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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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

OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), SAN DIEGO GAS & ELECTRIC COMPANY (U902-E), AND SOUTHERN CALIFORNIA EDISON COMPANY (U338-E) IN RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING ON IMPLEMENTATION BUDGET AND TIMING ISSUES (TRACK A)

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Date: January 24, 2024

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (together, the "Large Utilities" or "Joint IOUs") respectfully submit these Joint Opening Comments as directed by the Administrative Law Judge's Ruling on Implementation Budget and Timing Issues (Track A) issued December 18, 2023 (Ruling).

II. RESPONSES TO QUESTIONS 2A-H

Section 2 of the Ruling poses eight questions (with subparts) regarding the Large Utilities' proposed budgets for their respective first versions of the income-graduated fixed charge (First Version Fixed Charge) ordered by Assembly Bill (AB) 205.[1/] Because the information sought through these budget-related questions is unique to each of the Large Utilities, responses to these questions are provided by each Large Utility in Appendix A (PG&E), Appendix B (SCE), and Appendix C (SDG&E) attached hereto.

III. RESPONSE TO QUESTIONS 3A-C

Section 3 of the Ruling poses questions to PG&E only. As such, PG&E is addressing those questions in Appendix A.

1/ See Ruling pp. 2-4.

IV. RESPONSE TO QUESTIONS 4A-B

Section 4 of the Ruling requests party comments on questions relating to implementation timing of the First Version Fixed Charge. The Joint IOUs jointly respond to these questions as follows.

a. *What are the potential impacts of delaying PG&E's implementation of the first income-graduated fixed charges on ME&O and customer understanding if the Commission authorizes the other utilities to implement the first income-graduated fixed charges as soon as possible (e.g., the fourth quarter of 2025)?*

Response:

The Joint IOUs do not anticipate significant impacts or barriers to ME&O and customer understanding if the timing for rollout of the Fixed Charge ends up not being exactly aligned. PG&E has accelerated its previously proposed 2028 launch timeframes, resulting in ME&O timeframes that are more condensed and more aligned with SCE and SDG&E. See Appendix A for PG&E's updated plan for implementation of the Fixed Charges.

The Joint IOUs' ME&O plans are informed by research as well as previous experiences with the residential Time of Use (TOU) transition.[2/] During the rollout of residential TOU rates, which was implemented over different spans of months and in different individual years for the three large utilities, each utility conducted its own education and outreach that focused on direct and local tactics, and messaging designed to resonate with each customer base. While aligned, the staggered timing of each IOUs' respective TOU Transition implementations did not negatively impact customer outreach efforts. As set forth in the Joint IOUs' Opening Testimony,[3/] the Fixed Charge ME&O plan focuses on localized flexibility to accomplish the three pillars of (1) Awareness, (2) Inform, and (3) Engagement, according to each IOU's individual timing needs while maintaining alignment on strategy and tactics. In anticipation of implementing Fixed Charges by year-end 2025, the Joint IOUs plan to begin ME&O efforts in

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2/ Exh. Joint IOUs-04, p. 6, Lines 9-10.

3/ Exh. Joint IOUs-01-E2, p. 120, Table V-18.

2024. This includes targeted efforts to reach income-qualified customers to determine whether they belong to Bracket 1 or 2 of the Joint IOUs' three-tiered proposal.

b. *What are the potential impacts on achieving state electrification goals if the Commission delays the implementation of the first income-graduated fixed charges for PG&E or all investor-owned utilities beyond year-end 2025?*

Response:

The Joint IOUs note that PG&E's updated implementation timeline as described in Appendix A to these Opening Comments largely renders this question moot insofar as it implies the reason for a delay is based on PG&E's prior implementation timeline. This is because PG&E expects to now be able to implement the Fixed Charge for its residential customers by year-end 2025, subject to update by PG&E as discussed in Appendix A. In any event, there is no reason that any implementation timing challenges at PG&E would need to delay implementation of the Fixed Charge for SDG&E and SCE.

Delaying implementation of the Fixed Charges for PG&E or all the IOUs significantly beyond year-end 2025 and retaining existing residential rate structures into 2026, would impede progress toward the State's electrification goals to some degree, depending[4] on the level of fixed charges approved by the CPUC and the duration of the delay. In addition, if the CPUC were to adopt a proposal that results in *de minimis* reductions to volumetric rates,[5] the consequences of delay would be minimal because the contribution of the Fixed Charge to achievement of the State's electrification goals would be minimal regardless of implementation timing. Even if implementation is not delayed beyond year-end 2025, the low fixed charges proposed by some of the parties in this proceeding would be insufficient to allow IOU electric rate design to support progress toward electrification goals as volumetric rates would remain relatively unchanged from today's levels. Indeed, at current natural gas and electric rates, even a $23.50/month average

[4] Exh. Joint IOUs-01-E2, p. 28, lines 8-13.

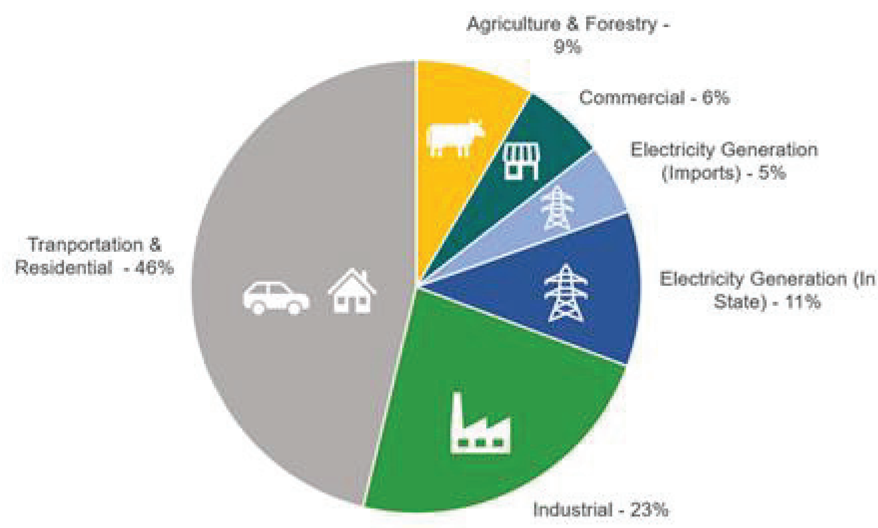
[5] Exh. SEIA-01, p. 35, lines 13-18.

fixed charge would result in an electric heat pump water heater being more expensive to utilize than natural gas heating, even with incentives, as discussed in detail below.

The State has set lofty electrification goals with target dates as soon as 2030. Per the California Air Resources Board (CARB), transportation and the residential sector account for nearly 50% of California's GHG emissions in 2020. See Figure 1.

Figure 1

2020 Total California Emissions (369 MMT CO_2e)[6/]



Significantly reducing these emissions is necessary for California to adopt climate goals. As stated in the Joint IOUs' Supplemental Testimony, "the more expedient implementation of IGFCs allowed by 2024 adoption of the Joint IOUs' proposed first step here, will better incentivize early adoption of beneficial electrification technologies because it will reduce volumetric rates, which is important if California is to meet our transportation goals and building electrification goals for climate action."[7/]

6/ California Air Resources Board (CARB) California GHG for 2000-2020, p. 30, available at: https://ww2.arb.ca.gov/sites/default/files/classic/cc/inventory/2000-2020_ghg_inventory_trends.pdf (accessed Jan. 17, 2024).

7/ Exh. Joint-IOUs-04, p. 20, lines 3-6.

- Transportation

In 2018, Governor Brown issued an Executive Order that set a target of 5 million zero-emission vehicles (ZEVs) on California roads by 2030.[8/] California Energy Commission (CEC) statistics state that at the end of Q3 2023 there were 1.5 million light duty ZEVs in California,[9/] meaning that approximately 3.5 million ZEVs will need to be adopted to meet the EO target. To meet this target, approximately 590,000 ZEVs will need to be adopted each year (2024-2029).[10/] This level of adoption would be a significant increase when compared to 2021 through 2023 year-to-date figures, which show 202,000 – 343,000 ZEVs being adopted.[11/] To meet this goal, customer adoption will need to accelerate significantly.

Therefore, it is incumbent on the Commission not to delay implementing the first step, the Fixed Charge, since it will lower the $/kWh price of electricity and provide an operating price incentive for customers to adopt electrification technologies. It may take time for larger consumer choice patterns to change. Delaying the lower operating costs that are achieved through implementation of the fixed charge may result in only a subset of wealthier individuals adopting new electrification technologies.

The chart in Figure 2 shows the point of price parity for electricity when compared with gasoline. According to EIA data, the average price of gasoline in California was $5.40/gallon in 2022 and $4.88/gallon in 2023.[12/]

8/ 2021 SB 100 Joint Agency Report (March 2021), p. 32.

9/ Zero Emission Vehicle and Infrastructure Statistics, available at: <https://www.energy.ca.gov/data-reports/energy-almanac/zero-emission-vehicle-and-infrastructure-statistics> (accessed Jan. 19, 2024). There were 1,113,348 Light Duty and 2,320 Medium- and Heavy-Duty ZEVs in California at the end of 2022. New ZEV sales through Q3 2023 were 342,888.

10/ 5,000,000 – 1,456,236 = 3,543,764/6 years = 590,627 EVs per year.

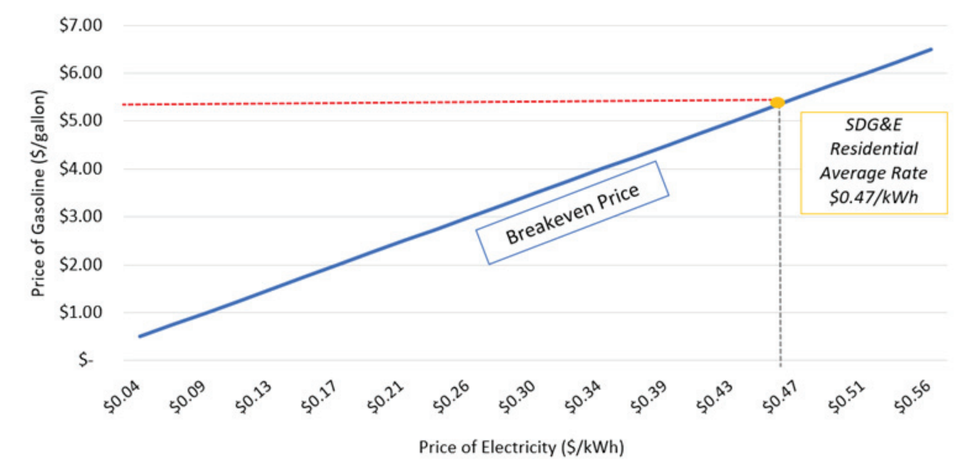
11/ New ZEV Sales in California, available at: <https://www.energy.ca.gov/data-reports/energy-almanac/zero-emission-vehicle-and-infrastructure-statistics/new-zev-sales> (accessed Jan. 17, 2024).

12/ U.S. Energy Information Administration (EIA), available at: https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_sca_dpg&f=m (accessed Jan. 17, 2024).

While gasoline prices may be high enough to incentivize some vehicle electrification, since customers may be able to charge their vehicles at least part of the time in lower price non-peak time-of-use periods, these limited hours of lower pricing may not be enough to incentivize the level of ZEV adoption needed to meet our State's goals described above.

Figure 2

Gasoline-Electricity Price Parity ($/gallon vs. $/kWh)[13/]



- Building Electrification

California building electrification plans have similarly high goals, namely to reach 6 million installed heat pumps by 2030, as well as to have electric appliance sales reach 80% of all appliance sales by 2030.[14/] In addition, the "Balanced" scenario from the SB 100 Joint Agency Report assumes that 100% of sales of home appliances will be electric by 2035.[15/] In 2020, the

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13/ Based on 2023 rates used in the E3 Public Tool. The breakeven line assumes an average 35 miles per gallon-Combustion Engine Vehicle equivalent, and an average of a 3.0 mile-per-kWh fuel efficiency for comparison purposes.

14/ California Releases World's First Plan to Achieve Net Zero Carbon Pollution | California Governor, available at: https://www.gov.ca.gov/2022/11/16/california-releases-worlds-first-plan-to-achieve-net-zero-carbon-pollution/ (accessed Jan. 17, 2024).

15/ 2021 SB 100 Joint Agency Report (March 2021), p. 35, p. 7, table 2.

CEC estimated that nearly 80% of all homes in California were connected to the natural gas system,[16] and that:

> [c]onsumer adoption of building electrification technologies is one of the largest barriers to achieving the emissions reductions from the building sector described in the High Building Electrification scenario. If building electrification is delayed, missing the lower-cost opportunities for all-electric new construction and replacement of equipment upon failure, there is greater risk that expensive early retirement of equipment may be needed, *or that the climate goals could be missed*.[17]

There are various different reasons why building electrification may end up being delayed relative to today's targets (including the need for more funding of up-front incentives than currently exist), however the Joint IOUs' focus is on the role that fixed charges and resulting lower volumetric rates can play in encouraging residential customers to adopt building electrification measures.

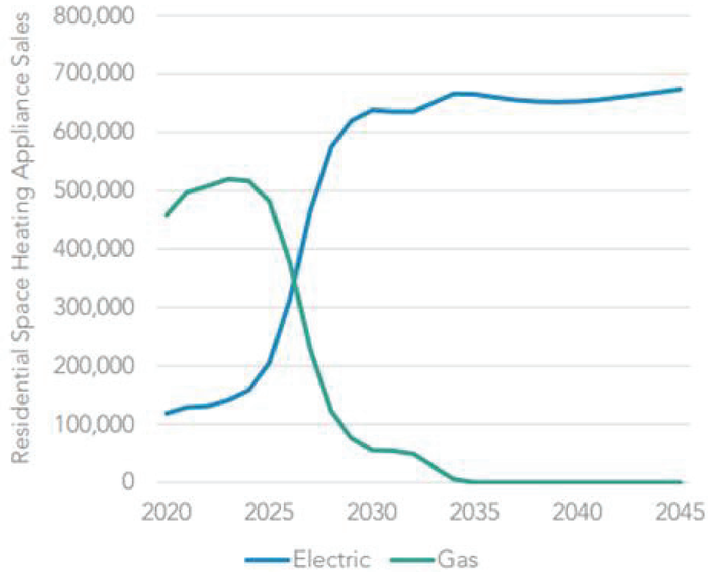
As seen below in Figure 3, the CARB Scoping Plan Scenario assumes that electric space heating appliance sales will start to increase dramatically in 2025.

16/ CEC, *The Challenge of Retail Gas in California's Low-Carbon Future,* available at: <https://www.energy.ca.gov/sites/default/files/2021-06/CEC-500-2019-055-F.pdf> (accessed Jan. 17, 2024), p. 1.

17/ *Id*., p. 2, emphasis added.

Figure 3

Residential Space Heating Appliance Sales in the Scoping Plan Scenario[18/]



If customers choose not to replace their end-of-life natural gas appliances with electric equivalents, there is a risk that California may not meet our climate and electrification goals. In the absence of legislative mandates or policies, the majority of customers are not likely to adopt an uneconomic technology that raises their overall monthly energy spending. Even with efficiency gains, the higher volumetric electric rates may result in a net energy spending increase when switching from a natural gas appliance.

A recent CPUC-commissioned study on heat-pump adoption listed "high electricity rates" as a key concern among contractors when considering heat pump technology for space conditioning.[19/] It also stated "[t]he primary market barriers of [heat pump pool heaters] HPPHs are the current cost of electricity in the state's IOU service territories and a general lack of

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18/ CARB 2022 Scoping Plan for Achieving Carbon Neutrality, p. 214, Figure 4-9, available at: <https://ww2.arb.ca.gov/sites/default/files/2022-11/2022-sp.pdf> (accessed Jan. 17, 2024).

19/ California Heat Pump Residential Market Characterization and Baseline Study (May 13, 2022), p. 9, available at: <OD-CPUC-Heat-Pump-Market-Study-Report_Final.pdf (energydataweb.com)> (accessed Jan. 17, 2024).

customer awareness and familiarity with the technology."[20] This study cites natural gas bans as a potential source of growth for heat pumps, but many of these bans have faced legal challenges and some have already been overturned.[21] As seen in this study's tables, below, as of 2020 both Air Source and Ground Source Heat Pumps (ASHP and GSHP, also known as "Space Conditioning Heat Pumps" (SCHP)) and Heat Pump Water Heaters (HPWH) are nascent with markets, with significant adoption needed to meet our State's goals of 6 million installed heat pumps by 2030.

