define the cost categories that would be eligible for inclusion in any given IGFC in its 2024 Decision. We propose that the cost categories as described above as being appropriate be so designated for potential fixed cost recovery. Adopting the specific cost categories in 2024 allows this to be used as the basis for the first version IGFC (even if it ends up reflecting only a portion of the total costs) as well as for future version(s) of the IGFC, which is administratively efficient, because there would be no need to re-litigate the list of eligible cost categories in any subsequent proceeding to address

issues around a future version of the IGFC. Subsequent proceedings could focus on arguments and issues related to the implementation of future versions of IGFCs, including what increasing proportions of this eligible fixed cost list should be reflected in future steps down the gradual IGFC pathway.

Question 6. Are there certain Eligible Fixed Costs that should be excluded from recovery through the first version of IGFCs? Would it be reasonable to simply recover a portion of Eligible Fixed Costs through the first version of IGFCs without specifying which costs are recovered?

As discussed above, in the Joint IOUs' response to Question 5 as well as in our previously-submitted testimony, yes, there are costs that qualify as fixed under the AB 205 definition (and thus *could* be included in the IGFC) that the Joint IOUs do *not* recommend be included in the list of the universe of fixed costs considered eligible for potential inclusion (in whole or in part) in any given IGFC along the envisioned gradual pathway. For example, the PCIA and Transmission rate components are fixed costs (that do not vary with increased electricity usage), for policy and jurisdictional reasons the Joint IOUs propose that they not be included in the IGFC.

It would be reasonable to include only a portion of the sum of eligible fixed costs in the First Version IGFC (as proposed by the Joint IOUs in these Opening Comments), even as the CPUC adopts the full eligible fixed costs list under which that share is calculated. It would not be reasonable to adopt an IGFC without specifying the eligible costs that will be included. Establishing in the Track A 2024 decision the eligible universe of fixed cost categories allowable for potential recovery in any IGFC (whether the Joint IOUs' initial IGFC or any later version(s) of the IGFC adopted further down the CPUC's gradual pathway) does not prejudice what level(s) if IGFCs would be adopted in the future as the proportion of these eligible costs would be "gradually" increased to eventually be fully marginal cost-based. In other words, the Commission should make two determinations: 1) adopt the full list of current fixed costs considered eligible for potential inclusion in any IGFC; and 2) adopt a specific share of those eligible fixed costs to be included in the First Version IGFC. The Joint IOUs respectfully request that the CPUC's 2024 Track A decision adopt our recommended, complete, utility-specific lists of eligible fixed cost categories (as discussed in response to Question 5 above), even if only a portion of the all such IGFC-eligible fixed costs is reflected in the First Version IGFC.

The CPUC’s initial scoping memo for this proceeding has already stated that Track A will determine what fixed cost categories should be authorized as being eligible to be considered for potential recovery, in full or in part in any version of an IGFC (even if the CPUC decides to only reflect a portion of that complete list of eligible costs in its initial IGFC).⁴⁷ Indeed, the Joint IOUs’ position parallels the type of approach already proposed in the Opening Testimony of TURN/NRDC, whose proposed initial IGFC only reflected a portion of TURN/NRDC’s total universe of eligible IGFC costs, leaving to the future any further movement toward full marginal cost-basis once a more granular IGFC income verification process could be defined.⁴⁸

Put simply, by 2024 the Commission will have before it a full evidentiary record that can and should be relied upon to support establishment of the universe of fixed cost categories that are eligible for the Commission to use – in whole or in portion – in setting any version of an IGFC along its envisioned multi-year gradual IGFC pathway. Taking action to identify the existing universe of IGFC-eligible fixed cost categories would result in many administrative efficiencies, as it would avoid re-litigation of the universe of eligible fixed costs in any of the future steps along the Commission’s newly envisioned gradual pathway.

The Joint IOUs strongly recommend the CPUC specify in its 2024 Track A decision which costs it deems to fall into the total universe of fixed costs eligible for inclusion in any given IGFC. Every time the CPUC considers any future proposed version(s) refining the initial IGFC, along the various decision-point mileposts on its multiyear pathway, it should gradually be moving any previously-adopted IGFC rate design progressively closer to covering all of the marginal costs on the list of the total universe of eligible fixed costs, for an ever-more cost-based, efficient rate design. By defining the total universe of eligible fixed cost categories for each IOU in the 2024 Track A decision, future proceedings could efficiently focus on considering the factual showings that support what proportion of those total eligible fixed costs each party believes would be reasonable to include in each subsequent version of IGFCs if not adopted as part of the First Version IGFC.

The more expedient implementation of IGFCs allowed by 2024 adoption of the Joint IOUs’ proposed first step here, will better incentivize early adoption of beneficial electrification technologies because it will reduce volumetric rates, which is important if California is to meet

⁴⁷ Assigned Commissioner’s Phase 1 Scoping Memo and Ruling (Nov. 2, 2022), p. 3.

⁴⁸ Exhibit NRDC-TURN-01, p. 38, lines 1-12.

our transportation and building electrification goals for climate action. Without clear direction about what costs are eligible to be reflected in any IGFC (even proportionately), an RDW application for a First Version IGFC would be necessary for initial implementation, and parties will need to repeat much of the same work that has been presented here.

Instead, the Commission could adopt a process like the one implemented for residential rate reform tier consolidation of volumetric rates in Rulemaking (R.) 12-06-013. In that proceeding, the Commission required the IOUs to submit Tier 2 Advice Letters setting forth the approved pathway for future rate changes to consolidate the tiers.⁴⁹ The First Version of the IGFC should follow this model. If the Commission adopts specific costs to be included in the First Version (and possibly subsequent versions) of the IGFC, the IOUs could easily calculate the values for the First Version IGFC based on current effective rates at the time of the decision. This would change the nature of or need for future consolidated RDWs discussed in the Ruling which would focus on litigating future versions of the IGFC, in parallel with implementation of the simplified three bracket First Version, proposed here.

The Joint IOUs recommend that the Commission, in its 2024 Track A decision authorizing an IGFC gradual pathway, also adopt: (1) the full listing of specific categories of costs that are considered fixed and therefore eligible to be included in any version of the IGFC, (2) the proportion of this total that should be reflected in the initial First Version IGFCs recommended here, and (3) a process by which the IOUs would calculate their respective specific resulting First Version IGFCs, for approval through Tier 2 Advice Letters filed in Q3 2024, for a First Version IGFC to be implemented as soon as practicable after the CPUC Resolution approving those Advice Letters.

Question 7. Section 739.9(d)(1) requires any approved fixed charges to “[r]easonably reflect an appropriate portion of the different costs of serving small and large customers.” How should the Commission address this requirement? Please cite previous Commission decisions and operational issues with identifying small customers.

In the First Version IGFC, the law’s requirement that a fixed charge must reasonably reflect an appropriate portion of the different costs of serving small and large customers can be met by considering the initial income differentiations to be an adequate proxy for customer demand levels. Although not a precise means of reflecting different demand levels, the

⁴⁹ D.15-07-001, p. 334, Ordering Paragraph (OP) 5.

Commission has found in a prior proceeding that (based on the evidence then presented) a “weak correlation between income and usage.”⁵⁰ The Joint IOUs acknowledge that this general correlation does not predict that a low-income household will necessarily have low usage (especially if it is a larger household) or that a high-income household will necessarily have high usage. However, given that the First Version IGFC is intended to be the first step in a process leading to subsequent versions of the IGFC, the Joint IOUs submit that this correlation is sufficient to reasonably reflect an appropriate portion of the different costs of serving small and large customers and therefore satisfies AB 205’s requirement. The First Version IGFC will approximate size differential by including higher income customers in Bracket 3 and providing IGFC discounts to lower-income customers in Brackets 1 and 2. More extensive and precise approaches can be explored in the envisioned future RDW applications or track of this proceeding through which subsequent versions of the IGFC would be adopted.

As discussed further in the responses to Questions 7a-d below, the Commission should approve the First Version IGFC and direct further evaluation of size differentiation considerations through a future track or phase of this proceeding or RDW proceedings.

Question 7.a. Should the Commission include in the IGFCs a demand-differentiated charge similar to what has been authorized by the Hawaii Public Utilities Commission for future Hawaii TOU rates where certain customer-specific costs are collected on the basis of non-coincident peak demand?

No. The Joint IOUs propose the 2024 final decision for the First Version IGFC not direct the application of a specific size differentiation framework along the lines of the referenced charge authorized in Hawaii. As currently proposed, the First Version IGFC will meet the law’s requirement that a fixed charge must reasonably reflect an appropriate portion of the different costs of serving small and large customers insofar as income is correlated to some extent with size of residence, which in turn is correlated with demand levels. As previously noted, more refined and extensive approaches to reflecting these different costs in fixed charges (including the possibility of a separate size-based charge along the lines of the Hawaii model) can be

⁵⁰ See D.15-07-001, p. 313, Finding of Fact (FOF) 53; see also *id.* at 64 (“we find that there is some correlation between income and usage and between household size and usage (but that neither measure can be used to accurately predict usage in every case). The evidence shows a general trend, on average, toward higher usage for larger households and higher usage for higher income customers.”)

explored in applications pertaining to subsequent versions of the IGFC. The following is a discussion regarding size differentiation frameworks that can be explored in this proceeding.

The ALJ's December 9, 2022 Ruling (requiring legal briefs on legislative intent) hypothesized a potential bundled fixed charge that might be comprised of two elements:⁵¹ first, a monthly basic service fee that is income graduated, with a possible second "demand charge" element that meets the requirements of the fixed charge definition in PUC § 739.9(a) which requires any fixed charge not to vary based on month-to-month changes in a customer's kWh usage, a requirement that might be satisfied if the demand charge were preset using another factor such as maximum amperage. While in theory, the idea of a hybrid IGFC (*e.g.*, with a residential demand charge or other element to reflect size of kW demand), could have merit, there are several difficulties with taking this approach. Fully understanding these difficulties merits a more thorough review than can be conducted in future phases of this proceeding or through a separate RDW.

Should the Commission provide a venue to further explore a hybrid IGFC, the Joint IOUs suggest the Commission also explore the concept of a threshold-based demand charge. This concept would involve a demand charge that would only apply to demand beyond a specific usage level. Such a demand threshold level could be initially set either based on population statistics of demand levels to ensure relatively few customers are exposed to such a charge, or based on end-use specific load data to ensure the threshold does not expose most customers adopting building and transportation electrification technologies to a demand charge. For example, if the threshold were set at 12 kW (*e.g.*, a 5kW house load plus a 7 kW level 2 EV charger), a customer with a demand of 15 kW would only be assessed a demand charge on 3 kW.

