

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Advance
Demand Flexibility Through Electric
Rates.

**COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON
THE ASSIGNED COMMISSIONER'S RULING
INVITING COMMENTS ON THE IMPLEMENTATION PATHWAY
FOR INCOME-GRADUATED FIXED CHARGES**

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I. INTRODUCTION

On June 19, 2023, Administrative Law Judge Wang issued a Ruling on The Implementation Pathway for Income-Graduated Fixed Charges (Ruling). The Ruling outlines a pathway for implementing income graduated fixed charges (IGFC) over several years. The Ruling also invites parties to comment on a series of questions covering a broad range of IGFC-related topics including rate design, income verification, and procedural matters. The Ruling requests party comments by July 31, 2023.

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) provides comments below on the proposed timeline for implementation. The comments explain how the implementation timeline could be shortened, and thereby provide low-income customers with accelerated and much needed relief from increasing electricity rates. Responses to the questions in the Ruling also address how the California Public Utilities Commission (Commission) can move forward with practical implementation of IGFCs in a way that will provide benefits to customers.

II. DISCUSSION OF IMPLEMENTATION TIMELINE

The Ruling contemplates a Proposed Decision will be issued in the first quarter of 2024 that establishes a pathway for implementing IGFCs over several years.¹ The Ruling estimates that the end of 2026 is the earliest feasible date to implement the first version of IGFCs in rates. The Ruling's estimated implementation date assumes the following: the *addition* of rate design window (RDW) applications, which will be resolved in the first quarter of 2026; approval of marketing education and outreach (ME&O) plans in the second quarter of 2026; and the preparation of the utilities' billing systems to implement the first version of IGFCs in the fourth quarter of 2026.²

Cal Advocates recommends several approaches to further expedite the path envisioned by the Ruling so that IGFCs could be implemented by the first quarter of 2026. The Commission's decision on a timeline should include specific direction to the

¹ Ruling at 3.

² Ruling at 3.

utilities on methods and timelines to ensure the Commission can achieve its target of authorizing meaningful IGFC tariffs in 2026.

A separate RDW application is unnecessary for implementation as this proceeding will have developed the necessary record on the design of IGFCs for all the utilities. Accordingly, the Commission could determine rate design in this proceeding and direct the IOUs to implement IGFCs through Tier 2 advice letters without the need for separate RDW applications. This direction could include guidance on the design of the income brackets, the calculation for the IGFCs and the income verification process. Additionally, the Commission's decision should provide guidance for addressing IGFCs for default and optional rates to avoid inadvertently providing incentives for customers to move to rates without IGFCs. Utilizing the advice letters pursuant to General Order 96-B, Rule 5.2, would allow the IOUs to make the necessary changes to their billing systems for implementation more expeditiously than a 12-to-18-month application process.

Additionally, the Commission should determine the need to initiate a contracting process, such as with Equifax for use of its product known as "TheWorkNumber" to enable income verification, or to allow a third-party administrator to manage confidential income data. The Commission or the IOUs could move forward with any approved contracting after a decision is issued to facilitate timely implementation. The Commission's decision should also address the cost categories that can be included in IGFCs to avoid the need to duplicate the current record in future proceedings. Going forward, refinements to the IGFCs could be addressed in future RDW or General Rate Case Phase 2 (GRC2) applications. For example, if Franchise Tax Board data becomes available, then the utilities can submit applications on how best to utilize the data and adjust IGFCs.

This proceeding should remain open for all parties to participate in an ME&O working group that would submit a proposal for party comments. There is no need to open separate RDW applications to address ME&O. A decision could then be reached to direct the IOUs to implement any proposal through Tier 2 advice letters.

Thus, Cal Advocates proposes the following timeline.

Date	Milestone
Q1 2024	Proposed Decision (PD)
Q2 2024	Decision adopted
Q3 2024	Tier 2 advice letter on IGFC Implementation
Q3 2024	Working Group to provide ME&O proposal
Q4 2024	Party Comments
Q1 2025	PD and Decision on ME&O
Q2 2025	Tier 2 advice letter on ME&O
Q1 2026	Implementation

The Ruling contemplates a glidepath approach that consists of an initial version³ of the IGFC and income brackets that consist of bifurcating California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) customers into very low and low-income groupings, and a third grouping that would capture everyone else.⁴ However, with such an approach the Commission would miss the opportunity to apply higher fixed charges to a distinct high-income group, which in turn would enable it to provide more substantive benefits to low-income customers.

Cal Advocates' proposal, which includes moderate average fixed charges, low fixed charge differentials, simple income brackets and a robust opt in income verification method can be implemented in the short term as outlined in the timeline above.⁵

³ Ruling, at 3. Referred to as the "first version" of IGFC,

⁴ Ruling, at 5.

⁵ See Chapter 1 of Cal Advocates' Errata Testimony and Rebuttal Testimony for rate design details. See Chapter 2 of Cal Advocates' Opening Testimony and Rebuttal Testimony for details on income verification.

Nevertheless, if the Commission ultimately elects to adopt a glidepath, it should ensure that the first iteration of the IGFC is implemented with expediency; provides measurable bill reduction for low-income customers; and substantially improves the financial incentives for electrification adoption. As outlined in Cal Advocates' testimony, low-income customers need immediate relief.⁶ Therefore, it is imperative that any initial fixed charge adopted is large enough to provide benefits, and can be implemented as soon as possible.

Additionally, if the Commission adopts a glidepath, it should also include an intermediate step for higher average IGFCs targeted to medium and high-income customers. Customers would have the opportunity to verify income in order to be placed into a lower bracket than initially assigned. This intermediate step should be implemented within one year of implementation of the first step (i.e., the "first version" of the IGFC) if the Commission adopts such a glidepath. The Commission should allow the utilities to provide applications for final versions of the IGFC when a broader data source, such as Franchise Tax Board data, becomes available. Ensuring enough clarity in these matters will protect against delays to the IGFC from becoming truly income-graduated and help provide expedited rate relief to low-income customers.

III. RESPONSE TO RULING QUESTIONS

- 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."**
 - 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?**

IGFCs will encourage electrification and reduction of greenhouse gas (GHG) emissions consistent with the statute as they will reduce volumetric electric rates.⁷ Fuel switching from gasoline-powered and natural gas-powered end uses (i.e., electrification)

⁶ Cal Advocates' Errata Testimony, Chapter 1, at 3-6.

⁷ Cal Advocates' Errata Testimony, Chapter 1, at 6-7.

is essential to meet aggressive GHG reduction goals. Additionally, volumetric TOU rates will continue to incent off-peak consumption with relatively lower off-peak rates, which will improve grid utilization rates and reduce costs and GHG emissions.

In regard to conservation and energy efficiency (EE), the statute contains the key words that fixed charges “not unreasonably” impair incentives for conservation and EE. Volumetric rates will still be sufficiently high to incent conservation. To illustrate: even if the Commission were to approve the highest IGFCs proposed in this proceeding,⁸ volumetric rates would be reduced to 2018 levels.²

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?

Lower volumetric rates are essential to encourage electrification, which in turn will reduce GHG emissions. Even if customers receive generous upfront incentives to electrify, they would be financially worse off if the variable electric fueling costs are still higher than gasoline or natural gas fueling costs. Lower electric fueling costs can only be realized with lower volumetric electric rates, which can be achieved partly with fixed charges.

As explained earlier in response to section “a” above, electric volumetric rates are sufficiently high to incent conservation in all periods. TOU rates may be redesigned to further encourage consumption during low-cost low GHG intensive periods by increasing the rate differentials (i.e., the cents/kWh difference between TOU periods). For example, equal cent per kilowatt-hour (kWh) reductions will increase the peak to off peak price

⁸ Joint IOUs’ Opening Testimony, at 5. PG&E, SCE and SDG&E’s proposed averaged fixed charges are \$53, \$49, and \$74 per month respectively.

² Joint IOUs’ Rebuttal Testimony, at 18, footnote 36.

differentials. It would also retain the economic benefits of load shifting from the customers' perspective as the savings from consuming off-peak rather than on peak will be maintained. More detailed discussions concerning how to adjust off-peak rates more specifically (e.g., reduce the off-peak period only) are best addressed in each IOU's GRC2s. Marginal costs, load shapes, avoided costs, price differentials, bill impacts and cost shifting analyses are typically conducted in respective GRC2s. This proceeding should be limited to generalized discussions on how to reduce volumetric rates (i.e., what's available in the E3 tool). For example, Cal Advocates' rebuttal testimony discusses the potential consequences of reducing off peak rates to the point where the utility is not covering marginal costs.¹⁰

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).

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?

The Commission should refer to Cal Advocates' IGFC rate design proposal, including use of the California Climate Credit (CCC), to ensure that low-income customers benefit.¹¹ As explained in its testimony, Cal Advocates' IGFC proposal ensures reduced bills for low-income customers by an amount commensurate to appropriate reallocation of the CCC and includes reasonable bill increases for high-income customers as a tradeoff for bill savings for low-income customers.¹²

Nevertheless, the Commission should not specify a particular target reduction in bills for low-income customers, so as not to constrain IGFC proposals. The Commission

¹⁰ Cal Advocates' Rebuttal Testimony, Chapter 1, at 9-10.