Table 1

Heat Pump Market Adoption and Pricing for Space Conditioning[22]

	Heat Pump Technology for Space Heating	ASHPs	GSHPs
2020 Status	Nascent and growing	Nascent and growing	Nascent and growing "at a snail's pace"
Adoption	Of the 12.2 million space heating units across residences in the California IOU territories, 4 percent are electric heat-pump technology.	165,588 shipped to CA in 2020, 3.5 million sold in US in 2020 (up from 3.1 million in 2019)	50,000 installed in U.S. annually; 95% sold to contractors and 5% direct to customer; 100% were for new construction in 2020. (No California installation data could be located.)

Table 2

Heat Pump Market Adoption and Pricing for Water Heating[23]

	Electric Water Heating	HPWHs
2020 Status	Small	Non-existent to "small"
Adoption	Of the 12.1 million water heating units installed in California in 2019, only one percent of that equipment is electric and high-efficiency	Estimate unavailable – Not counted in 2019 RASS study

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20/ *Id.*, p. 120.

21/ 9th Circuit declines to reconsider decision rejecting Berkeley, California natural gas ban (Jan. 3, 2024), available at: <https://www.utilitydive.com/news/berkeley-natural-gas-ban-lawsuit-request-rehearing-en-banc-denied-federal-appeals/703514/> (accessed Jan. 17, 2024).

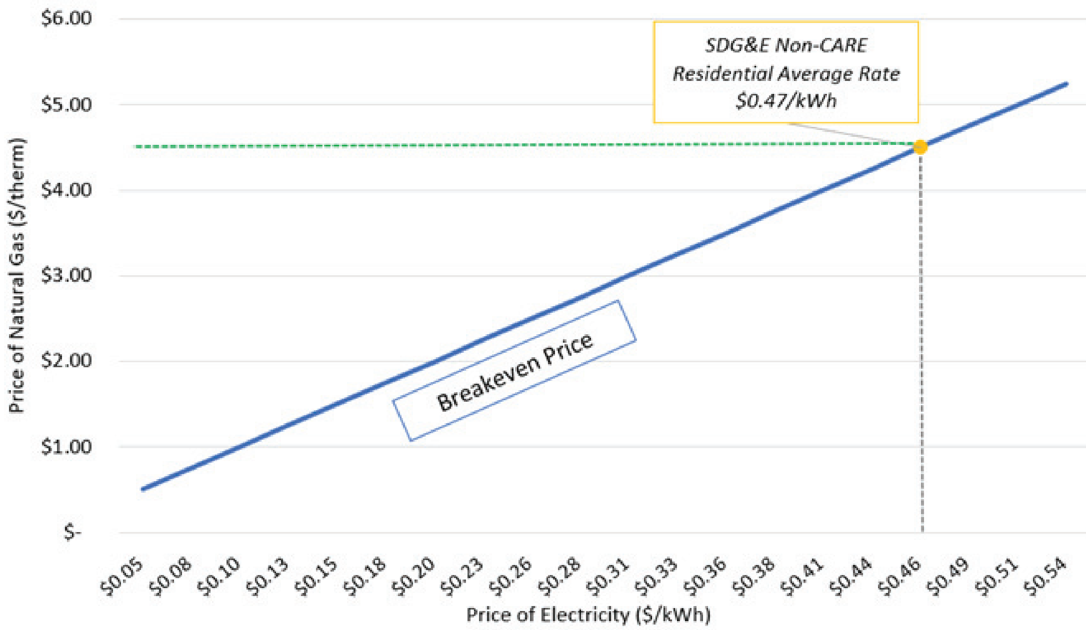
22/ Excerpt from California Heat Pump Residential Market Characterization and Baseline Study (May 13, 2024), p. 8.

23/ *Id.*, p. 9.

The average price of natural gas in SDG&E's service territory over the past three years is $2.37/therm, as seen below in Tables 3 and 4. As displayed in Figure 4, the equivalent electricity price for this range is in the low-to-mid $0.20/kWh range.

Figure 4

Natural Gas-Electricity Price Parity ($/therm vs. $/kWh)[24/]



24/ Based on 2023 rates used in the E3 Public Tool. Breakeven line assumes a 35-Combustion Engine Vehicle equivalent, and a 3.0 mile-per-kWh fuel efficiency.

SDG&E-specific analyses, as displayed below in Tables 3 and 4,[25/,26/] show that even with up-front incentives,[27/] a Track A average Fixed Charge of $23.50 per month does not lower the volumetric rate enough for a customer to breakeven on the cost of installing, owning, and operating a heat pump, either for space conditioning or water heating, when excluding incentives. Higher monthly fixed charges are needed to lower the volumetric rate adequately enough to see payback within the life cycle of the technology. Table 3 below shows that without up-front incentives, given a $0.31/kWh average non-CARE volumetric rate, only SCHP have a positive NPV over the life of the appliance. Fixed Charges that result in volumetric rates of $0.43-0.47/kWh do not have a positive NPV for either SCHP or HPWH in the scenarios examined.

25/ All analysis based on electric rates effective January 1, 2023 per the E3 Public Tool. Natural gas rates represent the inflation-adjusted residential non-CARE natural gas average rate from 2021-2023, comprised of: 1) Year-end average transmission rate; 2) Year-end Public Purpose Programs rate; and 3) 12-month rolling average procurement rate. Modeled appliance lifecycle savings/costs take into account upfront costs + ongoing energy bills. Analysis assumed a "normal replacement" retrofit scenario in a residential single-family inland climate zone home which takes into account incremental costs and a like-for-like replacement of a heat pump technology to the current gas appliance. Cost, consumption, and efficiency assumptions sourced from the 2020 CPUC approved electronic technical reference manual (eTRM).

26/ Figures shown are in 2023 dollars. Discount rate of 1.5 utilized to discount future bills/savings, equivalent to a 5.0% nominal discount rate that reflects savings on a certificate of deposit. Lifecycle economics were assessed by calculating the net present value (NPV) of the upfront initial investment (not financed) and future net energy bill savings/costs through the asset's estimated useful life. A positive NPV indicates that installing the electrical appliance was economical.

27/ State and Federal incentives shown are available as of January 11, 2024. Space Conditioning Heat Pump incentives include a TECH Clean California rebate ($1,000), a Comfortably California rebate ($200+ per ton for new split system heat pumps), and the IRA 25C Tax Credit (30% of costs, including labor, up to $2,000 annually). Heat Pump Water Heater (Tanked System) incentives include a TECH Clean California Credit ($3,100 per unit to replace a gas water heater), Golden State Rebate ($700 to replace a natural gas storage water heater), and the 2025 IRA 25C Tax Credit (30% of costs, including labor, up to $2,000 annually). Heat Pump Water Heater (Tankless System) incentives are the same as Tanked Systems, excluding the Golden State rebate.

Table 3

Lifecycle Analysis of SDG&E Building Electrification for Non-CARE Customers, Excluding Incentives

Category	Scenario	Description	Avg. Elec. Fixed Charge (FC)	Avg. Elec. Non-CARE Volumetric Rate	Space Conditioning	Heat Pump Water Heater (vs. Tanked)	Heat Pump Water Heater (vs. Tankless)
			($/mo)	($/kWh)	$2023 NPV	$2023 NPV	$2023 NPV
3-Yr Avg Natural Gas Rate ($2.37 / Therm), *No Incentives*	A1	Current – Volumetric Rate	$0	$0.47	($3,400)	($3,910)	($5,075)
	A2	Sensitivity – $15 FC	$15	$0.43	($2,495)	($3,430)	($4,600)
	A3	Sensitivity – $23.50 FC	$23.5	$0.41	($1,915)	($3,125)	($4,295)
	A4	Proposed – "First Version" FC	$60	$0.31	$590	($1,800)	($2,985)

Scenarios that do include up-front incentives have a positive NPV for all three appliances under SDG&E's proposed First Version average fixed charge of $60. Under the Fixed Charge scenario of $15 or $23.50 per month on average, the NPV for a HPWH is still negative.

Table 4

Lifecycle Analysis of SDG&E Building Electrification for Non-CARE Customers, Including Incentives

Category	Scenario	Description	Avg. Elec. Fixed Charge (FC)	Avg. Elec. Volumetric Rate	Space Conditioning	Heat Pump Water Heater (vs. Tanked)	Heat Pump Water Heater (vs. Tankless)
			($/mo)	($/kWh)	$2023 NPV	$2023 NPV	$2023 NPV
3-Yr Avg Natural Gas Rate ($2.37 / Therm), ***With Incentives: HVAC ~$2,287 WH (vs. Tanked) ~$2,778 WH (vs. Tankless) ~$2,778***	1	Current – Volumetric Rate (+ Incentives)	$0	$0.47	($1,035)	($910)	($2,080)
	2	Sensitivity – $15 FC (+Incentives)	$15	$0.43	$(130)	($435)	($1,605)
	3	Sensitivity – $23.50 FC (+ Incentives)	$23.50	$0.41	$450	($125)	($1,300)
	4	Proposed – "First Version" FC (+ Incentives)	$60	$0.31	$2,955	$1,195	$15

While the customer economics for building electrification are better under the scenarios that include up-front incentives, these incentives may not always be available to customers (i.e., there are not currently enough such incentives to support installation of the 6 million heat pumps by 2030 needed to meet current State goals). California is facing a budget deficit in 2024 and the current proposed state budget would reduce climate funding about 7% compared to last year's budget.[28/] The proposed budget would cut building electrification incentives by over 30%,[29/] but the final impact is to be determined by the legislature in mid-2024. This highlights the uncertainty around the state's funding of incentives for electrified end-uses. Additionally, these scenarios do not include the cost of a panel upgrade, which may be necessary when installing new electrification appliances.

For all of these reasons, the Commission should adopt the Joint IOUs' proposals for Fixed Charges in Track A of this proceeding. It is unlikely that the majority of customers will choose to electrify their appliances if it is uneconomic compared fueling with natural gas. Without significant reductions in the average volumetric rate that will tip the scales toward a value proposition for electrification technologies, the Commission risks not meeting the State's adoption goals for transportation and building electrification.

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28/ Newsom unveils plan to cut California climate funding (Jan. 10, 2024), available at: https://calmatters.org/environment/2024/01/newsom-plan-cuts-california-climate-funding/ (accessed Jan. 19, 2024).

29/ See Governor's Budget Summary 2024-2025, p. 44, available at: <https://ebudget.ca.gov/2024-25/pdf/BudgetSummary/FullBudgetSummary.pdf>, (accessed Jan. 23, 2024).

V. CONCLUSION

The Joint IOUs appreciate the opportunity to submit these responses to the Ruling.[30/]

Respectfully Submitted on behalf of the Joint IOUs ,

By: */s/ Jennifer C. Reyes Lagunero*
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Dated: January 24, 2024

30/ Pursuant to Rule 1.8(d) of the Commission's Rules of Practice and Procedure, counsel for SCE and SDG&E authorize PG&E to file this Response on their behalf.

APPENDIX A

PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING ON IMPLEMENTATION BUDGET AND TIMING ISSUES (TRACK A)

PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING ON IMPLEMENTATION BUDGET AND TIMING ISSUES (TRACK A)

1. Introduction

Pacific Gas and Electric Company (PG&E) respectfully provides its utility-specific responses to the assigned Administrative Law Judge's December 18, 2023 *Ruling on Implementation Budget and Timing Issues (Track A)* (Ruling).[1] This Ruling asked for additional details around the income verification, rate implementation, and marketing education and outreach cost estimates presented in Table IV-3 of the Track A Opening Brief of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company in R.22-07-005 (Joint IOUs' Opening Brief).[2] PG&E also co-sponsors responses to the Ruling's remaining questions in the Joint IOUs' Response, also being filed today.

Since submission of the Joint IOUs' Opening Brief, PG&E has adjusted its implementation plan and forecasted incremental costs and presents the revised cost estimates in Table 1 below. These costs assume implementation of a First Version Fixed Charge rate structure as presented in the Joint IOU Opening Brief under PG&E's revised billing implementation approach. Responses to the detailed questions from the Ruling are provided in the remainder of this response. This includes a description of PG&E's current budget and implementation plan revisions from the Joint IOUs' Opening Brief and the main drivers and assumptions for those revisions. The difference in estimated costs between what PG&E presented in the Joint IOU's Opening Brief ($34,847,000) and the total presented in Table 1 ($42,481,000) is primarily driven by increased billing implementation costs associated with PG&E's revised, accelerated billing implementation plan, though some adjustments have also been made to other budget line items, as explained further in this response.

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[1] Administrative Law Judge's Ruling on Implementation Budget and timing Issues (Track A) (Dec. 18, 2023).

[2] Track A Opening Brief of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (Oct. 6, 2023).

Table 1

PG&E's Current Revised Incremental Cost Estimates for Enabling a Fixed Charge

(in thousands of dollars)

Activity	**2024**	**2025**	**2026**	**2027**	**Total**
Income Verification	$1,887	$1,599	$856	$110	$4,452[(a)]
Implementation					
Billing IT Implementation	$2,773	$6,471	$0	$0	$9,245
Updates to Customer Rate Tools	$0	$674	$0	$0	$674
Customer Support through Contact Center	$0	$4,265	$7,630	$0	$11,895
Program and Product Management	$531	$1,277	$581	$56	$2,445
Subtotal	*$3,304*	*$12,687*	*$8,211*	*$56*	*$24,259*
Marketing Education and Outreach	$3,458	$9,912	$401	-	$13,771[(b)]
Total	$8,649	$24,198	$9,468	$166	$42,481[(c)]

(a) The total costs may be reduced by $3.8M if the CPUC permits PG&E to use unspent uncommitted CARE budget for a portion of this total. See PG&E's response to Section 2(h) for details.

(b) The total costs may be reduced by $2.2M if the CPUC permits PG&E to use unspent uncommitted CARE budget for a portion of this total. See PG&E's response to Section 2(h) for details.

(c) The total costs may be reduced by $6.0M if the CPUC permits PG&E to use unspent uncommitted CARE budget for a portion of this total. See PG&E's response to Section 2(h) for details.

PG&E includes the following attachments to this response:

- Attachment 1- Workpapers for First Version Fixed Charge Implementation and Contact Center,
- Attachment 2- Workpaper for First Version Fixed Charge Income Verification Costs, and
- Attachment 3- PG&E presentation entitled "Fixed Charge Implementation," dated December 19, 2023.

2. PG&E's Budget Information

The below questions are referenced in Section 2 of the Ruling, so the headers reflect the section numbers and subparts as set forth therein.

a) **Section 2(a) - Billing System Update Costs**

For billing system update costs, provide the following information: (i) the proposed project management internal staffing and/or contract costs for the billing system updates, (ii) the incremental cost of applying an income-graduated fixed charge to each rate schedule that does not currently have a fixed charge, and (iii) the incremental cost of applying an income-graduated fixed charge to each rate schedule that currently has a fixed charge,

PG&E's Response to Section 2(a):

As explained in more detail in Section 3(a), below, in the Joint IOU Opening Brief, PG&E presented our original estimated timing for implementation of the First Version Fixed Charge (Fixed Charge) being considered in Track A. Under that original timing, PG&E would have implemented a Fixed Charge in Q1 2028 after PG&E's Billing Modernization project was expected to be completed, to enable building the Fixed Charge in PG&E's new planned billing system.[3] PG&E has since reassessed its billing modernization timeline and risks and now plans a two-pronged approach that would implement the Fixed Charge for 98.2 percent (4.8 million) of PG&E's residential electric customers (at a cost of approximately $4.5 million) in its mass market Customer Care and Billing (CC&B) system by Q4 2025, with an alternative approach for the remaining 1.8 percent of customers.

PG&E is still assessing four options for implementing a Fixed Charge for the small portion of customers (1.8 percent or approximately 89,000 customers) currently billed in our legacy Advanced Billing System (ABS), as described in the response to Question 3(a)(ii). PG&E's ABS system bills customers with specialized metering requirements who are on tariffs that require complex billing calculations involving multiple meters – namely NEM Paired Storage, Virtual Net Metering, and NEM Aggregation. For purposes of providing updated cost estimates in the responses below, PG&E has developed preliminary cost estimates for Option 4, though PG&E is still evaluating the best approach for implementing the Fixed Charge for these customers, as explained in the response to Question 3(a). Option 4 contemplates accelerated implementation of the Fixed Charge for the 1.8 percent of customers who are currently billed in the legacy ABS system, through an interim billing system called the Billing Cloud Service (BCS) system. The BCS system would serve as part of PG&E's Billing Modernization project.

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3 Joint IOUs' Opening Brief, p. 54.