A third approach would be one where the IGFC could be demand differentiated for moderate- to high-income households but would exclude low-income households. The income graduated portion of the IGFC would be delivered through the existing CARE, FERA, Non-CARE/FERA designations, or a variant of the low-income designations as described in the Joint

⁵¹ The demand structure authorized by the Hawaii Public Utilities Commission for future Hawaii TOU rates is similar to the structure theorized in the December 9, 2022 Ruling. A notable difference is that the Hawaii demand charge structure recovers costs that would otherwise be recovered through a monthly basic service fee. The structure described in the December 9 Ruling however retains the basic service fee as a fixed dollar-per-month charge and recovers other designated fixed costs through the demand charge.

IOUs' opening testimony. Under this construct, the medium- to high-income households would be grouped into several groupings based on a measure of demand, with an incrementally larger IGFC for each successive group. Low-income households would be assessed a low-income fixed charge with a value set to satisfy the AB 205 requirement that low-income customers receive a lower bill on average in each baseline territory without changes in usage.

The Joint IOUs continue to believe the inherent complexity of the IGFC coupled with size differentiation makes additional review in a subsequent proceeding necessary to ensure a proper determination regarding the efficacy of the hybrid approach.

Question 7.b. Several parties proposed to apply a different fixed charge to multi-family customers, either by identifying multi-family customers or using a shared service drop as a proxy for these customers. For utilities that do not already identify multi-family customers, what would be the additional cost of identifying multi-family customers? In the alternative, is a shared service drop a reasonable proxy for identifying multi-family customers?

While several parties have proposed the use of “housing type” (*e.g.*, single family vs. multifamily) as part of setting each customer’s basic service charge, the Joint IOUs feel it is premature to make such a determination for the First Version IGFC that we propose be adopted in 2024 for implementation as soon as practicable thereafter. The utilities that do not already provide a basic service fee based on housing type (PG&E and SDG&E) will require time to explore and fully implement a workable structure for doing so. A basic service fee based on housing type presents significant data challenges, for these IOUs, in that billing quality data is not readily available to distinguish amongst the housing types of each and every one of their millions of residential customers. Developing billing quality data and reprogramming the billing systems to allow consistent updates to such data fields would require additional expenditures.⁵² Once a final housing type structure has been determined and the cost estimates for it have been fully developed, the Joint IOUs anticipate a separate funding request application or Tier 3 Advice Letter would also be required.

The Joint IOUs do not support the use of home electric panel amperage as a basis for such a charge, as none of the IOUs currently collects this type of data. The collection of billing-quality electric panel amperage data would likely be very costly, requiring field verification for

⁵² See Exhibit Joint IOUs-03, p. 39 lines 19-21. SCE currently applies the residential basic service charge on the basis of housing type. Any incremental costs for SCE would be associated with deviation from its current process or upgrades to meet a new standard of service, which cannot be determined at this time.

an initial implementation and periodic inspections to maintain the integrity and relevance of the data.

Question 7.c. Should the Commission include some other approach to differentiating the fixed charge based on customer size? This could include some other parameter or a combination of parameters to measure customer size. An example of this would be the approach used by Burbank Water and Power, which adds a residential “service size charge” to a fixed residential “customer service charge”, with the “service size charge” differentiated based on customer size as follows: small defined as a service location with two or more meters per service drop (typically multifamily residential); medium defined as a service location with one meter per service drop and does not meet the definition of large (typically single-family residential); and large defined as a service location with a panel size greater than 200A.

At this time, the Commission should not include other approaches to differentiating the fixed charge based on customer size. As discussed in response to Question 7.a above, the Joint IOUs propose that the First Version of IGFC is simple and should rely on readily available information and processes. The Commission should find, in its 2024 Track A decision, that the First Version IGFC satisfies the requirement that a fixed charge must reasonably reflect an appropriate portion of the different costs of serving small and large customers by considering the initial income differentiations to be an adequate proxy for now. As discussed above, the loose correlation of usage with income levels means that the First Version IGFC provides an approximation of size differential by including these higher income customers in Bracket 3 and providing IGFC discounts to lower-income customers in Brackets 1 and 2. More extensive and precise approaches can be explored in the envisioned future applications pertaining to subsequent versions of the IGFC.

The incomplete data gathered to date in this proceeding shows various municipal utilities include size differentiation as a component of the residential fixed charge they assess their customers each month. Examples include Burbank Water and Power, whose size differentiation structure relies on a record of the number of service accounts associated with a single premise and electric panel amperage.⁵³ A similar but more targeted structure is offered by Riverside Public Utilities (Riverside); it features three components including: 1) a Basic Service Fee on a dollar-per-month basis; 2) a Reliability Charge for recovery of system reliability costs associated

⁵³ Burbank Water and Power website, Electric Rates: <https://www.burbankwaterandpower.com/electric/rates-and-charges> (accessed July 17, 2023)

with transmission, distribution, and generation assessed on the basis of electric panel capacity or a combination of panel capacity and usage; and 3) a Network Access Charge based on average daily demand.⁵⁴ A key component common to both of these examples is the use of electric panel capacity as a size determinant. While parties may wish to explore substitute determinants for panel capacity, such explorations have not yet occurred in Track A of proceeding.

The Joint IOUs continue to support the CPUC's exploration of a potential size differentiation component for subsequent versions of the IGFC that refines the simplified First Version IGFC. However, it would be premature for the Commission to adopt a specific size differentiation structure in 2024 for a First Version IGFC. Structures like the one used by Burbank depend on billing determinants that are not currently fully captured in the IOUs' billing systems. For this reason, as well as other ramifications of adding complexities to the First Version IGFC, the Joint IOUs continue to recommend that the CPUC explore size differentiation in a subsequent proceeding after the First Version IGFC has been implemented.

Question 7.d. If the IGFC is differentiated based on customer size or an individual customer's demand, are there customer-specific Eligible Fixed Costs or other factors that should be used to determine the magnitude of the size-based differentiation?

The Joint IOUs believe this determination cannot be made for implementation in a First Version IGFC. At this stage in the proceeding, there is not adequate time to fully explore positions and vet the factual bases underlying the varying size determinants that can be used for this purpose. As noted, the First Version IGFC will meet the law's requirement that a fixed charge must reasonably reflect an appropriate portion of the different costs of serving small and large customers insofar as income is loosely correlated with home size.

The Joint IOUs continue to recommend size differentiation be explored in the subsequent proceedings along the gradual IGFC pathway, which would run parallel with the IOUs' implementation of the First Version IGFC proposed here for adoption in 2024. There are numerous factors that could determine customer size, including: (1) average daily usage, (2) highest one-hour, and (3) highest one-hour usage during peak hours, to highlight just a few examples with no priority or preference. It is expected parties' positions on the criteria for a new

⁵⁴ Riverside Public Utilities, Domestic Service rate schedule: <<https://riversideca.gov/utilities/sites/riversideca.gov/utilities/files/pdf/rates-electric/Electric%20Schedule%20D%20-%20Effective%2001-1-19.pdf>> (accessed July 14, 2023).

size metric will vary. Because the opportunity to fully explore all such positions and vet the necessary factual showings supporting them (including on feasibility, cost-effectiveness and accuracy), the Joint IOUs believe none of these additional factors should be considered for inclusion in our proposed First Version IGFC, as described in response to prior questions above. The Joint IOUs continue to recommend size differentiation be explored in a proceeding to run in parallel with the implementation of our proposed First Version IGFC.

Question 8. How should the Commission apply the Electric Rate Design Principles to the design of the first version of IGFCs?

As discussed above and in our previous testimony,⁵⁵ the Joint IOUs continue to recommend the Commission balance its updated RDPs, adopted in D.23-04-040, to determine whether the Joint IOUs' proposed First Version IGFC is just and reasonable. The CPUC has long recognized that there is inherent tension among the CPUC's ten RDPs which center on different policy goals that at times run contrary to and conflict with one another. The Commission must take a balanced approach that considers and appropriately weighs all of the stated goals of this rulemaking and all of its updated RDPs.

To set the foundation for an IGFC, the CPUC prioritized the adoption of updated RDPs through Track B of this proceeding, and issued a decision in April 2023.⁵⁶ The CPUC affirmed that significant changes in residential rate design are necessary, stating that “[e]lectric rates should encourage customers to transition away from fossil fuels and adopt electrified transportation and building technologies”⁵⁷ to reflect the addition of decarbonization through electrification as a major state policy goal for achieving GHG reductions.

In particular, the recent update that changed the previous RDP 4 to “Rates should encourage economically efficient (i) use of energy, (ii) reduction of GHG emissions, and (iii) electrification”⁵⁸ reflects a major shift in rate design priorities. In prior rate designs, the reduction of electricity use through conservation and energy efficiency was prioritized regardless of whether that was environmentally responsible. The percentage of non-GHG emitting

⁵⁵ See Exhibit Joint IOUs-01, p. 24, line 2 to p. 28, line 13.

⁵⁶ D.23-04-040.

⁵⁷ *Id.*, p. 13.

⁵⁸ *Id.*, p. 15.

resources in the current statewide generation mix is much higher now, over 52%,⁵⁹ compared to 2011 when the current rate design principles were adopted. The state’s renewables policies ensure that this trend will continue. The driving force of state policy now points to increased electric use through beneficial electric technologies (like electric vehicles, heat pump space cooling and heating, heat pump water heaters, induction ranges, and battery storage). This shift has major ramifications for rate design by shifting its emphasis from the efficient use and conservation of electricity to the efficient increased use of electricity to facilitate the energy transition, while improving affordability of household energy consumption.

The updated version of RDP 2 retained the decades old principle that “Rates should be based on marginal cost.”⁶⁰ Also, the updated RDP 7 (“Rates should be technology-neutral and avoid cross-subsidies, unless the cross-subsidies appropriately support explicit state policy goals”)⁶¹ is very similar to its predecessor. These RDPs plus updated RDP 3 (“rates should be based on cost-causation”)⁶² as well as RDP 5 (“rates should encourage customer behaviors that improve electric system reliability in an economically efficient manner”),⁶³ all appear to indicate that rates should provide volumetric price signals as close to marginal costs as possible, while balancing other rate design principles. Today’s rates feature volumetric price signals that are significantly higher than the marginal costs in low-cost hours, as shown in the Joint IOUs’ Opening Testimony Rate Design chapter (Table II-4), which can discourage the voluntary adoption of electrification technologies. The shift towards more fixed cost recovery through fixed charges can bring residential rates to a point where technology neutral rates that avoid or minimize cross-subsidization are achievable.