¹¹ Cal Advocates' Errata Testimony, Chapter 1, Sections II.D for bill impacts and II.E for the CCC offset proposal.

¹² Cal Advocates' Errata Testimony, Chapter 1, at 17-22.

should principally adhere to Assembly Bill (AB) 205, which simply requires that low-income customers on average realize a lower average monthly bill.¹³

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

Proposals that simply bifurcate California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) customers into low income and very low-income customers, and group everyone else as a third bracket seem like an enhanced version of CARE and FERA and essentially maintains the current system of providing limited benefits to low-income customers. This simple breakdown of customers would not differentiate between middle- and high-income customers to allow for a more progressive application of IGFCs to support lower income customers.

Cal Advocates' proposal partitions CARE and non-CARE customers into three income brackets with the lowest of the three receiving a climate credit offset against their IGFCs.¹⁴ The existence of non-CARE middle and high-income brackets ensures that the fixed charge can be lower for low-income brackets, including non-CARE customers. The existence of a sizeable higher-income bracket is necessary to ensure that middle-income customers are neutrally impacted on average, and to provide bill reductions to lower-income customers. This design protects customers who are just on the verge of a low-income bracket from higher bills.

If the Commission adopts a first version of IGFCs that simply uses brackets for low-income, lower-income and all other customers, it should also adopt a one-year transition to target IGFCs to middle and higher-income brackets that allow the IGFC to support higher bill relief for customers at lower income levels. Cal Advocates' testimony provides details on rate design, income verification and implementation.¹⁵ There is currently sufficient record in the proceeding to move forward with middle and higher-

¹³ Cal Advocates' Track A Opening Brief on Statutory Interpretation Questions of Assembly Bill 205 served 1/23/23 (referred to as "AB 205 Brief"), at 2.

¹⁴ Cal Advocates' Errata Testimony, Chapter 1, at 3, Table 1.

¹⁵ See Cal Advocates' Opening Testimony, Chapter 2 and Cal Advocates' Errata Testimony, Chapter 1.

income brackets and the Commission should proceed to decide this issue in this proceeding to expediate the IGFC implementation.

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

Refer to Cal Advocates' response to part "b" above.

3. Should the Commission adopt a definition of moderate- income customer for IGFC design purposes? If so:

a. Please provide the source of your proposed definition.

Section 739.9(e)(1) provides:

"For the purposes of this section and Section 739.1, the commission may authorize fixed charges for any rate schedule applicable to a residential customer account. The fixed charge shall be established on an income-graduated basis with no fewer than three income thresholds so that a low-income ratepayer in each baseline territory would realize a lower average monthly bill without making any changes in usage."

Here, "No fewer than three income thresholds" means a minimum of three tiers of income-graduated fixed charge levels. Cal Advocates proposes that the first income bracket would capture the low-income customers as discussed in response to question 1e. The second- and third-income brackets could then start after their respective thresholds.¹⁶ Moderate-income customers would be those falling into the second income bracket consistent with AB 205.

Cal Advocates first developed its low-income bracket using statewide data from the CalEnviroScreen, then equally divided the remaining customers into moderate-income and high income.¹⁷ Having approximate equal allocation of customer accounts in both the moderate income and high-income brackets achieves fixed charge revenue stability compared to proposals that allocate the majority of revenues to a small sliver of

¹⁶ Cal Advocates' AB 205 Brief served 1/23/23, at 2.

¹⁷ Cal Advocates' Errata Testimony, Chapter 1, section II.C,3, at 12-15.

customers.¹⁸ This will also enable fixed charges to be developed with moderate bill impacts.

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?

Following Cal Advocates' proposed IGFC rate design, IGFCs should be designed to minimally impact the average monthly bill of moderate-income customers in each baseline territory.¹⁹ As explained in testimony, minimal bill impact to moderate-income customers is achieved by implementing IGFCs that reduce bills the most for low-income customers and, following the logic of an income-graduated fixed charge, balance those bill savings with bill increases for higher-income customers. To help alleviate bill impacts, Cal Advocates' proposal uses the California Climate Credit (CCC) to offset the IGFC for low-income customers. As such, moderate-income customers' average monthly bills should change the least by IGFCs.

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

Cal Advocates' proposed IGFCs will reduce bills the most for low-income customers and should impact bills the least for moderate-income customers. With three income brackets, the increase in bills in high-income customers brackets are used to tradeoff bill savings for low-income customers, while the middle-income group receives an average IGFC. Therefore, moderate-income customers' bill impacts should be neutralized by the bill tradeoffs occurring between low-income customers (income bracket one) and high-income customers (income bracket three).

¹⁸ Cal Advocates' Rebuttal Testimony, Chapter 1, at 1-17 to 1-22.

¹⁹ Cal Advocates' Errata Testimony, Chapter 1, Section II.D on Bill Impacts, at 17-22.

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?

Cal Advocates does not propose a cap on how much IGFCs may increase the average monthly bills of higher-income customers. Cal Advocates' proposal does not require a cap and, to address the potential for larger bill increases to higher income customers, the Commission should utilize the California Climate Credit (CCC) offset for low-income customers.²⁰

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.

All costs that do not vary with changes to consumption should be "eligible" for inclusion in a fixed charge.²¹ Such costs include but are not limited to; marginal customer access cost, non-marginal distribution costs, public purpose related charges, and wildfire-related charges. This does not mean that all fixed costs *should* be included in a fixed charge, at least initially, for policy reasons. For example, Cal Advocates' proposal does not include all eligible fixed costs for initial implementation due to bill impact concerns.

Certain costs that statutes require to be collected on the basis of usage should not be eligible for inclusion in a fixed charge as described in Cal Advocates' AB 205 brief.²² Statute requires that the recovery of the Public Utilities Reimbursement Fee from electric service customers be allocated to each customer class based on the "ratio that each corporation's sales in kilowatt hours bears to the total sales in kilowatt hours for the

²⁰ Cal Advocates' Errata Testimony, Chapter 1, Section II. E on CCC proposal, at 23.

²¹ Cal Advocates' Errata Testimony, Chapter 1, pp. 8-12 and Cal Advocates Rebuttal Testimony, Chapter 1, at 1-7 to 1-9.

²² Cal Advocates' AB 205 Brief served 1/23/23, at 7-8.

class.”²³ Additionally, statute requires that competition transition cost rates (CTC) “be applied to each customer based on the amount of electricity purchased by the customer from an electrical corporation or alternate supplier of electricity, subject to changes in usage occurring in the normal course of business.”²⁴

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?**

See response to question 5 concerning legal restrictions.

Implementing a fixed charge using a non-specified approach (i.e., simply recover a portion of Eligible Fixed Costs through the first version of IGFCs without specifying which costs are recovered) is operationally more simple, though less transparent. If the Commission decides to pursue this approach, the Commission should still develop the underlying criteria and reasoning to support the inclusion of specified costs should be included and then the simplified method can be used to recover some percentage of those costs.

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.**
 - 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?**

The Commission should not include a demand differentiated charge in the initial fixed charge implementation. Income differentiation is complicated enough. Adding

²³ Cal Advocates’ AB 205 Brief served 1/23/23, at 7-8. See Public Utilities Code Section 432(c)(1).

²⁴ Cal Advocates’ AB 205 Brief served 1/23/23, at 7-8. See Public Utilities Code Section 371(a).

kilowatt (kW) demand to customers billing is unnecessary and would create customer confusion. The fact that the Hawaii PUC is including this charge for “future Hawaii TOU rates” indicates more time is needed with initial introduction of IGFC before exploring this option. Size differentiation of IGFCs between large and small customers should be considered in future proceedings as a refinement to IGFCs.

- 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?**

Cal Advocates supports collecting information for single and multi-family identifiers to enable the establishment of separate fixed charges based on dwelling type.²⁵ In the future, the Commission could consider using a shared service drop as a proxy to convey different fixed costs of service between small and large customers.²⁶

- 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.**

²⁵ Cal Advocates’ Errata Testimony, Chapter 1, at 1-22 and 1-23.

²⁶ Cal Advocates’ Rebuttal Testimony, Chapter 1, at 1-22.

Cal Advocates supports collecting information to support exploring fixed charge differentiation between large and small customers using indicators including single vs multi-family and service drop configuration.²⁷ Cal Advocates also supports exploring the Burbank Water and Power approach in a future proceeding.

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?

No further comment.

