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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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

TRACK A OPENING BRIEF OF PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY

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TRACK A OPENING BRIEF OF PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY

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SUMMARY OF RECOMMENDATIONS

Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (collectively, the Joint Investor-Owned Utilities or Joint IOUs) recommend that in its Phase 1, Track A decision in this proceeding, the Commission order the following measures:

- The Commission should approve the First Version Fixed Charge (First Version FC) that the Joint IOUs propose in this brief. The Joint IOUs recommend that customers be assigned to one of three fixed charge levels based on the following criteria: Bracket 1 – customers enrolled in the California Alternate Rates for Energy (CARE) program or Family Electric Rate Assistance (FERA) program with household income of 100% Federal Poverty Level (FPL) or less; Bracket 2 – all other CARE and FERA customers; Bracket 3 – all non-CARE and non-FERA customers. Household income data needed to assign CARE and FERA customers to either Bracket 1 or Bracket 2 can be collected through existing income verification processes for the CARE and FERA programs. Income data need not be collected for customers assigned to Bracket 3.
- At a minimum, the fixed charge that the Commission approves in Phase 1, Track A should meet the requirements of California Assembly Bill 205 (AB 205) by providing lower average monthly bills for low-income ratepayers, reducing volumetric rates while maintaining conservation incentives, and generating bill impacts for all customers that are moderate, understandable, and consistent with the Commission's rate design principles.
- The Commission should approve fixed cost categories that are eligible for not only the First Version FC but any subsequent version, to avoid duplicative proceedings in the future.
- The Commission should approve the Joint IOUs' implementation and marketing, education, and outreach (ME&O) proposals, and authorize cost recovery and a balancing account to complete the rollout of the First Version FC.
- The Commission should order the Joint IOUs to submit a Tier 1 advice letter to establish a balancing account 30 days after the Final Decision.

- The Commission should order the Joint IOUs to submit a Tier 2 advice letter to update balancing account budgets 60 days after the Final Decision.
- The Commission should order the Joint IOUs to submit a Tier 2 advice letter on calculation methodologies, rates, and tariffs 60 days after the Final Decision.
- Annual adjustments to account for revenue requirement and forecast adjustments should be authorized using the Tier 1 Advice Letter process.
- The Commission should order ME&O workshops for the subsequent version of the fixed charge but not for the First Version FC.
- The Commission should order working group meetings for the subsequent version of the fixed charge to address issues around income verification and non-ME&O implementation.

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I.

INTRODUCTION

Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Assigned Commissioner's Phase 1 Scoping Memo and Ruling issued November 2, 2022 (Scoping Memo), and the Administrative Law Judge's [ALJ] Ruling Addressing the Track A Procedural Schedule, Opening Briefs Guidance, and Exhibits issued August 22, 2023 (August 22, 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 Investor-Owned Utilities or Joint IOUs) submit this opening brief addressing the issues scoped for Phase 1, Track A of this proceeding relating to the income-graduated fixed charge (IGFC).

II.

BACKGROUND AND PROCEDURAL HISTORY

On June 30, 2022, California Assembly Bill 205 (AB 205) became law. Among other provisions, AB 205 amended California Public Utilities Code (PUC) Section 739.9(d) to provide that the Commission "may adopt new, or expand existing, fixed charges for the purpose of collecting a reasonable portion of the fixed costs of providing electrical service to residential customers," subject to the requirements that any approved charges "[r]easonably reflect an appropriate portion of the different costs of serving small and large customers[,] [n]ot unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction[, and] [a]re set at levels that do not overburden low-income customers."[1] AB 205 also amended PUC Section 739.9(e) to provide that 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;" and the Commission "shall, no later than July 1, 2024, authorize a fixed charge for default residential rates."[2]

This proceeding was initiated on July 22, 2022 and is intended to advance the following objectives:

> (a) enhance the reliability of California's electric system; (b) make electric bills more affordable and equitable; (c) reduce the curtailment of renewable energy and greenhouse gas emissions associated with meeting the state's future system load; (d) enable widespread electrification of buildings and transportation to meet the state's climate goals; (e) reduce long-term system costs through more efficient pricing of electricity; and (f) enable participation in demand flexibility by both bundled and unbundled customers.[3]

Phase 1, Track A of the proceeding is scoped to address how the Commission should authorize an income-graduated fixed charge (IGFC) in accordance with AB 205.[4]

Parties submitted IGFC proposals in opening and reply testimony served on April 7, 2023 and June 2, 2023, respectively. One of the most complex and problematic issues discussed in party testimony was how "income verification" should be performed to assign IOU customers to IGFC "tiers" or "brackets" based on household income (meaning that the income of not only the customer named on the bill but all members of that customer's household would have to be determined). Acknowledging this and other complexities with the various proposals offered by parties, the Commission on June 19, 2023 issued the Administrative Law Judge's Ruling on the Implementation Pathway for Income-Graduated Fixed Charges (June 19, 2023 Ruling), which shifted the immediate focus of the proceeding to establishing a "first

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1 Cal. Pub. Util. Code § 739.9(d)(1)-(3).
2 Cal. Pub. Util. Code § 739.9(e)(1).
3 Scoping Memo at p. 1.
4 *See* Scoping Memo at p. 3.

version" IGFC that would not require income verification of all customers but rather would utilize "proven processes 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."[5] The June 19, 2023 Ruling endorsed a "gradual approach" that would approve a first version IGFC through a decision to be issued in early 2024, which decision would direct each IOU to file a rate design window application for its respective first version, and provide additional guidance on IGFC design, interpretation of AB 205, marketing, education, and outreach (ME&O) measures, and next steps.[6] The June 19, 2023 Ruling also sought party comments on a number of questions about how to design the first version IGFCs and establish a pathway for implementation and evaluation.

Parties submitted opening and reply comments on the June 19, 2023 Ruling on July 31, 2023 and August 21, 2023, respectively. As with the parties' earlier testimony, these comments included a variety of approaches to designing the first version of the IGFC. In addition, the parties proposed various procedural approaches to implementing the first version, with certain parties endorsing the Commission's indication that it would direct the IOUs to file rate design window applications for their respective first version IGFCs, and the Joint IOUs and certain other parties proposing that approval of the first version IGFCs could be more efficiently achieved through advice letters.

The August 22, 2023 Ruling instructed the parties to "organize their opening briefs in accordance with the Track A list of issues in the Scoping Memo," with a focus "on issues necessary to authorize the first version of IGFCs, which will reduce volumetric rates and rely on existing income verification processes used by the Commission for the California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance Program (FERA) programs."[7] The August 22, 2023 Ruling also set forth a list of questions for parties to address, with the instruction that parties should "provide policy, operational, and/or legal justifications for their responses" to the questions, and instructed the parties not to address issues of demand differentiation, how future versions of the IGFC should differ from the first version, and whether

[5] June 19, 2023 Ruling at pp. 3-4.
[6] *Id*. at p. 3.
[7] August 22, 2023 Ruling at p. 4.

the Commission should authorize a request for proposals for a third-party administrator to perform income verification.[8] The August 22, 2023 Ruling also gave the parties instructions on submitting a joint motion to receive exhibits into evidence, with which the parties complied.[9] On September 26, 2023, the ALJ issued an email ruling admitting into evidence the list of exhibits attached to that email.[10]

III.

DISCUSSION OF TRACK A SCOPED ISSUES

In accordance with the August 22, 2023 Ruling, the Joint IOUs provide the following discussion organized based on the list of Track A issues set forth in the Scoping Memo, with responses that are focused on the Joint IOUs' proposed first version of the IGFC or "First Version FC."

1. How should the Commission establish an income-graduated fixed charge for residential rates for all investor-owned electric utilities in accordance with AB 205 and Pub. Util. Code Section 739.9?

As the Joint IOUs discussed in comments responsive to the June 19, 2023 Ruling and in Exhibit Joint IOUs-04, the Commission should establish a First Version FC consisting of the following three brackets: (i) a standard fixed charge for customers who are not enrolled in the CARE or FERA programs, (ii) a discounted level of the fixed charge for CARE/FERA enrollees whose household income is above 100% of the federal poverty level (FPL), and (iii) a more discounted level of the fixed charge for CARE enrollees whose household income is 100% of the FPL or less.[11] The following table[12] shows the Joint IOUs' respective original proposals (Future Version FCs) for the fixed charges alongside their modified first version proposals.

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8 *Id.*
9 *See* Joint Motion to Admit Exhibits into Evidentiary Record for Track A (Sept. 8, 2023).
10 *See* R.22-07-005 (Demand Flexibility): Track A ruling receiving exhibits into evidence and granting motion to file under seal (Email ruling) (Sept. 26, 2023).
11 *See* Exhibit Joint IOUs-04 at pp. 5, 15.
12 *See id.* at p. 7.

Table 1 - Illustrative Rate Comparisons: Future vs. First Versions

PG&E

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

SDG&E

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

SCE

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

Whatever dollar amounts are ultimately ordered for the standard and discounted fixed charges for the First Version FC, the Joint IOUs submit that the three-bracket structure they have proposed is feasible and consistent with AB 205. Approving a fixed charge along these lines before July 1, 2024 satisfies the deadline set by AB 205 (through PUC § 739.9) to authorize a fixed charge "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."[13] Approving such a fixed charge also satisfies AB 205's requirements that any approved fixed charges "[r]easonably reflect an appropriate portion of the different costs of serving small and large customers[,] [n]ot unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction[, and] [a]re set at levels that do not overburden low-income customers."[14] The proposed charge will reasonably reflect the different costs of serving small and large customers insofar as income is loosely correlated with size of residence, which in turn is correlated with demand levels.[15] More refined and extensive approaches to reflecting these different costs in fixed charges may be explored as part of subsequent versions. The resulting volumetric rate will continue to act as an incentive for conservation and efficiency, but will also be lowered due to introduction of the fixed charges, thus making electrification more affordable for customers and supporting the overarching goal of reducing greenhouse gas emissions, per State policies addressing the climate crisis. Bill impacts are reasonable insofar as they would provide meaningful reductions for lower income customers and in volumetric rates, and modest increases for non-CARE customers.[16]

In addition, the Joint IOUs' proposed First Version FC avoids complications and potential legal exposure around how to perform "income verification" for millions of non-CARE and non-FERA customers for whom household-level income data is not available for purposes of assigning these customers to any household income tier other than a single tier for all non-CARE/non-FERA customers. As the Joint IOUs explained in testimony, as of now, there is no realistic and workable income verification mechanism available for purposes of determining the household income levels of non-CARE/FERA IOU customers (and thereby subdividing that category of customers into multiple income brackets).[17] As long as that remains the case, the only viable option is the structure reflected in the Joint IOUs' proposed first

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[13] Cal. Pub. Util. Code § 739.9(e)(1).

[14] Cal. Pub. Util. Code § 739.9(d)(1)-(3).

[15] *See* D.15-07-001 at p. 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."); *Id*. at 313, Finding of Fact (FOF) 53.

[16] *See* Exhibit Joint IOUs-04 at p. 17.

[17] *See* Exhibit Joint IOUs-04 at p. 52.

version.[18] Any new, untested, more complex income verification approaches cannot be adopted until the Commission has had adequate time to vet their feasibility, cost, legality, and customer acceptance.

a. Should the Commission establish an income-graduated fixed charge for all residential rates or only certain residential rates?

As the Joint IOUs have testified,[19] the Commission should authorize an IGFC for all residential rates. If it were applied unevenly (*e.g.*, if the default rate schedules had an IGFC but electrification rates did not), customers would be incentivized to switch to rate schedules without fixed charges. This result would place a greater burden on customers paying the IGFC and undermine the purpose of a fixed charge as a mechanism to recover from each customer some portion of the fixed costs incurred by the utility to provide service to that customer, regardless of the amount of electricity the customer uses. Exceptions to this policy are discussed below in response to Question 1.f.

b. What costs should be recovered through the fixed charge and what methodology should be used to calculate these costs should the Commission establish an income-graduated fixed charge for all residential rates or only certain residential rates?

Various competing factors are relevant to determining (i) what cost categories are appropriately recovered (in whole or in part) through a fixed charge, and (ii) to what extent such costs should be recovered by fixed versus volumetric charges. On the one hand, from a theoretical ratemaking perspective, the fixed charge paid by a customer could appropriately align with the fixed costs incurred by the utility in providing service to the customer, while the volumetric charge paid by the customer could align only with the marginal cost incurred by the utility in providing service to that customer.[20] Along these lines, PUC Section 739.9(a) defines a "fixed charge" as "any . . . charge not based on the volume of electricity consumed."[21] On the other hand, strictly aligning volumetric charges with marginal costs would reduce

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18 *Id.*
19 *See* Exhibit Joint IOUs-01-E2 at pp. 15-16.
20 *See* Exhibit Joint IOUs-01-E2 at pp. 35-36 (citing Next 10 2022 Report).
21 Cal. Pub. Util. Code § 739.9(a).

volumetric rates to a point that they might have limited utility in incentivizing conservation, and would require average fixed charges in excess of $100 for non-CARE customers.[22] AB 205 requires that any fixed charge that the Commission approves "[n]ot unreasonably impair incentives for conservation,"[23] thus reflecting that volumetric rates still have a role to play in incentivizing conservation and disincentivizing waste. Similarly, while the Rate Design Principles recently updated by the Commission do not prioritize incentivizing conservation through volumetric rates to the degree they did previously, those principles continue to support rates that "encourage customer behaviors" that improve reliability and efficiency, and provide that "transitions to new rate structures should minimize or appropriately consider the bill impacts associated with such transitions."[24]

Given these competing factors, the Joint IOUs are not proposing average fixed charges that are so high as to reduce volumetric rates to the level of marginal costs, but rather are proposing fixed charges at a level that will strike an appropriate balance in terms of (i) aligning customer charge/rate categories with utility cost categories, (ii) reducing volumetric rates in order to facilitate electrification/decarbonization goals while allowing volumetric rates to continue to incentivize conservation, and (iii) establishing a fixed charge that is fair and not overly burdensome to any customer groups.