Additionally, just as advancements in technology and policy have led to the reformed rate design principles expected in this proceeding, updated principles should include the ability to adapt to continuous changes as California’s energy landscape evolves.

⁵⁹ California Energy Commission, Annual Power Content labels for 2021 available at: <https://www.energy.ca.gov/programs-and-topics/programs/power-source-disclosure/power-content-label/annual-power-content-2> (accessed July 14, 2023).

⁶⁰ D.23-04-040, Attachment A, p. 1.

⁶¹ *Id.*, Attachment A, p. 3.

⁶² *Id.*, Attachment A, p. 1.

⁶³ *Id.*, Attachment A, p. 2.

Question 9. Should the Commission eliminate a minimum bill for residential customers when implementing the first version of IGFCs?

Yes, consistent with the Joint IOUs' Opening Testimony,⁶⁴ minimum bills should be eliminated in favor of the IGFC regardless of whether it is the First Version IGFC or a subsequent version. The minimum bill structure will likely be redundant to the IGFC and apply to actual bills even more rarely than it does today under most proposals (for example, under the Joint IOUs' IGFC proposal, the current minimum bill would never impact customer bills if it remained in place). Maintaining the minimum bill would add complexity to rates for no perceivable benefit, since the IGFC would be charged even if the customer's usage was zero for the month.

Question 10. What proven income verification processes and best practices from existing low- and moderate-income assistance programs in California or other jurisdictions should be leveraged for the first version of IGFCs?

A First Version IGFC should generally leverage established processes and should avoid introducing or expanding new income verification methods for non-CARE/FERA customers to avoid customer confusion and make the First Version IGFC as seamless and easy to accept for customers as possible. Further, introducing or expanding income verification methods that will be discarded for improved income verification methods in subsequent versions of IGFCs creates additional costs that should be avoided. As such, the Joint IOUs advocate that the Commission adopt a First Version IGFC that aligns with the three income brackets described in response to Question 2b above, so that existing CARE/FERA income reporting and selective verification processes can be leveraged. The CARE program has been successfully using broad self-certification and income verification for over 30 years to enroll customers into the discount program, proving that these established processes have been tested and are effective at enrolling qualifying customers. Specifically, customers enroll in CARE or FERA by providing self-reported income information, or in CARE by attesting they are enrolled in certain public assistance program(s). A subset of CARE and FERA enrolled customers undergo income verification through an annual post-enrollment verification process. In such a proposal, existing CARE and FERA customers would receive lower fixed charges, and all other customers would receive a higher fixed charge. Operational impacts and cost to implement would be minimal

⁶⁴ Exhibit Joint IOUs-01, p. 53, lines 9-19.

because existing CARE and FERA enrolled customers would be assigned to Brackets 1 and 2 based on their self-reported income information relative to 100% FPL for that household size, and any newly eligible customers would go through the existing CARE and FERA enrollment process to receive the lower fixed charge. All other customers would have no action to take.

In Opening Testimony, the Joint IOUs reviewed other existing income verification methods for programs such as CalFresh and LifeLine,⁶⁵ and concluded that they would not be appropriate to leverage to implement IGFC. The income verification methods for both of these are rigorous and require participants to provide proof of income eligibility to receive the benefits. While this methodology works for benefit programs such as LifeLine or CalFresh, it is unlikely to work for IGFC because of the cost and operational burden to income verify all 10.8 million Joint IOU residential customers to place them in the correct income bracket.

Question 10.a. Should the Commission borrow elements of income-verification processes from low- or moderate-income programs administered by other California state agencies or other jurisdictions for the first version of IGFCs? If so, please describe the state program, income eligibility requirements, and income verification process.

No, as discussed above, the Joint IOUs do not recommend leveraging elements from other California state agencies – instead, the Joint IOUs recommend that their existing CARE and FERA income verification processes be leveraged for our proposed First Version IGFC to be prescriptively adopted in the 2024 decision. To allow a First Version IGFC based on existing CARE/FERA income verification processes and self-certified information to be available starting in 2025 but with a differing timeline for each IOU, the Joint IOUs recommend that the Commission adopt a simplified First Version IGFC that includes three levels of IGFCs. The first for CARE-enrolled customers with household incomes up to 100% FPL, the second level of IGFC for CARE-enrolled customers above 100% FPL limits plus all FERA enrollees, the third and highest level of the First Version IGFC being applied to all residential customer accounts not enrolled in either the CARE or FERA programs. As explained in responses to prior questions, by leveraging the existing CARE and FERA program data and enrollment processes, the CPUC, the IOUs and all interested parties can begin, as soon as 2025, to gain IGFC experience from the First Version IGFC, while beginning to achieve some degree of reduction in electric volumetric rates before it would be implemented under the Ruling’s envisioned separate application process

⁶⁵ Exhibit Joint IOUs-01, p. 62, line 11 to p. 65, line 18.

for adopting a First Version IGFC. Given the urgency of climate action, as well as rate relief, especially for our most economically vulnerable customers (in the First Version IGFC’s very low-income and low-income brackets), the CPUC can and should kick off its gradual IGFC pathway with a prescriptive first step that is supported by the necessary evidentiary record.

Question 10.b. Should the Commission establish categorical eligibility for income verification based on low- and moderate-income programs administered by other California agencies or federal agencies? (For example, the income eligibility of around 96 percent of California LifeLine participants is verified through proof of participation in a low-income assistance program administered by another California agency.)

Yes, in part, but it depends on the details. First and foremost, the Joint IOUs recommend that the categorical eligibility established for the IGFC should align with the categorical eligibility for the CARE program. Some other state and federal low- and moderate-income programs appear to align with the Joint IOUs’ FPL-based income brackets, to allow them to easily be used to establish categorical eligibility for at least Bracket 2 low-income status for the First Version IGFC, proposed here for adoption in 2024. However, other state and federal low and moderate-income programs may not align well with this nearer-term simplified approach. For instance, no such categorical program recently received by the CARE program has off-the-shelf information about whether a customer household’s total income is 100% FPL or under,⁶⁶ making a categorical assignment to Bracket 1 (“very low income”) an unlikely approach used to support our First Version IGFC.

The Joint IOUs are open to establishing an appropriate categorical eligibility process to support assignment of as many low-income customers as possible to at least Bracket 2 of our proposed First Version IGFC to be adopted in the 2024 decision. If the Commission establishes an initial IGFC categorical eligibility process through its 2024 decision, the Joint IOUs recommend that instead of approving a specific list of programs that would make a customer categorically eligible for the proposed low-income or very low-income brackets, the Commission should reference current CARE rules. Both such low-income IGFC bracket(s) should remain aligned with CARE while it is currently under-going its own review of categorical eligibility. Referencing use of whatever CARE categorical eligibility is then in use (at the time any step

⁶⁶ ESA CARE FERA Categorical Eligibility Study Draft and Final Reports. Available at: <<https://pda.energydataweb.com/api/view/2814/Categorical%20Eligibility%20Draft%20Report.pdf>> (accessed July 14, 2023).

along the IGFC pathway takes place) would be the easiest way to keep both initiatives aligned over time.

Question 10.c. If the Commission establishes categorical eligibility, what list of programs should the Commission approve for categorical eligibility for (a) a low-income customer tier, or (b) a moderate-income customer tier? Please either provide a list of programs or refer to the categorical eligibility rules of low- or moderate-income programs.

If the Commission establishes a policy of categorical eligibility through its 2024 Track A decision, as noted above, the Joint IOUs do not recommend the decision actually approve a new list of categorical programs, but instead reference the current CARE categorical program eligibility rules. CARE and the low-income IGFC brackets should remain aligned. If changes were to be made to CARE categorical program,⁶⁷ an IGFC should implement the same changes accordingly.

In addition, the Joint IOUs' First Version IGFC proposal includes a lowest bracket of less than 100% FPL. Current categorical programs eligible for CARE have much higher income eligibility thresholds. For instance, the two programs most aligned with CARE as described by the recent categorical eligibility study have thresholds of 185% and 200% FPL, respectively.⁶⁸ For this reason, the Joint IOUs propose to consider categorical entry customers from CARE for the lowest bracket if the customer provides income information consistent with the 100% FPL threshold during CARE enrollment. If no income data is available, the customer would be placed in Bracket 2. The Joint IOUs will leverage existing CARE/FERA enrollment processes to collect income information from the categorical customers.

Question 10.d. Should the Commission authorize the use of data sharing agreements with other California agencies to verify participation in low- or moderate-income programs?

No, at least not for purposes of the Joint IOUs' proposed First Version IGFC, which can use existing CARE categorical program eligibility data under the IOUs' existing data sharing agreements with other organizations.

⁶⁷ *Id.*

⁶⁸ CalFresh has an eligibility threshold of 200% FPL and WIC of 185% FPL. Refer to ESA CARE FERA Categorical Eligibility Study Draft and Final Reports, p 43-44. Available at: <https://pda.energydataweb.com/api/view/2814/Categorical%20Eligibility%20Draft%20Report.pdf> (accessed July 14, 2023).

As discussed in response to Question 14 below, because the Joint IOUs are prepared to take on this task, cost recovery authorization and mechanisms for such work will need to be approved in the 2024 decision that adopts the First Version IGFC.

However, should the Commission decide for future versions of the IGFC that implementation of a TPA verification model is feasible to enable more complex, later subdivision of income brackets, then data sharing agreements between the TPA with other California agencies could enable easier income verification for customers who have already been income verified for a different state or federal program – but only for those populations whose income criteria overlap with the CARE and FERA FPL eligibility thresholds.

Question 10.e. To the extent that you propose a new income verification process for the first version of IGFCs that has not been implemented by a California state agency, has your proposed approach been implemented or tested by another state or local jurisdiction? If so, please provide information about where your proposed approach has been implemented or tested, including any available evaluation reports. If not, please explain why existing income verification processes are not sufficient for the first version of IGFCs.

The Joint IOUs do not propose a new income verification process for the First Version IGFC. As discussed in detail above, we propose that the First Version IGFC should use existing CARE and FERA program income verification processes and enrollment data.