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

The IGFCs adopted by the Commission should follow the Electric Rate Design Principles. No parties opposed doing so and some parties used the principles to support their own proposals. As Cal Advocates stated in rebuttal testimony, the:

“changes to statute implemented in Assembly Bill (AB) 205 and the rate design principles adopted in Decision (D.)23-04-040 indicate a policy shift away from overall conservation to encouraging increased consumption via electrification in ways that will reduce greenhouse gases. Specifically, AB 205 removes the long-standing \$10 cap on residential fixed charges and allows for adoption of income graduated fixed charges.”²⁸

The Commission should evaluate IGFC proposals based on how well they improve incentives for electrification and equity for low-income customers in addition to the other rate design principles concerning customer considerations and cost causation principles adopted in D.23-04-040. For instance, the Solar Energy Industries Association's (SEIA) IGFC proposal maintains the status quo and offers little improvement in providing incentives for electrification, only reducing volumetric rates by \$0.02/kWh.²⁹ By

²⁷ Cal Advocates' Rebuttal Testimony, Chapter 1, at 1-22.

²⁸ Cal Advocates' Rebuttal Testimony, Chapter 1, at 1-2.

²⁹ Cal Advocates' Rebuttal Testimony, Chapter 1, at 1-5.

comparison, Cal Advocates' IGFC proposal would substantially reduce volumetric retail rates by \$0.06-\$0.08/kWh,³⁰ which would provide greater incentives for electrification.

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

Yes, the Commission should eliminate minimum bills for residential customers and replace it with IGFCs. The minimum bill is redundant with IGFCs. Moreover, assuming that the approved IGFC is larger than the current minimum bill, maintaining the minimum bill in addition to the IGFCs would likely confuse customers.

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. 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.

TheWorkNumber is used to income verify individuals applying for low-income assistance programs in California and several other states.³¹ The Department of Social Services (DSS) and Department of HealthCare Services (DHCS) successfully use TheWorkNumber for their income verification processes. The Commission can similarly use TheWorkNumber for income verification to implement the IGFC, discussed in detail within Cal Advocates' Chapter 2 testimony.³²

³⁰ Cal Advocates' Rebuttal Testimony, Chapter 1, at 1-7.

³¹ Cal Advocates' Opening Testimony, Chapter 2, Income Verification and Implementation, See: Exhibit, at Appendix A.20. Equifax's TheWorkNumber is used nationally for Medicaid enrollment as part of Verify Current Income (Paid for under a federal contract). Verify Current Income is an Equifax product that uses TheWorkNumber database to income verify applicants. Colorado, Wisconsin, and North Dakota utilize TheWorkNumber to income verify for assistance programs.

³² Cal Advocates' Opening Testimony, Chapter 2, Income Verification and Implementation, Sec. C, at 2-7 to 2-10.

i. Experience with CalFresh and CalWorks:

The DSS references TheWorkNumber as a data source when determining an applicant's eligibility for CalFresh (Food stamps) and CalWorks.³³ CalFresh is a low-income program that provides food assistance to qualified individuals. CalWorks provides cash aid to income-qualified families with children.³⁴ Both programs have several income eligibility parameters, outlined below:³⁵

- Gross monthly Income at or below 130% of the Federal Poverty Level (FPL)
- Net income below 100% of FPL, with deductions permitted (up to \$450 a month for utility expenses).
- Gross monthly income at or below 165% of FPL for disabled/senior households.
- Gross monthly income at or below 200% of FPL for modified categorical eligibility households³⁶ (Defined as those actively enrolled in Medi-Cal or CalWorks).

The DSS application for CalFresh and CalWorks requires an applicant's name, address, and social security number along with a consent signature for processing.³⁷ The consent form allows DSS to reference the California Statewide Automated Welfare System (CalSAWS) is a central state-run hub for income verification.³⁸ DSS uses

³³ Cal Advocates' Opening Testimony, Chapter 2, Income Verification and Implementation, See: Exhibit, at Appendix A.18

³⁴ *California Work Opportunity and Responsibility to Kids (CalWORKs)*, CalWorks Program requirements for families. Available at: <https://www.cdss.ca.gov/calworks>. Accessed on 07/13/2023.

³⁵ *CALFRESH COST-OF-LIVING ADJUSTMENTS EFFECTIVE OCTOBER*, DSS All County Information Notice outlining income guidelines and permissible deductions, at 6. Available at: <https://cdss.ca.gov/Portals/9/Additional-Resources/Letters-and-Notices/ACINs/2022/I-60-22.pdf?ver=2022-09-19-094600-460>. Accessed on 06/25/2023.

³⁶ *Categorically Eligible (CE) Households*, CalFresh Handbook, Modified Categorical Eligibility, at 5. Available at: https://stgenssa.sccgov.org/debs/policy_handbook_calfresh/fschap11.pdf. Accessed on 06/25/2023.

³⁷ *Initial Application for CalFresh, Cash Aid, and/or Medi-CalHealth-Care Programs*, See Application process, at 8. Available at: https://www.cdss.ca.gov/cdssweb/entres/forms/English/SAWS_1.pdf. Accessed on 07/08/2023.

³⁸ *Department of Social Services, Informational Resources*, The California Statewide Automated Welfare System (CalSAWS) is used for eligibility determination, benefit computation, benefit delivery and case management. Available at: <https://www.cdss.ca.gov/inforesources/saws>. Accessed on 07/12/2023.

CalSAWS to verify the applicant's income, and then determine the applicant's authorized eligibility allowance (amount of SNAP/CalWorks) that is permitted for the applicant. CalSAWS incorporates California Franchise Tax Board, Internal Revenue Service, Social Security Administration, Employment Development Department, and Equifax's TheWorkNumber.³⁹ Equifax's TheWorkNumber is available to the Commission without the need for statutory change. ⁴⁰ ⁴¹

DSS's May Revision for the 2023-2024 fiscal year (FY) budget expands funding for TheWorkNumber. The CalWORKs portion of TheWorkNumber contract is \$3.9 million in FY 2022-23 and \$7.2 million in FY 2023-24.⁴² The CalFresh portion of TheWorkNumber contract funding is \$9.2 million in FY 2022-23 and \$16.9 million in FY 2023-24.⁴³ These represent increases of \$3.3 million or 84.6%⁴⁴ for CalWorks and \$7.7 million or 83.7%⁴⁵ for CalFresh. Notably DSS states that "the increase in allocated funding is not from increased contractual costs with Equifax but due to increased utilization of TheWorkNumber by counties."⁴⁶ DSS has access to several other databases (FTB, IRS, SSA, EDD) but has instead opted to expand use of TheWorkNumber to assist

³⁹ *Medi-Cal CalHEERS - MAGI Verifications*, CALHEERS memo adding Equifax's Verify Current Income for income verification, at 1. Please see: <http://www.calsaws.org/wp-content/uploads/2022/03/CIT-0017-22-JA-Medi-Cal-CalHEERS-MAGI-Verifications.pdf> Accessed on 06/25/2023.

⁴⁰ California Revenue & Taxation Code §19552.

⁴¹ Code of Federal Regulations, Title 7, Agriculture, § 272.8 - State income and eligibility verification system - The Federal government provides states with the State Income & Eligibility Verification System (IEVS). IEVS provides IRS and SSA data for determination of benefits with unemployment, food stamps (CalFresh), working benefits (CalWorks) and Medicaid (Medi-Cal). Use for other programs is not allowed.

⁴² *Department of Social Services May Budget Revision*, at 58, bullet 12. Available at: <https://www.cdss.ca.gov/Portals/9/Additional-Resources/Fiscal-and-Financial-Information/Local-Assistance-Estimates/2023-24/2023-May-Revision-EstimateMethodologies.pdf>. Accessed on 07/15/2023. Attached as Exhibit, Appendix A.4.

⁴³ *Department of Social Services May Budget Revision*, at 334, bullet 3.

⁴⁴ (\$3.3 million/\$3.9 million) * 100 = 84.6%

⁴⁵ (\$7.7 million/\$9.2 million) * 100 = 83.7%

⁴⁶ *Department of Social Services May Budget Revision*, at 59, Sec. "CHANGE FROM GOVERNOR'S BUDGET." Quote: "There is no change in The Work Number contract in FY 2022-23. The FY 2023-24 increase reflects increased utilization." Attached as Exhibit, Appendix A.4.

with eligibility determinations. DSS’s decision to expand use of TheWorkNumber for CalFresh and CalWorks suggests exceptional performance of TheWorkNumber to verify income levels. Equifax has stated TheWorkNumber has been able to successfully verify income of 77% of applicants for DSS programs, including CalFresh and CalWorks.⁴⁷

ii. Experience with Medi-Cal and Covered California:

Medi-Cal is another low-income program, which provides low-cost healthcare coverage to income qualified individuals. The DHCS administers Medi-Cal (California-branded Medicaid).⁴⁸ Medi-Cal requires an income at or below 138% of the FPL for a single adult, with an expanded Medi-Cal Access Program (for Pregnant Women) requiring income at or below 322% of the FPL.⁴⁹ Figure 1 below outlines eligibility ranges for Medi-Cal programs.⁵⁰


⁴⁷ Rick Keene, “In Re: Income-Graduated Fixed Charge & TheWorkNumber,” email correspondence with Equifax discussing use with other agencies. 07/17/2023. Attached as Exhibit, Appendix A.1.