With this framework in mind, the Joint IOUs have explained that the following utility cost categories are appropriately considered to be fixed and thus recoverable (in whole or in part) by way of a fixed charge under Section 739.9(a)'s definition: (i) Marginal Distribution Customer Access Costs, (ii) Non-Marginal Distribution Costs, (iii) Distribution – MDCC Primary New Business (PG&E-specific) (iv) transmission and reliability services; (v) Public Purpose Programs, (vi) certain non-bypassable charges (NBCs) (excluding charges that by statute must be collected volumetrically),[25] (vii) Power Charge

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22 *See* Exhibit Joint IOUs-01-E2 at p. 35.
23 Cal. Pub. Util. Code § 739.9(d)(2).
24 *See* D.23-04-040 at p. 22.
25 *See* D.22-12-056, at p. 118, Table 5, for a then-current list of "non-bypassable charges that all customers pay on imported energy." As the Joint IOUs previously have briefed, the Nuclear Decommissioning, Wildfire Fund, and Competition Transition Charges must be collected volumetrically based on statute, and certain other charges must be collected volumetrically based on Commission order. *See* Joint Opening Brief of [Joint IOUs] On Statutory Interpretation Questions Posed by December 9, 2022 Ruling, (R.22-07-005), filed January 23, 2023.

Indifference Adjustment (PCIA), (viii) non-marginal generation costs; and (ix) the Electrification Incentive Adjustment.[26]

For policy and jurisdictional reasons, the Joint IOUs are proposing to include a subset of these eligible fixed costs in the First Version FC. The cost components and specific methodology for doing so are detailed in Joint IOUs-04, Appendix A, which reflects the Fixed Charge Tool Outputs generated by the Energy and Environmental Economics, Inc. (E3) public tool.[27]

c. What income thresholds should the Commission establish for the income-graduated fixed charge?

As noted above, the Commission should establish a First Version FC with three fixed charge brackets consisting of (i) a standard fixed charge for customers who are not enrolled in the CARE or FERA programs, (ii) a discounted level of the fixed charge for CARE/FERA enrollees whose household income is greater than 100% of the federal poverty level (FPL), and (iii) a second, more discounted level of the fixed charge for CARE enrollees whose household income is equal to or less than 100% of the FPL.

d. How should the fixed charge vary by income threshold?

Table 1 above reflects the Joint IOUs' respective proposed fixed charges for each of the three proposed brackets for the First Version FC. Charges at these levels would (i) satisfy AB 205's requirements with respect to any fixed charge the Commission may authorize, (ii) bring about greater alignment between utility cost categories (variable v. fixed) and corresponding revenue categories, (iii) bring about a meaningful reduction of volumetric rates, thus contributing to decarbonization and electrification, while maintaining volumetric rates at a level that continues to incentivize conservation, (iv)

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[26] *See* Exhibit Joint IOUs-01-E2 at pp. 37-42.

[27] *See* Exhibit Joint IOUs-04, Appendix A at pp. A-2 to A-4. The parties are using the E3 Tool in this case to demonstrate the impact of their fixed charge proposals on volumetric charges and bill impacts on different customer groups. At the suggestion of Energy Division, the Commission authorized a budget to retain E3 to make the tool available to parties in this proceeding so that outputs and impacts of various IGFC proposals could be compared on an apples-to-apples basis. *See* D.23-04-008.

provide bill relief to lower income customers, and (v) provide a foundation for other future reforms and developments (*e.g.*, the dynamic pricing reforms being addressed in Track B of this proceeding).

e. How should the fixed charge be designed so that a typical low-income customer would realize a lower average monthly bill without making any changes to usage?

The above-referenced E3 Fixed Charge Tool includes a bill impact output feature that allows parties to determine whether their proposals satisfy AB 205's requirement that a low-income ratepayer in each baseline territory would realize a lower average monthly bill without making any changes in usage. The E3 Tool outputs for the Joint IOUs' proposed First Version FC confirm that this proposal satisfies AB 205 in this regard, as well as overarching policy objectives of affordability and increased electrification.[28] Implementing only a nominal overall fixed charge level, as suggested by some parties, would not necessarily contribute to these overarching objectives.[29] The Joint IOUs' proposals represent a meaningful change to support customers and State goals that should be adopted as the first step on the CPUC's envisioned gradual pathway.

f. How should the fixed charge vary between default residential rates and non-default residential rates?

For the reasons discussed above in response to Question 1.a., the fixed charge for non-default rates should be at the same level or greater than the level set for default residential rates. Non-default rates include: i) non-TOU rates, ii) optional TOU rates not specifically designed for electrification, and iii) optional TOU rates designed for electrification. For the first two categories, the fixed charge should be set at the same level as the default rates. Adopting higher fixed charges for electrification rates allows these optional rates to maintain their existing incentive for electrification relative to default rates.[30] The degree of income differentiation for electrification rates should mirror that adopted in the First Version FC for the IOUs' respective default residential rates. This approach will help to avoid incentivizing customers to

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[28] *See* Exhibit Joint IOUs-04, Appendix A at pp. A-2 to A-4.
[29] SEIA Opening Implementation Comments (July 31, 2023) at p. 31.
[30] *See* Exhibit Joint IOUs-04 at pp. 23-24.

switch rates merely to avoid the income differentiation required by AB 205, as well as ensure that there is no disincentive for income qualified customers to choose to take service on the electrification rates or other optional rates.

There are certain limited exceptions to the general principle that the IGFC should apply universally to all residential rates. As described in opening testimony, the Joint IOUs may have rates scheduled to be eliminated (PG&E's EV-A and E-TOU-B rates will be eliminated in 2025, for example). Additionally, the Joint IOUs' separately metered EV rates, which reflect a lower fixed charge to account for shared facilities, should not have an additional full IGFC, so long as the customer's primary meter (for non-EV household electric usage) takes service on a rate that has an IGFC.[31]

g. How should income levels be verified, and how often should verification occur?

The issue of "income verification" presents significant challenges related to legality, cost, data availability and accuracy, customer consent and acceptance, appeals, data privacy protections, and cybersecurity, among others, all of which are exacerbated to the extent that income 'verification' (*i.e.*, the collection, maintenance, processing, and regular updating of income data) must be performed not only for the customer named on the account, but for all persons who share a "household" with that customer. In Opening Testimony, the Joint IOUs stated that income verification should be conducted by a third party under the Commission's supervision rather than by the IOUs.[32] The June 19, 2023 Ruling recognized that no viable option for universal income verification had been identified, and thus pivoted the focus of the 2024 decision to establishing a First Version FC that would not require income verification for all customers. Instead, a First Version FC would utilize "proven processes 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."[33] The August 22, 2023 Ruling similarly indicated that the first version that will be approved by the Commission in by mid-2024 will "rely on existing income

[31] Exhibit Joint IOUs-01-E2 at p. 50.
[32] *See* Exhibit Joint IOUs-01-E2 at p. 55.
[33] June 19, 2023 Ruling at pp. 3-4.

verification processes used by the Commission for the California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance Program (FERA) programs."[34]

Accordingly, for the First Version FC, the Joint IOUs propose to use their existing processes of self-attestation for verifying CARE and FERA participants' incomes, with certain minor modifications to allow the IOUs to identify the full population (or as close as possible) of CARE customers whose income is below 100% FPL and those with income over 100% FPL. CARE customers whose income is below 100% FPL would be assigned to Bracket 1. CARE customers with income over 100 % FPL, categorically-enrolled CARE customers who did not provide income information, and FERA customers would be assigned to Bracket 2. Non-CARE/non-FERA customers will default into Bracket 3, obviating the need for income verification for this group. This approach is preferable to a structure where CARE customers are assigned to Bracket 1 and FERA customers are assigned to Bracket 2, because each IOU's FERA population is relatively small (roughly 1% of residential customers). 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 E3 Public Tool) to provide the most economically vulnerable CARE customers with the greatest initial First Version FC bill savings, while also resulting in bill reductions for this group and Bracket 2 low-income customers starting as early as 2025.[35]

h. How should customers be informed about the fixed charge and impacts on their bills?

The Joint IOUs have provided detailed testimony on their approach to Marketing Education & Outreach (ME&O) for the IGFC.[36] As detailed in that testimony, the Joint IOUs intend to individually conduct localized ME&O tailored to the needs of their service territories, capitalizing on the insights gained from success with previous marketing and outreach initiatives. The Joint IOUs will also leverage successful strategies employed in customer outreach for income-qualified programs and are already

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[34] August 22, 2023 Ruling at p. 4.

[35] *See* Exhibit Joint IOUs-01-E2 at p. 60, Table III-11 for the estimated customer distribution in each bracket per the data in the E3 Public Tool.

[36] *See* Exhibit Joint IOUs-01-E2 at pp. 109-127.

collecting, and will continue to collect, self-reported income data from low-income customers to support the proposed First Version FC. Whatever proposal is adopted, the cadence of outreach detailed in Table V-17 of Joint IOUs-01 remains relevant and is flexible enough to accommodate potential differences in the IOUs' rollout timing. The Joint IOUs would also support the Commission developing its own resources (*e.g.*, a web page with fact sheets and FAQ) to supplement the IOUs' ME&O campaigns. The Joint IOUs' ME&O proposal is discussed in more detail in Section IV, Question 1 below.

2. **How should residential rate components of investor-owned utilities' electric rates, including volumetric rates and the California Alternate Rates for Energy (CARE) discount methodology, be adjusted to reflect fixed charges in accordance with AB 205?**

a. General Volumetric Rate Adjustment Methodology

As described in the Joint IOUs' Opening Testimony, per AB 205, the Commission should reduce volumetric rates consistent with current rate design methodologies upon implementation of fixed charges.[37] For PG&E and SDG&E, this means the revenue from the fixed charges would be applied as an equal cents per kWh reduction in the underlying volumetric rate, as none of the costs proposed to be collected through the fixed charge are currently time differentiated on most of their rates. For SCE, this means applying the volumetric reduction based on the System Average Percent Change (SAPC) methodology consistent with the method used to perform revenue requirement adjustments for all rate classes.[38] Following existing practice is a reasonable approach, as mismatched methodologies would incorrectly distort existing TOU designs. For example, applying the equal percent methodology to PG&E's E-TOU-C distribution rates would compress the already low distribution rate differentials on that rate.

However, there are exceptions to this general policy due to pre-existing deviations from each utility's standard practice, as listed in Table III-1 below. For example, PG&E's EV-2 rate has distribution

37 Exhibit Joint IOUs-01-E2 at p. 44.
38 *Id.* at pp 44-45.

TOU differentials far more than marginal costs, and applying an equal cents reduction would result in negative off-peak rates.

Table III-1
IOUs' Volumetric Rate Adjustment Methodology by Rate Schedule[(a)]

Volumetric Methodology	PG&E	SDG&E	SCE
	E-1	DR	Domestic
	E-TOU-C	TOU-DR1	TOU-D (4-9)
Standard Rate Schedules:	E-TOU-D	TOU-DR2	TOU-D (5-8)
Equal Cents per kWh or SAPC	E-ELEC	DR-SES	
		TOU-DR	
		TOU-ELEC	
Other Rate Schedules:		EV-TOU	
IOU Specific	EV2	EV-TOU-2	TOU-D-PRIME
		EV-TOU-5	

(a) Joint IOUs' Opening Testimony, p. 44, Table II-7.

b. CARE Discount Methodology

The question of how the CARE discount methodology must evolve in the context of AB 205 is addressed in response to Question 3 below.

c. Revenue Requirement Changes

Over time, subsequent versions of the fixed charge may require adjustments to its structure and method of service as real-world data associated with revenue recovery, customer participation, and equity of rates is obtained. Revenue requirement changes from imbalances or revenue requirement changes should be treated as they are today, to be adjusted within the First and Future Version FCs as they are currently adjusted, outside of a fixed charge. To enable ratesetting, the Joint IOUs will each need to forecast the number of residential customer accounts that will fall into each income bracket. If there are deviations in what the IOUs have forecasted compared to the income brackets into which customers actually fall into when billed, the potential exists for revenue imbalances that would have to be recovered in the following year's rates. This potential revenue imbalance would likely be an under-collection, meaning that the forecasts overestimated the number of customers that would be billed at the higher income bracket, because customers moving down in income level are more likely to notify the utility given the potential economic hardship relative to customers whose income increased.

The Joint IOUs recommend that First and Future Version FCs' over- and under-collections 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 First and Future Version FCs should be adjusted at least annually to include any under and over-collections that originate from the difference between forecasted and actual First and Future Version FC 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.

3. **How should the Commission implement the requirements of AB 205 to adjust the average effective discount for CARE so that it does not reflect any charges for which CARE customers are exempted, discounts to fixed charges or other rates paid by non-CARE customers, or bill savings resulting from participation in other programs?**

As previously discussed in briefing on statutory interpretation issues raised by AB 205, the IOUs interpret the changes to CARE from AB 205 to have the following three requirements:

1) Requirement 1: CARE customers receive a 30% to 35% discount on non-exempt charges;
2) Requirement 2: CARE customers receive a 100% discount on charges from which they are exempt; and
3) Requirement 3: CARE customers must receive a discount on fixed charges such that a typical low-income customer would realize a lower average monthly bill without making any changes to usage.[39]

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[39] Joint IOUs' Opening Brief on Statutory Interpretation Questions Posed by the December 9, 2022 Ruling (Jan. 23, 2023) at pp. 27-29.

While Requirement 1 does continue to apply to the fixed charge, Requirement 3 translates to a higher discount in practice. However, the portion of the low-income fixed charge discount that would occur under Requirement 1, regardless of Requirement 3, should continue to be calculated as part of the CARE discount as funded by the CARE surcharge portion of Public Purpose Program charges. This approach will help ensure that the implementation of these fixed charges does not significantly alter inter-class revenue allocations from the status quo. The IOUs proposals comply with these requirements, and the Public Tool accurately models the required changes.

IV.

DISCUSSION OF ADDITIONAL QUESTIONS IN AUGUST 22, 2023 RULING

The Joint IOUs here provide responses to the additional specific questions set forth in the August 22, 2023 Ruling, including by providing policy, operational, and/or legal justifications for the responses as appropriate.