Question 11. Should the Commission adopt a different design for the first version of IGFCs for certain non-default rates, such as electrification rates (e.g., PG&E’s E-ELEC rate, SCE’s TOU-D-PRIME rate, and SDG&E’s TOU-ELEC rate)? If the first version of IGFCs are the same for all rates, will this approach impact the ability of electrification rates to incentivize electrification compared with default rates?

The IGFC must be applied to all available residential rates, including the electrification rates. As proposed in the Joint IOUs’ Opening Testimony,⁶⁹ at minimum the electrification rates version of the IGFC should collect at least the same amount of distribution costs as the existing pro-electrification rates’ fixed charges do today. For example, if the CPUC adopts a first version IGFC in mid-2024 that has an IGFC collecting over \$15/month of distribution costs from non-CARE customers for PG&E, it could opt not to adopt an initially higher IGFC for PG&E’s pro-electrification rates while not harming the ability of electrification rates to incentivize electrification compared to default rates. However, this would degrade the existing incentive in

⁶⁹ Exhibit Joint IOUs-01, p. 82, lines 8-9.

electrification rates relative to default rates; the CPUC could instead direct that the first version IGFC for the IOUs' pro-electrification tariffs should maintain their existing volumetric charge *differential* as compared to the default rate's volumetric charge.

For example, if PG&E's default rate's (E-TOU-C) non-CARE IGFC were \$30, PG&E's E-ELEC version of the IGFC would be set \$15 dollars higher, at \$45 (with correspondingly lower volumetric rates). Adopting this differential would ensure that all of the IOUs' existing pro-electrification rates maintain their existing electrification incentive compared to default rates.

In any event, the degree of income differentiation for pro-electrification rates must mirror that adopted in the First Version of each IOU's default residential rate – with otherwise applicable CARE/FERA discounts applying to the portion of the electrification rate fixed charge above the default IGFC. This approach will ensure there is no opportunity to avoid the income differentiation required by AB 205 by switching rates, while also ensuring income qualified customers are not disincentivized to take service on the electrification rates.

Question 12. Should the Commission authorize utilities to conduct a request for proposals to hire a third-party administrator (selected by Energy Division staff) for income verification for the first version of IGFCs for all of the IOUs, including or excluding the small and multi-jurisdictional utilities (SMJUs)? If so, when should the third-party administrator be hired? Should the Commission direct the selected third-party administrator to conduct any tests, participate in working groups, or do other work prior to the implementation of the first version of IGFCs?

No. If the CPUC adopts the Joint IOUs' proposal herein (for a First Version IGFC that uses existing CARE/FERA processes including self-certified income information or categorical eligibility through participation in other, similarly defined income-qualified state or federal programs) then no third-party administrator would be needed to implement this First Version of IGFCs. However, once the CPUC proceeds to a later decision on a more complex subsequent IGFC structure, the Joint IOUs propose that such a new, more complex income verification process should be performed by a third-party administrator, not the IOUs, as described in our Opening and Reply Testimonies.⁷⁰ The Joint IOUs remain strongly supportive of our original proposals.

⁷⁰ Exhibit Joint IOUs-01, p. 78, line 3 to p. 81, line 5; Exhibit Cal Advocates-01, p. 14, line 7 to p. 15, line 22; Exhibit Cal Advocates-02C, p. 2-1, lines 12-19; Exhibit NRDC-TURN-01, p. 34, lines 13-20; Exhibit BVES-01, p. 11, lines 8-12; and Exhibit PAC/100, p. 22, lines 11-13.

In Reply Testimony, the Joint IOUs acknowledged that a third-party administrator approach would take significant time to implement and that other solutions could be implemented more quickly – referencing the income verification solutions proposed by SEIA⁷¹ or PacifiCorp⁷² and as proposed by the Joint IOUs in these comments – because they do not rely on new externally-sourced income data. Instead, they leverage existing stated income and programmatic data which the Joint IOUs either currently possess in their CARE and FERA programs or could obtain with minimal additional work without requiring a TPA.⁷³

The Joint IOUs recommend the Commission authorize Request for Proposals (RFPs) for a third-party administrator only at such time as the Commission elects to base IGFC income verification on new externally-sourced information, such as information from the California FTB, California Department of Social Services (CDSS), reports or data from credit bureaus, or some other data source not currently available or not currently in use by the IOUs for CARE/FERA program enrollment or billing purposes. Additionally, the Commission should also authorize Energy Division to execute a solicitation for a third-party administrator if the Commission selects income brackets which differentiate moderate-income customers from high income customers because these customers are not eligible for the CARE or FERA programs, and IOUs do not currently possess income data that can be used to differentiate these groups.

However, as stated above, if the Commission elects to base a First Version IGFC's income verification on self-certification of household income or categorical information that the IOUs currently possess and sets income brackets either in alignment with CARE/FERA program guidelines, or with some achievable differential segmentation within those broader CARE/FERA income ranges,⁷⁴ then the Commission should not authorize a TPA in its 2024 decision. Doing so for the near-term would be more expedient, as it would allow the IOUs to implement income verification for the First Version IGFC, using existing data and minimal additional internal processes.

⁷¹ SEIA Direct Testimony (April 7, 2023), p. 20, lines 4-15.

⁷² Exhibit PAC/100, p. 20, line 22 to p. 22, line 13.

⁷³ Exhibit Joint IOUs-03, p. 60, line 15 to p. 61 line 9.

⁷⁴ For example, if the Commission set brackets at 0%-100% FPL, 101-250% FPL, and 251%+ FPL IOUs could use stated income amounts from the CARE/FERA application process to differentiate customers. It should be known that IOUs possess varying amounts of this data and that some CARE/FERA processes may need to be updated to collect stated income information from a higher percentage of the CARE/FERA population.

Question 13. How should the income-verification processes for the first version of IGFCs be designed to reduce administrative costs and implementation problems?

As stated in our response to Question 12 above, the Joint IOUs' Reply Testimony acknowledged that implementing an income verification process which utilizes a third-party administrator will take significant time.⁷⁵ Implementing a solution which relies on data the IOUs currently collect to administer the CARE/FERA programs and setting income brackets at levels that are compatible with those programs for the First Version IGFC will eliminate the need for a third-party administrator and minimize the complexity of implementation.

Question 13.a. If the Commission establishes a tier for moderate-income customers, how should the Commission verify incomes for these customers? Should income verification (and reverification) for moderate-income customers be similar to the process for CARE/FERA customers, California LifeLine, or another state program?

The Joint IOUs recommend that the Commission's 2024 decision in Track A adopt the proposed *definition* of a moderate-income customer for the First Version IGFC as all non-CARE/FERA-enrolled customers (both moderate and higher income, for the time being). This simplified First Version IGFC approach would eliminate the need for third-party income verification for moderate-income customers.

In our Opening Testimony, the Joint IOUs described the challenges that would be involved with scaling up CARE/FERA income verification to meet the needs of a moderate-income bracket for IGFC⁷⁶ and conclude that a process requiring the IOUs to collect customer stated income directly from moderate-income customers would be cost-prohibitive⁷⁷ and result in a large number of customer non-responses.⁷⁸

The Joint IOUs' Opening Testimony also discussed the telecommunication industry's low-income program, LifeLine, and its approach to income qualification for enrollment.⁷⁹ The LifeLine program bases its program eligibility on a customer's participation in CalFresh (51%) or Medi-Cal (43%), and also accepts enrollment in other programs or proof of Federal/State

⁷⁵ Exhibit Joint IOUs-03, p. 59. lines 2-11.

⁷⁶ Exhibit Joint IOUs-01, p. 68, line 19 to p. 73, line 22.

⁷⁷ Exhibit Joint IOUs-01, p. 71, line 3 to p. 72, line 21. Testimony describes that it could cost upwards of \$100M to verify all customer income using the CARE/FERA process or \$25-30M to collect, but not verify, income data directly from customers.

⁷⁸ Exhibit Joint IOUs-01, p. 68, line 20 to p. 73, line 22.

⁷⁹ Exhibit Joint IOUs-01, p. 64, line 3 to p. 65, line 18.

income or Supplemental Security Income (SSI).⁸⁰ Essentially, LifeLine’s model is to leverage the customer’s participation in another program which verifies income, and which has eligibility thresholds at or below those of its own program. A similar model is used in the CARE program where a customer’s participation in one of several assistance programs can serve as proof of eligibility for CARE.

While this may be an acceptable model for verification of income for low-income customers, it is unlikely that this model would work for verifying the incomes of moderate-income customers due to the relative unavailability of moderate-income assistance programs. Even if one or more moderate-income assistance programs were identified, it is likely that the vast majority of moderate-income customers would not be participants and would have to provide income documentation. To further illustrate this point, the Joint IOUs identified two programs that could be considered moderate-income assistance programs: the Clean Vehicle Rebate Projectsm and Covered CA. However, neither program would be suitable to leverage for IGFC. The Clean Vehicle Rebate Project includes low to moderate income customers, up to 400% FPL, but is limited in enrollment and not a strong representative sample of the majority of moderate-income residents in California – there have only been 40,300 participants⁸¹ in the 7 years since the program began offering increased EV rebates to low to moderate income customers.⁸² Covered CA aims to lower insurance costs for customers up to 400% FPL, but participation is also limited, and accessing customer income data provided through this program likely would require legislation, similar to requesting access to FTB data.

Other state programs which function differently from LifeLine rely more fully on direct verification of a customer’s income through a customer’s application. For example, CalFresh requires households to provide an application with household information. The mail-in version of this application consists of 15 pages of questions and requires households to provide an extensive amount of information (including the names, date of birth, gender, marital status,

⁸⁰ Consensus and Collaboration Program and Institute for Social Research, California State University, Sacramento, California LifeLine Program Assessment & Evaluation (May 2022), at p. 38 available at: <<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M478/K367/478367564.PDF>> (accessed July 14, 2023).

⁸¹ Clean Vehicle Rebate Project Cumulative Statistics as of November, 2022, available at: <[Clean Vehicle Rebate Project — California Climate Investments](#)> (accessed July 27, 2023).

⁸² California Air Resources Board (Feb. 24, 2021), available at: <[California directs more clean vehicle rebates to lower income families | California Air Resources Board](#)> (accessed July 27, 2023).

citizenship, and social security numbers of all members of the household applying for benefits).⁸³ The California Department of Health Care Services (HCS) then uses the information provided in this application to confirm eligibility for CalFresh, and other state services, by verifying income through the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS). This system has access to multiple databases useful for income verification including the Internal Revenue Service (IRS), Social Security Administration (SSA) Employment Development Department, and the Franchise Tax Board as well as Equifax's *The Work Number*TM.⁸⁴

The income verification process used by CalFresh and other state programs appears to be extensive and is likely accurate due to the variety of databases used and high level of information required from applicants. However, the information required to apply for CalFresh and other state programs that perform direct income verification would be significantly more burdensome than other programs used by the IOUs, such as CARE/FERA, which only requires a single page application that includes a self-certification of household income or participation in another qualifying program. Due to the extensive information applicants must provide to apply for state programs, such as CalFresh, which requires direct income verification, the Joint IOUs do not recommend that this model be used for verification of moderate-income customers.