PG&E's estimated cost for implementing the Fixed Charge ─ for 98.2 percent of our residential customers in the legacy mass market CC&B billing system ─ is $4.5 million. PG&E's preliminary estimate of the cost for implementing the Fixed Charge for the remaining 1.8 percent (complex billing customers) in PG&E's interim BCS system is about $3.5 million, for a total accelerated billing system implementation cost estimate of $8 million. The remaining $1.2 million in accelerated billing implementation costs is for updates to PG&E's online MyAccount platform, customer relationship management software, and bill notifications. The per customer costs for implementation in the BCS system are higher than for reprogramming CC&B both because the fixed costs associated with implementing a given rate are spread across far fewer customers, and because of the more complex meter data management and billing calculations that the BCS system would manage. A breakdown of billing implementation costs is presented below, in response to the subparts of Ruling Question 2(a).

i. Section 2(a)(i) - Project Management Staffing

The proposed project management internal staffing and/or contract costs for the billing system updates,

PG&E's Response to Section 2(a)(i):

For CC&B-billed Residential Customers:

For implementation in PG&E's legacy mass market billing system, CC&B ─ to program the Fixed Charges into rates for billing of 98.2 percent of our residential electric customers ─ the total estimated cost of $4.5 million breaks down as follows:

- $4.1 million in estimated costs for internal Billing Information Technology (IT) labor covering design, development of functional requirements, coding changes in PG&E's data management and billing systems, and testing, and

- $410,000 in estimated costs for project management, to ensure coordination among the various IT lines of business and external contractors involved in this aspect of our accelerated Fixed Charge billing implementation.

For Complex Billing Customers

To accelerate Fixed Charge implementation for the 1.8 percent of complex billing customers currently billed using the legacy ABS system, PG&E is assessing options for meeting the Commission's objectives, as addressed below in response to Question 3(a). The preliminary cost estimate of about $3.5 million assumes the interim solution used would be to reflect the Fixed Charge in bills for the 1.8% of residential complex billing customers through BCS, as broken out below:

- Approximately $3.2 million in estimated costs for internal Billing Information Technology (IT) labor, covering design, development of functional requirements, coding changes in PG&E's data management and billing systems, and testing;

- Approximately $318,000 in estimated costs for project management to ensure coordination among the various IT lines of business and external contractors involved in the billing change implementation.

Until the Plan/Analyze process has been completed, there is still uncertainty in the above preliminary cost estimates for a complex billing customer accelerated solution. As discussed in Section 3, below, PG&E plans to provide Energy Division with further updates, starting in February 2024. See detailed discussion in Section 3.

ii. Section 2(a)(ii) - Incremental Costs for Rate Schedules Without a Fixed Charge

The incremental cost of applying an income-graduated fixed charge to each rate schedule that does not currently have a fixed charge,

PG&E's Response to Section 2(a)(ii):

The cost of implementing a Fixed Charge for one rate schedule in the CC&B system is estimated at $1.5 million. For each remaining additional rate schedule that does not currently have a fixed charge (eight schedules of the total nine rates shown in column D of Table 2 below), the additional cost to implement in CC&B is estimated at $346,000 per rate.

The cost of implementing the Fixed Charge for one rate schedule in the BCS complex billing system is estimated at $1 million, with each additional rate schedule that does not currently have a fixed charge costing $300,000. (Please note that the total estimated billing implementation costs presented herein also include estimated costs for reprogramming Schedule E-ELEC to reflect the Fixed Charge, as described in Section 2(a)(iii), below.)

These costs are captured in the "Billing Implementation" row in Table 1 above.

iii. Section 2(a)(iii) - Incremental Costs for Rate Schedules

the incremental cost of applying an income-graduated fixed charge to each rate schedule that currently has a fixed charge,

PG&E's Response to Section 2(a)(iii):

Schedule E-ELEC is PG&E's only existing residential rate schedule that has a fixed charge. For E-ELEC, the current fixed charge is not the same as the Fixed Charges with three income brackets, currently proposed by PG&E in Track A of this proceeding. Therefore, there will be an incremental cost to align the current E-ELEC fixed charge with the different structure of the new Fixed Charges set to be adopted in the Track A decision. This incremental cost is estimated to be $250,000 for the CC&B system and about $100,000 for the BCS billing system, for a total of $350,000. These costs are also captured in the "Billing Implementation" row in Table 1 above.

Although sub-schedule B of PG&E's EV rate (EV-B) has a "meter charge," EV-B rates only apply to a residential customer's *separately metered* electric vehicles. Accordingly, for EV-B customers, PG&E is not proposing to adjust the meter charge to replace it with the Fixed Charge, because such customer households will already be receiving their Fixed Charge through the rate on which they take service for their premise through the meter for their home. As of January 12, 2024, PG&E had a limited number of customers (407) taking service on EV-B for separately metered electric vehicles.

b) Section 2(b) - Residential Rate Schedules

Provide a list of all authorized residential rate schedules with the following information: (i) whether the rate schedule currently has a fixed charge, (ii) for rate schedules that will be phased out in accordance with a final Commission decision or resolution, estimate the date when the rate schedule will be phased out and note which Commission decision (and resolution, if applicable) authorized the phasing out of this rate schedule, and (iii) for rate schedules that are scheduled to be added to the billing system in the future, estimate the date when the rate schedule will be added to the billing system and note which Commission decision authorized the addition of this rate schedule.

PG&E Response to Section 2(b) on Residential Rate Schedules:

In Table 2 below, PG&E lists the residential electric rate schedules on which PG&E customers currently take service as of January 2024, and includes the information requested in subparts (i) and (ii) of Question 2(b), above. For subpart (i), the only PG&E rate that currently includes a residential electric fixed charge is Schedule E-ELEC, but the methodology and amount currently used for the two-tiered E-ELEC fixed charge would need to be modified to align with the decision on the new, three-tiered Fixed Charge if adopted in mid-2024 in Track A of this proceeding. For subpart (ii), PG&E's E-TOU-B and EV-A rate schedules will be eliminated in 2025, per the decisions referenced below. For subpart (iii), PG&E does not currently have any new CPUC-approved residential electric rates that will be added to PG&E's residential rate portfolio.

Table 2

Active PG&E Residential Electric Rate Schedules as of January 2024

(A) Status	(B) Schedule	(C) Description	(D) Does the rate currently have a fixed charge?	(E) Will fixed charge be Programmed into Billing System?	(F) Will fixed charge be Programmed into Online Tools?
Open to New Customers	E-1	Tiered Non-Time-of-Use Service (Single Meter)	No	Yes	Yes
	ETOU-C	Tiered Time-of-Use Service (Single Meter)	No	Yes	Yes
	ETOU-D	Non-Tiered Time-of-Use Service (Single Meter)	No	Yes	Yes
	EV2-A	Non-Tiered Time-of-Use Service (Single Meter) open to customers with a Plug-in Electric Vehicle (EV2 also allowed for sub-metered PEV load, with the remainder of the customer's load billed on another rate schedule), Storage, and/or Electric Heat Pump (for Water Heating or Climate Control)	No	Yes	Yes
	ESR	Residential Vehicle Park and Marina Tiered Non-Time-of-Use Service (Master-Metered with Tenants Sub-Metered)	No	Yes	No
	E-ELEC	Non-Tiered Time-of-Use Service (Single Meter) open to customers with Plug-in Electric Vehicle, Storage, and/or Electric Heat Pump (for Water Heating or Climate Control)	Yes	No, but will be adjusted	Yes
	EV-B	Residential Service (Single Meter) for customers with a Plug-in Electric Vehicle that is separately metered	Yes (Meter Charge)	No, because separately metered	No
Closed to New, Legacy Customers on Rate	EM	Multifamily Tiered Non-Time-Time of-Use Service (Master-Metered)	No	Yes	No
	EM-TOU	Multifamily Tiered Time-of-Use Service (Master-Metered)	No	Yes	No
	ES	Multifamily Tiered Non-Time-of-Use Service (Master-Metered with Tenants Sub-Metered)	No	Yes	No
	ET	Mobile Home Park Tiered Non-Time-of-Use Service (Master-Metered with Tenants Sub-Metered)	No	Yes	No
Closed to New, Legacy	E-TOU-B	Non-Tiered Time-of-Use Service Time-of-Use Service (Single Meter) *Legacy TOU Treatment to end October 31, 2025, per D.19-07-004.*	No	No	No
	EV-A	Service (Single Meter) for customers with a Plug-in Electric Vehicle that is not separately metered.	No	No	No

(A) Status	(B) Schedule	(C) Description	(D) Does the rate currently have a fixed charge?	(E) Will fixed charge be Programmed into Billing System?	(F) Will fixed charge be Programmed into Online Tools?
Treatment Ends 2025		*Legacy NEM Treatment to end November 30, 2025 per D.17-01-006, D.17-02-017, and D. 17-10-018.*			

c) Section 2(c) - Online Rate Tool Updates

For online rates tool update costs, provide the following information: (i) the proposed project management internal staffing and/or contract costs for the tool updates, and the incremental cost of applying an income-graduated fixed charge to each rate schedule.

i. Section 2(c)(i) - Staffing and Contract Costs

the proposed project management internal staffing and/or contract costs for the tool updates,

PG&E Response to Section 2(c)(i) and (ii) on Online Tool Update:

The estimated PG&E internal staffing project and product management costs associated with updating PG&E's online tools to accommodate rates with the new Fixed Charge is $79,000. This includes the cost of managing contracting with the vendors who provide PG&E's online tool products, developing requirements for the changes, and testing to ensure requirements were met. The contract costs for the tool updates are estimated at $595,000, or $119,000 for each of five rates that are modeled in our online tools and will remain open to eligible customers post-2025 (E-1, E-TOU-C, E-TOU-D, EV2-A, E-ELEC). These costs are captured in the "Updates to Customer Rate Tools" row in Table 1 above.

d) Section 2(d) - Customer Support Through Contact Center

For customer support through contact center costs, provide the following information: (i) the projected additional call volume relating to income-graduated fixed charges during a specific time period, over average call volume, and the basis of this expectation, (ii) the time period for increasing internal staffing or external contracts to address incrementally higher call volume, and the rationale for using internal staff or external contracts, (iii) the additional call volume the utility received during a specific time period after implementing default time-of-use (TOU) rates, and (iv) a breakdown of internal and external budget line-items to address the incremental call volume (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts), including the time period for these incremental costs.

PG&E Response to Section 2(d) for Customer Support Through Contact Center:

PG&E presents below its responses to each of the subparts of Question 2(d). In addition, the assumptions underlying PG&E's updated estimates for additional costs to PG&E's Contact Center associated with the implementation of an electric fixed charge are provided in the Workpaper spreadsheet "PGE_01_DFOIR Track A Dec 2023 ALJ Ruling Response -

Implementation Costs" in the worksheet "Contact Center." For the remainder of this response, we will refer to this workpaper as the "Implementation Cost Forecast Workpaper."

i. Section 2(d)(i) - Projected Additional Call Volume

(i) the projected additional call volume relating to income-graduated fixed charges during a specific time period, over average call volume, and the basis of this expectation,

PG&E Response to Section 2(d)(i)

PG&E estimates that implementation of a Fixed Charge, that is consistent with the current scope of Track A, would result in increased call volume relative to PG&E's annual residential customer call volume experienced in 2023, which was 6.46 million calls.

Table 3 below shows the estimated additional calls PG&E anticipates would result from implementation of a Fixed Charge consistent with Track A's current scope. Detailed assumptions made to develop the call volume estimates are provided in the worksheet labeled "Contact Center" in PG&E's Implementation Cost Forecast Workpaper.

Table 3

Incremental Calls to PG&E's Contact Center Related to Electric Fixed Charge Implementation Assuming Deployment in Q4 2025

	2024	2025	2026	2027	Total
Total Incremental Customer Calls	-	189,280	370,741	-	560,021
Incremental Calls as a Percent of 2023 Annual Calls	0.0%	2.9%	5.7%	0.0%	n/a

PG&E expects the increased call volume to come from three categories of customers:

- Customers with general inquiries about the electric fixed charge, in response to media coverage, the pre-implementation communications PG&E plans to send to all affected customers, and to customer's receipt of billing statements that include the new Fixed Charge;
- Net Energy Metering (NEM) customers who may be confused by having to pay a fixed charge when they have been accustomed to paying a "Minimum Bill" charge of approximately $10 per month, and who may need clarification on how their new Fixed Charge payments are expected to affect their annual True-Up; and

- Customers who believe they should receive a reduced Fixed Charge based on their total household income and would like clarification on what they need to do to receive the appropriate discounted Fixed Charge.

PG&E estimated the likely rate of calls from each of these categories of customers, to develop an expected total number of additional calls related to the Fixed Charge. For "general inquiry" calls, PG&E referenced the percent increase in call volume associated with the TOU default to estimate increased calls. However, PG&E predicts that the percent of customers affected who call due to the Fixed Charge will be 50 percent higher than PG&E experienced for the TOU default. This is because the TOU default involved significant outreach to customers to ensure they knew how to opt-out of the default through mail or online automated processes. Thus, there were more opportunities for customers who were concerned about the TOU default to address those concerns by opting out of the program via other methods that did not involve a call to PG&E. This type of outreach will not be pursued for the transition to Fixed Charges since customers do not have an opt-out option as they did for default TOU. Furthermore, the Fixed Charge change will happen for *most residential* customers in the same monthly billing cycle, whereas the TOU default transition occurred *in waves* over multiple years. Also, the TOU transition did not apply to hundreds of thousands of residential customers who were either statutorily exempt from or made ineligible for being defaulted under the CPUC's implementation decisions (including deeming all CARE/FERA customers in hot areas ineligible to transition in these waves). Additionally, initial customer research found that customers may be confused and/or regard the Fixed Charge negatively, both of which – despite efforts to mitigate these reactions – are expected to impact the relative call volume.[4]

For expected calls from NEM customers, PG&E benchmarked to the increased calls to PG&E's dedicated call center phone line for solar/NEM customers experienced from 2022-2023 during the transition from NEM 2.0 to NBT eligibility for solar interconnection applications.

For calls from customers who believe they should receive a reduced fixed charge, PG&E estimated the number of customers who are not on CARE but may believe they should be, and how many of those customers would be inclined to call the contact center. See calculations supporting line 10 in the "Contact Center" worksheet in PG&E's Implementation Cost Forecast Workpaper.

[4] Exh. Joint IOUs-01-E2, pp. 111-112.

ii. Section 2(d)(ii) - Time Period

the time period for increasing internal staffing or external contracts to address incrementally higher call volume, and the rationale for using internal staff or external contracts,

PG&E Response to Section 2(d)(ii)

To the greatest extent possible, PG&E will add incremental labor capacity ─ that was not planned for in PG&E's current GRC cycle ─ to manage the additional calls associated with implementing the Fixed Charge by increasing hours worked by existing staff (i.e., avoiding new head count). For example, available internal staff who are part time would likely be moved to full time or extended shifts. In terms of timing, PG&E anticipates that Contact Center labor capacity will need to be augmented with incremental contact center labor capacity prior to the implementation date of the Fixed Charges ─ when customer awareness begins through media and/or notifications ─ and persist up to 1.5 years after pre-launch notifications. The added capacity will likely be most needed when customers receive the initial bills with the new Fixed Charge structure (1st through 3rd monthly bill cycles). Throughout the Fixed Charge implementation, PG&E will monitor staffing levels, call volume, and staff attrition to determine how much incremental customer service representative labor is needed to maintain required service levels. PG&E believes using internal incremental Contact Center staff to field questions regarding the residential fixed charge will be more effective than using external contract labor. This is because internal staff are already trained regarding PG&E's best practices for call center and other customer contact interactions. Leveraging and augmenting internal staff and existing contracts will be the best way to ensure quality control of customer service representatives' responses, which are monitored through PG&E's QA/QC systems and processes (such as call monitoring).

PG&E's Contact Center incremental cost estimate also includes the costs of training existing customer service representatives to handle calls related to the new Fixed Charges, the cost to set up an Interactive Voice Recognition (IVR) system to divert customers to self-help resources about the new Fixed Charge (as much as possible), and the cost of developing training materials and conversation guides for Contact Center representatives.

The expected timing of these costs is shown in the worksheet labeled "Contact Center" in PG&E's Implementation Cost Forecast Workpaper.

iii. Section 2(d)(iii) – Call Volume and Time of Use Rate

> *the additional call volume the utility received during a specific time period after implementing default time-of-use (TOU) rates,*

PG&E Response to Section 2(d)(iii):

PG&E's Time-of-Use default was implemented in "waves" beginning in 2020 through mid-2022. Each given month's wave included anywhere from 10,000 - 450,000 customers transitioned. Each wave consisted of a particular customer segment defined generally by geography, service under a particular CCA, or other considerations (i.e., NEM customers). The total calls identified as related to the TOU Default for the years 2020-2022 was 62,814 out of 1.975 million customers transitioned, or a call rate of 3.2 percent.

iv. Section 2(d)(iv) - Internal and External Budget Breakdown

> *a breakdown of internal and external budget line-items to address the incremental call volume (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts), including the time period for these incremental costs.*

PG&E Response to Section 2(d)(iv):

PG&E estimates that the incremental cost to manage the expected additional calls to PG&E's Contact Center, associated with implementing the Fixed Charge, would total $11.9 million starting in 2025 once customer notifications are sent, through 2026 as customers receive bills reflecting the new Fixed Charge. After further consideration, PG&E revised its estimates from what we presented in the Joint IOUs' Opening Brief to account for more recent labor cost estimates. The Opening Brief had presented $11.03 million in incremental costs, which PG&E is now increasing by about $870,000.