1. What directions should the Commission provide for the development of an ME&O plan for the first IGFCs?

The Commission's Track A decision should direct the IOUs to execute their individual ME&O plans, adhering to the core strategies and estimated timelines presented in the Joint IOUs' testimony and comments, as well as the details shown below.

In Opening Testimony and comments, the Joint IOUs presented an ME&O strategy that, while detailed, remains flexible by design so that it can be adapted by each IOU for the First and Future Version FCs, in whatever form is ultimately adopted.[40] This proposed strategy is anchored in the Joint IOUs direct experiences and successes conducting similar outreach for the rollout of Time-of-Use (TOU) default and other rate campaigns. The Joint IOUs developed this ME&O strategy based on lessons learned and

[40] Exhibit Joint IOUs-04 at p. 6.

insights from initial research exploring customer reactions to messaging about the fixed charge, as shown in the table below.[41]

Table IV-2
Useful Lessons from Residential Default TOU Transition to Inform First Version FC ME&O[42]

Lesson	Learning from TOU Transition	Application to IGFC Transition
Communicate early and often across multiple channels	Direct communications began at least 90-days in advance of a rate change and was accompanied by other tactics including outreach by Community-Based Organizations (CBOs), web geographically targeted earned and paid media, and messaging in IOU owned channels.	As learned from TOU and supported by initial IGFC research, the Joint IOUs propose to use broader channels to begin messaging at least six months in advance of the change to IGFC; direct notification to customers will begin approximately 120-days in advance and include at least two communications. (This approach was substantiated by research in which customer preferred to be notified at least three months in advance of the change.)
Explain how the change will impact bills	TOU Transition-eligible customers were provided with rate impacts	Customers will be provided with sample bill impacts based on their IGFC household income category assignment, which should closely align with their typical monthly bill. This was also requested by customers in research to date.
Inform on reasoning for the change; Educate how the change will create a more equitable, cleaner energy future	Customers' acceptance improved when they were told why the TOU Transition was occurring (I.e., to encourage use of cleaner energy during certain times of day, move usage away from peak times, move towards a cleaner energy future, and take away stress from the grid).	Customers will be educated on how previous rate structures put an unfair burden on some customers and why the move to IGFC will make rates more equitable overall. Additionally, IGFC will encourage them to move to beneficial electrification technologies because it reduces their price per energy units, which encourages the use of cleaner energy sources.

The core components of the Joint IOUs' First Version FC ME&O proposal are summarized below.[43] For the related estimated costs for the proposed First Version FC ME&O, see Section IV.3.

<u>Target Audiences</u>

[41] See Exhibit Joint IOUs-01-E2 at pp. 109-127.
[42] *Id*. at p. 116, Table V-17.
[43] Refer to Exhibit Joint IOUs-01-E2 at pp. 114-127 for more details.

ME&O plans should rely on bill analysis and First Version FC household income bracket assignments to determine target audiences, assess impacts, and determine customer segments warranting specialized messaging. Customer segments may include: low-income customers; moderate- and high-income/low-usage customers, who are more likely to see a bill increase from the First Version FC; solar customers; and segments large enough to warrant in-language communications, among others.[44]

Phased Approach

Consistent with the Joint IOUs' proposal, the Commission should direct the IOUs to develop ME&O plans that take a phased approach to customer communications. The following phases should inform the timing of outreach tactics and will allow for progression of the messaging to achieve customer awareness, understanding, and acceptance of the First Version FC.

- **Phase 1** – Awareness, to begin no later than six months before implementation: Phase 1 will set the context for what the First Version FC is, why it is being implemented, and when it will take effect. Customers will receive base messaging that provides over-arching information about the First Version FC. Early messaging will communicate how the charge will apply to all residential customers. Communications will detail the various fixed charge income brackets as well as emphasize why the change is occurring. Outreach materials will be developed to illustrate what the proposed First Version FC means for customer bills, and to engage stakeholders, such as media, elected officials, and Community Based Organizations (CBOs) early in the process.[45]
- **Phase 2** – Inform, to begin between 90 and 180 days before implementation: Phase 2 will explain what a customer can expect and when, and where to find personalized information. Phase 2 will emphasize individual bill impacts, including the income bracket a customer has been assigned, and how they can change it. Phase 2 communications will refer to available online resources where customers can get more information. Phase 2 will also focus on the

[44] Exhibit Joint IOUs-01-E2 at pp. 117-118.
[45] *Id.* at pp. 118, 120.

benefits from the new rate structure, including helping to achieve California's climate goals and increasing electrification.[46]

- **Phase 3** – Engagement: After First Version FC implementation, outreach will focus on the bill experience. Ongoing rate education will reinforce the desired behaviors to support the state's decarbonization goals, along with the cost saving benefits of shifting usage out of the higher cost and higher emissions time-of-use peak times, as well as promote other bill management solutions like incentives and rebates.[47]

Integrated Campaign Tactics

The Joint IOUs propose using a variety of outreach channels to form a "holistic, integrated education and outreach campaign" to support First Version FC implementation, including direct-to-customer messaging (direct email, direct mail, and bill messages), broad customer outreach, paid channels, and IOU-owned channels, with in-language materials to be developed as needed.[48]

Direct channels of communication should be used to notify customers of their assigned income bracket and how they can change it, and drive them online to find sample bills and additional information. To keep costs down, direct customer outreach should follow an "email first" approach, with direct mail reserved for customers without email addresses on file.[49]

IOU websites are an important channel to support and educate as many customers as possible, when it is convenient for them to self-serve information. Detailed information on the IOU websites, including visual examples of high, medium, and low electric bills before and after the First Version FC is implemented, is critical to reduce the volume of calls to customer contact centers.[50] Other potential outreach channels include press engagement, social media, the Joint IOUs' respective blogs, digital newsletters, paid media, and printed materials like brochures and fact sheets.

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46 Exhibit Joint IOUs-01-E2 at pp. 118, 121.
47 *Id*. at pp, 118-119, 121.
48 *Id*. at p. 122
49 *Ibid.*
50 *Id*. at p. 123.

Community Outreach Tactics

ME&O plans should bring in CBOs and leaders, utility employees, and external stakeholders to reach as many customers as possible. Outreach through these channels can begin soon after the Track A decision is issued.[51]

Collaborating with CBOs, for example, allows the utilities to reach customers in hard-to-reach communities. CBOs represent the diverse communities of California, spanning across agricultural, residential, civic, and public sectors. Many are small grassroots agencies serving individuals with access and functional needs, including those who are multicultural, multilingual, low-income, seniors, and Limited English Proficient audiences in communities of concern.[52] Collaboration with CBOs is critical to help educate these customers about what the First and Future Version FCs mean for them and connect them to valuable programs, services, and tools.

Other avenues include leveraging utility employees or external stakeholders. For example, ME&O activities can be directed to utility employees, especially those in customer-facing roles, who can act as ambassadors at a grassroots level in the communities they work and live in.[53] External stakeholders like elected officials, tribal leaders, local media, and Community Choice Aggregators should also receive outreach so they can understand the impetus of the First and Future Version FCs and validate them in communications with their constituents.[54]

There is no one-size-fits-all approach to ME&O as the Joint IOUs try to reach as many, diverse customers as possible. The Commission's Track A decision should approve the ME&O strategies outlined by the Joint IOUs and direct them to execute individualized plans for the First Version FC based on these core components. The plans should consider the results of ongoing market research scheduled to be completed by the end of the year 2023. Going forward, the plans can be refined on an ongoing basis based on customer and stakeholder feedback from workshops.

[51] Exhibit Joint IOUs-01-E2 at p. 118.
[52] *Id*. at p. 125.
[53] *Id.* at p. 126.
[54] *Ibid*.

a. What topics should residential customers receive ME&O about before IGFCs are implemented?

The Joint IOUs' research and experience demonstrates that robust and focused ME&O in advance of implementation is critical to achieve customer awareness, understanding, and acceptance of the First and Future Version FCs. Before the First Version FCs are implemented, residential customers should receive ME&O that will help them understand how, when, and why their bills will be changing.

In Opening Testimony, the Joint IOUs outlined a phased approach to communicating with customers about the IGFC.[55] Phase 1 (Awareness) should begin no later than six months before implementation and should set the context for what these fixed charges are, why they are being implemented, when they will take effect, and where customers can find more information. Phase 2 (Inform) should begin between 90 and 180 days before implementation and should emphasize individual bill impacts and how the process will work.[56] Pre-implementation ME&O should address the following general topics, to be refined based on the results of ongoing market research, customer feedback, and other inputs:

Why? Help customers understand why the way they have been charged for electricity is changing, including why reform is needed and the ways in which the IGFC will make rates more equitable.[57] Educate customers about the underlying state policy goal of making beneficial electrification technologies more affordable and how the IGFC advances that goal by lowering volumetric rates. Highlight the customer benefits of the IGFC, such as promoting transparency in electric bills and making bills more predictable.[58]

What? Help customers understand what is changing, including how the fixed charge differs from the volumetric charge, which costs are included in the fixed charge, and the amount of the fixed charge for each income-based bracket. Pre-implementation ME&O should explain that the fixed charge will be a

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55 Exhibit Joint IOUs-01-E2 at pp. 118-119.

56 After First Version FCs are implemented, Phase 3 (Engagement) ME&O will provide ongoing rate education to reinforce electrification and support the state's decarbonization goals.

57 Exhibit Joint IOUs-01-E2 at pp. 20, 121.

58 *Id*. at pp. 21, 121.

separate line item on the customer's bill rather than a change in rate design.[59] The Joint IOUs' market research revealed that many customers were concerned about what they assumed would be higher bills as a result of the IGFC.[60] Pre-implementation ME&O should clearly explain that the components of the fixed charge were previously embedded in the customer's volumetric energy use charge, which will now be reduced such that the First Version FC will not necessarily result in higher bills.

How? Help customers understand how they will be personally impacted by the change and how it will appear on their bill. This includes providing sample "before" and "after" bills, which the IOUs' market research and experience demonstrate are critical to promoting customer understanding.[61] Pre-implementation ME&O should also address how the process will work, including what income bracket a customer has been assigned to, how their bracket assignment was determined, and how they can change it. Pre-implementation ME&O should assure CARE/FERA enrollees that their assistance program discounts will not be affected by the IGFC, and that they may actually see lower bills as a result.[62] It should also provide tips for how customers can manage energy costs and the various incentives and assistance programs available to them.

When? Inform customers about the timing of significant developments, such as when they can expect to see the First Version FC reflected in their bills.

Where? Direct customers to online resources where they can find additional information.

There will undoubtedly be some customers who, though eligible for CARE or FERA, are not currently enrolled in either program. Pre-implementation ME&O should promote the CARE/FERA programs and outline the eligibility requirements to encourage additional enrollments.

Additionally, outreach to current CARE enrollees encouraging them to provide or update their income data will help to ensure these customers are assigned to the correct income bracket.[63] While SCE

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[59] Exhibit Joint IOUs-01-E2 at p. 115.

[60] *Id*. at pp. 115, 112.

[61] Exhibit Joint IOUs-01-E2 at pp. 116; 112, lines 8-13 (" Customers would like to have data to understand the calculations, real examples of what the charge covers, bill mock-ups, and comparisons with the previous way of charging.")

[62] Exhibit Joint IOUs-01-E2 at p. 115.

[63] Exhibit Joint IOUs-04 at pp. 24-26.

and SDG&E have stated household income data for a portion of customers enrolled in CARE and FERA, current CARE application forms do not require this information to be provided for customers who can demonstrate categorical eligibility.[64] PG&E's CARE application has historically included a check box for customers to indicate a range of income, and was only very recently modified to provide a field for customers to enter information. PG&E therefore has very little usable household income data at this time, but expects to have the majority of CARE customer self-stated income before PG&E's billing system programming can be ready for launching the First Version FC.[65] 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.[66]

The overall effectiveness of the ME&O campaign will depend not only on the topics addressed but on the way the message is delivered. The Joint IOUs are conducting ongoing research to determine the best way to message the First Version FC to customers, and the specific messaging on these topics will need to be refined based on the results of that research along with direct customer feedback and other inputs.[67]

b. Should the Commission direct investor-owned utilities (IOUs) to develop a single, statewide ME&O plan or individual ME&O plans for each utility?

The Commission should direct each of the Joint IOUs to execute their respective proposed ME&O plans, tailored to the needs of their customers, built on the strategy and timeline framework presented in detail in the Joint IOUs' testimony.[68] A single, statewide ME&O plan would unnecessarily increase costs, delay implementation, and undermine efficacy. First, as a practical matter, the Joint IOUs will be

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[64] Exhibit Joint IOUs-04 at pp. 25-26.
[65] *Id.* at pp. 25-26.
[66] Although changes to the CARE application forms are not strictly ME&O, the Joint IOUs have included the minimal cost of these activities in their ME&O budgets and therefore address the issue here.
[67] Exhibit Joint IOUs-01-E2 at p. 117.
[68] Exhibit Joint IOUs-04 at p. 51.

implementing the First Version FC on different schedules[69], which a statewide plan is unlikely to be able to accommodate. In the TOU transition, the use of a statewide ME&O campaign led to increased costs when the Joint IOUs ended up on different implementation schedules.[70] Individual plans help ensure that each Joint IOU can proceed with First Version FC implementation as quickly as possible.

Second, a statewide ME&O plan would not be able to address the diverse needs of each Joint IOU's service territory and may not resonate with customers at the local level. Messaging, visuals, and tactics like social media must be tailored to account for local nuances. Indeed, a third-party evaluation of the ME&O campaign employed in the TOU transition revealed that one of the most successful methods for raising awareness and education among customers were the direct notification outreach tactics and efficient, highly targeted print and digital paid media conducted by the individual utilities, not the statewide campaign.[71] The Joint IOUs have the customer analytics and data needed to tailor and personalize targeted messaging.

Third, individual plans have the benefit of being nimble. ME&O plans should not be static. Rather, they should evolve based on ongoing research, audience preferences, and feedback, and in response to external factors that may require a change in course. Likewise, ongoing market research may reveal that the Joint IOUs' unique customer populations have different messaging preferences. The Joint IOUs should be able to adapt their plans in real time, which would not be possible with a statewide plan.