If and when the Commission decides to adopt an IGFC that includes a different fixed charge for moderate income customers, the information used to determine whether a non-CARE/FERA customer is eligible for the moderate-income bracket (the Joint IOUs' Bracket 3) would be incremental to the information currently held by IOUs. As stated in our response to Question 12 above, the Joint IOUs recommend that a TPA with oversight provided by the CPUC be used to determine eligibility for moderate income customers. The TPA should establish a process that is not burdensome on moderate-income customers, and ideally, is based on information from an accurate external source that covers nearly all moderate-income customers (such as income data from the FTB). This would result in no action being required by customers whose data is present in the database and thus would encourage maximum participation in the moderate-income bracket.

⁸³ SAWS 2 PLUS (4/15) available at: <<https://www.cdss.ca.gov/Portals/9/Additional-Resources/Forms-and-Brochures/2020/Q-T/SAWS2PLUS.pdf?ver=2021-09-21-124001-040>> (accessed July 14, 2023).

⁸⁴ Exhibit Cal Advocates-02C, Appendix A.5.

The Joint IOUs do not recommend that moderate-income customers be required to provide permission to check individual or household income using Fair Credit Reporting Act (FCRA) compliant products from credit bureaus such as *The Work Number*TM suite of products from Equifax. As the Joint IOUs have already established in our Opening Testimony, doing this would require defaulting moderate income customers to the highest income bracket and “overcharging” customers and then burdening moderate income customers by requiring them to provide consent to use credit data to verify their income.⁸⁵ Furthermore, these products (including Equifax’s *The Work Number*TM suite of products) rely on payroll data, which leaves significant gaps for customers whose income is not based on reported payroll wages.^{86,87}

Question 13.b. Several parties argued that defaulting all non-CARE/FERA customers to the highest tier would result in placing a large portion of customers in the wrong tier. Other parties argued that defaulting customers to a lower tier would also result in placing a large portion of customers in the wrong tier and would not motivate higher income customers to consent to income verification. What solutions could mitigate the harms associated with defaulting all non-CARE/FERA customers the highest tier? For example, should non-CARE/FERA customers be defaulted to the highest income tier at least several months before a fixed charge is applied to their bill so that they have an opportunity to appeal their assignment? Should IGFC customer education start at least six months prior to implementation of the first version of IGFCs?

The Joint IOUs agree with the solution suggested in the question prompt that robust customer education should begin prior to implementation of each version of the IGFC. Robust customer education will further customer understanding of the IGFC and should be adopted regardless of income verification method. There will undoubtedly be some customers who are eligible for CARE or FERA but are not currently enrolled in either program, and outreach efforts should continue to try to encourage these customers to participate.

The best way to mitigate the harms associated with defaulting non-CARE/FERA customers to the highest income bracket would be to only adopt such a structure once a data set has become available that will allow for the vast majority of customers to be placed correctly, with only a small minority of customers defaulted to the highest bracket. The Joint IOUs are

⁸⁵ Exhibit Joint IOUs-01, p. 66, line 11 to p. 67, line 5.

⁸⁶ Exhibit Joint IOUs-03, p. 66, line 4 to p. 72, line 6.

⁸⁷ As referenced in Exhibit Joint IOUs-03, PG&E is exploring conducting a comparison of Equifax’s *The Work Number* product and PG&E’s residential customer account information to better understand potential gaps in the data base. PG&E requests that any results from this analysis be included in the record as they become available in Q4 of 2023.

concerned that adopting multiple income brackets above the CARE/FERA levels before such a dataset exists, and then defaulting all non-CARE/FERA customers to the highest brackets, will require an extensive and costly ME&O campaign and result in customer frustration along with an extremely high number of customer appeals that may be costly to resolve. In summary, Joint IOUs recommend the First Version of the IGFC be adopted without multiple brackets beyond the CARE/FERA eligibility level and that robust ME&O occur in advance of implementation to allow for additional CARE/FERA enrollments (if needed) and for CARE customers who are $\leq 100\%$ FPL to provide updated income data to ensure they are correctly placed in the lowest bracket.

Question 14. How should the costs of income verification be recovered for the first version of IGFCs? To the extent that income verification overlaps with CARE and FERA eligibility, how should the Commission identify which income verification costs are additional to CARE/FERA and should be considered IGFC costs?

With regard to the First Version IGFC proposed herein for adoption in the 2024 Final Decision to this proceeding, there are scenarios where additional income verification costs would be limited and easily identified. For example, if the Commission's 2024 Track A decision adopted the Joint IOUs' proposal for a First Version IGFC that would use the Joint IOUs' previously-proposed lower two income brackets within the CARE/FERA program limits (with CARE customers of 0%-100% FPL in the first, lowest income bracket, and all other CARE/FERA-enrolled customers in the second, low-income bracket), the IOUs could use the income information collected during the CARE/FERA application process to determine the correct customer brackets.

While SCE and SDG&E⁸⁸ have stated income data for a portion of customers enrolled on CARE and FERA, current CARE application forms do not require this information to be provided for customers who can demonstrate categorical eligibility. To collect income data from a higher percentage of CARE applicants in the future, the IOUs should make changes to the CARE application forms and related processes to encourage customers to provide household income data more often, even when signing up for CARE through categorical eligibility.

⁸⁸ PG&E's CARE application was only very recently modified to provide a field for customers to enter information and previously included check boxes for customers to indicate a range of income. Therefore PG&E has very little usable household income data at this time.

Additionally, the IOUs should conduct ME&O activities to current CARE enrollees who do not have income data on file so that the correct IGFC bracket is assigned.

Costs for these activities (*i.e.*, income verification and ME&O costs, as well as modifications to IOU billing systems and Measurement and Evaluation costs (without limitation)) should be recorded in the Income Graduated Fixed Charge Balancing Account (IGFCBA) and recovered from all customers through PPP rates using the annual year-end rate change advice letter process adopted in Resolution E-5127.

In our responses to Questions 12 and 13.a above, the Joint IOUs recommend that a TPA be used if income verification relies upon data that is incremental to the data that IOUs already gather through approved CARE/FERA processes. In such cases, the costs for the TPA, as discussed in our Opening Testimony, should be funded by California's General Fund. If there are any income verification costs incurred by the IOUs that are not offset with state funding, those costs as well as any other costs should be recorded in the IGFCBA as described in our Opening Testimony.⁸⁹

Question 15. Should the Commission establish one or more working groups and/or authorize funding for contractors for the following purposes?

Yes, the Joint IOUs support the use of one or more working groups to inform and support the development of subsequent IGFCs. Based on the Joint IOUs' positive experience with Nexant (the CPUC contractor that facilitated development of the pilots for residential default TOU rates as part of the Residential Rate Reform proceeding and performed analysis of the pilots to inform the CPUC's final decision), it may be appropriate for the CPUC to see if a qualified facilitator with the necessary expertise could be hired at a reasonable cost. However, the Joint IOUs are sensitive to minimizing the affordability impacts of such implementation costs and believe the CPUC should gather additional information prior to authorizing funding for such contractor(s).

⁸⁹ Exhibit Joint IOUs-01, p. 131, line 6 to p. 132, line 19.

Question 15. a. Should a working group develop reporting requirements and an evaluation plan for the first version of IGFCs for consideration in this proceeding? Or should reporting requirements and evaluation plans be developed in each utility’s rate design window application proceeding?

The Joint IOUs are proposing a First Version IGFC that is largely based on existing CARE/FERA processes and data. For this reason, there is no need for a working group to develop extensive new reporting requirements or evaluation plans for the First Version IGFC. The Joint IOUs envision a First Version IGFC implementation where the rate design, cost recovery, and programmatic requirements such as reporting for the First Version IGFC are articulated in detail within the 2024 decision such that the initial implementation can occur through a Tier 2 Advice Letter. However, if the Commission determines that a working group is necessary, the Joint IOUs advocate for an expedited working group process with limited meetings, in order to avoid delaying implementation.

Limited reporting for the First Version IGFC could cover operational metrics such as the number of customers in each bracket, fluctuations in bracket population, average bill impacts, and potentially pre-/post implementation evaluation results about awareness and understanding of the new IGFC rate structure. Reporting could follow a similar model as the Residential Rate Reform OIR, where the IOUs shared information in working group meetings, and reported on a quarterly basis (Progress Reports on Residential Rate Reform).

The Commission can explore new reporting requirements and evaluation plans for Future Versions of IGFC, which is expected to be more complex than the First Version IGFC with new rate and program elements. Any new reporting requirements and evaluation plans associated with the IGFC should be developed in the working group tasked with working out the Future Version IGFC and then specified in a subsequent proceeding.

Question 15.b. Should the Commission establish a working group and authorize funding for a third-party contractor to develop an ME&O proposal for consideration in this proceeding? If so, what should be the scope of work for the working group and contractor? When should the proposal be due?

It depends on the scope of the engagement. The Joint IOUs aim to adopt a localized approach, with each individual utility responsible for developing effective communication strategies and tactics for their diverse customer population. As detailed in the ME&O chapter plans, the Joint IOUs intend to capitalize on the insights gained from previous success with our closely aligned, yet distinct default to TOU marketing and outreach initiatives. The Joint IOUs

will leverage successful strategies employed in our customer outreach for income-qualified programs and are already collecting, and will continue to collect, self-reported income data from low-income customers to support the First Version IGFC proposal. Additionally, regardless of what proposal is adopted, the cadence of outreach detailed in Table V-17 of the Joint IOUs' Opening Testimony⁹⁰ remains relevant and is also flexible enough to accommodate potential differences in the IOUs' rollout timing. Consequently, the Joint IOUs do not endorse engaging a third party to develop an ME&O proposal, as historical experience has shown that such an approach may not be an efficient use of ratepayer funding and may not allow for an accelerated implementation of the proposed First Version.