⁴⁸ Department of HealthCare Services Resources Page listing Medi-Cal available at: <https://www.dhcs.ca.gov/services/medi-cal/Pages/default.aspx>. Accessed on 07/13/2023.

⁴⁹ *Program Eligibility by Federal Poverty Level for 2023*, Medi-Cal eligibility. Available at: <https://www.coveredca.com/pdfs/FPL-chart.pdf>. Accessed on 06/25/2023.

⁵⁰ *Program Eligibility by Federal Poverty Level for 2023*, Medi-Cal eligibility. Figure available at: <https://www.coveredca.com/pdfs/FPL-chart.pdf>. Accessed on 06/25/2023.

Figure 1



Medi-Cal Programs

The column headings shaded in purple are associated with eligibility ranges for Medi-Cal programs:
Medi-Cal uses FPL limits for the current year, [as calculated by the Department of Health Care Services](#), to determine eligibility for its programs.

Medi-Cal for Adults	up to 138% FPL
Medi-Cal for Children	up to 266% FPL
Medi-Cal for Pregnant Women	up to 213% FPL
MCAP (for Pregnant Individuals)	over 213%–322% FPL
CCHIP (for Children in San Mateo, San Francisco, and Santa Clara counties)	over 266%–322% FPL

Covered California is a program that operates a healthcare benefit exchange administered by an independent board in partnership with DHCS.⁵¹ Covered California grants tax credits to eligible individuals that are directly applied to monthly healthcare premiums for households at or below 400% of the FPL.⁵² Covered California allows individuals to enroll in various private healthcare plans at a reduced rate. California uses the Covered California website to determine income eligibility for Medi-Cal or a subsidized private healthcare plan. Applicants must enter their name, address, date of birth and social security number before being prompted to accept both Terms & Conditions and a Consent for Verification.⁵³ Cal Advocates' proposal for an online portal

⁵¹ *Covered California Health Benefit Exchange*, about. Available at: https://hbex.coveredca.com/about/?_ga=2.239424771.1070395067.1689277556-600914779.1687806474. Accessed on 07/13/2023.

⁵² *Program Eligibility by Federal Poverty Level for 2023*, Covered California eligibility. Available at: <https://www.coveredca.com/pdfs/FPL-chart.pdf>. Accessed on 06/25/2023.

⁵³ *Covered California Enrollment*, Consent Acknowledgment Form. Attached as Exhibit, Appendix A.3.

mirrors the process Covered California utilizes by having one website that would serve all IOU customers.⁵⁴ The enrollment process requires similar⁵⁵ personally identifiable information to proceed with income verification via TheWorkNumber as is currently requested by Covered California.⁵⁶

For income verification, the DHCS manages the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) datahub in a partnership with Covered California.⁵⁷ CalHEERS data is stored in the CalSAWS hub also utilized by DSS. CalHEERS incorporates California Franchise Tax Board, Internal Revenue Service, Social Security Administration, Employment Development Department, and Equifax's *Verify Current Income (VCI)* product.⁵⁸ VCI is an Equifax product that utilizes a smaller subset of TheWorkNumber data, as discussed in Cal Advocates' Opening Testimony.⁵⁹ CalHEERS (Department of HealthCare Services and Covered California) utilizes TheWorkNumber VCI as part of its data repositories when conducting income verification.

⁵⁴ Cal Advocate's Opening Testimony, Chapter 2, Income Verification and Implementation, Exhibits, at Appendix A.19.

Cal Advocates' proposes a Commission-branded portal, or website, that is administered by a TPA and completes income verification for all IOU customers throughout the state.

⁵⁵ Cal Advocates' Proposal to utilize TheWorkNumber does not require a social security number if none is provided.

⁵⁶ Cal Advocates' Opening Testimony, Chapter 2, at 2-10 to 2-13.

⁵⁷ Cal Advocates' Opening Testimony, Chapter 2, at Appendix A.11: CalHEERS [CA-219076] Verify Current Income Service Letter.

⁵⁸ *Medi-Cal CalHEERS - MAGI Verifications*, CALHEERS memo adding Equifax's Verify Current Income for income verification. Please see: <http://www.calsaws.org/wp-content/uploads/2022/03/CIT-0017-22-JA-Medi-Cal-CalHEERS-MAGI-Verifications.pdf> Accessed on 06/25/2023.

⁵⁹ Cal Advocate's Opening Testimony, Chapter 2, Income Verification and Implementation, Exhibits, at Appendix A.20.

Verify Current Income uses TheWorkNumber data and is paid for by the Federal government for use by all states when verifying income for Medicaid. For further discussion on VCI and the relation with the TheWorkNumber product.

Equifax's VCI product for Medicaid and the Covered California insurance marketplace⁶⁰ is provided to all states nationwide under the federal government's Federal Data Services Hub (FDSH) to verify the income of applicants.⁶¹ Equifax's contract with the federal government through the FDSH has permitted TheWorkNumber's repository to grow substantially over the past few years, with over two and one half million employer/payroll contributors in 2021 compared to less than seven thousand employer/payroll contributors in 2016, that share employee income information.⁶²

iii. Clarification of TheWorkNumber compared to the Identity Verification product

The Joint-IOUs' rebuttal testimony incorrectly implies that TheWorkNumber's "match rate cited for finding customers in the database averages only 57%."⁶³ However, the Joint-IOUs' cited product sheet was published in 2020 and is outdated.⁶⁴ The 57% match rate referenced by the Joint-IOUs ⁶⁵ is an Equifax Identity Verification product that is not TheWorkNumber product described in Cal Advocates' proposal. In fact, TheWorkNumber has a match rate of 77% for social service programs.⁶⁶ Additionally, the Identity Verification product the Joint IOUs cite requires less applicant information than Cal Advocates' proposal and reduces successful results.

⁶⁰ The Federal Affordable Care Act (2010) established insurance marketplaces that are administered by states, such as Covered California, or the federal government in regions where states opt out.

⁶¹ *CalHEERS Income Verification System Guide*, at 1, par. 2. Available at: <http://www.calsaws.org/wp-content/uploads/2022/03/CIT-0017-22-JA-Medi-Cal-CalHEERS-MAGI-Verifications.pdf#:~:text=This%20job%20aid%20also%20provides%20information%20for%20using,a%20free%20service%20by%20Equifax%20available%20through%20FDSH>. Accessed on 07/09/2023.

⁶² *Equifax TheWorkNumber Brochure*, at 3, Figure 1 on the left. Available at: <https://theworknumber.com/resource/-/resource/income-and-employment-verifications-for-social-services>. Accessed on 07/09/2023.

⁶³ Joint IOUs' Rebuttal Testimony, at 71, Footnote 156.

⁶⁴ Joint IOUs' Rebuttal Testimony, at 71, lines 2-6.

⁶⁵ Joint IOUs' Rebuttal Testimony, at 71, Footnote 156.

⁶⁶ Rick Keene, "In Re: Income-Graduated Fixed Charge & TheWorkNumber," email correspondence with Equifax discussing use with other agencies. 07/17/2023. Attached as Exhibit, Appendix A.1.

- 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.)**

Categorical eligibility based on programs administered by other agencies may not be suitable for income verification to implement the IGFC. As discussed above in response to question 10(a), income guidelines for various low- income programs vary substantially between 100-322% of the FPL and may not necessarily align with IGFC income brackets.

Participation in another income-based program may not provide sufficient information on a customer's income for placement in a bracket for IGFC. For example, the LifeLine programs' categorical eligibility approval system through CalFresh Confirm only verifies if an applicant is or was receiving DSS assistance at some point during the previous 12 months.⁶⁷ The use of CalFresh Confirm is suitable for LifeLine because the income cap of DSS programs is lower than that of LifeLine. The IGFC will need granular income values, not accessible to LifeLine, for assignment of customers into the various adopted brackets.

- 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 categorical eligibility for income verification, then only the low-income public assistance programs presently available under the categorical eligibility rules for CARE customers should be considered. Cal Advocates is unaware of

⁶⁷ *CalFresh Confirm for E&T Providers*, CalFresh Confirm presentation, at slides 9-12. Available at: <https://redfworkshop.org/wp-content/uploads/2021/03/CalFresh-ET-Intro-to-CalFresh-Confirm.pdf>. Accessed on 06/26/2023.

moderate-income programs that could be used to establish a moderate-income tier and FERA does not include any categorical eligibility programs.⁶⁸ The low-income programs used for CARE categorical eligibility include:⁶⁹ Medi-Cal, Women, Infants and Children Program (WIC), Healthy Families A & B, National School Lunch's Free Lunch Program (NSL), SNAP, Low Income Home Energy Assistance Program (LIHEAP), Head Start Income Eligible (Tribal Only), Supplemental Security Income (SSI), Bureau of Indian Affairs General Assistance, and Temporary Assistance for Needy Families (TANF) or Tribal TANF.