Finally, individual plans are more efficient than a statewide plan. For example, the Joint IOUs can identify areas where ME&O for First or Future Version FCs can be integrated with other ME&O efforts that each IOU is already undertaking.[72] The Joint IOUs are also likely to have different communication channels available to them. A "one size fits all" approach unnecessarily blunts the tools available to each IOU to communicate efficiently and effectively with its customers.

The factors that contributed to the use of a statewide ME&O campaign in the default TOU transition do not apply here. The default TOU transition involved a statewide ME&O effort because it

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69 Exhibit Joint IOUs-04 at p. 29.
70 Exhibit Joint IOUs-04 at pp. 27-28.
71 Exhibit Joint IOUs-04 at p. 28.
72 Exhibit Joint IOUs-01-E2 at pp. 124-125.

entailed a paradigm shift affecting usage – namely, customers were being asked to move their discretionary usage outside of the peak period on a daily basis, when they had been used to a monthly determination of what tier they were in regardless of time-of-day usage.[73] In contrast, the First Version FC does not involve such a usage behavior change. ME&O for the First Version FC will be focused on educating customers about changes to their IOU-specific bill presentment.[74] The flexibility and efficiency afforded by individually-tailored ME&O efforts based on a common underlying structure outweighs any potential benefits from a statewide campaign.

As was also done in the default TOU quarterly progress reports, the IOUs can attach their ME&O collateral, such that the Commission, Energy Division and all parties would be able to review it.

c. If the Commission directs IOUs to develop individual ME&O plans, should the IOUs develop consistent messages about IGFCs or custom messages and materials that differ for each utility?

While there should be some consistency and alignment in the strategy and structural elements, as well as the overarching themes to be communicated to customers (see response to Section IV.1.a above), the IOUs need a degree of flexibility in finalizing their specific language, materials, and tactics to tailor messaging based on customer demographics, behaviors, and preferences and available channels for outreach that will differ by IOU. Thus, while the mid-2024 decision should approve the IOUs' ME&O plans as presented in testimony, the Commission should also allow the Joint IOUs to develop custom messages and materials for their unique customer bases. As just one example of the differences across the IOUs' customer populations, PG&E's 2022 Messaging Research indicated that moderate- and higher-income customers understand, and are even in favor of, lower income customers not having to bear the higher portion of this charge. In contrast, SCE's research seemed to indicate that customers are concerned about their own individual impacts and found it unfair that the fixed charge is based on income, particularly given high property taxes.[75] These and other differences that may emerge from customer feedback and/or

[73] Joint IOU Reply Implementation Comments (Aug. 21, 2023) at p. 27.
[74] *Id.*
[75] Exhibit Joint IOUs-01-E2 at pp. 113-114.

surveys conducted after the final first version structure has been adopted will require some flexibility to tailor messages for optimal success for each IOU's customer base and adjust based on customer feedback. These and other differences that may emerge from customer feedback and/or surveys conducted after the final first version structure has been adopted will require some flexibility to tailor messages for optimal success for each IOU's customer base and adjust based on customer feedback.

Ongoing flexibility at the IOU level will also be necessary as each IOU monitors the performance of its initial roll-out campaigns to review data and gather feedback to consider adjustments such as refining messaging over time. If each IOU were required to continually obtain consensus on its approach for implementing the approved ME&O framework -- such as on changes in language or the specific mix of outreach channels based on results, such an approach would be more burdensome for IOUs and Energy Division staff, cause delays, and likely result in increased costs. Rather, the IOUs will continue to share research, best practices, and ME&O materials to find efficiencies, build consistency in messaging, and leverage collective lessons learned; we propose to do so through the quarterly progress implementation reports that will be served on the full service list.

This IOU-specific tailored local messaging approach can still appropriately be augmented by and coordinated with certain types of foundational statewide messaging, such as through tools like webpages, fact sheets and FAQ documents. This was done in the Net Billing Tariff proceeding, in which the Commission created robust webpages, fact sheets, and FAQ documents explaining the basic structural billing changes that will be happening across the state with the first version fixed charge, and the reasons these changes are being made.[76] The Commission could create similar resources here to supplement the IOUs' individual ME&O campaigns, particularly with respect to AB 205 and the reason for the transition. While the Commission's resources should not supplant the IOUs' localized ME&O on this topic, they would serve as a helpful additional, consistent basic resource to which customers, IOUs, and other stakeholders can refer.

[76] NEM Revisit Proceeding (R.20-08-020), *available at* https://www.cpuc.ca.gov/nemrevisit.

d. **If the Commission authorizes an ME&O working group, what should be the scope of work for this working group (*e.g.*, should it include ME&O for small and multijurisdictional utilities (SMJUs), development of messages about IGFCs, and/or propose ME&O budgets)? When should the working group proposal be due?**

The Joint IOUs do not recommend an ME&O working group for the First Version FC because a working group process would cause unnecessary delays. Any such delay, such as if a working group report was to be written, vetted, and submitted to the Commission for approval before the IOUs could begin moving forward to finalize their ME&O, would create a delay in implementation of the First Version FC. As noted above, the IOUs have already presented detailed ME&O plans in testimony and comments that, if adopted in the Commission's mid-2024 decision, provide adequate guidance to move forward. In addition, the IOUs could include discussions of post-decision implementation efforts in their quarterly First Version FC progress reports, served on all parties. Once each IOU completes its launch, there are likely to be lessons learned in the early implementation phase. The IOUs would be able to share any relevant, significant lessons directly through their quarterly First Version FC progress reports. Thus, the Joint IOUs do not see significant enough benefits to outweigh the detriments of a working group process for First Version FC ME&O. However, should the Commission desire focused ME&O discussions regarding the First Version FC with stakeholders, the Joint IOUs recommend holding one ME&O workshop, in lieu of an ongoing working group, at which the IOUs would present their preparations for their individual marketing launches. Such a workshop would not culminate in a final report or proposal, but would allow the IOUs to gather feedback from a wide range of interested parties without jeopardizing a timely launch. A single ME&O workshop is the best option to ensure no delay in when low-income customers will start to benefit from bill reductions and all customers will start to see lower volumetric charges. The IOUs would continue to provide additional ME&O information in their quarterly First Version FC progress reports.

If such an ME&O workshop is desired, it would have to be held on a timeframe that would still allow each IOU adequate time to consider feedback shared in the workshop and reflect on lessons learned and survey data to inform finalizing their service-area specific pre-launch ME&O well before the first

IOU's date for initial notification is reached (for SCE and SDG&E, by Q3 2024). If any type of multi-stakeholder ME&O discussion -- such as an ME&O workshop -- is ordered in the Commission's mid-2024 decision, its focus should be a presentation of any refinements to the ME&O plans presented thus far in testimony; it should not include discussion of ME&O budgets for the First Version FC. The IOU's ME&O budgets require utility-specific and expert analysis of IOU-specific data and circumstances -- based on such factors as research findings, final selection of tactics, customer data, timing, unique regional needs, etc. The IOUs are concerned that non-IOU participants in any such workshop/discussion will not have the necessary familiarity with utility ME&O budgets, and they are not likely to have sufficient expertise to provide ME&O budget line item finalization beyond what has already been proposed here.[77] It is unlikely such a workshop can be put together in time to receive non-budgetary feedback enough in advance of the Joint IOUs' respective Tier 2 advice letters recommended to be due 60 days after the final decision. Thus, given that short timeframe, the Joint IOUs caution that a workshop would need to be held no later than 30 days after the final decision.

Regardless of the timing of the workshop, the IOUs will reflect any significant ME&O refinements, studies etc., relating to the First Version FC in their quarterly implementation progress reports, with the first such report filed in the quarter after their first version Advice Letters are approved.

Regarding the Second version FC, the Joint IOUs do not recommend there be a separate ME&O working group, but rather are open to a limited set of workshops focused on sharing lessons-learned from the First Version FC rollouts for purposes of gaining feedback on potential refinements for the Second Version FC once enough is known about its likely structure. Service-territory-specific ME&O plans for the Second Version, potentially with different implementation timelines, would presumably be provided to the Commission in the IOUs' Second Version FC testimony (likely through RDWs). It is premature at this point to define the scope of any Second Version FC ME&O workshop(s), but such discussions should be open to all interested parties, including SMJUs.

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[77] *See also* Section IV.2 for the Joint IOUs' ME&O cost estimates for the First Version FC.

e. If the Commission authorizes the hiring of a consultant to assist an ME&O working group, what should be the consultant's scope of work (*e.g.* facilitation, research, drafting), criteria for selection, and budget? What would be the proportional cost share of each IOU for the consultant?

The Joint IOUs do not recommend hiring a third-party consultant for the First Version because, as discussed in Section IV.1.d, the Joint IOUs do not recommend a formal ME&O working group be established for the first version. Moreover, even if the Commission were to order a first version ME&O Working Group, the Joint IOUs do not recommend the use of a consultant at this juncture, or the creation of any working group report for further Commission review, because doing so would further delay when low income customers would start seeing bill reductions and all customers would see reduced volumetric charges. However, for the second version, the Joint IOUs do not oppose using a consultant for the workshops we propose (or any separate ME&O Working Group, that the Commission might otherwise decide to establish). Such consultant could assist the parties in providing meaningful feedback for the IOUs to consider as they develop their Second Version FC ME&O refinements.

As stated above, if it is determined that a working group process or series of workshops are needed for the First Version FC, then the Joint IOUs recommend a relatively accelerated process (30-days from the issuance of a final decision). Although this is a very short timeframe, it should allow an adequate opportunity for parties to provide feedback and ask questions about important joint issues, but would be conducted with an eye towards permitting each IOU adequate time thereafter to consider what feedback to incorporate into its individualized ME&O to conform with the plans that have already been provided, to allow for swift execution of those plans, especially by the IOUs who are on the most compressed launch schedules. (The Joint IOUs' proposed implementation schedules for the first version FC vary, with SCE and SDG&E aiming toward launching 12 months after the final decision in Track A of this proceeding becomes effective, while PG&E's timeframe of 36 months is necessitated by when its billing system upgrade project is expected to be completed.[78] Each IOU will need at least six months for engagement

[78] Exhibit Joint IOUs-04 at p. 45.

with their customers prior to implementing the approved first version FC. Thus, it is critical that any efforts to consider others' post-decision feedback be commenced in a timely enough manner to allow each IOU to complete any refinements to its IOU-specific implementation of the ME&O strategy and plans already presented in this proceeding, such as through the Joint IOUs' testimony and comments.

If a third-party consultant or facilitator were required to be found and hired before any first version ME&O discussions could be held, this could cause a delay in the earliest IOUs' launch dates that could also cause substantial increases in the IOUs' actual implementation costs such that they may exceed the previously presented budgets. For one, the Joint IOUs anticipate having to develop and issue a Request for Proposal (RFP) for the consultant. Even if expedited, an RFP process would inevitably delay the 30-day workshop timeline proposed by the Joint IOUs, which would likely lead to a delay in implementation. A third-party consultant would also unnecessarily increase costs, particularly if the Commission approves a long working group process and monthly meetings over multiple years are anticipated.

On the other hand, for the Second Version FC, the Joint IOUs do not oppose the Commission ordering that a third-party consultant be hired to assist with discussions on refining ME&O plans for the second version based on lessons learned from first version roll-outs. For a Second Version FC, the consultant's scope of work should comprise facilitation-type activities.[79] This would include facilitating and coordinating stakeholder meetings, including tasks such as sending invitations, recording attendance, guiding discussions to stay on topic, and providing comprehensive notes. The scope of work should clearly specify that the consultant must be neutral and unbiased.

Regardless of whether the Commission authorizes working groups or workshops for the First and/or Future Version FC, a budget for a third-party consultant would vary depending on the number of meetings and length of time. The IOUs should select the consultant through an expedited request for proposal process, which would determine the cost. Expenditures for ME&O should be proportional in size to each of the IOUs: PG&E 45%, SCE 43%, and SDG&E 12%, with a small proportional adjustment to these percentages to potentially be borne by the SMJUs. While the Joint IOUs do not recommend a third-

[79] Exhibit Joint IOUs-04 at p. 29.

party consultant for the first version, if the Commission orders a working group to review plans and a consultant is assigned, then given SDG&E's and SCE's implementation schedule, a third-party consultant would need to be identified and selected. Even accelerated conceptual schedules would delay SCE and SDG&E's planned launch of their First Version FC in 2025.

2. What <u>reporting requirements</u> and directions for developing an <u>evaluation plan</u> should the Commission approve for the first IGFCs?

a. What reporting metrics should we establish for the first IGFCs?

Reporting for the First Version FC could cover operational metrics such as the number of customers in each bracket, fluctuations in bracket population, average bill impacts, and pre- and post- implementation evaluation results about awareness and understanding of the new rate structure. Because the Joint IOUs' proposed First Version FC is largely based on existing CARE/FERA processes and data, the Joint IOUs do not see a need for a working group to develop extensive new reporting requirements or evaluation plans for the First Version FC. Instead, 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 any Future Version FC, which would potentially be more complex than the first version because of additional income data collection and possible new rate and program elements.

The Joint IOUs also recommend pre- and post-implementation long-term tracking of customer understanding and awareness, and 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- and post-implementation (*e.g.*, comparing estimates with actual bill impacts). Because load impacts are not directly measurable without a control group, consideration would need to be given to the best technical method of measuring such impacts.

b. How often should reports for the first IGFC be distributed, and how should the reports be distributed?

For the first version, the Joint IOUs propose to submit quarterly progress reports similar to those provided throughout the Residential Rate Reform proceeding's rollout of the default TOU transition. The Progress in Residential Rate Reform (PRRR) reports included discussions about a full range of implementation efforts, including ME&O, summaries and attachments of reported data from periodic customer surveys, findings on load and bill impacts, as well as operational and customer insights from operations to date, as presented to interested parties through the RROIR Working Group discussions.