For instance, the attempt by Greenberg to develop a statewide ME&O Blueprint for transitioning customers to TOU serves as a cautionary example. Despite the significant financial investment for the plan alone, the chosen implementer was unable to execute the plan as proposed. The statewide implementer and IOUs had to re-plan statewide and local outreach, which resulted in significant unnecessary planning expenses for ratepayers. ME&O evaluation conducted by Ipsos⁹¹ indicates some of the most successful methods for raising awareness and education among customers in the transition to TOU were the direct notification outreach tactics and efficient, highly targeted print and digital paid media conducted by the individual utilities, not the statewide campaign. In broad terms, this highlights the intricate nature of ME&O to utility customers and demonstrates the need for a comprehensive understanding of the complexities and the diverse array of opportunities available in engaging those customers at an efficient cost. Results from the transition to TOU demonstrate the Joint IOUs' ability to plan for and conduct successful outreach to their customers for this initiative without the use of a third party. In having a third party plan the outreach, the IOUs are hindered in the ability to develop and adjust materials based on the varied customer demographics and feedback on what resonates with the customers.

Additionally, as parties continue to explore various potential implementation phases and timelines, the Joint IOUs remain confident in the flexibility of their initial ME&O plans. Those plans detail the Joint IOUs' well-informed general assumptions about what the outreach plans

⁹⁰ Exhibit Joint IOUs-01, p. 116, Table V-17 - Useful Lessons from Residential Default TOU Transition to Inform IGFC.

⁹¹ See Appendix B hereto, Ipsos: Energy Upgrade California – Statewide Evaluation 2022 Year 5, p. 12-16 “Overall Performance.”

will need to entail, and their ability to adapt the specifics of those plans once a path to IGFC is reached. For example, if a First Version approach with three income brackets consisting of some variation of CARE, FERA and non-CARE/FERA customers is adopted as an initial IGFC, the plan will incorporate much of the initial timing and tactics while adjusting accordingly for specific market conditions and research findings. The First Version approach may help simplify initial rollout by causing less confusion among bracket assignments and lessen (but not eliminate) the need for bracket assignment protests and related communications.

The Joint IOUs believe there may be an opportunity for initial working group meetings around ME&O to share customer research results and planned outreach in advance of individual rollouts. However, given that the IOUs' respective implementation timelines are not aligned, the Joint IOUs do not support on-going working group meetings that continue through the duration of each IOU's implementation. The costs, time and resources to participate and manage ongoing working group meetings would outweigh any benefits. If a significant number of working group meetings are planned, it may be prudent to enlist the assistance of a third-party planning consultant. Such a consultant can effectively facilitate and coordinate stakeholder meetings, including tasks such as sending invitations, recording attendance, guiding discussions to stay on topic, and providing comprehensive notes to include action items and recommendations. It is important to note, however, that engaging external resources of this nature, including a third party to develop an ME&O proposal, can result in a substantial increase in utility budgets at ratepayer expense. Timelines may also be impacted depending on the RFP process to identify and select a third-party.

If monthly meetings over multiple years are anticipated, it may be more practical for a utility to appoint an internal facilitator to fulfill this role. By carefully assessing the frequency and scale of the planned meetings, the utilities can make more informed decisions regarding the most appropriate approach for ensuring productive and efficient discussions.

Question 15.c. Should the Commission establish a working group and authorize funding for a third-party contractor to develop income verification proposals for future versions of IGFCs? If so, what should be the scope of work for the working group and/or contractor (e.g., identify and propose to test new methods for verifying incomes of higher-income customers and streamlined approaches for verifying low incomes)? When should the proposal be due?

Yes, the Commission should establish an IGFC working group (perhaps with subgroups for identified boutique subject areas, like income verification) and authorize funding for a third-party contractor to develop income verification proposals for future versions of IGFCs. An IGFC working group, with representation from each IOU's key subject matter experts as well as others from interested parties/stakeholders would help move this proceeding forward more efficiently and in a more collaborative manner than in recent months when no IGFC workshops or working group meetings were held.

For example, a sub-issue area that will benefit from more structured multi-party discussions and research could center on identifying a longer-term income verification solution that can be shown to be sufficiently accurate, fair, transparent, and cost-effective for a more complex version of the IGFC envisioned as part of the gradual pathway approach outlined in the Ruling. The Joint IOUs agree that the hiring of a third-party research consultant to facilitate the large, multi-stakeholder working group series of dozens of meetings, per the CPUC's initial direction, was a factor that helped make successful the planning for the large IOUs' default TOU pilots (including methodology, tactics, and rate structures), as well as the large IOUs' overall post-pilot default TOU transition for all eligible residential customers after the CPUC considered pilot results as a basis for its final default TOU transition decision. Similarly, a consultant that has expertise relevant to leading the exploration of a new income verification methodology and related operational process, could similarly be hired to facilitate working group discussions about various approaches to a more complex income verification process for Future Version IGFCs, if ordered in the CPUC's mid-2024 decision, as part of our variation on the Ruling's gradual IGFC pathway approach.

The requests for proposals from candidate consultants should be developed by the parties working with the ED after the mid-2024 decision is issued. The selection could occur in 2025 (or earlier to occur on a parallel timeline as the interim implementation) so that the working group could get started on foundational factual understandings and research in addition to monitoring lessons learned as the Joint IOUs' proposed First Version IGFC is being

implemented. That way this the working group could also consider the best practices and challenges learned from the early months and years under the First Version IGFC and encourage parties to leverage these learnings in the form of improvements to the income verification structure in their proposed the subsequent version of the IGFC.

Question 15.d. Should the Commission establish a working group to discuss IGFC implementation issues and recommend improvements?

It depends, because the need for a working group for implementation issues would be contingent on the method used for income verification. If the approach to income verification leverages existing processes used today for CARE/FERA, it is unlikely that there will be much of a need to resolve issues and discuss improvements with a broader audience. However, if a third party is leveraged to verify income, or if the definitions of the income brackets deviate significantly from CARE/FERA, there could be benefit in a working group to discuss resolution of issues and recommend improvements.

Question 15.e. How much funding should be allocated for third-party contractors, and how should the costs be recovered?

The Joint IOUs should be authorized funding on a forecast basis and will utilize the new proposed two-way balancing account (IGFCBA) to recover the related costs. The amount of funding needed for third-party contractors to implement the income verification component of IGFC is unknown at this time. Once a First Version IGFC is established, the Joint IOUs recommend that the Commission solicit a Request for Information (RFI), which would provide further information about the potential scale of costs and would be more accurate than any hypothetical estimate that is put forth by parties in these replies. The Commission recently conducted a similar process for the Concurrent Application System,⁹² because costs (and many other program elements) were also unknown.

⁹² Application (A.) 19-11-003, Assigned Commissioner’s Ruling Amended Scope and Inviting Comments to Determine Next Steps in Light of Enactment of Senate Bill 1208 (Jan. 26, 2023), p. 7, no. 4.; D.23-05-006, Decision Implementing Process for Creation of a Low-Income Customer Concurrent Application Process System as Required by Senate Bill 1208.

Question 16. When should the utilities file the rate design window applications for the first version of IGFCs (i.e., how many months after the upcoming Track A decision)?

The Joint IOUs believe, as described throughout these comments, that a RDW is not necessary for the First Version IGFC. While the Joint IOUs are supportive of the Ruling's desire to phase in the move to Future Version rates, we disagree that the entire First Version IGFC must be determined in a RDW application. The First Version IGFC can be implemented through the Advice Letter process, with the more complex elements of future IGFCs reserved for RDW applications or future tracks of this proceeding. As discussed earlier, adopting a First Version IGFC in the 2024 Final Decision will result in efficiencies and avoid unnecessary re-litigation of many of the issues under consideration in this proceeding. Making certain determinations now in a 2024 Track A decision will permit implementation of streamlined First Version IGFC rates as early as 2025.

If the decision in this case defers significant policy and rate design determinations to an RDW, it may take longer for the IOUs to implement their First Version IGFC. The Joint IOUs believe the decision in this case should resolve as many policy and rate design issues as possible, such that the subsequent RDW applications for next step IGFCs are either: 1) focused on the more complex IGFC rate design elements; or 2) primarily mechanical rate setting proceedings based on the directives received in the Final Decision to this proceeding. The Commission should strive to implement the IGFC on the most efficient timeline so as to begin to achieve AB 205's goals of advancing equity as well as incentivizing beneficial electrification through reduced volumetric rates as soon as possible.

To enable implementation of the First Version of IGFCs through a Tier 2 Advice Letter process, the necessary supportive findings, conclusions, and ordering paragraphs must be included in the CPUC's mid-2024 Track A decision. Accordingly, the Joint IOUs respectfully request that the Commission make the following determinations in its 2024 DFOIR Track A decision:

1. Approve the full list of eligible fixed cost categories for each IOU that may be reflected in any IGFC.
2. Adopt the proportion of that raw sum of eligible fixed costs to be included in the First Version IGFC, proposed here by the Joint IOUs.
3. Direct that the IGFC should be applied to all residential rate options and determine that specific pro-electrification rate IGFC levels would be appropriate to provide stronger incentives for adoption, if the default rate's IGFC is lower than the current

electrification rate fixed charge levels. In addition, specify that the minimum bill be eliminated in favor of the IGFC.

4. Define the number of income brackets and the type of income metrics to be used in the First Version IGFC (we recommend three brackets using the specific FPL percentage cutoffs set forth for our First Version IGFC).
5. Define the number of income brackets and the type of income metrics to be used in the Future Version IGFC (we recommend four brackets using the specific FPL percentage cutoffs set forth for our Opening Testimony), including what criteria for the FPL percentage to be used in the future to subdivide the initial non-CARE/FERA bracket, to allow the IOUs to pre-program it into their billing systems.
6. Specify the process by which annual adjustments will be made to the IGFC as revenue requirements change, and how imbalances will be treated.
7. Provide a schedule and process for those more complex IGFC items that are not implemented in the First Version IGFC, including but not limited to a pathway to: (a) implement Future IGFCs that may include additional brackets beyond the initial three brackets, and (b) incorporate any eligible costs not included in the First Version of the IGFC (if any).
8. Adopt a timeline for the ME&O process for the First Version IGFC to begin, which would largely be concurrent with development and implementation of needed billing system structural re-programming.
9. Authorize a cost recovery mechanism for any incremental costs of implementation of the First Version of the IGFC, including ME&O.

If the Commission makes determinations on each of these issues, the IOUs would be able to implement the First Version IGFC through a Tier 2 Advice Letter process, to allow for significantly faster progress on the legislative goals embodied in AB 205 than if the First Version IGFC were to be adopted in a later RDW. At the same time, such a decision would launch a process leading to concurrent RDW applications through which the CPUC would consider any potential subsequent, more complex structures for later iterations if the IGFC along its gradual implementation pathway.