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

To the extent data sharing with other agencies is possible and would accurately identify customers' income that does not rely on categorical eligibility exclusively, it should do so. The Commission should research and explore whether it is possible to expand data-sharing agreements with other state agencies for verifying participation in low-income programs, if it decides to use categorical eligibility for placement in IGFC brackets. At present, the Commission has an agreement with DSS that permits access to CalFresh Confirm for LifeLine and informs whether a customer is receiving CalFresh or CalWorks benefits.

Currently, certain data sharing agreements are subject to non-disclosure agreements. Cal Advocates noted in rebuttal testimony that "existing agreements between DSS and Equifax prohibit the sharing of income verifications completed for

⁶⁸ *Categorical Eligibility Report Presentation to the LIOB (2023)*, See the Low-Income Oversight Board Presentation on categorical eligibility recommendations. Note only CalFresh/WIC/LIHEAP are recommended, at slide 28. Available at: <https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2023/06/Categorical-Eligibility-Presentation-to-LIOB-Evergreen-Econ-2023-06-15.pdf#:~:text=Categorical%20eligibility%20provides%20an%20alternative%20to%20income%20certification,approved%20local%2C%20state%2C%20or%20federal%20means%20-tested%20programs>. Accessed on 06/28/2023.

⁶⁹ See CARE categorical eligibility programs: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program>. Accessed on 06/25/2023.

other state agencies, which effectively bars the use of DSS data.”⁷⁰ DSS can only provide information on whether a customer is participating in DSS programs such as CalFresh and CalWorks but cannot share specific numerical income information.⁷¹

- 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.**

Equifax’s TheWorkNumber is used by several California state agencies, including the Department of Social Services, Department of HealthCare Services, and Covered California, in conjunction with other data sources (IRS, FTB, EDD, SSA).

TheWorkNumber is also used in many other states for income verification in social service programs, including Colorado, Wisconsin⁷² and⁷³ North Dakota.⁷⁴

TheWorkNumber is used by all 50 (fifty) states as part of the Centers for Medicare &

⁷⁰ Cal Advocates’ Rebuttal Testimony, Chapter 2, at 2-11.

⁷¹ *CalFresh Confirm for E&T Providers*, CalFresh Confirm presentation, at slides 9-12. Available at: <https://redfworkshop.org/wp-content/uploads/2021/03/CalFresh-ET-Intro-to-CalFresh-Confirm.pdf>. Accessed on 07/12/2023.

⁷² *Wisconsin Works (W-2) Access to Equifax Data to Verify Earned Income*, Memo incorporating TheWorkNumber. Available at: <https://dcf.wisconsin.gov/files/w2/ops-memos/pdf/15-07.pdf>. Accessed on 06/30/2023.

⁷³ *Income Interfaces for Medical Assistance Programs*, Colorado Department of Healthcare Policy & Financing Memo including TheWorkNumber’s use for income verification at: <https://hcpf.colorado.gov/sites/hcpf/files/HCPF%20OM%2021-045%20Income%20Interfaces%20for%20Medical%20Assistance%20Programs.pdf#:~:text=The%20Department%20added%20the%20Federal%20Data%20Services%20Hub,to%20date%20pay%20period%20data%20direct%20from%20employers>. Accessed on 06/30/2023.

⁷⁴ *Use of Federal Data Services Hub (FDSH) for Economic Assistance Programs*, North Dakota Department of Human Services Memo outlining use of TheWorkNumber for the Low-Income Home Energy Assistance Program (LIHEAP) and food stamps. Available at: [https://www.nd.gov/dhs/policymanuals/43005/Content/IMs/IM%205367%20-%20Use%20of%20Federal%20Data%20Services%20Hub%20\(FDSH\)%20For%20Economic%20Assistance%20Programs.pdf](https://www.nd.gov/dhs/policymanuals/43005/Content/IMs/IM%205367%20-%20Use%20of%20Federal%20Data%20Services%20Hub%20(FDSH)%20For%20Economic%20Assistance%20Programs.pdf). Accessed on 06/30/2023.

Medicaid Services (CMS)⁷⁵ ⁷⁶ and Federal Data Services Hub (FDSH) to assist states income verifying applicants for Medicaid. In total, Equifax works with over 2000 federal, state, and local government agencies to support verification of income.⁷⁷

Cal Advocates proposes to use TheWorkNumber until statutory changes permit the incorporation of further (FTB or other) data. Even if FTB or other data sources become available, TheWorkNumber could still be used to provide a broader pool of information, similar to other agencies. The Medi-Cal and Covered California data hub, CalHEERS, can add data sources to reference for income verification.⁷⁸ The LifeLine TPA⁷⁹ expanded the income verification process to include CalFresh Confirm DSS data after early implementation struggles.⁸⁰ A TPA model under the Commission would also allow for the future inclusion of additional data sources for the IOUs to verify income.

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 Commission should *not* adopt a different design for IGFCs for non-default rates. The design for IGFCs should be the same for all rates to prevent gaming. Fixed charges for non-default rates must be at least as high as the IGFC, with the same structure, adopted in this proceeding to prevent higher income customers from avoiding

⁷⁵ Equifax, *Informational Product Sheet*, at 8 at:

https://assets.equifax.com/wfs/theworknumber/assets/TWN_Benefit_Eligibility_Processes.pdf. Accessed on 06/30/2023.

⁷⁶ Equifax, *Social Services Verification flyer*, at 2 at: https://assets.equifax.com/ews/twn/assets/18-101046_vsgov_SocialServicesVerificationPS_web.pdf. Accessed on 06/30/2023.

⁷⁷ Rick Keene, “In Re: Income-Graduated Fixed Charge & TheWorkNumber,” email correspondence with Equifax discussing use with other agencies. 07/17/2023. Attached as Exhibit, Appendix A.1.

⁷⁸ Cal Advocates’ Opening Testimony, Chapter 2, at Appendix A.11: CalHEERS Memo Incorporating Equifax/VCI data for income verification.

⁷⁹ The LifeLine TPA contracted with the Commission is Maximus Inc.

⁸⁰ Cal Advocates’ Opening Testimony, Chapter 2, at Appendix A.12: LifeLine Income Verification Process.

the IGFC in the default rate by moving to optional rates. If large numbers of higher income customers avoid the IGFC, such a deviation will frustrate the purpose of the IGFC. This is because the IGFC relies on higher income customers paying more to support lower income customers paying reduced fixed charges.

If the overall adopted average IGFC is higher than the current fixed charges in electrification rates, it will provide further volumetric rate reductions to enhance the case for electrification. Further changes may be enacted in future venues to increase the average fixed charge collected on electrification rates to enhance electrification outcomes, but the overall structure (income brackets definition and differentials) of the IGFC on such rates must be consistent. However, the Commission should avoid simply increasing the average IGFC applied to these electrification rates to levels far above the default average IGFC without considering potential cost shifting implications.

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?

Ideally, the Commission, not the IOUs, would hold an RFP to hire a third-party administrator (TPA). Cal Advocates, the IOUs, and several other parties have requested that the Commission, or another governmental entity, should be directly responsible for contracting a TPA.⁸¹ Under Cal Advocates' proposal to utilize TheWorkNumber, a TPA would facilitate sharing of information between Equifax and the utilities. This TPA model could also be modified to incorporate customer income data from other sources,

⁸¹ Cal Advocates' Opening Testimony, Chapter 2, at 2-13. PacifiCorp Opening Testimony, at 22, lines 11-13, NRDC/TURN Opening Testimony, at 32, lines 3-11, Liberty Utilities Opening Testimony, at 5, Sec. E. (1), Joint IOU Opening Testimony, at 78, lines 5-17.

such as the Franchise Tax Board (when that data may become available for such a purpose).

A TPA contracted with the Commission, similar to the LifeLine model, would best permit a streamlined process where all IOUs can request to receive information on the appropriate income bracket for a given customer. The LifeLine TPA permits IOUs to enroll as providers by submitting an advice letter to the Commission and connecting their billing systems with the TPA. At present, this process normally takes 1-2 months for communications IOUs. Adopting a TPA model under the Commission would allow IOUs to access TPA income verification data via a simple advice letter process. A TPA should be hired at the earliest opportunity to conduct income verification tests, participate in working groups and address any other unexpected hiccups during initial IGFC implementation. Many of the parties who have submitted opening and rebuttal testimony support use of a TPA contracted by the Commission.⁸²

Cal Advocates' Opening Testimony discusses that Equifax's TheWorkNumber is most suitable for immediate implementation and can be developed to work with a Commission-contracted TPA to provide income data to the Commission and/or the IOUs.⁸³ Additionally, Equifax states that it needs to contract directly with a government agency or a TPA under the agency to share the type of income information envisioned in IGFC implementation.⁸⁴

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

⁸² PacifiCorp's Opening Testimony, at 22, lines 11-13, NRDC/TURN Opening Testimony, at 32, lines 3-11, Liberty Utilities' Opening Testimony, at 5, Sec. E. (1), Joint IOU Opening Testimony, at 78, lines 5-17, Sierra Club's Rebuttal Testimony, at 38, lines 25-29.

⁸³ Cal Advocates' Opening Testimony, Chapter 2, at 2-10 to 2-13.