Because any fixed charge represents a change to how residential customers are billed, it is appropriate to build in data collection, evaluation, and reporting requirements to enable ongoing improvements and provide learnings for any future refinements to the First Version FC. Immediate operational learnings can be reported shortly after implementation. Longer term learnings about stabilization and bill impacts can be reported 12-18 months after implementation. If a working group is put into place in the near term, the Joint IOUs could report information gleaned from implementation of the first version in that forum.

c. Should we require an independent evaluator for the first IGFCs? If so, what should be the scope of work, criteria for selection, and budget for the independent evaluator?

While the Joint IOUs do not rule out the possibility of an independent evaluator for the First Version FC similar to annual evaluation reports prepared by Ipsos relating to the TOU transition,[80] an independent evaluator is not necessary because the IOUs quarterly reports for the First Version FC would cover metrics such as the number of customers in each bracket, bracket fluctuations, average bill impacts, and data regarding customer understanding of the new rate structure. The IOUs could also share information on these metrics in a workshop setting, if desired.

[80] *See, e.g.*, Exhibit Joint IOUs-04, Appendix B, Ipsos Statewide Evaluation 2022.

d. Which questions should the evaluation of the first IGFCs address?

As noted, the First Version FC can be evaluated in terms of various metrics, including the number of customers initially assigned to each bracket, bracket fluctuations, bill impacts for each category, and data regarding customer understanding and acceptance of the new First Version FC rate structure. The evaluation could also examine the accuracy and reliability of the income verification tools available through the CARE and FERA programs in terms of correctly assigning participants in those programs to either Bracket 1 (below 100% FPL) or Bracket 2 (over 100% FPL). The evaluation could also gather baseline data that would be relevant in the medium to longer term to determining whether the First Version FC is furthering affordability, electrification, decarbonization and other goals.

e. What implementation period should the first evaluation report consider (*e.g.*, first 12 or 18 months of implementing the first IGFCs)?

The Joint IOUs submit that given the shift in billing practices that the First Version FC will entail, the first evaluation report should consider the first 12 months after the First Version FC is implemented, and annual evaluations should be conducted thereafter. These annual evaluation reports would be included as an attachment to the quarterly reports mentioned above.

3. What are the estimated <u>implementation costs</u> of the first version of IGFCs, and how should these costs be tracked and recovered?

The following chart contains the estimated implementation costs associated with the First Version FC:

Table IV-3
Estimated First Version Implementation Costs by IOU ($000)

Activity	PG&E	SCE	SDG&E	Joint IOU Total
Income Verification (IOU Internal Costs)	$ 3,000	$ 3,556	$ 2,630	$ 9,186
Implementation				
Billing IT Implementation	$ 3,820	$ 2,900	$ 5,100	$ 11,820
Updates to Online Customer Rates Tools	$ 1,010	$ 59	$ 1,200	$ 2,269
Customer Support Through Contact Center	$ 11,030	$ 11,560	$ 6,100	$ 28,690
Program and Product Management	$ 2,400	$ 550	$ 1,560	$ 4,510
Total	$ 21,260	$ 18,625	$ 16,590	$ 56,475
Marketing , Education & Outreach	$ 13,587	$ 8,957	$ 4,740	$ 27,284
Grand Total	$ 34,847	$ 27,582	$ 21,330	$ 83,759

a. What are the estimated costs of modifying each IOU's billing systems for the first IGFCs if the Commission authorizes three tiers for IGFCs?

The estimated costs of modifying each IOU's billing system for the First Version FC do not vary based on the number of brackets (tiers) implemented. However, with a First Version FC that primarily leverages existing income information in the IOUs' billing systems, costs for integrating external income assignment data would be avoided. For the First Version FC, the Joint IOUs' estimated budget for Billing IT Implementation is $11.82 M total. The breakdown per IOU is as follows: PG&E--$3.82M; SCE--$2.90M; SDG&E--$5.10M. This represents a significant reduction in estimated budget as compared to the total Joint IOU estimated budget of $17.4M in its original proposal because more significant system updates will be required to accommodate external income data.[81]

[81] *See* Exhibit Joint IOUs-02-E at Appendix C, p. C-1.

Implementing a First Version FC component into each of the IOUs' residential electric rates will require structural billing system changes, with reprogramming to allow for fixed charges based on bracket assignment and related testing to modify each IOU's residential rate plans to include this component.[82] Additionally, the following rate modifiers that may be used in combination with each residential rate plan will also require testing for the new First Version FC (and possibly Future Version FC) rates:

- Legacy NEM 1 and 2
- Net Billing
- CARE, FERA
- Medical Baseline
- Critical Peak Pricing (SmartRate for PG&E, Summer Advantage Incentive for SCE, Time of Use Plus for SDG&E)
- Summer Discount Plan (SCE), Smart Energy Program (SCE), and AC Saver (SDG&E).[83]

Incorporating these modifiers is necessary regardless of the number of brackets or whether a third-party administrator is involved.[84] Further, the Joint IOUs' proposal includes a provision for programming that the First Version FC include our originally proposed four brackets, even though only three brackets will be billed for the First Version FC. This will allow each IOUs' billing system to be developed to more easily accommodate a future additional bracket. Doing so would reduce the effort and costs associated with re-working utility billing systems later to add additional brackets for future version.[85] For instance, if the billing system programming for the first version can be designed to include capability for four brackets, but then achieve a three-tiered first version by setting Brackets 3 and 4 to the same fixed charge amount, the need to structurally re-work billing systems to add a fourth bracket for the second version FC could potentially be avoided and overall costs minimized.

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[82] Exhibit Joint IOUs-01-E2 at pp. 99-100.
[83] *Id.* at p. 99.
[84] Costs for a third-party administrator are not proposed or included here.
[85] Exhibit Joint IOUs-04 at p. 9.

b. Other than billing system changes, and ME&O, are there other estimated costs for implementing the first IGFCs? Provide a break-down of implementation costs by category.

The above estimates apply to the Joint IOUs' implementation proposal for the First Version FC. The Joint IOUs submitted a similar chart in their Opening Testimony proposal,[86] and have updated those initial estimates as necessary for the First Version FC. Additionally, although the Joint IOUs have considered "Implementation Costs" as a separate sub-category of costs throughout their testimony in this proceeding, we are interpreting "implementation costs" as including all the costs included in the chart above for purposes of this question because all of these costs—Income Verification costs, Implementation costs, and ME&O costs—should be treated the same for purposes of cost recovery. These estimates do not reflect costs associated with other approaches to implementation, or the costs resulting from the Commission's 2024 Final Decision if it differs from the Joint IOUs' First Version FC proposal.

1. Income Verification

The Joint IOUs estimate the breakdown per IOU for income verification as follows: PG&E--$3.00M; SCE--$3.56M; SDG&E--$2.63M. For the First Version FC, the Joint IOUs anticipate an uptick in existing CARE customers seeking inclusion into Bracket 1 and Non-CARE/FERA customers seeking inclusion into Bracket 2 or 1. Accordingly, this estimated budget accounts for the anticipated need to address income attestation updates related to initial bracket placements. The Joint IOUs' original proposal did not include a budget for updating income information because it provided for third-party administration of attestation collection and validations.[87] For the First Version FC, with three fixed charge brackets, the Joint IOUs anticipate fewer customer disputes than for their original proposal of four fixed charge brackets; however, without a third-party administrator, the Joint IOUs' first version proposal requires the utilities themselves to validate and update customer income information, as necessary, which requires additional budget.[88]

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[86] Exhibit Joint IOUs-02-E at Appendix C, p. C-1.
[87] Costs for a third-party administrator are not proposed or included here.
[88] Exhibit Joint IOUs-04 at p. 9.

The budget associated with pre-implementation efforts to seek additional income data from CARE customers is included in the ME&O budget, discussed below.

2. Updates to Online Customer Rate Tools

The budget estimates for updates to online customer rate tools for the First Version FC will remain largely the same as in Opening Testimony because online rate tools and bill estimators will need to be updated regardless of the number of brackets implemented. These budget estimates per IOU are: PG&E $1.01M, SCE $0.06M,[89] and SDG&E $ 1.20M.

The Joint IOUs currently provide residential customers access to online rate analysis tools that help them determine their best rate option.[90] The tools leverage the latest year of a customer's historical electricity usage to determine what their bill would have been on alternative rates, and show customers the lowest cost rate.[91] PG&E and SCE offer an online solar calculator through which customers can use their previous year's usage history to examine the economics of investing in solar. PG&E and SCE also offer budget assistance tools that help customers predict their upcoming bill amounts. Additionally, all three Joint IOUs each provide bill-forecast and/or bill-to-date capabilities for our customers.[92] These customer-facing tools will be updated with First Version FC rates to help customers determine their best rate option once their bills reflect the First Version FC.[93]

The Joint IOUs also plan to explore developing additional tools and/or calculators that estimate the price of energy for electrification technology compared to non-electric technologies. The cost estimates above do not include the costs of implementing and maintaining such additional tools.[94]

3. Customer Support Through Contact Centers

The Joint IOUs' customer contact centers collectively fielded a yearly average of approximately 12.5 million customer calls between 2019 and 2022. PG&E fielded approximately 6.4 million calls per

[89] SCE's estimated budget is significantly lower than the other IOUs because its rate tool already includes a fixed charge element that SCE believes can be utilized across all residential rates if required.
[90] Exhibit Joint IOUs-01-E2 at p. 103.
[91] *Id.*
[92] *Id.*
[93] *Id.*
[94] *Id.* at pp. 103-104.

year and SCE and SDG&E fielded approximately 4.5 and 1.6 million calls, respectively.[95] The majority of these calls related to billing and rates which, as a category, generally have the highest average handle times among residential calls.[96] The Joint IOUs anticipate a considerable increase in customer inquiries before, during, and after deployment of the IGFC rates as customers navigate a new rate framework.[97] The Joint IOUs' proposal seeks to minimize customer calls through use of self-service Interactive Voice Response software and online resources to provide information that may answer the customers' questions without requiring them to talk with a live customer service representative.[98] Even with those measures, the Joint IOUs expect that the volume of calls coming into our call centers will increase due to the First Version rollout, necessitating increased staffing at customer contact centers and additional costs associated with training new and existing staff.[99]

The Joint IOUs have revisited the assumptions around the estimated number of calls and the associated budgets provided in their initial proposals in Opening Testimony to reflect estimated impacts from rollout of the First Version FC, and as such, the budget amounts have been modified. For instance, PG&E and SCE have made reductions in forecasted customer "misassignment" calls under the First Version FC, due to the more established CARE income verification system and due to the lack of differentiation between middle- and higher-income brackets, and SDG&E and SCE have increased estimated call times and associated budgets.

As described above, the breakdown per IOU for these revised customer contact center support activities is as follows: PG&E--$11.03M; SCE--$11.56M; SDG&E--$6.10M.

4. Program and Project Management

The Joint IOUs anticipate the need for additional staff resources to manage First Version FC implementation as a program, including project management, budget management and change management

[95] *Id.* at p.104.
[96] *Id.*
[97] *Id.*
[98] *Id.*
[99] *Id.*; Exhibits SDG&E-02 at pp. NK-6 to NK-7; SCE-02 at pp. 4-6; PG&E-01 at pp. 2-5 to 2-7.

support.[100] The breakdown per IOU for program and project management is as follows: PG&E--$2.40M; SCE--$0.55M; SDG&E--$1.56M.[101] SDG&E and PG&E's estimated budget for these activities has not changed from the Joint IOUs' original proposal, and SCE had a minor adjustment from the original estimate.

5. Marketing, Education & Outreach (ME&O)

The Joint IOUs propose robust ME&O research and tactics that require incremental revenue recovery to implement.[102] Robust customer education should begin prior to implementation of each version of the fixed charge structure to further customer understanding and should be adopted regardless of income verification method.[103] The breakdown per IOU for ME&O for the First Version FC is as follows: PG&E--$13.59M; SCE--$8.96M; SDG&E--$4.74M.[104]

Essential implementation costs include incremental labor resources needed to develop, manage and implement the proposed ME&O tactics and deliverables.[105] Specific to the First Version FC, the Joint IOUs anticipate some additional costs to solicit income information for existing CARE and FERA customers for whom the IOUs do not have income information. The IOUs will also need to update their CARE applications to encourage new enrollees to provide household income data for purposes of assigning them to Bracket 1 or Bracket 2. Refinements to the CARE application will not fundamentally change the enrollment process, and costs associated with this work are therefore expected to be minimal.[106]

c. How should the implementation costs of the first IGFCs be recovered?

The Joint IOUs propose that all costs incurred by the IOU (*i.e.*, the actual incremental operations and maintenance (O&M) expenses and the capital-related revenue requirements associated with the actual incremental capital expenditures) be tracked and recorded in a new balancing account, the Income

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[100] Exhibit SDG&E-02 at pp. NK-5 to NK-6; Exhibit PG&E-01 at p. 2-7.
[101] Exhibit Joint IOUs-02-E at Appendix C, p. C-1.
[102] Exhibit Joint IOUs-01-E2 at p.126.
[103] Exhibit Joint IOU-04 at pp. 24-25.
[104] Exhibit Joint IOUs-01-E2 at p. 127.
[105] Exhibit Joint IOUs-01-E2 at pp. 126-127.
[106] Exhibit Joint IOUs-04 at pp. 21-22 and pp. 48-49.

Graduated Fixed Charge Balancing Account (IGFCBA).[107] This would include implementation and ME&O costs, and any incremental income verification costs incurred by the IOUs in implementing the First Version FC. The Joint IOUs further propose that the Commission authorize each Joint IOU to submit a Tier 1 advice letter to establish its respective IGFCBA within 30 days of a final decision on the First Version FC. A subsequent Tier 2 advice letter can be submitted within 60 days after the issuance of a final decision to confirm budget estimates and set forth the initial revenue requirements based on the adopted final decision. Due to PG&E's later implementation timeline for the First Version FC, PG&E may need to update its implementation costs in an additional Tier 2 filing as learnings from other IOUs' implementation efforts are made available, and as operational cost estimate inputs are adjusted in future years.