However, if the Commission were instead to decline to move forward with the Joint IOUs' proposed First Version IGFC, and instead were to require the IOUs to file concurrent RDW applications before a first version of the IGFC would be adopted, then we still respectfully request that the CPUC's mid-2024 Track A decision be as prescriptive as possible on all the other issues listed above. In a scenario where the RDWs are primarily mechanical rate setting proceedings, the IOUs could envision targeting filing such RDW applications by the end of Q1

2025. If, however, the Commission were to decline to make findings on many of these issues (such that parties will need to relitigate many of the issues discussed in this phase of the proceeding), the IOUs' RDW applications are likely to require more lead-time to prepare and are not likely to be able to be filed until Q2 2025 or later.

Question 17. When and how should the Commission consider data and reports from the first version of IGFCs and recommendations for improving the implementation of the first version of IGFCs?

As explained in response to Question 15a above, the Joint IOUs propose a First Version IGFC that is largely based on existing processes and therefore should not require extensive new data collection or reporting. Nevertheless, an IGFC represents a change to how residential customers are billed, and it therefore seems appropriate to be accompanied with some data collection and evaluation. This will enable ongoing improvements as well as provide learnings for the longer-term IGFC. The timing of information sharing could be shortly after implementation, with immediate operational learnings, as well as 12-18 months after implementation, with longer term learnings about stabilization.

If a working group is put into place in the near term, the Joint IOUs could share information gleaned from the First Version IGFC implementation in that forum. In the absence of a working group and/or prior to its establishment, or in addition to information sharing in a working group, the Joint IOUs propose a similar cadence for reporting as in the Residential Rate Reform proceeding, with quarterly reports.

In the Residential Rate Reform proceeding, the Commission considered data from periodic surveys, load and bill impacts, as well as operational and customer findings from the default pilots, which were presented in working group meetings, and in quarterly Progress of Residential Rate Reform (PRRR) Reports. The Joint IOUs recommend pre- and post long-term IGFC implementation customer understanding and awareness tracking, as well as operational metric tracking (*e.g.*, the number of customers with missing income information and the number of appeals). Bill impact findings can be considered pre/post implementation (*e.g.*, compare estimates with actual bill impacts). Load impacts are not directly measurable without a control group.

With these measures in place, the Commission can then explore new reporting requirements and evaluation plans for the subsequent versions of the IGFC, which are expected to be more complex than the First Version IGFC with new rate and program elements.

Question 17.a. What process(es) should the Commission establish to enable rapid resolutions of implementation problems?

As discussed in the response to Question 15.d above, if a third party is used for income verification or if the income bracket definitions deviate from CARE/FERA, a working group approach, similar to the approach that was used for the Residential TOU implementation, could be used to provide status updates on implementation, awareness of issues, and serve as a forum for comments and recommendations on plans to resolve issues. The Joint IOUs recommend that the working group recommendations and related IOU responses be documented, but that the IOUs should have ultimate discretion and responsibility for how to resolve any issues encountered.

Question 17.b. When should the Commission evaluate the outcomes of the first version of IGFCs?

When deciding when to evaluate the outcomes of the First Version IGFC, the Commission should take into account that reaching stabilization could take some time, as demonstrated by the experience with LifeLine, which took several years to stabilize.⁹³ Therefore, the Joint IOUs recommend that the Commission consider both data and any reports about the initial implementation of the First Version IGFC as well as from later checkpoints (e.g., 1-2 years after implementation).

Question 18. How should the Commission address under- or over-collections for the first version of IGFCs?

As discussed in the Joint IOUs' Reply Testimony, Chapter VI, Section C, an annual true up mechanism should be established to rebalance the rates and the IGFC from changes in revenue requirements and, over or under collection. This process is reflective of established authorized processes to update rates on an annual basis to account for changes in base distribution revenue requirements as approved in Phase 1 of the IOUs' respective GRC and attrition year decisions, in annual consolidated January 1 advice letters.

⁹³ Exhibit Joint IOUs-01, p. 64, lines 18-19.

Question 18.a. Should under-/over-collections be addressed through existing processes, such as through balancing accounts? Or should the Commission authorize a new expedited process?

The Joint IOUs recommend that IGFC over- and under-collections should be trued up at least annually, with over-collections applied to reduce the next year's fixed charge revenue requirement, and under-collections applied to increase the subsequent year's fixed charge revenue requirement. The Joint IOUs maintain that the IGFC should be adjusted at least annually to include any under-/over-collections that originate from the difference between forecasted and actual IGFC revenues collected and not allocated to volumetric rates. The Joint IOUs propose to use the existing year-end Consolidated Revenue Requirement and Rate Change advice letter process as directed in Resolution E-5217 to facilitate the recovery of the over- and under collections, which would record throughout the year to existing revenue balancing accounts. The Joint IOUs also advocate for the adoption of a new expedited process, an IGFC Calibration Mechanism, in the event that the revenue imbalance results in an under collection that exceeds 10 percent of the forecast revenue to be recovered from the IGFC on a cumulative monthly basis, as more fully discussed in the response to Question 18.b below.

Question 18.b. If a new process is authorized to address under-/over-collections, what should be the trigger for initiating this process?

The Joint IOUs believe an IGFC Calibration Mechanism would allow for timelier recovery of any large revenue imbalance under collections. The Joint IOUs proposed in their Opening Testimony (p.136) that the trigger be set at 10 percent of the forecast revenue to be recovered from the IGFC on a cumulative monthly basis. The Joint IOUs would have the opportunity to correct the rates in their next scheduled rate change to avoid significant impacts to the following year's rates.

Question 18.c. What rate adjustment(s) should be used to address revenue imbalances? Examples: adjustments to total revenue collected through fixed charges, income thresholds, income-based differentiation of IGFCs, volumetric rates.

Any adjustments should follow the established guidelines for cost allocation by IOU. In addition, for IGFCs changes in fixed costs should adjust fixed cost recovery and changes in volumetric costs should impact volumetric prices. As discussed above, through its decision, the Commission should establish a process for annual true ups.

The Joint IOUs, in Opening Testimony at pp. 136-138, also propose an IGFC Calibration Mechanism that would track revenue imbalances throughout the year once the IGFC was in place and allow the IOUs to adjust rates if a certain threshold of under- or over-collection is met.

Question 19. The SMJUs argued that the more complex aspects of parties’ IGFC proposals should not apply to SMJUs, who have far fewer California customers than the large IOUs.

Question 19.a. Should the Commission adopt directions for the first version of IGFCs for all IOUs, with specific modifications for SMJUs? If so, what specific modifications would you recommend for SMJUs?

Yes. The Joint IOUs agree that the circumstances faced by the SMJUs are sufficiently different from those faced by the Joint IOUs such that the rules and structural decisions applicable to the Joint IOUs need not be identical for the SMJUs, and vice versa. The IOUs do not have any specific recommendations on what modifications may be appropriate for the SMJUs at this time but may comment on proposed modifications in reply comments.

Question 19.b. Should the Commission adopt directions for the first version of the SMJUs’ IGFCs based on one of the SMJUs’ proposals?

Please see the response to Question 19.a above.

C. Responses to New Proposals and Information Provided in Other Parties’ Reply Testimonies

The Ruling provides an opportunity for parties’ opening comments to “...respond to new proposals and information provided in reply testimonies.”⁹⁴ The Joint IOUs’ reviewed the parties’ June 2, 2023 Reply Testimonies, and address in the sections below various new proposals and/or factual assertions made for the first time in their Reply Testimony by: Cal Advocates, CEJA, CalCCA, CforAT, SEIA, Sierra Club, TURN/NRDC, and UCAN.⁹⁵

1. Cal Advocates’ Representations that a TPA-based Complex New Income Verification Process Can be Implemented “Rapidly” are Based on an Incomplete Lead-Time Calculation.

Cal Advocates’ Reply Testimony references a “rapidly implementable income verification proposal and SDG&E’s shorter 10-month implementation timeframe, would more

⁹⁴ Ruling, p. 1.

⁹⁵ Given the complexity in preparing this document, the Joint IOUs’ failure to respond to a party’s new information from Reply Testimony should not be deemed to constitute waiver or acceptance.

quickly provide rate relief to customers.”⁹⁶ Cal Advocates appears to have misunderstood SDG&E’s Opening Testimony’s (Chapter 2 -Implementation) reference to 10-months to implement, which was only in reference to the required *billing system* work, once an established third-party income verification process is formed, not the whole IGFC implementation process. SDG&E’s 10-month billing system implementation timeline did not include: the time necessary for the CPUC to contract with a statewide third-party administrator, time for cybersecurity reviews, or the time required for the appropriate pre-launch notifications to be sent to customers.

Additionally, Cal Advocates claims that Equifax’s *The Work Number* product can be “rapidly implemented in three to four months post-signing of an agreement between Equifax and the Commission after which it can be made available to the IOUs.”⁹⁷ However, in response to a data request, Cal Advocates states that the three- to four-month timeframe does not include time for the CPUC to solicit for a contract with a TPA, does not include time for IOUs to sign contracts with the TPA, and does not include time needed for system integration between the IOUs and the TPA.⁹⁸ In our Opening Testimony, the Joint IOUs presented a high-level timeline which encompasses these activities, to take place starting in mid-2024 and concluding with system integration with IOUs in 2026.⁹⁹ Joint IOUs also provided an implementation timeline showing of at least 12 months of implementation activities, starting when the income data first becomes available from the third-party administrator, through when customer’s bills could begin to include IGFCs.¹⁰⁰

2. Cal Advocates’ Reply Testimony Misunderstands the Joint IOUs’ Proposal Regarding Additional Income Verification for CARE and FERA Enrolled Customers.

Cal Advocates’ Reply Testimony asserts that the Joint IOUs “propose two lower income brackets for CARE/FERA customers and state they would use the third-party income verification data method adopted in this IGFC proceeding to assign the appropriate income brackets.”¹⁰¹ Cal Advocates describes the Joint IOUs’ original proposal as burdensome, because third-party data

⁹⁶ Exhibit Cal Advocates-04, p. 2-12, lines 21-23.

⁹⁷ *Id.* at p. 2-12, lines 19-21.

⁹⁸ See Appendix C hereto, excerpt of Cal Advocates response to SCE Data Request CalPA-002-Q5, dated July 3, 2023.