⁸⁴ Cal Advocates' Opening Testimony, Chapter 2, See Exhibit, at Appendix A.6, Equifax Correspondence: Question 6.

- 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?**

Income Verification and reverification for all non-CARE/FERA customers should be completed with TheWorkNumber for the first step of IGFC implementation. Equifax's TheWorkNumber provides quantitative data that can be used precisely for movement of customers from a default high-income bracket to another bracket. TheWorkNumber has a current match rate of 77%⁸⁵ in use under DSS. Customers not enrolled in CARE or FERA should be required to reverify their income annually through TheWorkNumber to be in a low or medium-income bracket. Customers enrolled in CARE or FERA should not be required to income verify with a higher frequency than the once every two years, or longer periods, as adopted in the Low-Income proceeding.⁸⁶

The long-term income verification process should not be based on CARE/FERA or Lifeline due to the high costs and lack of specific income information needed for assignment to income brackets for IGFCs. The CARE/FERA process of self-attestation with subsequent income verification, under the Joint IOUs' proposal,⁸⁷ has a current estimate of at least \$9.40 per customer.⁸⁸ The IOUs acknowledged that this estimate for

⁸⁵ Rick Keene, "In Re: Income-Graduated Fixed Charge & TheWorkNumber," email correspondence with Equifax discussing use with other agencies. 07/17/2023. Attached as Appendix A.1. The Joint IOU Rebuttal Testimony, at 71, Footnote 156, references an outdated product sheet when stating TheWorkNumber successfully matches only 57% of requests. The 2020 product sheet cited by the Joint IOUs is based on a data repository that is less than half than what presently exists as of 2023.

⁸⁶ Decision (D.) 21-06-015, *Decision on Large Investor-own Utilities' and Marin Clean Energy's CARE, ESA, and FERA Program Applications for Program Years 2021-2026*, CARE Program Discussion, Sec. 4.2.8.1, at 33. – This decision adopted an extended recertification requirement for select CARE customers including those on fixed incomes.

⁸⁷Joint IOUs' Opening Testimony, at 92, Table III-13. See: CARE "Cost Per Participant."

⁸⁸ Joint IOUs' Opening Testimony, at 92, Table III-13, See CARE. The Joint IOU's anticipate costs for self-attestation would be at least \$2.37 per application and \$9.40 per income verification. This estimate is stated as likely being low given the scaling requirements of having to income verify over 10 million accounts.

self-attestation is likely to be much higher when scaled to over 10 million customers.⁸⁹ The Joint-IOUs self-attestation/income verification cost per participant approach is more expensive than Cal Advocates' proposal to utilize TheWorkNumber.⁹⁰ Additionally, Cal Advocate's proposal to utilize TheWorkNumber would allow the use of a TPA that can work with the Commission and the IOUs to recommend and develop improvements for future iterations of the IGFC. At present, the LifeLine TPA under the Commission holds monthly consumer advocate workshops with stakeholders to share improvements and ideas.⁹¹

Unlike TheWorkNumber, The California LifeLine program does not have access to income values. The LifeLine program verifies eligibility by confirming categorical eligibility for the majority of customers and requires providing supporting income documentation for those not verified through CalFresh Confirm.⁹² The TPA cost for verification through LifeLine is just over \$15.3 million a year for approximately 1.3 million customers, of which less than half are income verified.⁹³ This income verification process is costly, given most customers are enrolled via categorical eligibility.

⁸⁹ Joint IOUs' Opening Testimony, at 92, Table III-13. See: CARE "Difference from IGFC."

⁹⁰ Cal Advocates' Opening Testimony, Chapter 2, at 2-14, lines 1-8. See records received and submission-based pricing for comparison of pricing options with Joint IOU estimate of self-certification income verification price estimate of \$9.40.

⁹¹ Lisa Bass, "RE: LifeLine Integration with IOUs," email correspondence with Communications Division staff discussing LifeLine. 06/14/2023. Attached as Exhibit, Appendix A.2.

⁹² Cal Advocates' Opening Testimony, Chapter 2, Exhibits, at Appendix A.12 & A.13. See: Table describing LifeLine income verification process and email correspondence with Lisa Bass from PUC Communications Division confirming LifeLine does not receive income values from CalFresh Confirm.

⁹³ Joint IOUs' Opening Testimony, at 92, Table III-13, See LifeLine.

- 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?**

Defaulting all non-CARE/FERA customers to the highest adopted tier will make it more likely that customers eligible for a lower tier will opt to income verify. The Commission should adopt narrow bracket differentials during the initial implementation and consider expanding them in future proceedings to mitigate the financial harms associated with defaulting customers to the highest tiers during initial implementation. Cal Advocates' opening testimony has proposed such narrow bracket differentials.⁹⁴

Notification of placement of all non-CARE/FERA customers to the highest bracket should be done at least several months prior to application of any fixed charge. IOUs should provide bill examples customers with their monthly statements. These bill examples should illustrate how customers can verify income, and qualify for a lower income bracket well before the IGFC goes 'live', and is reflected in customer bills. A universal implementation date amongst all of the IOUs will ease customer confusion. A coordinated statewide customer education campaign should start at least six months before implementation to reduce misassignment of customers onto the highest adopted IGFC.

⁹⁴ Cal Advocates' Opening Testimony, Chapter 1, p. 12, Section C.3 and Cal Advocates' Opening Testimony, Chapter 2, at 2-7, lines 4-12.

- 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?**

All costs related to income verification for the IGFC should be recorded as IGFC costs and recovered as Public Purpose Program (PPP) charges. This includes the cost of hiring a TPA, income verification tool costs (TheWorkNumber) and any costs associated with the referencing of the IOUs existing income information for CARE/FERA customers. These costs can be recorded in the IGFC balancing account to accurately record IGFC-related under or over collections.

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

Yes, the Commission should establish a working group to develop reporting requirements and an evaluation plan for the first version of IGFCs across all IOUs. The working group would provide consistency between the IOUs and simplify the process for parties to participate.

- 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?**

The Commission should establish a working group to provide ME&O support, without a third-party. There is already experience from TOU implementation that could be leveraged to develop a proposal. The third party ME&O contract for default TOU implementation, which was awarded to Doyle Dane Bernbach Group (DDB), was

expensive and the contractor was not transparent regarding its expenditure of contract funds.²⁵ Examples include but are not limited to:

- DDB received 73% of the funds set aside for community-based organization (CBO) outreach with CBO's receiving only 23% with no justification.²⁶
- DDB spent nearly the entire budget, which was to be used for a statewide ME&O program, during the period when only SDG&E was defaulting its customers to TOU rates.²⁷
- DDB incurred cost overruns with no transparency regarding the activities that the funding would support.²⁸

Strategies and processes that were used for TOU implementation could also be utilized for IGFC ME&O strategy development. For example:

- With input from the working group, the Commission approved a common outline for each IOU to present its ME&O plan for Commission and stakeholder consideration.²⁹ Topics covered by the common outline included:
 - Background and Objectives for the ME&O plans
 - A description of the IOU's customer base and ME&O segmentation strategies to reach specific groups (such as hard to reach or economically vulnerable).
 - A section that describes lessons from previous ME&O efforts. This section could detail how each IOU is leveraging the learnings from the TOU transition.
 - A section that outlines each IOU's detailed marketing plan including timing of communications, communications

²⁵ R.12-06-013 Phase 5: Cal Advocates' Comments of The Public Advocates Office on The Alternate Proposed Decision Addressing Phase 5 Issues and the 2016 Order to Show Cause, served 3/16/2020.

²⁶ R.12-06-013 Phase 5: Cal Advocates' Comments of The Public Advocates Office on The Alternate Proposed Decision Addressing Phase 5 Issues and the 2016 Order to Show Cause, served 3/16/2020, at 4.

²⁷ R.12-06-013 Phase 5: Cal Advocates' Comments of The Public Advocates Office on The Alternate Proposed Decision Addressing Phase 5 Issues and the 2016 Order to Show Cause, served 3/16/2020, at 2-3

²⁸ R.12-06-013 Phase 5: Cal Advocates' Comments of The Public Advocates Office on The Alternate Proposed Decision Addressing Phase 5 Issues and the 2016 Order to Show Cause, served 3/16/2020, at 5.

²⁹ R.12-06-013, Administrative Law Judge's Ruling Inviting Prehearing Conference Statements and Setting Next Steps Following the September 12, 2016 Marketing Education and Outreach Workshop, September 30, 2016, at Attachment B: Common Outline for Rate Reform ME&O Plans.

messaging, tools to help customers choose the correct rate for them based on the new IGFC structure, tools, and strategies to reach specific customer groups.

- A section that explains each IOU's plan to quantitatively measure ME&O effectiveness throughout the transition.
- A detailed budget of each ME&O activity.
- The TOU ME&O working group collaborated to develop a common set of metrics to evaluate the progress of ME&O effectiveness toward increasing customer knowledge about TOU rates. Progress toward these metrics were measured in multiple surveys in each IOU's territory throughout the transition process.¹⁰⁰ A similar process could be used for evaluating the IGFC ME&O transition.