The estimated Contact Center costs are based on the expected incremental number of calls (set forth in our Response to Sub-Question 2(d)(i) above), the expected minutes-per-call, and the cost-per-minute of managing calls. The minutes per call was estimated based on the average length of billing-related calls in 2023 (8 minutes), increased to 11.5 minutes based on anticipated longer conversations associated with the new Fixed Charge. The cost-per-minute is driven by Contact Center representatives' compensation, and equipment, but does not include employee benefits, facility costs, and other overhead.

e) **Section 2(e) - Administrative and Project Management Support**

For the proposed administrative and project management support costs, provide the following information: (i) whether these administrative and project management support costs overlap with or are separate from the costs for managing the other budget categories (e.g., billing system upgrades, online rates tool updates, customer support through contact center), (ii) actual costs incurred for administrative and project management support for default TOU implementation, (iii) a breakdown of internal and external budget line-items to implement the first income-graduated fixed charges (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts) including the time period for these incremental costs, and (iv) if your proposed budget is higher than actual default TOU implementation costs, explain why.

i. **Section 2(e)(i) - Cost Overlap**

whether these administrative and project management support costs overlap with or are separate from the costs for managing the other budget categories (e.g., billing system upgrades, online rates tool updates, customer support through contact center),

PG&E Response to Section 2(e)(i):

As a preliminary matter, the Joint IOUs do not have a category specifically called "administrative and project management." In Table IV-3 of the Joint IOUs' Opening Brief,[5] PG&E included what we understand to be "administrative and project management" costs in several budget categories represented as rows in that table and in Table 1 of this response (which is the updated version of Table IV-3 of the Joint IOUs' Opening Brief). "Administrative and project management costs" within a given budget category are specific to that budget category and do not overlap with other budget categories, i.e., are not double counted. To respond to the Ruling, PG&E defines "administrative and project management" costs related to Fixed Charge "Implementation"[6] as the following three categories of activity: [7]

- "Billing and IT Implementation" includes project management by PG&E's Billing IT staff for billing system changes,

[5] Joint IOUs' Opening Brief, p. 34, Table IV-3.
[6] "Implementation" costs do not include administrative and project management costs associated with the "Marketing Education & Outreach" and "Income Verification" cost areas which are described in Sections 2(f) and 2(g) respectively.
[7] Joint IOUs' Opening Brief, p. 34, Table IV-3.

- "Updates to Customer Rate Tools" includes project and product management by PG&E's Pricing Product's staff to manage external vendors for online rate tool changes,
- "Program and Product Management" is the primary budget category that captures "administrative and project management" costs. These activities are further described below.

<u>Billing and IT Implementation</u>

"Administrative and project management" costs cover PG&E's IT staff work to coordinate the multiple functional areas within IT that are involved in implementing the Fixed Charge business requirements. These costs are included in the 'Billing IT Implementation' line item and are shown in line 6 of the worksheet titled "Cost Estimates" in PG&E's Implementation Cost Forecast Workpaper.

<u>Updates to Customer Rate Tools</u>

"Administrative and project management" costs associated with developing requirements for, and managing external contracts with vendors for, changes to the online tools are covered in the budget line item entitled: "Updates to Customer Rate Tools." These costs are shown in line 10 of PG&E's Implementation Cost Forecast Workpaper, in the "Cost Estimates" worksheet of that Workpaper.

<u>Program and Product Management</u>

Much of what PG&E interprets to be "administrative and project management" costs are captured in the line item "Program and Product Management" in Table 1. PG&E's revised costs are also shown in line 19 of PG&E's Implementation Cost Forecast Workpaper attached as Attachment 1 to this Response (see worksheet titled "Cost Estimates"). These costs include defining business requirements for the billing IT project (including bill presentment, bill notifications, and PG&E's personalized "My Account" online interface) and testing to confirm that requirements have been met. Costs under this line item also cover internal and external program management staff who will coordinate among the PG&E functional areas involved in implementing and managing the rate changes. The primary functional areas that require coordination include: Billing IT, Billing Operations, Marketing and Communications, Digital Strategies, and PG&E's Customer Contact Centers (who manage inquiries from customers via different contact methods, although primarily by telephone). These estimated costs also cover efforts needed to coordinate with the 12 Community Choice Aggregators in PG&E's service area; these costs do not include the CCAs' own costs for customer calls to their own call centers. These costs are $2.4 million, which is consistent with what was presented in the Opening Brief. See Attachment 1 for PG&E's updated costs related to these implementation activities.

ii. Section 2(e)(ii) - Time of Use Actual Costs Incurred

actual costs incurred for administrative and project management support for default TOU implementation,

PG&E Response to Section 2(e)(ii):

TOU Implementation Costs

The actual costs incurred by PG&E for administrative and project management support for the default TOU implementation between 2017 and 2022 was about $9.04 million. This does not include project management and administrative support associated with marketing education and outreach. These costs also do not include costs associated with PG&E's default TOU pilot.

Marketing and Education Costs

See **PG&E Response to Section 2(f).**

iii. Section 2(e)(iii) - Internal and External Budget Breakdown

a breakdown of internal and external budget line-items to implement the first income-graduated fixed charges (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts) including the time period for these incremental costs,

PG&E's Response to Section 2(e)(iii)

Implementation

For administrative and project management activities associated with billing system implementation, updates to online rate tools, Contact Center support, and program and product management activities (i.e., the rows comprising "Implementation" in Table 1), Table 4 below shows the estimated number of incremental internal staff estimated to be needed to execute these new Fixed Charge-related activities and the costs associated with such staffing levels. Please note that, as reflected in PG&E's Implementation Cost Forecast Workpaper, PG&E has updated these cost estimates based on PG&E's revised, accelerated implementation plan.

Table 4
Implementation - Administrative and Project Management Forecasted Costs

Cost Category	2024	2025	2026	2027	Total
Billing IT Project Mgt	$219,000 0.5 FTE	$510,000 1.2 FTE	-	-	$729,000
Updates to Customer Rate Tools Project Mgt	-	$79,000 0.5 FTE	-	-	$79,000
Program and Product Management	$531,000 2.75 FTE	$1,277,000 6.45 FTE	$581,000 3.00 FTE	$56,000 0.30 FTE	$2,445,000
Total	$750,000	$1,866,000	$581,000	$56,000	**$3,253,000**

Income Verification

See Table 5, below, for PG&E's anticipated internal incremental administration costs to implement the income verification of the Fixed Charge as proposed in August 2023 by the Joint IOUs. The Joint IOUs' Fixed Charge is a three-bracket structure with Income Bracket 1 being CARE customers with incomes below 100% of FPL, Bracket 2 being CARE customers from 100% - 200% FPL and all FERA customers, and Bracket 3 being all non-CARE/FERA customers. A full workpaper is included in Attachment 2.

Table 5
Income Verification Forecasted Costs Related to Fixed Charge Implementation

	2024	2025	2026	2027	Total
Administration Labor	$220,000 1.0 FTE	$220,000 1.0 FTE	$110,000 0.5 FTE	$110,000 0.5 FTE	$660,000

The incremental costs forecasted in Table 5 above assume the following:

- that the allocation to Income Brackets for all residential customers, including for the 1.8 percent of residential complex billing customers, will take place by Q4 2025,
- Administration Labor line items are based on anticipated headcount and labor rates.

Marketing Education & Outreach (ME&O):

See **PG&E Response to Section 2(f)** below.

iv. Section 2(e)(iv) - Time of Use Budget Comparison

if your proposed budget is higher than actual default TOU implementation costs, explain why.

PG&E's Response to Section 2(e)(iv):

TOU Default Implementation Costs

The total administrative and project management costs for the residential TOU default rollout was $9 million, which is higher than the $2.68 million in administrative costs estimated for the Fixed Charge implementation shown in Table 4 above.

TOU Default ME&O Costs

Costs incurred by PG&E for Marketing, Education and Outreach to support the default TOU implementation between 2020 and 2022 totaled approximately $14.5 million. This figure includes costs incurred during TOU rollout but does not reflect additional costs incurred during TOU opt-in and default pilots, when much development work occurred. It also does not include hefty costs incurred from the Statewide campaign. Therefore, the ME&O estimate from TOU rollout is significantly higher than what is being requested for the proposed Fixed Charge ME&O work, which is approximately $13.771 million. See Section 2(f) below.

f) Section 2(f) - Marketing Education and Outreach Budgets

For the proposed marketing, education, and outreach (ME&O) budget, provide the following information: (i) a breakdown of internal labor costs and external contract costs for planning, developing messaging, and coordination, (ii) a breakdown and description of external expenses for paid media, advertising, and outreach, and (iii) a breakdown and description of any other proposed costs.

PG&E Response to Section 2(f) on ME&O Budgets:

PG&E previously provided a comprehensive marketing budget for estimated costs over an extended multi-year period that had assumed implementation in PG&E's billing system would not until occur until after 2027.[8] This was based on PG&E's then-stated plan to program the new Fixed Charge into PG&E's new, upgraded billing system, expected to be rolled out after the upgrade work planned for 2027.

[8] Joint IOUs Opening Brief, p. 47, Table IV-5.

As described above, PG&E has since been able to modify that prior plan to allow for accelerated programming and launch of the Fixed Charge in PG&E's legacy CC&B billing system for 98.2 percent of residential customers, which is expected to allow a launch date for those customers by the end of Q4 2025. PG&E presents here our updated ME&O budget, in which we have condensed the originally-proposed ME&O budget into a shorter, three-year period (2024 – 2026). All of the ME&O activities PG&E had previously proposed as needed to accomplish the Fixed Charge roll-out to customers remain part of this condensed and accelerated plan. In the Joint IOUs' Opening Brief, PG&E initially forecasted $11,440 million for Fixed Charge-related ME&O. PG&E's current revised estimates for ME&O are $13,771 million. The differential is a result of the additional CARE-related income outreach, but as discussed in its response in Section 2(h), below, PG&E requests authorization to use available unspent uncommitted CARE administration funds to cover these costs. In Table 6, below, PG&E presents our updated ME&O budget and responds to the subparts of the Ruling's questions as follows:

i. Section 2(f)(i) - Planning, Developing Messaging, and Coordination

a breakdown of internal labor costs and external contract costs for planning, developing messaging, and coordination,

PG&E's Response to Section 2(f)(i):

In Table 6 below, the categories for planning, developing messaging, and coordination are indicated in column F, which includes: line 5 (Messaging research and development & research agency support), line 10 (PG&E Marketing Labor Support), and line 11 (Agency Support).

ii. Section 2(f)(ii) - Paid Media, Advertising, and Outreach

a breakdown and description of external expenses for paid media, advertising, and outreach, and

PG&E's Response to Section 2(f)(ii):

In Table 6, below, the categories for external expenses for paid media, advertising and outreach are included in column F which includes: line 1 (Web), line 3 (Non-paid media), line 4 (Integrated programs outreach), line 6 (Direct Mail), line 7 (Email), line 8 (CBO Outreach), and line 9 (Paid Media).

iii. Section 2(f)(iii) - Any Other Proposed Costs

a breakdown and description of any other proposed costs.

PG&E's Response to Section 2(f)(iii):

In Table 6, below, other proposed costs include line 2 for Fixed Charge CARE/low-income, income data collection that is required to place customers in the correct income graduated fixed charge category.[9]

[9] See Opening Comments of the Joint IOUs in Response to Administrative Law Judge's Ruling on Implementation Pathway for Income Graduated Fixed Charges (July 31, 2023), p. 22.

Table 6

ME&O Budget Estimates - Q4 2025 Implementation

Col	**A**	**B**	**C**	**D**	**E**	**F**
Line	**Channel**	**2024 Budget**	**2025 Budget**	**2026 Budget**	**Details**	**Category**
			LAUNCH Q4 2025		Internal Labor definition: using an estimation of one PG&E staff member's time (1 FTE) to equate work to one, less than one, or multiple people on a project in a year.	
1	Web	$50,000	$75,000	$15,000	**Work description:** Web page(s) featuring general customer information about Fixed Charge, description of program, income brackets/cost; sample bills. Includes labor/design support/periodic updating based on phase of transition). **Cost details:** 2024: 33% FTE Digital Strategy internal labor 2025: 33% FTE Digital Strategy internal labor and additional funds for potential outside vendor work/web functionality as needed 2026: 10% FTE ramp down costs Digital Strategy labor.	ii. Paid media, advertising and outreach.
2	CARE/LI income data collection	$977,560	$997,000	$171,320	**Work description:** The Fixed Charge requires that supplemental income data be collected by IOUs from all customers on the CARE/FERA programs and other income qualified Customers. As detailed in (Opening Comments of the Joint IOUs in Response to ALJ Ruling on Implementation Pathway for Income Graduated Fixed Charges (July 31, 2023), p. 66), we believe a dedicated campaign for this data collection is required to achieve accurate data *en mass* by launch. **Cost details:** 2024 - 2025: Based on 1.44MM CARE and FERA customers; includes four phases of direct mail ($1.00 per piece/customer), and email ($0.05 per customer), to achieve up to 89% response rate from all participants. Includes agency/vendor costs of up to $50,000 to design dedicated campaign outreach. 2026: Additional costs for delta outreach to customers that have not responded. **Additional notation**: Originally requested in this proceeding, PG&E believes that with CPUC approval, these activities can be funded by CARE unspent uncommitted funds approved in D.21-06-015 via the CARE two-way	iii. Other proposed costs.

Col	A	B	C	D	E	F
Line	**Channel**	**2024 Budget**	**2025 Budget**	**2026 Budget**	**Details**	**Category**
					balancing account. Therefore, we are citing proposed costs here but will remove the costs and line items from the total below if our request is approved. See Section 2(h).	
3	Non-Paid Media	$100,000	$150,000	$20,000	**Work description:** Internal labor includes messaging and talking points development, responding to media inquiries, coordination across utilities and other stakeholders, writing and publishing content on internal channels (Currents blog; social). **Cost details:** 2024: 66% FTE internal Communications staff; 2025: 100% FTE internal Communications staff; 2026: 15% FTE internal staff ramp-down if needed.	ii. Paid media, advertising and outreach.
4	Integrated Programs Outreach	$60,000	$110,000	-	**Work description**: Integrated Outreach for cross-program messaging inclusion across complimentary programs including Solar, CARE, and other customer financial support programs. Internal labor for associated program management staff for coordination, writing, execution for various tactics which could include emails, direct mail, web, digital newsletter content, etc. **Cost details:** 2024: 33% internal FTE; $10,000 vendor/production costs 2025: 66% internal FTE; $10,000 vendor/production costs	ii. Paid media, advertising and outreach.
5	Messaging research and developmen t; research agency support	$300,000	$350,000	-	**Work description:** Messaging research and development for outreach, messaging strategy and validating creative development based on customer feedback. Work may include focus group(s), online panels, and/or other surveys. FTE costs include vendor management, questionnaire writing and reviews, focus group observation, results and reports writing and reviewing, presenting results in various forums. **Cost details:** **2024:** 100% 1 FTE; up to $150,000 for vendor messaging and creative research/customer feedback **2025:** 100% 1 FTE; up to $200,000 for vendor messaging and creative research/customer feedback.	i. Planning, developing messaging, and coordination.
6	Direct Mail	-	$2,940,000	-	**Work description:** Notifications: Direct Mail production, postage, reply card response channel for non-email customers. **Cost details:**	ii. Paid media,

Col	A	B	C	D	E	F
Line	**Channel**	**2024 Budget**	**2025 Budget**	**2026 Budget**	**Details**	**Category**
					2025: Notifications out of pocket costs include direct mail production, postage, reply card response channel offering to an estimated 980,000 customers (20% of 4.8MM total) customers without a valid email on record. Total estimated cost per customer $2.00, plus a reminder at $1.00 per customer. Limited direct mail approach helps conserve rate payer dollars of costly outreach channel and relying on preferred email channel.	advertising and outreach.
7	Emails	-	$370,000	-	**Work description:** Notifications: Email production, reminder, additional awareness emails. **Cost details:** 2025: 3.18MM customers at $0.10 per customer for multiple email series; vendor costs (i.e., Salesforce).	ii. Paid media, advertising and outreach.
8	CBO Outreach	$370,000	$470,000	$50,000	**Work description:** CBO outreach (materials development; partnering costs; labor; execution) (based on TOU Community Based Organization Residential Rate Reform Memo Account (RRRMA) costs). **Cost details:** 2024: 100% 1 FTE; $220,000 for partnership and materials development 2025: 100% 1 FTE; 320,000 for partnership and materials development 2026: 33% FTE for post-transition partnership work and ramp down.	ii. Paid media, advertising and outreach.
9	Paid Media	$250,000	$3,000,000	-	**Work description:** Paid Media (i.e., digital; print; agency support) (estimate based on post-PG&E TOU transition Rate Options targeted after-support campaign 2022 RRRMA). **Cost details**: 2024: Initial awareness low-level targeted media Q3, Q4; includes paid media and agency labor 2025: Awareness targeted media; includes paid media and agency labor.	ii. Paid media, advertising and outreach.