⁹⁹ Exhibit Joint IOUs-01, p. 94, line 13 to p. 95, line 12.

¹⁰⁰ Exhibit Joint IOUs-01, p. 102, Table IV-15.

¹⁰¹ Exhibit Cal Advocates-04, p. 2-9, lines 8-10.

might require consent or additional steps by the customer. In sum, Cal Advocates' Reply Testimony claims that the Joint IOUs are proposing "an additional CARE/FERA customer income verification requirement to determine income bracket assignment."¹⁰²

As stated above in the Joint IOUs' response to Question 13 above, the Joint IOUs agree that additional income verification processes would be too burdensome to attempt for the First Version of the IGFC as the Joint IOUs propose in these Comments. The first version of the IGFC should be limited to using established CARE/FERA processes and self-certified household income and categorical program data that is collected during the CARE enrollment process. We agree that new, untested, more complex income verification approaches should not be adopted until the CPUC has had adequate time and more robust factual evidence to allow them to be well-understood and thoroughly assessed in a CPUC decision. Such analysis should go deeply into operational implementation details that are not currently fully fleshed out and was made only in the context of the Joint IOUs' overarching proposal to use Franchise Tax Board (FTB) data for income bracket assignment. The FTB data would not require affirmative consent from customers if legislation towards this end was passed. The Joint IOUs would use such FTB data to assign qualifying CARE/FERA customers to the lowest income bracket, which would not require additional consent or income verification by the customer. The Joint IOUs did not mean to suggest that CARE/FERA customers should be subject to additional income verification, and in fact oppose imposing an income verification system using third party data if affirmative customer consent is needed to access customer income information (such as Equifax's *The WorkNumber*TM).

3. The Joint IOUs Disagree with TURN/NRDC's New Proposal to Expand the Definition of Low-Income Customers to Include Residents of Deed-Restricted Housing.

TURN/NRDC's Reply Testimony proposes, for the very first time, that all residents of deed-restricted affordable housing should also be included in the lowest income bracket, regardless of whether they are enrolled in CARE. TURN/NRDC cite a database with information on which housing units are deed restricted. However, upon further analysis, that database appears to be limited to access by state agencies, which would complicate IGFC implementation. Moreover, introducing a new definition of low-income specifically for IGFC

¹⁰² Exhibit Cal Advocates-04, p. 2-9, lines 19-20.

implementation that does not extend to the CARE program would make implementation complex and more likely to cause customer confusion as this new criterion has no relation to any existing electric rate or IOU program structure. Under the new approach proposed by TURN/ NRDC, a customer could be a resident of deed-restricted housing and eligible for the lowest IGFC bracket level, but not eligible for the CARE discount. It would appear illogical and be confusing for customers to be considered low-income and eligible for a lower IGFC rate on one line-item of their bill, but not be eligible for CARE/FERA rate discounts on all other line items of that bill. There is simply not an adequate record for adopting TURN/NRDC's well-intended new criteria solely for the IGFC without further analysis, and consideration of the advisability of asking the legislature to include deed-restricted housing along with its other eligibility criteria in both the CARE and FERA statutes, for alignment and consistency across all aspects of their electric bill.

4. UCAN's Suggested 99.9% Metric for Income Verification Accuracy is Not Practical or Measurable.

UCAN's Reply Testimony states that the Commission's key criterion for assessing whether an IGFC is implementable should be "that any method to assign residential ratepayers to income brackets must place at least 99.9% [...] of the accounts into the correct tier without customer action."¹⁰³ While the Joint IOUs concur with UCAN's basic premise that a highly accurate source of income verification data is preferable, it is unlikely that any available data source is likely to meet such an ideal standard.¹⁰⁴ In addition, any metrics used by the Commission should actually be measurable. It would not even be possible to fully quantify the accuracy of any given data source in the absence of verifying actual income through an onerous process requiring customers to submit full income documentation. Instead of imposing a single 99.9% metric for accuracy, it would be more appropriate and feasible to track other indirect indicators, such as the number of appeals, and work towards improvements over time, as experience is gained with the selected income verification source. Finally, since no single source of income verification will be 100% accurate and income also changes over time, it is doubly important that a robust appeals system is available to customers to update or correct their income information.¹⁰⁵

¹⁰³ Exhibit UCAN-01, p. 5, lines 13-15.

¹⁰⁴ See Exhibit Joint IOUs-01 discussion of Income verification options, Chapter III. G, pp. 60-77.

¹⁰⁵ See Exhibit Joint IOUs-01 discussion of Appeals process, Chapter III. H, pp. 78-89.

5. **Sierra Club’s Back-Billing for Customers Placed into an Incorrect Income Bracket is Not Aligned with Other IOU Programs like CARE.**

Sierra Club’s Reply Testimony states that the IOUs should provide a refund process “for customers who have paid excessive fixed charges due to assignment to the wrong IGFC bracket.”¹⁰⁶ The Joint IOUs have already addressed back-billing concerns in our Opening Testimony.¹⁰⁷ Incorrect bracket placement for IGFC would not constitute a billing error if every reasonable effort to contact customers in advance of rate implementation had been made to alert them of their bracket placement and provide them the opportunity to make a correction well in advance of rate implementation. Furthermore, we reiterate in this sur-rebuttal that numerous existing rate programs – such as CARE/FERA and EV rates – do not provide billing credits to customers retroactively because these instances do not present a billing error.

In Reply Comments to the Joint IOUs original income verification proposal, CforAT alludes that customers should pay the fixed charge for the requested bracket during an appeal with the statement: “IOUs [...] appear to expect the customers to pay the higher charge while any form of review is underway.”¹⁰⁸ For the Joint IOUs’ proposed First Version IGFC (to be adopted in the 2024 decision), its bracket assignments will be implemented utilizing existing CARE and FERA processes and data. Any customer that requests to move to Brackets 1 or 2 would do so by submitting stated income information using the CARE or FERA application process. This does not constitute an appeal because the IOUs are taking customers at their word. Thus, the Commission does not need to resolve this issue to move forward with the First Version IGFC.

However, for the Future Version IGFC, the Joint IOUs agree that this issue should be considered in RDW applications and working group discussions through which future versions of IGFC will be developed. For the Future Version IGFC, the Joint IOUs agree that customers who contact the utility or TPA to appeal their bracket placement could be proactively moved to the requested bracket while the appeal is processed. If the appeal is valid, no further action would be needed. If the appeal is found to be invalid, the customer would be moved to the appropriate bracket. For the Joint IOUs’ proposed Future Version IGFC, if the Commission

¹⁰⁶ Exhibit SC-02 (Reply Testimony of John D. Wilson on behalf of Sierra Club), p. 40, lines 20-21.

¹⁰⁷ Exhibit Joint IOUs-01, p. 86, line 20 to p. 87, line 2.

¹⁰⁸ Track A Rebuttal Testimony of Melissa W. Kasnitz on behalf of Center for Accessible Technology Addressing Policy Issues (June 2, 2023), p. 8.

decides to adopt the above approach, the Joint IOUs recommend that appropriate time limits (similar to those used in the CARE income verification process) are adopted for the TPA to process the appeal, as well as a time limit for customers to submit all required income documentation (with the clock starting from when the appeal is first requested) to ensure the process moves along in a timely manner and customers are not incentivized to file false appeals. In Opening Comments, the Joint IOUs also addressed the necessity of limiting the frequency of appeals for an individual account to prevent frequent fraudulent appeals.¹⁰⁹

6. CEJA’s Proposal for a Discount to Customers who Completely Disconnect from Natural Gas Service.

In its Reply Testimony, CEJA and other parties argue that “...the Commission should pair the IGFC with a bill discount for electric-only customers”¹¹⁰ and “[t]he Commission should require the IOUs to determine accurate electric-only customer counts and to incorporate that data into regular reports to the Commission so that the data are available to evaluate the effectiveness of the IGFC and electrification incentive programs.”¹¹¹ The Commission should not adopt CEJA’s proposal to provide a bill discount for electric-only customers because as the Joint IOUs stated in their Reply Testimony, an electric only discount would be difficult to implement and would be neither equitable nor practical.¹¹² Additional reporting on electric-only customer counts would be duplicative of existing reporting requirements adopted in D.21-11-022 where IOUs are required to report out annually on the number of customers who state whether or not they are receiving natural gas service.

7. The Joint IOUs Largely Agree with CalCCAs’ Proposal for a Collaborative Process on IGFC Communications for Consistent Messaging to Both Bundled and Unbundled Customers but Disagree with a Requirement for CCA Input on any Bill Presentment Changes Related to the Transmission and Distribution-based IGFC.

CalCCA’s Reply Testimony requests that the Joint IOUs and the CCAs “should work collaboratively to develop messaging for customers regarding IGFCs that is clear to both bundled and unbundled customers.”¹¹³ The Joint IOUs agree that messaging about IGFCs should

¹⁰⁹ Exhibit Joint IOUs-01, p. 87, line 3-16.

¹¹⁰ Exhibit CEJA-02, p. 13, lines 25-26.

¹¹¹ Exhibit CEJA-02, p. 16, lines 16-19.

¹¹² Exhibit Joint IOUs-03, p. 43, lines 1-24.

¹¹³ CalCCA Reply Testimony (June 2, 2023), p. 5, lines 7-9.

be clear for both bundled and unbundled customers, and that implementation schedules should be coordinated with any CCA mass enrollments, so there is no misattribution of bill changes. The Joint IOUs would be happy to keep the CCAs informed about the IGFC communication materials and share relevant information like the communication and implementation schedule, as well as to provide information about bill presentment updates. The IOUs and CCAs have similarly coordinated this way in the past.

However, the Joint IOUs respectfully disagree with CalCCA’s request that the IOUs “solicit CCA input on any planned changes to bill presentation, including how the changes will be presented on customers’ bills.” The charges underlying the Joint IOUs IGFC proposal are only on the transmission and distribution side of the customer bill.¹¹⁴ As such, there is no reason for the CCAs to provide direct input on the bill presentment for Joint IOUs’ side of the customer bill.

IV. CONCLUSION

The Joint IOUs appreciate the opportunity to submit these Joint Opening Comments for the Commission’s consideration.¹¹⁵

Respectfully submitted,

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On behalf of the Joint IOUs

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¹¹⁴ See Exhibit Joint IOUs-01, p. 38, Table II-6.

¹¹⁵ Pursuant to Commission Rule 1.8(d), counsel for PG&E and SCE have authorized SDG&E to file this document on their behalf.