1. Income Graduated Fixed Charge Balancing Account (IGFCBA)

The proposed balancing account will be a two-way balancing account that will track and record on an annual basis the difference between (1) actual O&M expenses incurred plus the capital-related revenue requirement associated with actual capital expenditures, and (2) the total authorized revenue requirement.[108] To the extent the actual capital-related revenue requirements and O&M expenses are greater than or lesser than the authorized revenue requirement, the Joint IOUs request authorization to recover or return the difference (*i.e.*, the December 31 balance) on an annual basis.[109] The Joint IOUs propose to return or recover the December 31 balance in their respective balancing accounts from all customers through the following year's Public Purpose Program (PPP) rates using the annual year-end rate change advice letter process adopted in Resolution E-5127.[110] The annual authorized revenue requirements would be recovered on a forecast basis in PPP rates.[111],[112] The Joint IOUs propose to use the balancing

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[107] Exhibit Joint IOUs-01-E2 at p. 131.

[108] *Id.*

[109] *Id.*

[110] *Id.*

[111] *Id.* at p. 134 ("The PPP charge funds programs considered by law to benefit society. . . . Given the public purpose benefit associated with the integration of IGFCs into residential rates, the related costs of this transition should be included in the PP rate . . .").

[112] *Id.* at p. 132, fn.127 ("PG&E would record its forecast authorized revenue requirement in its PPCBA. SCE would record its authorized revenue requirement in its PPPAM. SDG&E would record its forecast authorized revenue requirement in its GFCBA.")

accounts until the ongoing revenue requirements associated with maintenance and operations can be forecast and included as part of GRC base rates.[113] This timing will likely vary among the Joint IOUs given the difference in the timing of their GRC Phase 1 four-year cycles.[114]

A two-way balancing account treatment is appropriate to recover the cost categories outlined above because these costs are incremental amounts necessary to comply with Assembly Bill 205.[115] Additionally, two-way balancing account treatment is appropriate in situations where the program or activity is highly volatile, difficult to estimate, outside the utility's control, and/or material to customers and investors.[116] Two-way balancing account treatment in these circumstances would ensure that neither customers nor investors are disadvantaged unduly by inherently unpredictable program costs. Further, because there is a high degree of uncertainty in the ultimate cost of establishing a fixed charge for residential rates, two-way balancing account treatment provides a reasonable method for addressing this uncertainty.[117] A two-way balancing account requires the Joint IOUs to return to their respective customers any revenue collected that exceeds actual costs, while allowing for unforeseen costs to be recovered.

The Commission adopted a similar cost-recovery approach in the Gas Leak Abatement proceeding (Rulemaking (R.) 15-01-008), when it authorized PG&E to create the two-way New Environmental Regulations Balancing Account (NERBA) for incremental costs to implement best practices to reduce methane emissions from gas systems. In doing so, the CPUC explained:

> The primary purpose of balancing accounts is to ensure that a utility recovers its CPUC authorized revenue requirement from ratepayers for a given program or functions, but no more or less. [¶] Two-way balancing accounts authorize a utility to collect more or less than the authorized revenue requirement for an existing program depending on actual costs, and are intended to ensure that the utility does not make or lose money to uncertainties in the scope of work. [¶] The Commission typically reviews the entries and the net balance in a balancing account and authorizes recovery from or refunds to rate payers on an annual basis.[118]

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[113] *Id.* at p. 132.
[114] *Id.*
[115] *Id.*
[116] Joint IOUs Opening Comments (July 31, 2023) at p. 63.
[117] Exhibit Joint IOUs-01-E2 at p. 131.
[118] *Id.* at p.133 (quoting D.17-06-015 at p. 131.)

More recently, in D.22-11-009, the Commission authorized PG&E to establish a two-way balancing subaccount, the Third-Party DGEMS Contracts Subaccount, in the Microgrids Balancing Account (MGBA) to record and recover costs related to Third-Party contracts for multi-season Distributed Generation-Enabled Microgrid Services. Although the Commission considered authorizing a one-way balancing account in which the amounts to be spent and recovered from customers would be capped, it noted that "the costs incurred by PG&E in any given year under a Third-Party Distributed Generation Enabled Microgrid Service contract is likely to be different than the costs of it reasonably forecast at the time of the proposing solution. Thus, the use of a one-way (capped) balancing account is suboptimal given the variability."[119] As such, the Commission considered it "more reasonable"[120] to authorize a two-way balancing account while controlling costs through stakeholder review via the GRC or a separate application.

The Joint IOUs' proposed approach to cost recovery, using a two-way balancing account, allows the flexibility to "to ensure that the utility does not make or lose money due to uncertainties in the scope of work."[121] Oversight would be achieved through the submittal of the Tier 2 advice letters outlined below that would include a budget and revenue requirements based on the adopted final decision. It is reasonable and appropriate for the Commission to authorize the IOUs to establish two-way balancing accounts to recover the costs associated with the First Version FC for the reasons outlined above.

2. Cost Recovery Advice Letter Filings

The Joint IOUs propose the following cost recovery process for implementation costs associated with the First Version FC:

- Authorize each of the Joint IOUs to separately submit a Tier 1 advice letter, within 30 days after the issuance of a final decision in this proceeding, to establish the balancing account as described above; and

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[119] *Id*. (quoting D.22-11-009 at p. 47.)
[120] *Ibid.*
[121] Exhibit Joint IOUs-01-E2 at p. 133 (quoting D.17-06-015 at p. 131.)

- Authorize each of the Joint IOUs to separately submit a Tier 2 advice letter, within 60 days after the issuance of the final decision, to provide a budget and set forth the initial revenue requirements consistent with the final decision[122]. The revenue requirements included in these Tier 2 advice letters, once approved, would become the authorized revenue requirements used in the balancing account.

The Joint IOUs propose that the effective date for the new balancing account be the effective date of the decision to allow for immediate commencement of the work needed to implement the new First Version FC.[123] All costs recorded to the balancing account would be incremental and would not include costs requested in the IOUs' GRCs or other Commission-approved funding.

4. What <u>timeline and procedural pathway</u> should the Commission adopt for implementing the first version of IGFCs and developing and adopting the second version of IGFCs?

The Joint IOUs provide below our best current estimates for the likely timelines to implement our proposed First Version FCs.[124] There is a difference in the timelines among the Joint IOUs. As described further below, PG&E's First Version launch is delayed relative to SCE and SDG&E's due to programming constraints as PG&E finalizes its ongoing billing system upgrade.

SCE and SDG&E's estimated timeline (shown in Figure IV-4) assumes that the Commission's 2024 decision adopts in full the Joint IOU's First Version FC proposal, including the basic implementation details provided through comments and in this brief, as well as estimated budgets.[125] SCE and SDG&E's timeline may shift if the final decision includes major changes or if the final decision is delayed.

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[122] Due to PG&E's later implementation timeline for the First Version FC, PG&E may need to update implementation costs in an additional Tier 2 filing as learnings from other IOUs' implementation efforts are made available and as operational cost estimate inputs are adjusted in later years.

[123] *Id.* at p. 130.

[124] The Joint IOUs' opening testimony included initial timeline estimates for implementation of our original four-income tiered proposal (*see* Exhibit Joint IOUs-01-E2 at p. 106).

[125] The Joint IOUs' First Version FC assumes: Three initial income tiers (namely Bracket 1: CARE enrollees from \$0 up to 100% FPL; Bracket 2: CARE/FERA enrollees above the 100% FPL level, and Bracket 3 for all non-CARE/FERA residential customers); no Climate Credit (CCC) offset to further reduce low income fixed charge; no rate limiter; income verification solely using existing income verification processes and data used by the Commission for the CARE/FERA programs (per the August 22, 2023 Ruling, p. 4); no use of new data such as

While previous comments of the Joint IOUs point to a need for an implementation advice letter proposing ME&O and customer process details, the Joint IOUs no longer believe that is necessary in light of the additional implementation details sought in the August 22 Ruling and provided in this brief. The Joint IOUs instead request that the budgets be included in a final decision for the First Version FCs to allow for SCE and SDG&E to immediately begin to implement a First Version FC within 12 months of the final decision date. Because the August 22 Ruling requested, and the Joint IOUs herein provide, additional implementation details for the First Version FC, an implementation advice letter detailing ME&O and customer processes would be duplicative. If the Final Decision deviates from the Joint IOUs' proposed First Version FC so as to significantly alter the required work, or if further implementation details are required via advice letter submissions, the Joint IOUs' estimated implementation timeline would need to be updated to commence after the approval of a subsequent advice filing.

While a final decision adopting the Joint IOUs' First Version FC proposal would likely render a Tier 2 ME&O advice letter duplicative, the Joint IOUs maintain that a Tier 2 advice letter is still appropriate to propose and confirm ratemaking methodology, values, tariffs, and resulting bill impacts. Given that it is not possible to know with certainty on what date in 2024 the Commission will adopt its Final Decision, the timeline in Figure IV-4 below is expressed using quarterly time intervals based on the expected effective date of the Final Decision, and may need slight alterations based on the exact effective date of the Final Track A Decision.

AMI or deed restricted affordable housing, and no use of a third-party administrator, or other variables proposed by other parties.

Table IV-4
Estimated Timeline of Key Dates for Implementation of SCE's and SDG&E's First Version FC

Work Area	Activity or Milestone	2023			2024					2025			
		Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4
Regulatory Directives Established for First Version FC with # of Brackets Defined for 2nd Version	DFOIR Track A Final Decision				PD	FD							
	T1 AL requesting to open balancing account 30 days after a FD												
	T2 AL updating utility-specific revenue reqs. for the balancing account 60 days post FD												
	T2 AL for utility-specific First Version FC rate factors, calculation methodologies, tariffs, & bill impacts 60 days post FD												
CARE Application Update to Support Income Verification	Stakeholder Outreach for proposed CARE application updates												
	Advice Letter requesting approval for CARE application changes in support of First Version												
	CARE application changes (mail form, online & IVR)												
	Outreach to collect Stated Income from existing Categorical CARE Customers to better define FPL < 100%												
First Version FC Implementation	ME&O Pre-work - High level messaging in bill package, Social Media Posting, Web Presence												
	Preliminary Customer Income Assignment												
	Customer Data Extract for ME&O Outreach												
	IT Billing & Customer Facing System Changes												
	ME&O Customer Education Notifications Sent												
	Processes Customer Response to Income Bracket Assignment												
	Launch of First Version FC												

PG&E's timeline for implementing the First Version FC will be delayed due to PG&E's multi-year billing system modernization initiative through which PG&E will be upgrading its current billing systems to a unified and more flexible system. This constraint is specific to PG&E, as SDG&E and SCE have recently completed billing system modernization projects.

Currently, PG&E has two primary billing systems: (1) a mass market system called Customer Care and Billing (CC&B) that serves most of PG&E's residential customers; and (2) the Advanced Billing System (ABS) that serves customers on more complex rate structures, such as non-residential customers on standby rates and residential customers who utilize more complex rate structures such as NEM Paired Storage. PG&E is in the process of replacing both the CC&B billing system and our ABS complex billing system. CC&B (which bills most residential customers) will be replaced by a unified Customer to Market

(C2M) billing system. The C2M system is critical to driving our ability to be nimble and efficient in supporting new and innovative rates implementations prospectively. From mid-2025 through the end of 2026, PG&E expects to transition existing rates to the new C2M billing system and stabilize the system.[126]

It will not be viable to build the First Version FC in PG&E's legacy billing system in late 2025, as planned by SCE and SDG&E. This would introduce significant risk to both the existing billing system and the transition to the new C2M, potentially jeopardizing a successful rollout of the First Version FC in PG&E's service area. Specifically, the current billing system is unsupported by the vendor so there is no standard correction (*i.e.*, IT patch) for product flaws or other application issues. Therefore, if an issue occurs due to First Version FC implementation, PG&E must engage the vendor for custom patching, requiring more time for resolution and at significantly greater expense than if the application was in support. This is critical because, not only would attempting to implement the First Version FC in PG&E's current unsupported billing introduce extensive risk, it would also impact the timing of transition to the new C2M billing system.

Figure IV-5, below, shows PG&E's estimated timeline for implementation of the First Version FC. PG&E proposes adhering to the Advice Letter submission timing for SCE and SDG&E so that the Joint IOUs move in concert after a final decision on establishing First Version FC rate factors, calculation methodologies, and tariffs (lines 1-4 in Figure IV-5). However, PG&E may need to update tariffs and implementation cost estimates in a subsequent Tier 2 filing closer to PG&E's interim First Version FC implementation date. PG&E expects to mirror SCE and SDG&E's timing for the CARE application update (lines 5-7 in Figure IV-5), though, as shown in line 8, PG&E will have additional time to perform outreach to identify customers who meet the criteria for the lowest income bracket (FPL < 100%). Line 9 in Figure IV-5 shows PG&E's pause on rate implementation required to transition to and stabilize PG&E's new C2M billing system. Lines 10-16 show PG&E's timing for customer income bracket assignment, ME&O, and billing implementation, resulting in an estimated launch in Q1 2028. If sufficient progress is made on the Second Version FC rates, with more robust income assignment processes and more granular

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126 The timeline for the transition to PG&E's C2M system presented here is PG&E's best estimate at the time of this filing and will need to be adjusted as PG&E's billing modernization initiative progresses.

differentiation of middle- and upper-income brackets, PG&E may propose moving straight to implementation of the Second Version FC rate structure.