Col	A	B	C	D	E	F
Line	**Channel**	**2024 Budget**	**2025 Budget**	**2026 Budget**	**Details**	**Category**
10	PG&E Marketing Labor Support	$750,000	$750,000	$145,000	**Work description:** Internal marketing and project management labor costs for marketing staff of various levels and specialties related to strategy, planning, execution, managing outreach plans, paid media, campaign tracking and analytics, regulatory support. Internal Marketing (based on TOU 2017- 2021 RRRMA costs). **Cost details:** 2024: 100% 5 FTEs 2025: 100% 5 FTEs 2026: 100% 1 FTE	i. Planning, developing messaging, and coordination.
11	Agency Support	$600,000	$700,000	-	**Work description:** Development of creative utilized for customer communication materials including direct mail, email, paid media, digital, print, other materials. (based on TOU 2017-2018 vendor costs RRRMA). **Cost details:** 2024: Creative development, vendor support; 2025: Creative development, vendor support.	i. Planning, developing messaging, and coordination.
12	**Total**	**$3,457,560**	**$9,912,000**	**$401,320**		

In all budget categories, these are conservative incremental cost estimates that PG&E reasonably expects to incur to execute the ME&O as proposed. However, PG&E will look for any opportunities to minimize expenditures, and in such cases, PG&E anticipates actual costs could be less than forecasted.

g) Section 2(g) - Separate Tier for Customers with Incomes Below 100 Percent Federal Poverty Guidelines (FPL)

For the Large Utilities' proposal to create a separate tier for customers with incomes at or below 100 percent of the federal poverty guidelines level, provide the following information: (i) a breakdown of the incremental costs of the separate tier, including the costs associated with collecting this income information from new CARE applicants, the costs associated with collecting this information from existing CARE applicants, and the timeframe over which these costs will be incurred, and (ii) clarify whether recovery of all or a portion of these costs is requested through a decision in this proceeding.

PG&E Response to Section 2(g) on Separate Tier for Customers with Incomes Below 100 Percent FPL:

i. Section 2(g)(i) - Breakdown of Incremental Costs

a breakdown of the incremental costs of the separate tier, including the costs associated with collecting this income information from new CARE applicants, the costs associated with collecting this information from existing CARE applicants, and the timeframe over which these costs will be incurred,

PG&E Response to Section 2(g)(i):

In June 2023, PG&E proactively revised the application form that is used by its CARE program, both for new customers and for recertifications, to add collection of CARE customers' self-stated household income. CARE customers fill out this application when they are joining the program for the first time. CARE customers must also submit this information to recertify for CARE eligibility every two years from their date of enrollment.

CARE participants that qualify through categorical eligibility are not required to provide their household income in order to enroll in CARE.[10] PG&E is in the process of revising the CARE new candidate and recertification applications to note that CARE participants who enroll through categorical eligibility are not required to provide their total household income to be categorically enrolled in CARE, but to encourage them to voluntarily provide their self-stated

[10] D.21-06-015, p. 21.

household income, as they may qualify for further discounts. These changes have been and will be paid for via the previously authorized CARE administration budget in 2023 and 2024.[11]

In addition to the recent the CARE application and recertification changes, PG&E intends to conduct a supplemental marketing outreach campaign in 2024-2025 to ensure all CARE customers provide their self-stated income to be placed in the appropriate bracket.

PG&E projects that an additional campaign will be needed to accomplish maximum reach and response to capture the additional customer income verification needed to identify those whose total household incomes are at or below 100 percent of the FPL.[12] The description and budget details associated with this supplemental effort are presented in the ME&O budget detail, shown in Table 6 above.

Additional costs associated with separating PG&E's CARE customers into two different income brackets include:

- The technology costs necessary to reflect the Fixed Charge income bracket separation within the CARE system of record, and the administration cost to implement this system upgrade. Currently, customers that are enrolled in CARE or FERA have an indicator in the Energy Insight system. This indicator is passed along to the billing team which uses it to apply the appropriate discount (CARE or FERA) to enrolled customers' bills. A new indicator will need to be programmed in Energy Insight to further signify each customer's assigned Fixed Charge income bracket (i.e., whether their indicated total household income falls at or below 100% FPL for Bracket 1, or above 100% FPL for Bracket 2). This programming cost is expected to occur from 2024 to 2025.

- CARE Operations costs to:
  - Collect and record self-attested income data for customers responding to the marketing campaign described in the above paragraph. These costs are expected to occur from 2024 to 2026.
  - Respond to an assumed potential surge in the CARE program related to the Fixed Charge rollout. An assumed potential surge in the CARE program related to the Fixed Charge rollout are based on an assumed potential surge of a 10 percent increase in CARE applicants in the initial year of the Fixed Charge rollout (2025), and a potential increase in CARE post-enrollment verification to confirm that qualified applicants are enrolled in the program, and a 20 percent increase in CARE applicants in the following year (2026), and a subsequent increase in CARE post-enrollment verification.

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[11] D.21-06-015, p. 79.

[12] See Opening Comments of the Joint IOUs in Response to Administrative Law Judge's Ruling on Implementation Pathway for Income-Graduated Fixed Charges (July 31, 2023), p. 22.

A summary of the estimated incremental costs to implement Bracket 1, with incomes between 0-100% of FPL, is included in Table 7, below.

Table 7
Income Verification Forecasted Costs Related to Bracket 1 Fixed Charge Implementation

	2024	2025	2026	2027	Total
Administration Labor	$110,000 0.5 FTE	$110,000 0.5 FTE	$ -	$ -	$220,000
IT Costs	$ 500,000	$500,000	$ -	$ -	$1,000,000
CARE Operations	$ 1,056,741	$ 769,183	$745,810	$ -	$2,571,733
Total	$1,666,741	$1,379,183	$745,810	$ -	**$3,791,733**

ii. Section 2(g)(ii) - Recovery of Costs
clarify whether recovery of all or a portion of these costs is requested through a decision in this proceeding.

PG&E's Response to Section 2(g)(ii):

Yes, PG&E requests that the Track A decision adopt a cost recovery mechanism for recording and recovering all incremental Fixed Charge-related costs. For the estimated costs identified in this updated plan, PG&E proposes to record the actual costs, once incurred, into a two-way balancing account called the Income Graduated Fixed Charge Balancing Account (IGFCBA).[13] The decision in Track A of this proceeding should approve this cost recovery mechanism and find that the estimated costs associated with whatever the CPUC ends up adopting for the Fixed Charge have been reviewed to support a finding that the Fixed Charge and implementation approach being adopted has been deemed reasonable. PG&E proposes that the CPUC's decision also authorize the IOUs to each submit a Tier 2 advice letter, within 60 days after the CPUC's issuance of its final Track A decision, through which each IOU will provide their final budget, based on what the CPUC has adopted, and set forth the initial revenue requirements consistent with the final Track A decision. The revenue requirements included in such Tier 2 advice letters, once approved, would become the authorized revenue requirement for the balancing account, and would be recovered from customers through Public Purpose Program

[13] Joint IOUs' Opening Brief, pp. 39-43.

rates on a forecast basis. Over-/under-collection true-up to rates will be done on an annual basis through the Annual Electric True-up (AET) advice letter process.

PG&E anticipates that the implementation of the Fixed Charge is likely to result in an increase in CARE and FERA program enrollments (as described above in Section 2(d)). Such increased CARE/FERA enrollments would require customers to provide their total household income through the mandatory enrollment application. PG&E proposes to collect any income verification costs associated with increased enrollment in CARE/FERA in 2025 and 2026 through the cost recovery mechanism(s) as permitted and authorized by the CPUC. Beyond 2027, PG&E anticipates requesting any future increased costs of CARE/FERA income verification through the subsequent IQP application, currently anticipated to be filed before the program cycle ends in 2026. See PG&E's response to Section 2(h), below, for more detail.

h) Section 2(h) - Commission Authorizations of Similar Costs
Provide a list of Commission decisions that authorized funding for similar implementation costs (such as income data collection costs, ME&O costs for specific programs such as FERA, and information technology or billing system implementation costs) and explain whether the previously authorized funding may be used to pay for all or a portion of the implementation costs of the first income-graduated fixed charges.

PG&E Response to Question 2(h) on Commission Authorizations of Similar Costs:

In D.21-06-015, the latest decision regarding PG&E's income-qualified programs, the Commission authorized funding for similar implementation costs related to income verification and ME&O for income-qualified customers. Below, PG&E (1) presents the incremental costs associated with implementing the Fixed Charges as shown in the Joint IOUs' Opening Brief, (2) discusses prior decisions that authorized funding for similar implementation costs, and (3) explains that, if the Commission approve exceptions to requirements outlined in D.21-06-015, then PG&E can use unspent uncommitted CARE funding as potential source of funding for a portion of implementation costs, and requests that the CPUC take such action it its Track A decision. If PG&E recovers any of the Fixed Charge CARE-related income verification and ME&O incremental costs via the existing CARE balancing account, then PG&E would not recover those costs from the IGFC balancing account.

PG&E recreates the Joint IOUs' table setting forth implementation costs for the Fixed Charges as Table 8, below:[14]

Table 8
Estimated Fixed Charges Implementation Costs by IOU ($000) as Presented in October Opening Brief[(a)]

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) Joint IOUs' Opening Brief, p. 34, Table IV-3 (October 6, 2023).

While Commission decisions have authorized funding for similar implementation costs for PG&E, the Commission should first examine whether there is a direct nexus between the purpose and activities in those proceedings and the purpose and activities required for implementing the Fixed Charges. The greatest similarity is in the category of income verification, given the Commission's direction that the fixed charges shall 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

14 Joint IOUs' Opening Brief, p. 34, Table IV-3.

fixed charge."[15] In D.21-06-015, the CPUC authorized income-qualified programs and budgets for 2021-2026 and approved PG&E's administration budgets that include income verification work necessary to operate the CARE and FERA programs.[16] In D.21-10-012, the CPUC authorized the recovery of Percentage of Income Payment Plan Pilot electric cost in rates via the Public Purpose Programs (PPP) rate component from all customer classes and recovery of gas pilot costs from all gas customers in transportation rates.[17] D.21-06-015 also included approval of a budget for ME&O targeted to CARE and FERA programs. Billing IT implementation, updates to online customer rate tools, customer support through the contact center, and program and product management are regularly authorized in a variety of program areas, and to some degree as part of the large IOUs' General Rate Case (GRC).[18]

On the question of whether this previously authorized funding may be utilized to pay for implementing Fixed Charges, Table 7 above sets forth the incremental funding needed to implement the Fixed Charges. This new funding is needed to facilitate the unique work relating to income verification, information technology and systems, and ME&O that will be required to implement Track A's expected new Fixed Charge. To the extent previously authorized unspent uncommitted CARE funding could be used to cover the costs of implementing the new Fixed Charges (especially for income verification), that was not factored into the incremental budget figures presented in the Joint IOUs' Opening Brief.

That said, PG&E, along with SCE and SDG&E, continues to review budgets for income-qualified program administration to determine whether there are unspent, authorized funds that could be used to further reduce the incremental budgets requested in the October 6, 2023, Joint IOU Opening Brief. Because the requirements of AB 205 were not known at the time PG&E developed and filed its 2023 GRC forecast in June 2021, the costs to implement the Fixed Charges are incremental to the costs requested in the GRC. Since these Fixed Charge-related costs are very large and have been thoroughly developed and parties have had the chance to

[15] Administrative Law Judge's Ruling on the Implementation Pathway for Income-Graduated Fixed Charges (June 19, 2023) at pp. 3-4.
[16] See D.21-06-015, p. 472, Ordering Paragraph (OP)s 1-2 and, Attachment 1.
[17] D.21-10-012 Authorizing Percentage of Income Payment Plan Pilot Programs, p. 91, OP 9.
[18] In November 2023, the Commission approved PG&E's most recent GRC for 2023 through 2026 in D.23-11-069.

provide comments, PG&E respectfully requests that the CPUC authorize PG&E's proposed IGFC balancing account rather than a memo account.[19]

As stated above, D.21-10-012 authorized the recovery of Percentage of Income Payment Plan Pilot electric cost in rates via the Public Purpose Programs (PPP) rate component from all customer classes and recovery of gas pilot costs from all gas customers in transportation rates.[20] Income verification and recertification costs included sorting Pilot participants (CARE Customers) in two Income Brackets: Bracket 1) 0-100% Federal Poverty Level (FPL), and Bracket 2) 101-200% FPG. Utilizing a process similar to CARE Post-Enrollment verification, Pilot participants opting into Bracket 1 are required to provide proof of income within 90 days, unlike the process for new CARE applications which can be accomplished via self-reported Categorical Eligibility or self-reported household income. However, D.21-10-012 only authorized *pilot funding* which may not be used to pay for the incremental cost of implementing the Fixed Charge.

However, PG&E believes that with Commission approval, PG&E may use unspent, uncommitted CARE funds towards reducing certain Fixed Charge implementation costs.

In D.21-06-015, the Commission listed rules for fund shifting, including the CARE administration budget.[21]

- *Fund shifting of any amount between budget categories and between electric and gas budgets is allowed within the program year, with reporting of any shifts in the annual reports (no need for monthly reporting, and no need for advice letters unless otherwise noted below).*
    - *This applies to the CARE and FERA administrative budgets (not subsidy budgets)…*
- *Fund shifting is not allowed between program years; any remaining uncommitted and unspent funds at the end of a program year must be used to offset the next year's collection as discussed in Section 10.5.8.1.*

  …
- *Fund shifting activities shall be reported to the LIOB via quarterly LIOB reports.*[22]

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[19] See Joint IOUs Opening Brief, pp. 39-43, 54.
[20] D.21-10-012 Authorizing Percentage of Income Payment Plan Pilot Programs, p. 91, OP 9.
[21] D.21-06-015, pp. 428-429.
[22] D.21-06-015, pp. 428-429.

D.21-06-15, Section 10.5.8.1 directs the IOUs to:

> apply in full any unspent and uncommitted funds from prior approved budgets, as soon as possible (with the next occurring electric and gas true-up advice letters) to offset revenue collection for spending authorized in this decision. This modification to the current policy will require the IOUs to use all prior accrued unspent and uncommitted funds to offset the next program year's collections, as opposed to waiting until the end of a cycle. This change will avoid the accumulating unspent funds from cycle to cycle, provide better oversight of each program year's spending, allow annual budgets to be balanced quickly and accurately, and avoid any unnecessary ratepayer overcollections.[23]

Based on the above requirements, if the Commission permits PG&E to use any available unspent, uncommitted CARE administration budget towards certain Fixed Charge implementation costs, then the Commission would need to provide, as part of its Track A decision here, an exception to the existing CARE administration funding rules.

Program cycle activities funded by PG&E's authorized CARE administration budget includes marketing and outreach, application processing, post-enrollment verification (PEV), general program administration, etc. PG&E currently forecasts it will have approximately $12M total of unspent, uncommitted CARE administration budget for the remaining program cycle 2024 through 2026. PG&E believes that using unspent uncommitted funding from D.21-06-015 to implement select activities for the Fixed Charge could potentially reduce its incremental budget request for income verification budget from $4.5 million to $0.7 million. Similarly, PG&E believes its incremental request for marketing outreach budget could be reduced from $13.8 million to $11.6 million. The activities to be paid for out of the CARE budget include activities that are already completed by the CARE Operations team, including processing CARE applications and recertification forms, conducting work on the Energy Insight database to expand the indicators for income-qualified customers, and implementing the PEV process. These workstreams would not be new processes for the CARE operations team but would instead be an expansion of work already completed. PG&E also requests to use unspent funds from D.21-06-015 for the specific marketing outreach to CARE customers that will be done in advance of implementing the Fixed Charge to encourage CARE customers to provide their self-attested income amount so that they can be properly placed in Bracket 1 or Bracket 2. PG&E has begun

[23] D.21-06-015, p. 428.

the process of collecting CARE customers' self-attested total household income amounts but may not have collected data from the entire CARE population by the time the Fixed Charge is launched.

To record the costs associated with income verification and ME&O for the Fixed Charges as described immediately above, PG&E proposes to include a separate subaccount in the existing CARE account. The existing CARE account (CARE-A) is a two-way balancing account that records the actual program administrative costs and CARE discount compared to the revenue collected from customers. Any over- or under-collection is trued up in rates on an annual basis through PG&E's Annual Electric True-up (AET) advice letter processes. For costs to be incurred after the current program cycle, PG&E will likely include a budget request in the next IQP application.