A similar process for developing a common outline could be used for the IOU's proposed IGFC ME&O proposals.

- 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?**

The Commission should establish a working group to discuss IGFC implementation issues and recommendations for refinement. However, the Commission should not authorize funding for a third-party contractor to develop income verification proposals for future versions of IGFCs. Parties have already provided detailed proposals for IGFCs and would participate in future proceedings for changes to IGFCs. Funding for a separate third-party contractor would add unnecessary expense and would not necessarily provide commensurate benefits. The LifeLine TPA, Maximus, hosts a monthly consumer advocate meeting to discuss program goals and solicit feedback. Cal

¹⁰⁰ PG&E Advice Letter 4949-E, Pacific Gas and Electric Company's Marketing, Education & Outreach Plan in Compliance With December 17, 2015 Assigned Commissioner and Administrative Law Judge's Ruling and Decision 15-07-001, November 1, 2016, at 121-122.

Advocates supports a TPA for IGFC that models LifeLine and holds monthly or quarterly meetings with the working group.

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

Yes, the Commission should establish a working group to discuss IGFC implementation issues and recommend improvements, similar to how the Commission leveraged the TOU working group leading up to and during implementation of default TOU. To better understand how to implement time-of-use rates and other aspects of rate reform, the CPUC, the IOUs, and other stakeholders (via the TOU working group) engaged in research about customer attitudes about rates, and about how customers respond to various pilot time-of-use rates. Additionally, the IOUs submitted to the Commission and parties periodic updates on the progress of their efforts to assist customers with transition to a default time of use rate.¹⁰¹ These approaches can be combined whereby the IOUs would provide periodic updates to the working group focused on the implementation process for IGFCs, and solicit feedback.

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

Cal Advocates does not support the use of third-party contractors for ME&O. However, if the Commission approves funding, it should also be recovered in a PPP charge.

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)?

Utilities should not file rate design window applications for the first version of IGFCs. Instead, a decision issued in this proceeding should be sufficiently prescriptive to identify the costs authorized for recovery in the IGFC, how large the fixed charge will be, fixed charge differentials, number of income brackets and income bracket definition.

¹⁰¹ <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-rates/residential-rate-reform-r-12-06-013>

There is substantial evidence in the record to support adopting fixed charge values in this proceeding. The Commission should provide sufficient guidance to allow the IOUs to submit Tier 2 advice letters as soon as possible to implement the IGFCs. Additional RDWs will consume more resources and time and will constitute duplication of effort. RDW applications should be limited to issues not addressed in this proceeding.

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?

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

The Commission should allow the IOUs to submit Tier 2 advice letters to address implementation issues, if necessary.

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

Regular updates to the working group will provide opportunities to identify issues and solicit feedback to provide solutions. At minimum, the Commission should provide evaluations with updates on an annual basis, with the first one provided 12 months after the first wave of customers are enrolled on to the new fixed charges. The draft evaluation should be provided to the service list of the proceeding for feedback before a final evaluation is issued. This process can be refined through the working group.

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

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 Commission's existing processes and regulatory mechanisms (i.e., balancing accounts) to address under and over collections are sufficient. This means that fixed

charge revenue deviations from authorized revenues would be allocated back to rates volumetrically, consistent with how revenue collections are currently handled.¹⁰²

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

Cal Advocates recommends no change to existing mechanisms.

- 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.**

See response to part “a”.

- 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.**

- 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?**

No, the SMJU’s have not shown why they require such modifications. As addressed in rebuttal testimony, the same income brackets, bracket differentials, and CARE discount methodology should be adopted for the SMJUs as for the IOUs.¹⁰³ Additionally, the fixed charges for the lowest income bracket should be offset using GHG allowance revenues consistent with Cal Advocates’ proposal for the large IOUs.¹⁰⁴

- b. Should the Commission adopt directions for the first version of the SMJUs’ IGFCs based on one of the SMJUs’ proposals? If so, which of the SMJUs’ proposals do you support?**

The Commission should adopt Cal Advocates’ IGFC proposals for the SMJUs.¹⁰⁵

¹⁰² Cal Advocates’ Errata Testimony, Chapter 1, at 1-24.

¹⁰³ Cal Advocates’ Rebuttal Testimony, Chapter 1, at 16.

¹⁰⁴ Cal Advocates’ Rebuttal Testimony, Chapter 1, at 16-17.

¹⁰⁵ Cal Advocates’ Rebuttal Testimony, Chapter 1, at 1-11 to 1-17.

IV. CONCLUSION

Cal Advocates appreciates the opportunity to provide comment on the Ruling. The concept of IGFCs is a novel rate design concept that has never been undertaken on a widescale in California. With that, it also unlocks unique opportunities to reduce bills for low-income customers while providing enhanced electrification opportunities, and therefore reduce GHG emissions. Cal Advocates' proposal is an ideal starting point for an initial IGFC. Under Cal Advocates' proposal, the IGFC will provide such benefits and can be fully implemented by Q1 of 2026. Cal Advocates' proposal features TheWorkNumber, a robust income verification strategy with a proven track record. If the Commission decides that a more gradual glidepath is required, then it should ensure that it includes an IGFC design that can be implemented expeditiously, one that is large enough to provide measurable benefits for low-income customers, and one that encourages electrification.

Respectfully submitted,

/s/ Darryl Gruen
Darryl Gruen
Attorney

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Tel: 415-703-1973
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July 31, 2022

APPENDIX A.1
Email Correspondence with Equifax and Rick Keene

From: [Rick Keene](#)
To: [Marquez, Alejandro "Alex"](#)
Cc: [Juan Cole](#); [Richard Martin](#)
Subject: [EXTERNAL] Re: [IE] In Re: Income-Graduated Fixed Charge & TheWorkNumber
Date: Monday, July 10, 2023 4:35:31 PM
Attachments: [image001.png](#)

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hello Alex,

As we discussed, we do not know what our return rate would be for your program because it depends on how the program eligibility determination is ultimately constructed by the CPUC, and which population ends up applying for this benefit.

Since there is no precedent for a program like this, and it relies on factors that have yet to be decided in this process, we are not sure what your expected record return rate would be.

I must mention that the TWN report data that you provided that you received from the IOUs was three years old from 2020, when our number of both employers and records was significantly smaller than today.

But, for comparison purposes, if the population applying for a lower rate tier were similar to the population currently requesting other benefits in California currently using our system, we have been seeing over 75% of applicants with records returned. This calendar year we have been running fairly consistently at around 77% of records returned for California social services.

As to the cost per search for the income of the ratepayer applicant, in answer to your question, I can easily say that our price per applicant would be less than \$9.30.

If the commission chose to consider the income of multiple individuals in the household at some future time, that would of course necessitate multiple income searches and cost would be a different matter.

I hope this helps.

Rick Keene

Account Executive - Public Sector
California State and Local Government

o (530)354-5711 • m (530)354-5711

rick.keene@equifax.com



On Wed, Jul 5, 2023 at 9:07 AM Marquez, Alejandro "Alex"
<Alejandro.Marquez@cpuc.ca.gov> wrote:

Hi Rick,

I'm reaching out to request more information related to TheWorkNumber, and to ask if it is okay, given the NDA between Cal Advocates and Equifax, for Cal Advocates to share

APPENDIX A.2
Email Correspondence with Commission Communications
PURA, Lisa Bass.

From: [Bass, Lisa](#)
To: [Marquez, Alejandro "Alex"](#)
Subject: RE: LifeLine Integration with IOUs
Date: Wednesday, June 14, 2023 3:56:51 PM
Attachments: [image002.png](#)
[image003.png](#)
[ULTSAC Meeting Agenda 06-20-23.pdf](#)

Hi Alex,

Our LifeLine Service Providers, once approved through the AL process to meet all our requirements then, are allowed to begin their onboarding with our TPA. From my observations, if they're technically competent, they'll set up their systems to do data exchanges with ours in about a month to two months. One service provider took 5 months when I started at CPUC 2.5 years ago. That particular SP didn't have an IT vendor with experience on our TPA system, so they were learning from scratch. Now I've observed that our newer SPs have tended to hire IT vendors who service other LifeLine SPs, which has expedited the more recent onboarding processes.

Do you need more definitive data? I'm heading out for 2 days leave at 4:30, so apologies if I will be delayed with more help until next week.

We have our Universal LifeLine Telephone Service Administrative Committee quarterly public meeting on Tuesday morning. I'm the CD Liaison for the Advisory Board so I may be bogged down with last-minute prep on Monday. Not sure if you're planning to attend the meeting. I've attached the agenda so you can decide if it is relevant.