Table IV-5
Estimated Timeline of Key Dates for Implementation of PG&E's First Version FC

Work Area	Line	Activity or ... Yearà	2023		2024				2025				2026				2027				2028	
		Quarterà	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2
Regulatory Directives Established for First Version FC with # of Brackets Defined for 2nd Version	1	DFOIR Track A Final Decision																				
	2	Tier 1 Advice Letter requesting to open balancing account 30 days after a FD																				
	3	Tier 2 Advice Letter for updated Utility-Specific revenue requirements for the balancing account 60 days after a FD																				
	4	Tier 2 Advice Letter for Utility-Specific First Version FC rate factors, calculation methodologies, tariffs, and bill impacts 60 days after a FD																				
CARE Application Update to Support Income Verification	5	Stakeholder Outreach for proposed CARE application updates																				
	6	Advice Letter requesting approval for CARE application changes in support of First Version FC																				
	7	CARE application changes (mail form, online & IVR)																				
	8	Outreach to collect Stated Income from existing Categorical CARE Customers to better define FPL < 100%																				
PG&E Billing Modernization	9	PG&E billing system implementation freeze and																				
First Version Implementation	10	Customer income bracket assignment by PG&E																				
	11	ME&O Pre-work - high level messaging in bill package, social media posting, web presence																				
	12	Customer Data Extract for ME&O Outreach																				
	13	Customer Notifications Sent																				
	14	PG&E Processes Customer Appeals																				
	15	IT Billing & Customer Facing System Changes Implemented																				
	16	Launch of First Version in PG&E's Service Area																				

The Joint IOUs also include below an updated proposal for the procedural pathway we believe is best suited for developing and adopting a Second Version FC that incorporates additional elements to more fully comply with AB 205. Such elements could include subdividing moderate- from high-income customers to create a four-tiered Future Version FC that supports more meaningful reductions to volumetric rates and further supports low-income equity, and potential further refinement beyond using income as proxy for small versus large customers.

The timeline for developing and adopting a Second Version FC is more uncertain and subject to change than the above schedule for the proposed First Version FC. Likewise, the level of complexity involved in the Working Group recommendations for Second Version FC proposals and the Joint IOUs' respective RDW applications is speculative. The process for developing, litigating, and obtaining Commission approval of each IOU's Second Version FC will take longer than the process for the First Version FC. However, in the nearer term, the Joint IOUs believe that the Commission could explore key issues that need to be resolved before implementation of any second version fixed charge that bifurcates non-CARE/non-FERA customers into more than one income bracket. To this end, the assigned ALJ and assigned Commissioner authorize the IOUs to issue an RFP for a third-party consultant in Q1 of 2024.[127] This authorization and direction could come in the form of a Ruling authorizing the RFP. The consultant could facilitate a working group to develop recommendations related to income verification, to the extent a subsequent version of the IGFC depends on dividing non-CARE/non-FERA customers into more than one bracket. Working group meetings could start in Q3 2024. The working group could be tasked with examining the feasibility, risks, legality, costs, practicality, and reliability of proposed options for household-level income verification of all residential customers. Despite the uncertainties involved with estimating a timeline for Second Version FC development, the Joint IOUs provide below our best current estimate, assuming our original proposal as the Second Version FC. The estimated timeline assumes that the key elements of our original proposal remain the same, including four income tiers, a new income verification process in which the Commission oversees a third-party administrator that performs income verification using FTB data (based on statutory authorization by the California legislature) to assign customers to income tiers based on the household-level income of the customers, and to deal with related issues such as customer appeals and complaints.[128] We also include an alternate timeline that assumes

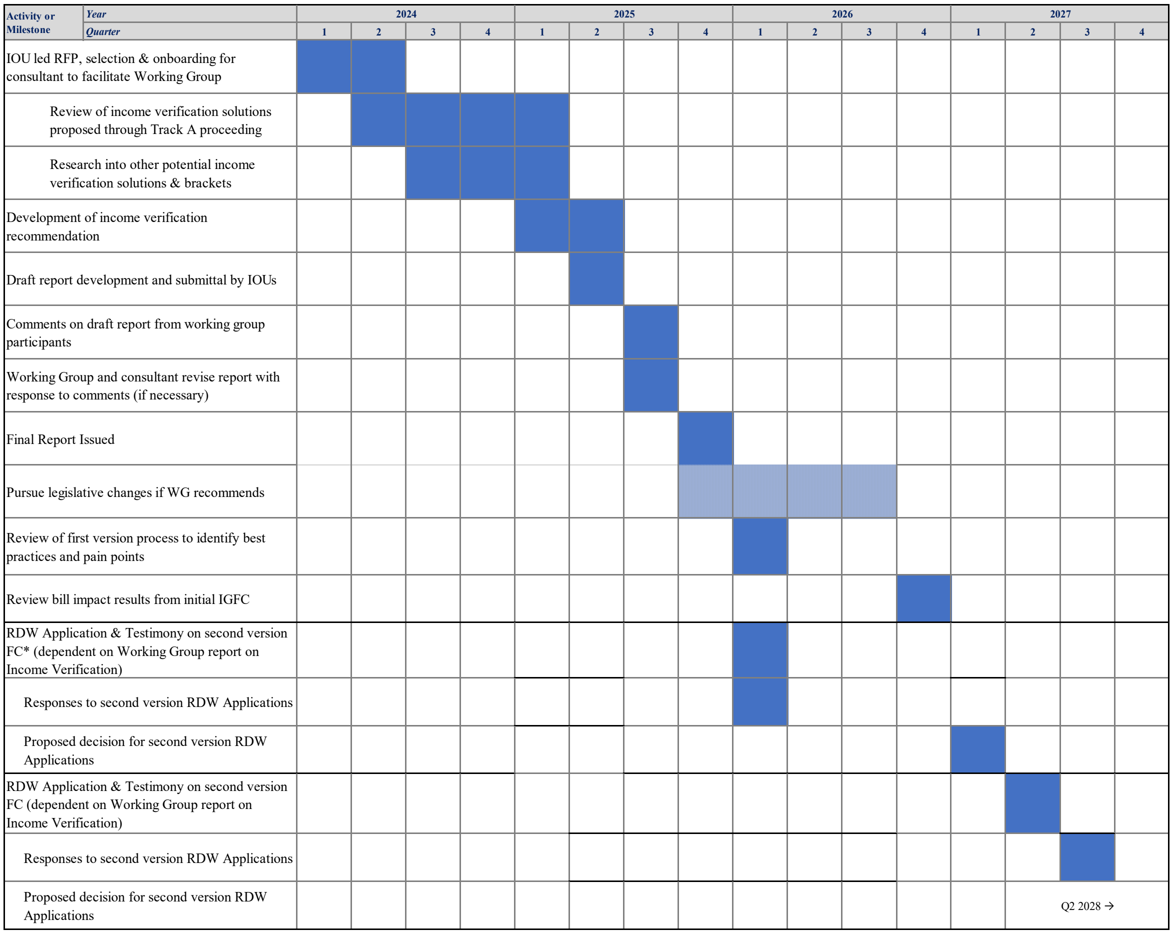
[127] Costs for this RFP have not been included in the above cost estimates for implementation of the First Version FC.

[128] See Exhibit. Jt IOUs-01 at p. 59. Joint IOUs Opening Implementation Comments (July 31, 2023) at p. 5.

there is a viable proposal for income verification that does not require changes to legislation. The timeline could change based on lessons learned in workshops. Thus, the Joint IOUs respectfully request that the Commission's Track A decision provide flexibility for modifications to the schedule for a Second Version FC, as in the RROIR proceeding where the Assigned Commissioner and Assigned ALJ were expressly authorized to "take all procedural steps" to promote the objectives of the Commission's initial decision. [129]

[129] *See* D.15-07-001, at p. 337, Ordering Paragraph 19 ("The assigned Commissioner and assigned Administrative Law Judge are authorized to take all procedural steps to promote the objectives in this decision and to provide clarification and direction as required to assure the effective, fair and efficient implementation of this decision in this proceeding, including the authority to dispose of request to modify the deadlines in this decision.")

Table IV-6
Estimated Timing for Procedural Pathway for Second Version FC



*assumes no changes to legislation are needed. If the WG report in 2024 Q2 recommends changes to legislation, the IOUs estiamted timeline for RDWs would be adjusted.

While the March/April 2024 Track A Proposed Decision could include preliminary guidance as to the most important early scope of work for the Working Group for the Second Version FC, the Joint IOUs believe it is too early to develop proposals for a specific scope of work. Instead, we recommend that the Commission (1) adopt a process for parties to make proposals in the 2024 Working Group on income verification, (2) adopt a process for parties to make proposals after the final Track A decision has been issued, and (3) allow the Working Group process to evolve as it proceeds with specific guidance and prompts from the Commission to ensure efficiency and productivity of Working Group discussions. This is to allow the Working Group to react to the results of initial work exploring income verification and related input data for subdividing moderate- from high- income brackets in the future.[130]

a. Should the Commission provide enough direction for the first IGFCs in the upcoming Track A decision for utilities to file advice letters to implement the first IGFCs rather than file rate design window applications?

Yes, the Commission's Track A decision in mid-2024 should provide enough direction for the IOUs to implement First Version FCs and thereafter require the IOUs to submit advice letters presenting calculation methodologies, rate designs, and tariffs to proceed with the First Version FC within 60 days of the Final Decision.[131]

Previous testimony from the Joint IOUs, Cal Advocates, NRDC/TURN, and CUE have already supported an advice letter process for implementing the First Version FC.[132] These parties all agree that a separate RDW application for implementation following the conclusion of this phase of Track A creates duplicative litigation and is unnecessary.[133] RDW application processes typically take 18 months to complete. If the Commission were to use an RDW process instead of advice letters to implement specific direction given in the Track A decision, a final RDW decision on First Version FCs would not be likely until January 2026. That means the start of IOU billing system re-programming could not *begin* until February 2026. Therefore, roll-out of pre-launch communications would not likely be possible until late 2026, followed by an actual launch in Q2 2027. Thus, instead of seeing bill relief as early as Q3 2025 under the advice letter approach, requiring an RDW process for the First Version FC would needlessly delay when low-income customers could start seeing bill savings under AB 205. Requiring an RDW process would likewise delay when all customers would start seeing reduced volumetric rates, making it

130 Exhibit Joint IOUs-01-E2 at p. 88 (Reply Comments p. 43).

131 As stated in Section IV.1, these advice letters would exclude the Joint IOUs ME&O plans as the final decision in mid-2024 would presumably be prescriptive enough that the Joint IOUs could begin ME&O planning as soon as possible.

132 Joint IOU Reply Implementation Comments (Aug. 21, 2023) at p. 17; Exhibit IOUs-04 at pp. 55-56.

133 Joint IOU Opening Implementation Comments (July 31, 2023) at pp. 37-38; Exhibit Joint IOUs-04, p.20.

more affordable for them to adopt decarbonization technologies such as EVs and heat pumps for their homes, condominiums, and apartments.

The Joint IOUs previously provided a list of items that the Track A 2024 decision should decide to provide the necessary direction for the IOUs to prepare post-decision implementation Advice Letters. Specifically, the Joint IOUs' July 31, 2023 Opening Comments provided the following list of nine components that should be included in the Track A decision,[134] to which our Reply Comments added a tenth item that had inadvertently been omitted:

1. Approve the full list of eligible fixed cost categories for each IOU that may be reflected in any IGFC.[135]
2. Adopt the portion of eligible fixed costs to be included in the First Version FC, proposed here by the Joint IOUs.[136]
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.[137]
4. Define the number of income brackets and the type of income metrics to be used in the First Version FC (we recommend three brackets using the specific FPL percentage cutoffs set forth for our First Version FC).[138]
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 in our Opening Testimony).[139]

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[134] See Exhibit Joint IOUs-04 at p. 8-9.
[135] Exhibit Joint IOUs-04 at p. 9.
[136] Exhibit Joint IOUs-04 at p. 9.
[137] Exhibit Joint IOUs-04 at p. 9.
[138] Exhibit Joint IOUs-04 at p. 9.
[139] Exhibit Joint IOUs-04 at p. 9.

6. Specify the process by which annual adjustments will be made to the IGFC as revenue requirements change, and how imbalances will be treated.[140]
7. Provide a preliminary schedule and process for more complex IGFC items that are not implemented in the First Version FC, including but not limited to a pathway to: (a) implement Future FCs that may include additional brackets beyond the initial three brackets, and (b) incorporate any eligible costs not included in the First Version FC (if any).[141]
8. Adopt a timeline for the ME&O process for the First Version FC to begin, which would largely be concurrent with development and implementation of needed billing system structural re-programming.[142]
9. Authorize a cost recovery mechanism for any incremental costs of implementation of the First Version FC, including ME&O.[143]
10. Provide guidance with respect to the CARE discount calculation, since the overall effective CARE customer benefit from the IGFC will be a function of the statutory CARE discount, including the discount calculation needed to effect AB 205's IGFC carve-out.[144]

The Commission should find that an advice letter process is appropriate under the unique circumstances of this proceeding, which was required by statute, as the First Version FC does not go beyond the already-existing processes for income verification with the income data gathered through re-enrollment documentation for these two programs. The Commission can give prescriptive direction in its Track A decision for the First Version FCs, relying on the voluminous record that has been created by the over 75 parties to this proceeding over the past year, with ample opportunities for reply comments, rebuttal and briefing. Included in such post-Track A decision advice letters would be, at a minimum: each IOU's utility-specific calculations of the new First Version FC line item, as well as its offsetting reductions to its volumetric charges for each residential rate schedule encompassed by the Track A decision. The Joint

[140] Exhibit Joint IOUs-04 at p. 9.
[141] Exhibit Joint IOUs-04 at p. 9.
[142] Exhibit Joint IOUs-04 at p. 9.
[143] Exhibit Joint IOUs-04 at p. 9.
[144] Exhibit Joint IOUs-04 at p. 45.

IOUs also intend to provide with their ALs detailed bill impact analyses using actual billing system data rather than the averages used by the E3 Public Tool.

b. If the Commission authorizes utilities to file advice letters to implement the first IGFCs after the upcoming Track A decision, when should the advice letters be filed? When should the first IGFCs be applied to customer bills?

See discussion in Section IV.4 above. It is currently unknown what specific parameters and provisions will actually be adopted in the Commission's 2024 Track A Final Decision. However, as outlined through this brief, the IOUs request approval of the implementation plans and budgets included here, allowing for a Tier 2 advice letter to be filed within 60 days of the final decision to include details on calculation methodologies, final rate estimates, bill impacts and tariff language. An additional Tier 2 advice letter to be filed 60 days after the final decision would provide updated budget estimates for the proposed balancing account.[145] The Joint IOUs recommend using a Tier 2 advice letter process as it is most appropriate as defined by G.O. 96-B. The change to add the First Version FC will be consistent with authority the Commission grants the IOUs through the final decision, and limited to the First Version FC set by the methodology the Commission adopts there. Parties can submit protests to Tier 2 Advice Letters for Energy Division consideration. If it appears necessary after reviewing the Tier 2 advice letters and any available protests, the Commission has discretion to change the Tier 2 designation to a Tier 3 advice letter that requires a draft resolution for party comment.