As stated above, PG&E would need Commission authorization to modify current treatment of its CARE unspent uncommitted funds such that PG&E could use available funds for the incremental costs related to income verification and ME&O targeting income-qualified customers as described in this section. Accordingly, if the CPUC permits PG&E to recover these costs via unspent uncommitted CARE budget, then PG&E would not seek these incremental costs via the IGFC balancing account. To the extent that the unspent uncommitted CARE funds are insufficient to cover Fixed Charge CARE-related income verification and ME&O, then PG&E can seek cost recovery of the difference from the IGFC balancing account.

3. **Section 3 on Implementation Timing and Budget Information:**

The below questions are referenced in Section 3 of the Ruling, so the headers reflect the section numbers and subparts as described in that Ruling.

a) **Section 3(a) - PG&E's First Version Fixed Charge Implementation Timing**
If the Commission ordered PG&E to implement the first income-graduated fixed charges as soon as possible, before implementing its general billing system upgrades, (i) when is the soonest PG&E could implement the first income-graduated fixed charges in its billing system, and (ii) if the soonest PG&E estimates it could implement the first income-graduated fixed charges is later than year-end 2025, what are the barriers to implementation by year-end 2025 and how could these barriers be addressed?

i. **Section 3(a)(i) - PG&E's First Version Fixed Charge Implementation Timing and Approach**

when is the soonest PG&E could implement the first income-graduated fixed charges in its billing system,

PG&E's Response to Section 3(a)(i):

PG&E strives to operate its legacy billing systems and perform related activities in an efficient manner in order to fulfill customer requests and satisfy relevant regulatory requirements (billing, safety, reliability, and others). At the same time, legacy application and infrastructure constraints inhibit our ability to respond to evolving requests until we can migrate to a more modern billing platform.

Since the Joint IOU Opening Brief was filed on October 6, 2023, PG&E received feedback from CPUC Energy Division and intervenors that our originally planned implementation of Track A's residential Fixed Charge in Q1 2028 – once PG&E's Billing Modernization project had been completed – would cause unwanted delays to affordability and decarbonization policy objectives. PG&E initiated a reassessment of the risks of options for potentially implementing the Fixed Charge sooner than 2028, such as by leveraging our legacy billing systems and/or through an interim partial deployment of our billing modernization program to include the Fixed Charge. This reassessment effort has required evaluating impacts on the stability of the legacy billing systems, impacts on PG&E's billing modernization program overall, and future ability to execute on other rate projects in the implementation pipeline.[24]

Based on our initial findings, PG&E currently envisions a two-pronged approach to implement the Fixed Charge for as many customers as possible by Q4 2025:

- **Prong 1:** Program the new Fixed Charge into the legacy mass market Customer Care & Billing (CC&B) system for 98.2 percent (4.8 million) of residential electric customers (approximately $4.5 million). PG&E plans to launch the new Fixed Charge

[24] PG&E has been briefing CPUC Energy Division (ED) on the progress of the Billing Modernization project over the past two years. Attachment 3 includes the PowerPoint document we shared with the ED on December 19, 2023. Slides 3-4 provided an update on the timing of the two phases of the new billing system: BCS and C2M. BCS, which is part of the new billing system, is expected to be completed in or about 2025 as an interim step to replace the very old, unstable ABS complex billing system. The rates built in BCS and the customers served under BCS will eventually be merged into the unified C2M billing system. The document shared on December 19, 2023, represents the information available to PG&E at that time, and PG&E is continuing to work hard to complete a detailed Plan/Analyze process that will support further updates.

into the bills of all these residential customers by Q4 2025. This new date is more than two years earlier than had been communicated in the Joint IOU Opening Brief.[25]

- **Prong 2:** Program the new Fixed Charge for the 1.8 percent of customers (approximately 89K, currently billed in the Advanced Billing System (ABS))[26] into an interim solution other than CC&B. PG&E requests flexibility in providing specific implementation timing and details for the Fixed Charge for the small number of customers now billed in ABS, as PG&E is still assessing potential barriers and solutions to accomplish this by Q4 2025, as explained further in Section 3(a)(ii) below.

PG&E notes that this small number of customers billed in ABS are almost all solar customers on complex NEM rates, who will generally have lower bills on their current rate than they would have on a rate with a fixed charge. Therefore, PG&E expects they will not be financially harmed by a delay in receiving a Fixed Charge. In contrast, low-income customers billed in CC&B are likely to generally see lower bills with a Fixed Charge and thus experience positive impacts on affordability. Table 9 below shows the number of customers in ABS broken out by CARE/FERA and Non-CARE/FERA, and by NEM Program.

[25] Joint IOU Opening Brief, at pp. 46-47 and 54.

[26] For the residential sector, ABS serves all customers billed on complex Net Energy Metering (NEM) tariffs such as NEM Aggregation, Virtual NEM, NEM Multiple Tariff, NEM with storage, NEMBIO, NEM Fuel Cell, and RESBCT. Also, ABS is used to bill all NEM customers that do not use smart meters and all customers (non-NEM or NEM) who use MV90 meters. NEM customers on simple NEM tariffs with SmartMeters are billing in CC&B.

Table 9

ABS Customers by NEM Program as of October 2023

NEM Program	CARE/FERA	Non-CARE/FERA	Total	Percent of Total
NEM Paired Storage	2,240	38,210	40,440	45%
Virtual NEM	9,460	8,460	17,920	20%
NEM Aggregation	330	12,040	12,370	14%
NEM Multiple Tariff (Multiple Technologies)	560	10,760	11,320	13%
NEM 1 or 2	850	5,440	6,290	7%
Other NEM	-	29	29	0.03%
Non-NEM	200	830	1,030	1.2%
Total	**13,440**	**75,800**	**89,400**	100%
Percent	15%	85%	100%	

Even though this group of about 89,000 residential customers is relatively small, and they are unlikely to be financially harmed by a delay in the fixed charge, it is still PG&E's intent to find an alternative that best meets the CPUC's objectives. In Section 3(a)(ii) below, PG&E discusses the barriers to implementing the Fixed Charge by Q4 2025 for this small group of customers. PG&E will provide updates to Energy Division, starting in February 2024, on approach and timing for building the Fixed Charge for this small group of customers as there is greater certainty. In addition, PG&E would be willing to provide a final update, including updates to preliminary costs, in a supplemental filing by mid-2024, when PG&E has fully completed the Plan/Analyze phase for the design of the new C2M system.

PG&E acknowledges the affordability and decarbonization benefits of implementing our proposed Fixed Charge by Q4 2025 for the majority of residential customers. However, as a result of our new implementation plan of updating CC&B to accelerate Fixed Charge launch for 98.2 percent of our residential customers, consequences may include: (a) some increased risk from more heavily relying on our legacy CC&B system (currently known as CC&B 2.4), as well as (b) some impact on the delivery timing of Billing Modernization and the delivery of other rate projects currently awaiting programming that will be affected by prioritizing Fixed Charge implementation. Furthermore, any future CPUC decisions that result in the need for additional billing system modifications would also have to be prioritized with the other rate projects awaiting programming completion at that time and will be constrained by the limitations of our legacy billing systems. PG&E's responses here assume that the prioritization and acceleration of billing implementation of the Fixed Charge is and will continue to be the top priority.

ii. Section 3(a)(ii) - Barriers to Implementing

if the soonest PG&E estimates it could implement the first income-graduated fixed charges is later than year-end 2025, what are the barriers to implementation by year-end 2025 and how could these barriers be addressed?

PG&E's Response to Section 3(a)(ii):

Because PG&E is confident that we can implement the Fixed Charge for approximately 98.2 percent of residential customers in PG&E's legacy mass market billing system (CC&B) by Q4 2025, our response to this Section 3(a)(ii) is focused on the barriers to implementing the Fixed Charge for the small number (approximately 89K) of customers currently billed through our legacy complex billing system (ABS). PG&E is in the process of evaluating four potential options for delivering the Fixed Charge for the remaining 1.8 percent of customers in ABS as soon as possible, and ideally by the end of Q4 2025:

1) Building the Fixed Charge in **ABS**,
2) Moving the approximately 89K residential customers from ABS to **CC&B** where the fixed charge is now going to be built for the other 98.2 percent of residential customers,
3) **Semi-manual billing**, or
4) **Interim deployment of our Billing Modernization program** to support accelerated Fixed Charge billing for this subset of customers.

Each of these four options has its own set of obstacles, which PG&E is in the process of identifying and evaluating so that we can chart the path which provides the greatest likelihood of delivering Fixed Charge for these remaining 1.8 percent of customers by the end of Q4 2025, with the least likelihood of unreasonable risks. Based on our preliminary analysis, these obstacles include:

1) <u>Barriers to Building Fixed Charge in ABS</u>

As background, ABS handles about $3.7 billion in revenue annually. The ABS system is very old, having been in use for over 30 years, and is already subject to significant instability.

Any added modifications for residential customers put revenue collection and customer experience for all customers billed through ABS at risk. Over the past 30 years, ABS has been used to handle unique and limited rates that cannot be processed in the main billing system (CC&B) due to complexity or cost, including:

a. **Standby rates** that cover refineries and other generation facilities and require special handling along with complex system programming to support.
b. Complex **Solar Aggregation** and **Commercial** programs not supported in current mass market systems.
c. Special **contracts** and **transmission-level** customers.
d. Customers with **multiple-meter configurations** where usage is totalized and applied to complex billing calculations.
e. **Pilot programs**, such as submetering using third-party, non-revenue grade meters.
f. Special billing such as customer that have **departed** from PG&E.
g. **Highest revenue complex bills** at PG&E, requiring multiple levels of review before the bill is released.

The cumulative effect of addressing the complex billing needs listed above has resulted in a complicated, unstable billing system that now serves over 120,000 total accounts -- a volume that is 10-20 times larger than the industry average. Most utilities would have a few thousand customers being billed in a special system. PG&E has many more complex billing customers, including more complex solar rates, than the average utility. Furthermore, the current total number of complex billing customers served by the legacy ABS system (approximately 120K customers) is continuing to increase at approximately 2,000 residential complex billing customers per month, due to the growing adoption of residential solar with storage.

Importantly, the complexity of the rates billed through ABS and the limitations of this very old, legacy system result in approximately 20 percent of the bill calculations creating exceptions that are manually processed to ensure accuracy, requiring additional internal resources to support PG&E's billing operations team. In recognition of the increasing limitations of our legacy ABS system, PG&E has been moving forward on replacing it as soon as possible, with the pending BCS system providing an interim solution for our complex billing needs, and which would eventually become part of the modernized C2M billing system once that is fully operationalized.

The principal barrier to adding a Fixed Charge in ABS is the instability of the application environment. PG&E is currently triaging multiple ABS performance and dependability issues every day. In fact, billing operations staff processing manual exceptions are routinely requested to exit the ABS application throughout the day so that daily batch processing activities can be completed. This inhibits billing operations staff's ability to correct billing exceptions. These regular disruptions have already eroded timely billing of ABS accounts resulting in 1.8 percent of bills being delayed in November and December 2023, versus 0.39 percent in CC&B (4.8x higher). The ever-increasing volume of complex billing accounts needing to be served in ABS is significantly higher than the capability of this legacy system's underlying operating system, and PG&E is unable to add capacity due to constraints in the unsupported operating system. The operating system (OS) cannot currently be upgraded in a stand-alone fashion because the upgraded OS version would not be supported by the current version of the vendor's product. Upgrading the version of the vendor's underlying product is complicated by the myriad of customizations that have been embedded in the legacy ABS application over the years and challenges encountered by others who have attempted to upgrade.

In an effort to sustain ABS until it can be replaced, an expert team has been engaged to assess options (including application, database, operating system versions along with supporting hardware) and develop an approach to remediate the issues. Based on this, PG&E currently believes it is not prudent to build additional functionality that would add batch processing load to the ABS environment until the underlying platform and application are stabilized. PG&E can confirm this when we provide updates to Energy Division in February 2024. For purposes of this response, PG&E has not developed a cost or timeline for reprogramming ABS to reflect the Fixed Charge, as we have concluded that Option 1 is likely not possible without significantly exacerbating the risk of failure for this very old legacy system.

2) Barriers to Moving ABS customers to CC&B

The barriers for the second option of potentially moving ABS customers to CC&B, are likely insurmountable due to the scope, timing and cost for building these complex rates in the legacy system, which has been evaluated in the past. PG&E will confirm this in its update Energy Division on approach and timing in February 2024.

PG&E currently estimates it would cost $23 million and take more than three years to move the residential customers in ABS to CC&B, due to the complexity of these rates.

Because PG&E's legacy version of CC&B (which was first deployed in 2002 and last upgraded in 2013) was designed for mass market rates, these extremely complicated rate structures – such as NEM Paired Storage, Virtual Net Metering, and NEM Aggregation – would require extensive product customization such that they would need to be built and tested individually for each residential rate. An example of the complexity of these rate structures is provided by the NEM Aggregation (NEMA) billing arrangement. Under NEMA a single customer is able to share excess net generation across multiple meters. With NEMA, a renewable generator (solar for example) is installed at a premise behind the customer meter (generating account). Exports to the grid, or excess generation from the solar, are dynamically allocated to other meters (aggregated accounts) to offset electricity charges for those meters. For each billing cycle (month), the amount allocated to a given meter is calculated based on the cumulative usage at each aggregated account and the cumulative generation from the generating account from the start of the NEM annual billing cycle (typically twelve-monthly billing cycles). NEMA customers currently account for about 14 percent of the customers billed in PG&E's ABS complex billing system (approximately 12,000 customers out of the approximately 89,000 residential customers billed through ABS), as shown above in Table 9 above.

3) Barriers to Semi-Manual Billing of approximately 89K Residential Customers in ABS

The third option would be a Semi-Manual interim approach, for billing the approximately 89K complex billing customers now billed using ABS, by leaving them in ABS without attempting to fully reprogram ABS to accommodate all Fixed Charge-related line-item changes but instead using a Semi-Manual approach to create and provide such customers with an amended billing statement. The Semi-Manual approach would make the necessary adjustments to reflect the new Fixed-Charge-related changes to several line items on their existing bills, as further discussed below.

This option has been used in certain other, less complicated instances in the past, but only for a very limited number of customers (such as to apply the Food Bank Discount).

In addition to the need for more FTEs, and the related costs to hire and train them, a semi-manual option that includes some level automation raises the following other obstacles that would need to be overcome:

- Whether a mass transaction could be executed each month before the bill is generated to apply the fixed charge, and then an adjustment provided for each line item impacted, including the volumetric charge (discussed below), as well as taxes/fees the fixed charge changes also impact (e.g., UUT, FSUR, etc.). Whether these "charges" could be added to the account via Mass Transaction in advance of the system generating/calculating the normal bill; and
- Whether PG&E then delivers a normal bill calculation presentment, with the different adjustments appearing in "bill correction" section. Whether the bill adjustment types could have generic labels, like "Revenue Adjustment", UUT, etc. without causing customer confusion.

4) Barriers to Deployment of the Fixed Charge in BCS

PG&E is still evaluating barriers to billing deployment of the Fixed Charge through BCS. PG&E expects to have better insights on the following questions, and plans to informally update Energy Division on approach and timing in February 2024, as discussed above in Response to Section 2(a)(i):

- How should the best scope and approach be determined for meeting the minimum criteria for Fixed Charge billing implementation for the 1.8 percent of residential customers currently billed in ABS, such that it might reasonably be delivered by the end of Q4 2025?
- How can an interim option be selected that best positions PG&E to subsequently deliver all the other rates projects currently awaiting programming, not to mention those yet to be adopted and put into the rates implementation pipeline, as well as minimizes the degree of delay in completion of the ultimate C2M billing system upgrade?
- How can the obsolescence risks for our legacy CC&B and ABS systems be minimized?

To summarize, after working hard to reassess options for prioritizing and accelerating Fixed Charge implementation, PG&E is confident that we can deliver a Fixed Charge for

98.2 percent of our residential customers by reprogramming our legacy CC&B system by the end of Q4 2025. PG&E is still in the process of evaluating interim options for addressing the remaining 1.8 percent of residential customers, currently billed in our ABS complex billing system, and will update Energy Division on approach and timing in February 2024.

b) **Section 3(b) - Using Existing Billing System to Expedite Implementation**
Could PG&E use elements of the existing billing system to expedite the implementation of the first income-graduated fixed charges? For example, could the minimum bill charge in the PG&E billing system be repurposed for income graduated fixed charges? Could PG&E use rate components from the electrification rate schedules, which include a fixed charge, to implement a fixed charge in other rate schedules?