Kind regards, Lisa



Lisa Bass

Senior Public Utilities Regulatory Analyst
Communications Division | CA LifeLine
(415) 703 - 3491 | lisa.bass@cpuc.ca.gov
[CPUC CA LifeLine Website](#)

From: Marquez, Alejandro "Alex" <Alejandro.Marquez@cpuc.ca.gov>
Sent: Wednesday, June 14, 2023 2:53 PM
To: Bass, Lisa <Lisa.Bass@cpuc.ca.gov>
Subject: LifeLine Integration with IOUs

Hi Lisa,

I was wondering if you were familiar with the process for IOU contracting with LifeLine under Maximus. Specifically I'm trying to determine if there's a drawn out process for IOUs to contract with LifeLine/Maximus for the purpose of being able to offer the LifeLine discount to customers. Is this something that would take weeks, months or even a year perhaps?

I'm working on a proceeding considering a similar TPA framework and wanted to estimate how long coordination among IOUs and a TPA under the Commission might take.

Thank you,

Alejandro "Alex" Marquez

Public Utilities Regulatory Analyst

Electricity Pricing - Public Advocates Office

California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

Alejandro.Marquez@Cpuc.ca.gov | publicadvocates.cpuc.ca.gov



APPENDIX A.3
Covered California Disclosure Form

Terms and Conditions

In order to enroll on this website, you must agree to the [Terms and Conditions](#) and [Privacy Policy](#).

Consent For Verification

I agree to receive text messages and calls about my health care coverage from Covered California and/or Health For California Insurance Center.

I consent to receive autodialed and pre-recorded calls and/or text/SMS messages at the telephone number I provided (including my cell phone number), from or on behalf of Covered California and/or Health For California Insurance Center.

I understand that message and data rates may apply.

Permission to let Covered California verify your information.

Covered California checks other agencies' computer records to verify citizenship, satisfactory immigration status, tax information, and other information related only to eligibility to see if you and other people on this application qualify for health insurance. Note to Employers and Employees applying for SHOP: This does not apply to employers and employees applying to participate in SHOP. Covered California will not electronically verify any information submitted to SHOP.

This is an application for Covered California health insurance. Health for California Insurance Center is a Covered California Storefront and a licensed agency with Covered California and the California Department of Insurance. You are about to start an application to apply for health insurance through Health for California Insurance Center, a Certified Insurance Agency for Covered California. By clicking "Okay," you acknowledge that Health for California Insurance Center will have access to the personally identifiable information that you must provide on the following application to complete the eligibility and enrollment process. If you do not authorize Health for California Insurance Center to have access to the personally identifiable information that you must provide on

- ☐ I agree to Terms & Conditions
- ☐ I agree to Consent for Verification

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APPENDIX A.4
Department of Social Services May 2023 Budget Revision –
Income Verification Costs for Equifax’s TheWorkNumber

CalFresh Administration

DESCRIPTION:

This premise reflects administrative funding for the core CalFresh caseload. Historically, the budget for county administration was based on counties' administrative budget requests made through a PCAB process, modified by a cost containment system. Beginning FY 2001-02, the PCAB process was suspended, and the final PCAB process conducted in FY 2000-01 was used to establish the base from which future costs were determined. The base has been adjusted each successive annual budget for caseload changes. In addition to supporting initial and on-going eligibility and benefit determination, the funding also provides program infrastructure to support eligibility functions, such as general administration, training, contract costs, accounting, supplies, equipment, rent, utilities, and building maintenance.

The CalFresh core caseload is the total CalFresh caseload excluding CalFresh/CalWORKs-only public assistance cases and CalFresh/SSI-only public assistance cases. Additional CalFresh administrative funding is provided for these caseloads through the Shared Eligibility and the CalFresh SSI Expansion premises.

This premise also includes CalFresh Administration Adjustments, which reflect state level contract costs and, as per PL 105-185, the CalFresh administrative shift.

Additionally, this premise provides funding for the CalFresh portion of The Work Number contract. The Work Number is a third-party service used by most CWDs for income verification to assist with eligibility determinations.

Beginning FY 2023-24, a new methodology was developed for CalFresh eligibility administrative funding, and the costs associated with CalFresh Eligibility Administration for FY 2023-24 are now reflected in the CalFresh Eligibility Administration Rebase premise.

IMPLEMENTATION DATE:

The current CalFresh administration methodology implemented in June 2001. The Work Number contract implemented in April 2018.

KEY DATA/ASSUMPTIONS:

- Authorizing statute(s): W&IC sections 14154, 18900.3, 18900.4, and 18900.8; 7 CFR section 2025(a), 7 CFR section 2025(k), and PL 105-185.
- The administrative cost base is \$1.78 billion in FY 2022-23.
- The caseload projection reflects a 10.73 percent increase in FY 2022-23.
- Based on calendar year 2022 expenditures, staff development costs for the core CalFresh caseload are \$42.8 million in FY 2022-23.
- Funding for Los Angeles County to process denied and discontinued cases for federal data reporting purposes in the RADEP sample is \$275,000 in FY 2022-23.
- Savings from legacy system data collection and quality control systems are \$3.9 million in FY 2022-23.
- The Non-Assistance CalFresh Administrative Reduction is \$20.9 million in FY 2022-23.

CalFresh Administration

KEY DATA/ASSUMPTIONS (CONTINUED):

- The annual CalFresh Administrative Adjustments consist of approximately \$3.3 million in state level contract costs, \$150,000 in state level contract costs for a data exchange agreement with the California Lottery to identify CalFresh recipients with large wins, and the CalFresh administrative shift, which converts \$58.9 million federal funds to GF.
- The CalFresh Administration Augmentation funding is maintained at \$100.0 million total funds in FY 2022-23.
- The CalFresh portion of The Work Number contract funding is \$9.2 million total funds in FY 2022-23 and \$16.9 million total funds in FY 2023-24.

METHODOLOGY:

- The administration cost for FY 2022-23 is calculated by multiplying the cost base plus the projected percentage change in caseload.
- The recurring administration cost for FY 2022-23 is the sum of the staff development costs and Los Angeles County costs for denied or discontinued case reviews.
- The administrative savings for FY 2022-23 are the sum of legacy systems savings and the CalFresh Administrative Reduction.
- The total CalFresh Eligibility Administration cost for FY 2022-23 is the sum of the administration cost and recurring administration cost, less the administrative savings.
- The total cost for CalFresh Administration Adjustments in FY 2022-23 and FY 2023-24 is the sum of state level contract costs.
- The CalFresh Administration Augmentation (one-time) is budgeted as per the Budget Act of 2022.
- The CalFresh portion of The Work Number contract funding is budgeted as provided.

FUNDING:

The CalFresh administration costs are funded 49.6 percent SNAP, 36.4 percent GF, and 14.0 percent county in FY 2022-23. The CalFresh Administration Augmentation costs are funded 50 percent SNAP, 35 percent GF, and 15 percent county in FY 2022-23. The state level contract costs are funded 50 percent SNAP and 50 percent GF. The CalFresh administrative shift is reflected as a federal funding savings and a GF cost. The CalFresh portion of The Work Number contract is funded 50 percent SNAP and 50 percent GF.

CHANGE FROM GOVERNOR'S BUDGET:

The FY 2022-23 increase for CalFresh Eligibility Administration reflects faster average monthly caseload growth than previously projected and an increase in staff development costs.

There is no change for CalFresh Administration Augmentation, CalFresh Administration Adjustments, or The Work Number contract in FY 2022-23.

CalFresh Administration

CHANGE FROM GOVERNOR'S BUDGET (CONTINUED):

The FY 2023-24 decrease in CalFresh Eligibility Administration reflects the new methodology for CalFresh eligibility administrative funding. The costs associated with CalFresh Eligibility Administration for FY 2023-24 are now reflected in the CalFresh Eligibility Administration Rebase premise.

There is no change for CalFresh Administration Augmentation or CalFresh Administration Adjustments in FY 2023-24.

The FY 2023-24 increase for The Work Number contract reflects increased utilization.

REASON FOR YEAR-TO-YEAR CHANGE:

The decrease in CalFresh Eligibility Administration reflects the new methodology for CalFresh eligibility administrative funding. The costs associated with CalFresh Eligibility Administration for FY 2023-24 are now reflected in the CalFresh Eligibility Administration Rebase premise.

The decrease in CalFresh Administration Augmentation reflects one-time funding in FY 2022-23.

There is no change for CalFresh Administration Adjustments.

The increase for The Work Number contract reflects increased utilization.

EXPENDITURES:

(in 000s)

<u>FY 2022-23</u>					
Item 141 – County Administration	Total	Federal	State	County	Reimb.
CalFresh Eligibility Administration	\$1,984,919	\$982,561	\$720,941	\$281,417	\$0
CalFresh Administration Augmentation (one-time)	100,000	50,000	35,000	15,000	0
CalFresh Admin Adjustments	3,485	-57,107	60,592	0	0
Work Number	9,170	4,585	4,585	0	0
<u>FY 2023-24</u>					
Item 141 – County Administration	Total	Federal	State	County	Reimb.
CalFresh Eligibility Administration	\$0	\$0	\$0	\$0	\$0
CalFresh Administration Augmentation (one-time)	0	0	0	0	0
CalFresh Administration Adjustments	3,485	-57,107	60,592	0	0
Work Number	16,868	8,434	8,434	0	0