Assuming this proposed process is approved, SDG&E and SCE would be able to accomplish the necessary work and customer communications in time for implementation of a First Version FC on customer bills 12-months after a final decision. PG&E will work to implement as soon as practical after the stabilization of its billing system, likely in early 2027. Then, PG&E will begin programming and efforts leading to a launch in Q1 2028. As stated earlier, ME&O plans would be excluded from the advice letter process presuming the mid-2024 final decision is prescriptive enough to allow the Joint IOUs to

[145] However, if implementation details and budgets are to be repeated or updated based on the Final Decision, the IOUs request at least 90 days lead time, with implementation occurring no sooner than 12-months after the resolution of those additional advice letters.

begin executing their ME&O plans as soon as possible after it is issued. A requirement to subject additional implementation and ME&O details to the advice letter process would unnecessarily delay implementation beyond 12 months from the final decision, as SDG&E and SCE would be unable to execute their plans until additional approval is secured.

c. Should the Commission authorize a working group to develop a proposal for income verification and tiers for the second version of IGFCs? If so, (i) what should be the scope of work for the working group, (ii) how much time should the working group be given to develop a proposal?

Yes, the Commission should authorize a Working Group to make recommendations guiding the Second Version FC. The assigned ALJ and assigned commissioner should make a Ruling authorizing the IOUs to begin the process in Q1 2024 to issue an RFP seeking a third-party consultant to run the working group. The working group could first explore income verification options beginning in Q3 2024. The Joint IOUs believe that it is reasonable for the working group to provide recommendations in 2025, given the complexity of the subject matter, as detailed in Table V-5.

Possible Scope of Work for Second Version FC Working Group

In their July 31, 2023, Opening Comments, several parties (including the Joint IOUs, CEJA, and NRDC/TURN) recommended that various more complex issues related to developing a Second Version FC could be the subject of a future Working Group discussion process. In order to expedite a Second Version FC and further reduce volumetric rates, the IOUs recommend the Commission authorize a Second Version FC working group in 2024 to research and examine options and challenges relating to income verification. Subsequently, following the issuance of the First Version FC final decision in mid-2024, the Commission could outline any topics beyond income verification to be discussed by the Second Version FC working group, and in what order or priority each should be undertaken. The fundamental issues the Joint IOUs see as meriting working group discussions for the Second Version FC may include:

(1) Researching and comparing potential new income verification approaches;

(2) Assessing, testing, and comparing potential new data sources for any such added income verification process. Examples include: (a) conducting dry runs using the full population of at least one IOU's residential customers to compare the accuracy of the Equifax Work Number product versus the Franchise Tax Board's data, and any required statutory changes to access this data, in determining total household income for purposes of assigning customers to at least four income brackets; (b) comparing the match rate between IOU customer accounts based solely on information readily available from the IOUs' billing systems (*i.e.*, customer name and address) with the match rate using social security numbers for one customer per address, or the match rate using SSNs for everyone at an address.[146];

(3) Whether consensus can be reached on several options for the structural change to the Second Version FC, such as expanding from the First Version FC's three-tier to four income tiers or more, to allow moderate-income customers to be pay a lower fixed charge than high-income customers; and

(4) Preparation for the Commission hiring a Third-Party Administrator (TPA) if needed, including determining scope of work and process, RFP criteria, and post-selection engagement issues (*e.g.*, privacy and cybersecurity protections and a process for the IOUs to download the TPA's bracket categorization results for all residential customers); and

(5) Any First Version FC learnings.

Providing feedback on the IOUs' ME&O plans should not be a focus of this working group; the Joint IOUs recommend a limited set of ME&O workshops be held after enough is known about the likely structure of the Second Version FC to solidify detailed plans for the communications necessary to achieve meaningful levels of customer awareness, understanding and acceptance.

While the Joint IOUs agree with NRDC/TURN that the Track A decision could order a study on potential future addition of a size differentiator beyond using income as a proxy, the Joint IOUs do not

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146 Such a comparison could be used to assess whether collecting additional social security number data to cover all members of each IOU customer household would increase accuracy to such a degree that the cost, burden, and intrusiveness of doing so might be warranted.

believe it is advisable to undertake this effort until after the above-listed foundational work for a Second Version FC has been completed.[147] The Joint IOUs have grave concerns that trying to add a small versus large home differentiator on top of expanding the number of income brackets to which customers are assigned is likely to be complex enough that the two should not be launched at the same time. Not only would adding a small versus large homes variable require additional billing system programming, it would necessitate compiling billing quality customer data on the size of tens of millions of homes and apartments across the state so that information could be added to the IOUs' billing systems. Introducing additional income brackets (*i.e.*, subdividing moderate from high income households) based on a new income verification process is already likely to be challenging to get customers to understand and accept; simultaneously adding a new small versus large homes variable on top of the expanded tier assignments is likely to cause customer confusion and result in an increased volume of customer appeals. Accordingly, if these are implemented at the same time, ME&O would need to be expanded to explain both changes.

The Commission should first work to identify whether there would be enough benefit to customers from such a small versus large homes subdivision to warrant the added costs and delays associated with attempting to do so. The Commission may want to conduct a study of customer responses to determine the approach that is most understandable for customers and creates the best customer satisfaction. In any event, the Joint IOUs believe the Commission should carefully weigh the benefits of either increasing the income tiers or establishing a small/large homes differentiator (or both), and should base any decision on whether a small versus large homes variable is cost-effective, just, and reasonable. If the Commission determines that a size differentiator is warranted, the Commission should carefully consider the timing of adding that element. The Joint IOUs submit that the small versus large homes differentiator would be more appropriate to consider as part of a refined Future Version FC, after a Second Version FC that subdivides moderate from high income customers has been rolled-out and reaches a steady-state, or at least after two years of data has been collected and evaluated by the Working Group.[148]

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147 Joint IOUs Reply Implementation Comments (Aug. 21, 2023) at p. 19; Exhibit Joint IOUs-04 at p. 37,

148 Joint IOU Reply Implementation Comments (Aug. 21, 2023) at pp.18-19 and fn 43.

Time Interval Before Second Version FC

The parties appear to disagree about the amount of time needed before the IOUs start to prepare their concurrent RDW applications and testimony supporting a proposed Second Version FC. SEIA suggested that no changes to the structure of the First Version FC should be considered until at least three years after it is implemented, to allow time for customer impacts to be realized.[149] While the Joint IOUs generally agree with SEIA that it is important to factor in enough time to glean meaningful lessons from the First Version FC rollout, we do not believe the Commission needs to bind itself to waiting a full three years before considering any changes to the First Version FC, as SEIA's comments suggested. Rather, the Commission should have a Working Group process in place to consider structural or programmatic refinements that improve the First Version FC, and to start assessing options for a Second Version FC with more than three tiers as expeditiously as is reasonably possible, in order to further lower volumetric rates and incentivize electrification.

The Joint IOUs expect to learn lessons on several fronts. First, we anticipate important operational learnings as soon as six months after each IOU launches its initial roll-out of its First Version FC. It will also be useful to see results of whatever customer research can be conducted post-launch to assess the impact of initial ME&O on the resulting levels of customer awareness, understanding, and acceptance. This information should provide insight into potential future changes that could reduce expected customer resistance to a more complex Second Version FC. Similarly useful would be an initial analysis of customer requests to change from their initial bracket assignment for the First Version FC, as well as information about how timely these requests were resolved. Finally, there should be a study of the actual customer bill impacts that resulted from the First Version FC as foundational information to put customer reactions into context.

Because of these learnings and the Working Group's anticipated involvement and feedback regarding a Second Version FC, the Joint IOUs do not believe it is necessary or advisable to wait a full three years after initial rollout to start considering structural changes to the First Version FC. Data

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[149] *See* SEIA Opening Implementation Comments (July 31, 2023) at p. 39; Joint IOU Reply Implementation Comments (Aug. 21, 2023) at p. 18.

gathering and reporting could be designed so that initial results are shared by each IOU after the first full year of post-launch operations. There may be timing differences in the launch date for each of the six affected IOUs, which would provide an opportunity for everyone to learn important lessons from those IOUs that can start billing the First Version FC earliest. Given the time-sensitive nature of the need for decarbonization, which will be advanced by further reductions to the volumetric charge under a Second Version FC, the Joint IOUs propose to begin set up of the Second Version FC working group process in Q1 2024, with actual meetings commencing by Q3 2024 to begin exploring income verification and developing the framework for a Second Version FC.

d. Should the Commission authorize hiring a consultant to advise Energy Division staff or a working group on income verification for the second version of IGFCs? If so, what should be the scope of work and budget for the consultant? What should be the criteria for selecting a consultant (*e.g.*, experience as a third-party administrator of income verification processes)? What should be the proportional cost share of each IOU for the consultant?

Yes, the Commission should authorize funding for a third-party consultant to advise on income verification proposals for the Second Version FC. As the Joint IOUs explained in their July 31, 2023 Opening Comments, the right consultant could prove helpful in this proceeding, as was the case with the consultant engaged to help refine the default TOU transition program.[150] The chosen consultant should be a process expert with substantive knowledge of utility customer programs.[151] Ideally, the consultant would have experience with income verification, although this is not a requirement in the Joint IOUs' view. More important is that the consultant be pragmatic, neutral, and effective at facilitating a large group of parties to seek as much consensus as possible despite their differing opinions.

It is premature at this point to define the scope of work for the consultant. Likewise, until a scope of work is identified, and proposals are solicited, it is premature to define the consultant's budget. The

[150] Joint IOU Opening Implementation Comments (July 31, 2023) at p. 62.
[151] *Id.*

Joint IOUs have not yet determined what a reasonable cost would be for this service. Accordingly, the Joint IOUs herein provide a high-level concept of the type of work the consultant would be performing, and how the budget should be determined.

The consultant's scope of work might include[152]: assisting the Working Group with developing agendas, facilitating Working Group meetings, organizing pre-reads, conducting necessary research or facilitating research by the IOUs on income verification options (*e.g.*, Equifax Work Number versus FTB approach), communicating with Working Group members between meetings to keep the process on track, coordinating with Energy Division, and preparing or assisting with the final Working Group report.

In the TOU transition, the Commission directed the IOUs to hire an independent consultant to assist the TOU working group with designing and implementing TOU pilot programs and studies. The working group's objective was to "develop insights that would help guide the IOUs' applications . . . proposing the implementation of default TOU pricing for the majority of residential electricity customers and the CPUC's policy decisions regarding default pricing."[153] A research consultant was engaged to facilitate the working group meetings, make recommendations, and prepare a series of reports for the Commission summarizing the results of the pilot programs and studies, from which the IOUs developed their respective rate proposals.[154] The consultant's work was one factor that enabled the large IOUs to successfully plan the default TOU pilots (including methodology, tactics, and rate structures).[155]

To develop the budget for the consultant, the Joint IOUs reviewed the spending for the consultant hired in the TOU transition, adjusted for inflation, and recommends the Commission set a budget of approximately $1.1M for this effort. The IOUs should work with Energy Division to develop requests for proposals from candidate consultants in Q1 2024.[156] Proportional shares of the consulting costs should be

152 Joint IOUs Opening Implementation Comments (July 31, 2023) at p. 61.
153 California Statewide Opt-in Time-of-Use Pricing Pilot Final Report, R.12-06-013 (March 30, 2018) at p. 1.
154 Time-of-Use Pricing Opt-In Pilot Plan, R.12-06-013 (December 17, 2015), p. 2; California Statewide Opt-in Time-of-Use Pricing Pilot Interim Evaluation, R.12-06-013 (April 11, 2017); California Statewide Opt-in Time-of-Use Pricing Pilot Second Interim Evaluation, R.12-06-013 (November 1, 2017); California Statewide Opt-in Time-of-Use Pricing Pilot Final Report, R.12-06-013 (March 30, 2018).
155 Joint IOU Opening Implementation Comments (July 31, 2023) at p. 62.
156 *Id.*

determined based on the percentage splits used to cover the costs of E3's development of the public tool, with a small percentage of the costs borne by the small IOUs. Should an IOU be tasked to run any Request for Proposal process, then the Commission should authorize cost recovery for the incremental administration and management of those tasks, to be shared proportionally among the IOUs.

e. When should the Commission consider the design of the second version of IGFCs? Should the timing depend on reviewing a certain number of months of implementation data for the first IGFCs, and/or consideration of a working group proposal for income verification and tiers for the second version of IGFCs?

It is premature to say precisely when the Commission should consider the design of the Second Version FCs. However, given the need to reduce volumetric rates and incentivize electrification, the IOUs recommend the Commission begin consideration of fundamental issues, like income verification, as soon as practicable. As stated above, the Joint IOUs are recommending the assigned ALJ and assigned Commissioner issue a ruling authorizing commencement of the RFP process to retain a facilitator to explore income verification options and challenges. To the extent the Commission outlines a schedule for the Second Version FCs in the Track A decision, the schedule should be flexible and subject to future refinement in coordination with Energy Division.

However, some aspects of designing the Second Version FCs depend on insights from the rollout of the First Version FC, and data from implementation of the First Version FCs will be of central importance. Therefore, other than income verification, it may be useful for the Working Group to review at least nine months of data inclusive of a summer of data after SCE and SDG&E have implemented. The Working Group can proceed in parallel to begin its work developing a proposal for the Second Version FC on its own timeline. Because it is too early to predict how long it will take the Working Group to complete its scope of work and compile a final report for the parties and the Commission, the Commission should not bind itself to waiting until the report is issued before considering the design of the Second Version FC.

f. Should the timeline or procedural pathway for SMJUs' IGFCs differ from the implementation pathway for large IOUs? If so, please explain why it should differ and specify how it should differ.

The Joint IOUs take no position on this question as they lack visibility into the unique challenges SMJUs may face in implementing an IGFC.

V.
CONCLUSION

The Joint IOUs appreciate the opportunity to submit this opening brief.[157]

Respectfully submitted,

/s/ James Whooley

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