PG&E Response to Section 3(b) on Use of Existing Billing System:

As discussed in Response to Question 3(a)(i) above, yes, PG&E will be using elements of its existing billing systems to help expedite the Fixed Charge implementation. This includes reprogramming our legacy CC&B mass market system to implement the Fixed Charge in bills for 98.2 percent of our residential customers, instead of waiting until our modernized billing system is completed (with previously planned Fixed Charge implementation in 2028). For the remaining 1.8 percent of residential customers, PG&E is evaluating the best option for meeting the required scope and desired timing; we have provided preliminary information herein based on adding Fixed Charge programming into the ongoing work on the BCS complex billing system, and will update this preliminary information as soon as possible, as discussed above in Section 3(a)(i).

PG&E would like to explain further that existing billing system features (such as those that enable Minimum Bill calculations and calculations that support PG&E's E-ELEC rate that already has a fixed charge) cannot, on their own, accommodate Fixed Charge-related changes. To address the question of leveraging Minimum Bill functionality, PG&E cannot repurpose our legacy billing system's existing Minimum Bill calculations to effectuate the new Track A residential electric fixed charge because these calculations to determine the total bill amount are different from what is required to implement our proposed Fixed Charge. The Minimum Bill involves calculations that determine each customer's total bill amount based on usage and electricity charges, and only applies a Minimum Bill to customers with low or no usage in a given month. For a non-NEM customer, the monthly amount that they owe is a function of the maximum of their electricity charges and their minimum charges (separated for delivery and generation). At a simplified high level, the bill calculation is:

Total Monthly Bill = Maximum (Electricity Charges, Electric Minimum Charges)

In contrast, the new Fixed Charge requires programming to add a separate new line item for the Fixed Charge for all customers, along with a concomitant reduction to the volumetric charge line item to remove those fixed costs currently embedded in the volumetric charge line item that will be collected through the Fixed Charge. With a Fixed Charge, the Minimum Bill charge is eliminated, and a new fixed charge line item must be added that will appear every month for all residential customers. The Fixed Charge would be added to electricity charges, and the high-level calculation would be:

Total Monthly Bill = Electricity Charges + Electric Fixed Charge

The bill calculations associated with NEM customers are more complicated. NEM customers generally receive a Minimum Bill charge for eleven months of the year, with an annual true-up in their 12^{th} monthly billing cycle. At True-Up, the total cost of a NEM customer's on-site monthly electricity usage over the annual NEM billing cycle is netted out against the total monthly credits for electricity delivered to the grid in that same annual billing cycle, less the cumulative total of $10 per month Minimum Bill charges (for which the customer was already billed over the first eleven months of the annual billing cycle).

The example of a NEM2 customer further illustrates how billing would be different under a minimum bill rate structure versus a fixed charge rate structure. For a NEM2 customer, the amount owed at True-Up is a function of the maximum of their net electricity charges, their Non-Bypassable Charges (NBCs), and their minimum charges. At a simplified high level, the current NEM2 True-Up calculation looks like this:

Annual True-Up Amount = Maximum (Net Electricity Charges, NBCs, Min Charges) – Minimum Charges Already Paid

To add the new changes needed to implement the Fixed Charge, the revised NEM2 calculation would be:

True-Up Amount = Maximum (Net Electricity Charges, NBCs) + Fixed Charge

In addition to these calculation changes, implementation of the Fixed Charge will require changes to bill presentment which currently provide explanations relevant to minimum charges on PG&E's residential billing statements.

This illustrates how instituting Fixed Charge-related billing changes from Track A of this proceeding will require coding and testing of *different calculations and bill presentment* than what is currently used in PG&E's legacy billing systems under the Minimum Bill. Thus, it is not viable to leverage PG&E's current minimum bill functionality to implement rates with the Fixed Charge's numerous features.

Similarly, the fact that the CPUC has already adopted one PG&E residential electric rate that includes a $15 per month fixed charge (Schedule E-ELEC, known to customers as "Electric HOME") does not accelerate the implementation of the new Fixed Charge for other rates. The code used to bill customers on the E-ELEC rate cannot be easily ported over to apply to other rates, for the following reason: PG&E's current legacy CC&B billing system calculates bills in *a linear, continuous fashion* for each given rate and rate modifier. For example, NEM calculations are repeated in the code for each and every PG&E residential rate. This requires that the NEM code be tested for each rate to ensure accuracy. Similarly, the code that would enable the Fixed Charge for the PG&E residential rates identified in column D of Table 2 above would need to be repeated *for each rate schedule*, as well as *each rate program* (i.e., rate riders like SmartRate, NEM, Medical Baseline) that can also be associated with a given residential rate.

PG&E's new modernized billing system is being designed to use *modular code* that will isolate the calculations associated with a given rate feature from other elements of the bill calculations, a significant improvement compared to the linear, continuous calculations now used in our legacy billing systems. For example, with the new modernized billing system, if the calculations associated with a NEM rate modifier are independent of the underlying rate, there would be separate code that would no longer need to be repeated for each potential underlying rate. Instead, the billing system would "call" the code associated with this rate modifier when applicable to a given rate/NEM combination for a particular customer. This means that testing of a given rate modifier (NEM in this example) would no longer need to be repeated for every rate/NEM combination, but rather tested once to ensure that the calculations were coded correctly. PG&E expects that this more "modular" coding and calculation framework will make rate updates and implementation more efficient in the longer-term.

c) **Section 3(c) - Costs Associated with Implementing As Soon As Possible**

Provide the following information about the costs of implementing the first income-graduated fixed charges as soon as possible, before implementing general billing system upgrades: (i) the incremental project management cost of implementing the first income-graduated fixed charges prior to implementing general billing system upgrades (rather than after general billing system upgrades), and (ii) the incremental cost of applying an income-graduated fixed charge to each additional rate schedule prior to implementing general billing system upgrades (rather than after general billing system upgrades).

PG&E Response to Question 3(c):

As discussed in Response to Question 2(a) above, the incremental cost of accelerating implementation of the Fixed Charges for billing through PG&E's legacy mass market CC&B system (which would cover approximately 98.2 percent of our residential electric customers) is estimated at $4.5 million, of which $410,000 is for project management by PG&E's Information Technology (IT) team. The preliminary estimated costs of implementing the Fixed Charge for the remaining 1.8 percent of residential complex billing customers through BCS as an interim, accelerated solution, is about $3.5 million, of which $318,000 is for project management by PG&E's IT team. If PG&E were to wait for the completion of our new Customer to Meter (C2M) billing system to implement the Fixed Charge (as initially presented by PG&E in the Joint IOUs' Opening Brief), then the estimated total costs of implementation would have been $5.4 million, of which $488,000 would have been for project management. This new integrated C2M system would replace both the legacy CC&B mass market billing system for 98.2 percent of residential customers, and any interim solution, such as BCS, for billing the Fixed Charge to the 1.8 percent of complex billing customers who cannot be served through CC&B.

The incremental cost of implementing Fixed Charges for the 1.8 percent currently billed in PG&E's legacy complex billing system (ABS) is currently unknown; that answer is dependent on completion of the detailed Plan/Analyze assessment that is looking at options for billing these customers for the Fixed Charge sooner than under our previous plan. PG&E cannot currently state whether these customers will see the Fixed Charge in their bills as early as an EOY 2025 target. Based on current information about potentially implementing in BCS, PG&E's preliminary estimated cost is approximately $3.5 million, of which $318,000 is for project management by PG&E's IT team, but the exact budget and schedule are currently unknown.

In Table 10 below, PG&E shows the costs of Fixed Charge implementation in CC&B, the interim BCS complex billing system, as well as our ultimate integrated C2M system, or lines a, b, and c respectively in Table 10. The incremental additional cost to accelerate the schedule for launching the Fixed Charge by building it in PG&E's legacy CC&B and in the BCS interim complex billing system, rather than waiting for C2M, is currently estimated at about $2.6 million, subject to update once the ongoing Plan/Analyze process can be completed.

Table 10

Estimated Billing Implementation Costs for Fixed Charge Under Different Approaches

Billing Implementation Approach	**Estimated Cost**	**Portion of Estimated Cost for Project Management**
a) Build in PG&E's Legacy CC&B System	$4,515,000	$410,000
b) Build in PG&E's interim complex billing system*	$3,498,000*	$318,000
c) Build in PG&E's new integrated C2M system	$5,366,000	$488,000
d) Incremental Cost of "a" and "b" rather than "c" (a+b minus c)	$2,647,000*	$240,000
*Preliminary estimated cost, subject to update once PG&E completes the ongoing Plan/Analyze process.		

4. Conclusion

PG&E appreciates this opportunity to present its updated budget and implementation plan and looks forward to providing the CPUC with further updates, as described herein.

APPENDIX A - ATTACHMENT 1

PACIFIC GAS AND ELECTRIC COMPANY

Demand Flexibility OIR Track A - Electric Fixed Charge R.22-07-005
DETAILED COST SUMMARY
WORKPAPER SUPPORTING CHAPTER RESPONSE TO ALJ WANG RULING ISSUED DECEMBER 18, 2023

Assumes Implementation in Q4 2025 for CC&B and Q2 2026 for BCS

	First Version Fixed Charge Implementation					
	(Nominal $ -)					
	Cost Area Category Year-->	2024	2025	2026	2027	TOTAL
Line No.	**Billing Information Technology (IT) System Changes (Implementation Costs)**					
1	Build in PG&E's legacy mass market billing system (CC&B)	$ 1,231,470	$ 2,873,430			**$ 4,104,900**
2	Build in PG&E's new complex billing system (BCS)	$ 953,910	$ 2,225,790			**$ 3,179,700**
3	***Total Cost***	**$ 2,185,380**	**$ 5,099,220**	**$ -**	**$ -**	**$ 7,284,600**
Line No.	**Billing Information Technology (IT) System Changes (Project Management Costs)**					
4	Project Management - Build in PG&E's legacy mass market billing system (CC&B)	$ 123,147	$ 287,343			**$ 410,490**
5	Project Management - Build in PG&E's new complex billing system (BCS)	$ 95,391	$ 222,579			**$ 317,970**
6	***Total Cost***	**$ 218,538**	**$ 509,922**	**$ -**	**$ -**	**$ 728,460**
Line No.	**Updates to My Account, Bill Notifications, Salesforce Platform**					
7	Updates to My Account, Bill Notifications, Salesforce Platform	$ 369,441	$ 862,029			**$ 1,231,470**
8	***Total Cost***	**$ 369,441**	**$ 862,029**	**$ -**	**$ -**	**$ 1,231,470**
Line No.	**Updates to Customer Rate Tools**					
9	PG&E's Online Rate Analysis Tools		$ 595,000			**$ 595,000**
10	Project Management		$ 78,824			**$ 78,824**
11	***Total Cost***	**$ -**	**$ 673,824**	**$ -**	**$ -**	**$ 673,824**
Line No.	**Customer Support through Contact Center (Call Center)**					
12	Cost to train contact center represenatives about new rate structure		$ 242,925			**$ 242,925**
13	Cost of Developing Conversation Guides and Training Materials		$ 50,000			**$ 50,000**
14	Cost for Interactive Voice Recognition (IVR) Software		$ 190,000			**$ 190,000**
15	Cost of Incremental Calls to the Contact Center	$ -	$ 3,781,932	$ 7,629,887	$ -	**$ 11,411,820**
16	***Total Cost***	**$ -**	**$ 4,264,858**	**$ 7,629,887**	**$ -**	**$ 11,894,745**
Line No.	**Program and Product Management**					
17	Program Management	$ 252,016	$ 594,758	$ 302,419	$ 40,323	**$ 1,189,516**
18	Product Management	$ 278,629	$ 681,854	$ 278,629	$ 15,403	**$ 1,254,515**
19	***Total Cost***	**$ 530,645**	**$ 1,276,612**	**$ 581,048**	**$ 55,726**	**$ 2,444,031**
Line No.	**Total Costs**					
20	***Total Cost***	**$ 3,304,004**	**$ 12,686,465**	**$ 8,210,935**	**$ 55,726**	**$ 24,257,130**

PACIFIC GAS AND ELECTRIC COMPANY
Demand Flexibility OIR Track A - Electric Fixed Charge R.22-07-005
DETAILED COST SUMMARY
WORKPAPER SUPPORTING CHAPTER RESPONSE TO ALJ WANG RULING ISSUED DECEMBER 18, 2023

Assumes Implementation in Q4 2025 for CC&B and Q2 2026 for BCS

Macroeconomics

Inflation	3%

PACIFIC GAS AND ELECTRIC COMPANY
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DETAILED COST SUMMARY
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First Version Electric Fixed Charge Implementation Cost Assumptions:

Line	Customer Population			
1			*Total Service Agreements*	4,900,000
2	**Customers Misassigned to Incorrect Income Bracket**			
3	Percent of residential customers who believe they are CARE eligible but are not on CARE	5%		

Contact Center Costs of Managing IGFC-Related Calls

Line						
4	**Establishing incremental calls due to IGFC**	**Assumes Q4 2025 fixed charge deployment in billing systems**				
			Deployment of the FC in Q4 2025			
5	***Customers who believe they should be receiving the lower fixed charge***	**2024**	**2025**	**2026**	**2027**	
6	Total Residential Customers	4,900,000	4,900,000	4,900,000	-	
7	Percent of customers who are likely to be assigned to the wrong income bracket	-	5%	5%	-	
8	Total customers who believe they should receive lower fixed charge.	-	245,000	245,000	-	
9	Percent of misassigned customers likely to call	-	10%	20%	-	
10	**Total misassigned customers likely to call**	-	**24,500**	**49,000**	-	
11	***NEM Customers***	**2024**	**2025**	**2026**	**2027**	
12	Total NEM customers	-	900,000	900,000	-	
13	Percent of NEM customers likely to call due to changes in monthly bill amounts	-	5%	10%	-	
14	**NEM/Solar customers who will call due to concern about higher monthly bill**	-	**45,000**	**87,285**	-	
15	***General Inquiries from customers***	**2024**	**2025**	**2026**	**2027**	
16	Total Residential Customers	-	3,755,000	4,900,000	-	
17	Percent of general customer population likely to call	-	3.2%	4.8%	-	
18	**Number of general inquiries**	-	**119,426**	**233,763**	-	
19		**2024**	**2025**	**2026**	**2027**	**Total**
20	**Total Customer Calls**	-	**188,926**	**370,049**	-	**558,975**
21						
22						
23	**Call Management Assumptions**					
24		**2024**	**2025**	**2026**	**2027**	
25	Current cost per minute	$ 1.69	$ 1.74	$ 1.79	$ 1.85	
26	Minutes per call	11.5	11.5	11.5	11.5	
27		**2024**	**2025**	**2026**	**2027**	**Total**
28	**Total Costs from Incremental Calls due to IGFC**	**$ -**	**$ 3,781,932**	**$ 7,629,887**	**$ -**	**$ 11,411,820**

Net Billing Tariff Transition Apr 2022 - Solar Call Increase		
# of Calls to Solar Hotline -->	2022	485,844
	2023	674,320
	Increase	188,476
	Percent Increase	39%

TOU Default 2020-2022 - TOU Related Calls	
# of Calls Related to TOU Default 2020-2022	62,814
Total Customers Transitio	1,975,000
Percent of Customers whc	3.2%

Line					
29	**Annual calls to PG&E's contact center 2023**	**6,460,078**			
30		**2024**	**2025**	**2026**	**2027**
31	**Percentage increase in calls**	0.0%	2.9%	5.7%	0.0%

Contact Center Representatives Training

Line	Existing CCO Representatives	
32	Hours of training	4
33	All in labor cost per hour	$84.84
34	Number of reps 2023	716
35	**Training Cost**	**$242,925**

IVR Cost

Line	Interactive Voice Recognition Software Option	
36		**$190,000**

CCO Materials

Line	Conversation Guides and Training Materials	
37		**$50,000**

Total

Line		
38		**$11,894,745**

APPENDIX A - ATTACHMENT 2

PACIFIC GAS AND ELECTRIC COMPANY

Demand Flexibility OIR Track A - Electric Fixed Charge R.22-07-005
DETAILED COST SUMMARY
WORKPAPER SUPPORTING CHAPTER RESPONSE TO ALJ WANG RULING ISSUED DECEMBER 18, 2023

First Version Fixed Charge Income Verification Costs- Accelerated Implementation (Q4 2025 start date)

First Version Fixed Charge Income Verification Costs- Accelerated Implementation (Q4 2025 start date)

Line	CARE 2023 Data:	
1	2023 CARE customers	1,385,743
2	2023 CARE processing: recertification & new applications	$ 525,910
3	2023 CARE Post-Enrollment Verification (PEV) Processing	$ 1,134,371
4	2023 CARE PEV Mailing/ handling cost	$ 104,718
5	2023 CARE PEV contact center cost	$ 421,632
6	2023 CARE contact center cost	$ 1,051,851
7	2023 Approximate # of CARE customers recertified or new applicants	500,000
8	Processing cost/ application	$ 1.05
9	Contact center cost/ application	$ 2.10

Assumptions:	
18%	Income data collected through CARE application/ recertification process by Dec 2023
37%	Income data collected through CARE application/ recertification process by Dec 2024
28%	Income data collected through CARE application/ recertification process by June 2024
50%	% of CARE customers anticipated to call contact center for income request
50%	% of CARE customers anticipated to respond to request for income data

		2024	*2025*	*2026*	*2027*		**Detail:**
Line		**t-2 Budget**	**t-1 Budget**	**t Budget**	**t+1 Budget**	**Total [c]**	
10	**1. Administration Labor**						IQP Staff labor includes: - Regulatory support, compliance support, support for developing future versions of Income Verification. - Support for the Energy Insight (EI) build-out.
11	*# of FTEs*	*1.5*	*1.5*	*0.5*	*0.5*		
12	*Labor Rate (Annual)*	*$ 220,000*	*$ 220,000*	*$ 220,000*	*$ 220,000*		
13	IQP Staff Total	$ 330,000	$ 330,000	$ 110,000	$ 110,000	$ 880,000	
14	**Subtotal 1**	$ 330,000	$ 330,000	$ 110,000	$ 110,000	$ 880,000	
15	**2. IT Costs**						- Work needed to include an indicator in EI for customers with income less than 100% Federal Poverty Level (FPL) (similar to how CARE/FERA currently operate).
16	EI Build-out	$ 500,000	$ 500,000	$ -	$ -	$ 1,000,000	
17	**Subtotal 2**	$ 500,000	$ 500,000	$ -	$ -	$ 1,000,000	
18	**3a. CARE Operations Staff Labor to Handle Income Data**						- Work includes staff augmentation to process customer self-attested income data, resulting from marketing campaign to be conducted 2024-2026.
19	*Customers contacted to provide income data*	*1,004,664*	*502,332*	*251,166*	-		
20	*# of customers responding*	*502,332*	*251,166*	*125,583*	-		
21	*# of customers that contact call center*	*251,166*	*125,583*	*62,791*	-		
22	Processing Costs	$ 528,363	$ 264,181	$ 132,091	$ -	$ 924,635	
23	Contact Center Costs	$ 528,378	$ 264,189	$ 132,095	$ -	$ 924,662	
24	**Subtotal 3a**	$ 1,056,741	$ 528,370	$ 264,185	$ -	$ 1,849,297	
25	**3b. CARE Operations Staff to process CARE surge**						- CARE Ops work includes: additional resources to address an increase in CARE applications due to the rollout of the Fixed Charge. - PEV Costs includes: additional resources to conduct more PEV due to an increase in CARE applications (exceeding 100% program target level).
26	Processing/ Certification/ Recertification Costs due to CARE Surge						
27	*Anticipated CARE % Surge*	*0%*	*10%*	20%	0%		
28	Processing/ Certification/ Recertification Costs due to CARE Surge	$ -	$ 52,591	$ 105,182	$ -	$ 157,773	
29	Contact Center Costs due to CARE Surge	$ -	$ 105,185	$ 210,370	$ -	$ 315,555	
30	Anticipated PEV Increase to address CARE surge						
31	*Anticipated Post Enrollment Verification (PEV) % Increase*	*0%*	*5%*	10%			
32	Anticipated PEV Increase to address CARE surge	$ -	$ 61,954	$ 123,909	$ -	$ 185,863	
33	PEV Contact Center Costs to address CARE surge	$ -	$ 21,082	$ 42,163	$ -	$ 63,245	
34	**Subtotal 3b**	$ -	$ 240,812	$ 481,624	$ -	$ 722,436	
35	**Total CARE Operations Cost (subtotal 3a+ 3b)**	$ 1,056,741	$ 769,183	$ 745,810	$ -	$ 2,571,733	
36	**TOTAL [(a)(b)]**	**$ 1,886,741**	**$ 1,599,183**	**$ 855,810**	**$ 110,000**	**$ 4,451,733**	

37	(a) The total costs may be reduced by the following amounts if the CPUC permits PG&E to use unspent uncommitted CARE budget for a portion of this total:	$1,666,741	$1,379,183	$ 745,810	$ -	$ 3,791,733	Reduced costs include the following work activities: processing CARE applications and recertification forms, EI database work, and PEV processes.
38	(b) The resulting costs if the CPUC permits PG&E to use unspent uncommitted CARE budget are as follows:	$ 220,000	$ 220,000	$ 110,000	$ 110,000	$ 660,000	Resulting costs include administration labor for the following activities: regulatory support, complaince support, support for developing future versions of Income Verification.
39	(c) Any difference in costs presented in this Workpaper versus Table 1 in Appendix A are due to rounding						

APPENDIX A - ATTACHMENT 3

Fixed Charge Implementation

December 19, 2023

Meeting Objectives

1. Review status of PG&E's Billing System Upgrade
2. Review PG&E's plan to accelerate Fixed Charge implementation from 2028 to 2026, including dependencies
3. (Time permitting) Discuss preliminary assessment of Net Billing Tariff implementation in April instead of August as proposed by PG&E in its request under Rule 16.6

PG&E Billing System Upgrade Background

1. PG&E's two Billing Systems (Advanced Billing System (ABS) and Customer Care & Billing System (CC&B)) are outdated, inflexible and costly to maintain.
   - Core to customer billing, customer programs and service interactions
   - Both systems are over 20 years old and CC&B is not supported by the vendor
2. The Billing System Upgrade will modernize the technology and improve service to customers
   - The two billing systems will be combined into one more efficient system, Customer to Meter (C2M)
   - C2M is a modular billing system rather than having the linear structure of CC&B, which will make rate implementations more efficient
   - The first phase is to migrate the ABS customers to the Billing Cloud System (BCS) which will be integrated with C2M in a later phase.

PG&E Billing System Upgrade Status

Steps	Start	Original Finish	Status
1. Complex Billing System Upgrade to Oracle Billing Cloud Service (BCS)	2/1/21	12/31/23	• Due to complexity of building NEM rates in BCS, replan effort underway • Revised delivery schedule by March 2024
2. Phase 1 (Plan/Analyze/Design) of CC&B transformation to C2M	Feb-2024	Mid-2024	• On Track
3. Phase 2 (Build and Deploy)	TBD	Q4 2026	• Updated timing will be provided at the completion of Phase 1 in Mid-2024

Steps PG&E is Taking to Get the Complex Billing System Upgrade to BCS Back On Track	
Augmented Resources • Added Subject Matter Experts by borrowing from other IT workstreams • Expanded work hours for key resources across the globe	**Optimized Testing** • Expanded System Integration testing for a higher quality product • Streamlined code fix and migration processes • Revised “bill and financial compare” approach to bring efficiency and minimize customer impact
Improved Project Execution • Stronger focus on data correction and accuracy • Improved turnaround time on defect resolution • Increased collaboration between System Integrator Testing teams	**Quality Management Workshops** • Comprehensive end-to-end workshops to identify requirements gaps for complex tariffs (e.g., NEMA) • Developing functional requirements, design and requirement traceability matrix for identified gaps

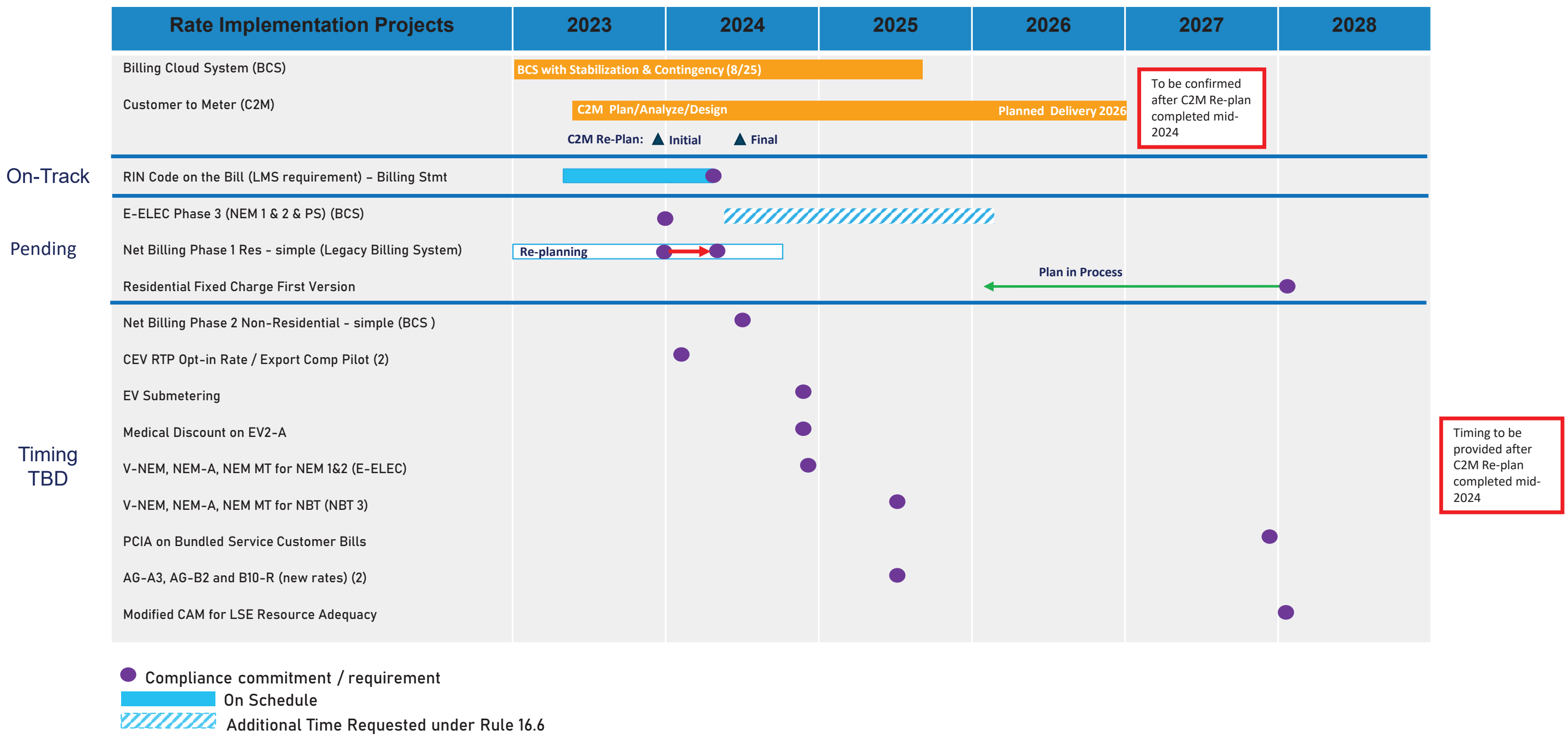
Rate Projects by Billing System

PG&E's legacy CC&B billing system is unable to bill complex rates, and is therefore reliant on BCS implementation to be complete and stabilized

Rate Projects	CC&B	BCS
Residential Fixed Charge	X	X
NBT Phase 1 (Res) - Simple	X	X
RIN Code on the Bill (Bill Presentment Only)	X	
EV Submetering	X	
Medical Discount on EV2-A	X	X
Modified CAM for LSE Resource Adequacy	X	X
NBT Phase 1 (Res) – Paired Storage + Multi-Tariff		X
NBT Phase 2 (Non-Res) - Simple		X
NBT Phase 2 (Non-Res) - Paired Storage + Multi-Tariff		X
E-ELEC Phase 3 - NEM/NEM2 with Paired Storage and Multi-Tariff		X
C&I (B-6, B-20) & Res (E-ELEC) RTP Pilots		X
V-NEM, NEM-A, NEM MT for NEM 1&2 (E-ELEC)		X
V-NEM, NEM-A, NEM MT for NBT (NBT 3)		X
AG-A3, AG-B2 and B10-R (new rates)		X

Rates Pipeline

December 19, 2023



Fixed Charge Implementation Proposal

PG&E plans to accelerate Fixed Charge implementation from 2028 to 2026 for the vast majority of residential customers

1. PG&E anticipates a phased approach will be required, with a later implementation of Fixed Charge for a small number of complex NEM customers currently in ABS that will be moved to BCS after go-live:
   - Phase 1: implement the residential Fixed Charge in legacy CC&B for ~4.9 million customers (98.1%) in Q1 2026 (currently 80%+ confidence level)
   - Phase 2: implement the residential Fixed Charge in BCS later for ~92K customers (1.9%) – an update on BCS implementation timeline is anticipated to be available at the end of January 2024 (including trade-offs with other BCS projects)
     - Most are low-usage Solar customers and would benefit from delay of fixed charge
     - 16% of the ~92K are CARE/FERA, but mostly low-usage Solar and would benefit from delay of fixed charge

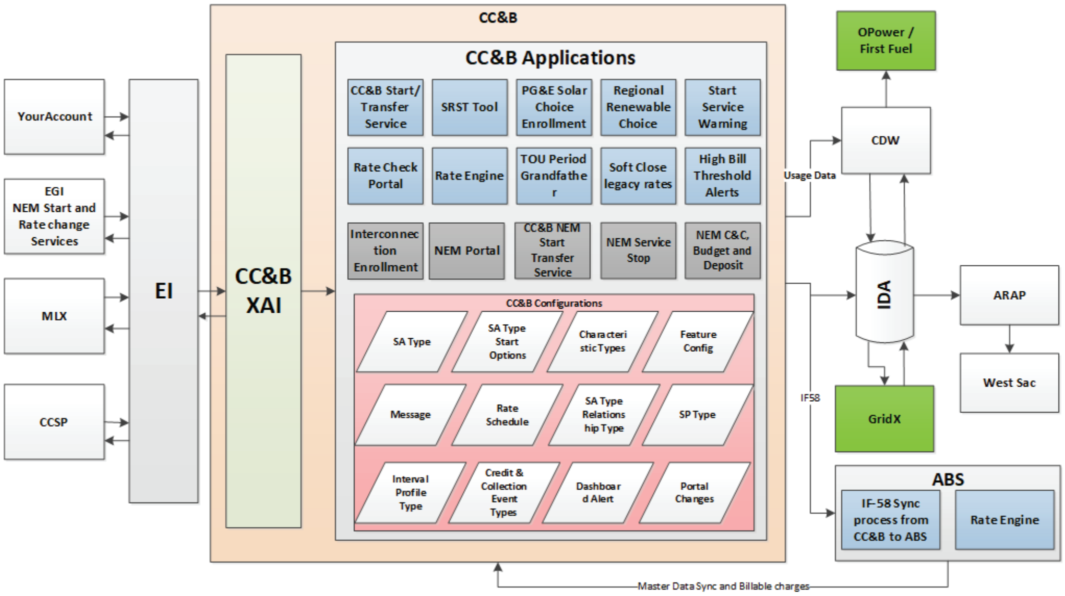
2. PG&E's ability to implement the Fixed Charge in 2026 is dependent on three key factors:
   - The flexibility to implement in phases (as described above)
   - Determination of need for CC&B version upgrade to address billing system support and IT security concerns (update end of January 2024)
   - Prioritization of other rate projects
     - Update on BCS implementation timeline (March 2024)
     - Remaining rate implementation timeline in C2M (Mid-2024)

NBT Phase 1 Delivery by 4/15/24 – Initial Assessment

1. PG&E appreciates the Commission's quick response and support in providing more time to implement NBT Phase 1 (Residential)
2. An initial assessment is indicating a 70% level of confidence in meeting the April 2024 date
3. PG&E intends to share more updates in January as we finalize scope and activity timelines

Appendix

NBT Phase 1 Implementation Impacts Several Internal/External Systems



The industry best practice in any implementation project is to allocate sufficient time to ensure full regression testing to all impacted systems (i.e., confirm that nothing was broken in the process)

APPENDIX B

Appendix B

RESPONSES OF SOUTHERN CALIFORNIA EDISON COMPANY TO QUESTIONS 2a-h

I.

INTRODUCTION

Southern California Edison Company (SCE) provides the following responses to Questions 2a-h in the Administrative Law Judge's Ruling on Implementation Budget and Timing Issues (Track A) issued December 18, 2023 (Ruling) in Rulemaking 22-07-005.

II.

SCE'S BUDGET INFORMATION

A. REDUCTION OF SCE'S REQUESTED BUDGET

As an initial matter, SCE has increased slightly its proposed budget for the first version fixed charge (FC) to $27.952 million from the budget of $27.582 million set forth in the Joint IOUs' Opening Brief filed October 6, 2023.[1] The increase results from recognizing that a fourth year of costs must be accounted for in 2028, as SCE's next General Rate Case (GRC) period would begin after 2028, at which point any potential future costs could be requested. The increase resulting from taking a fourth year into account is offset by the use of an Income Qualified Program (IQP) balancing account, which is the most appropriate mechanism to track and recover costs related to the processing of CARE applications, as opposed to attempting to attribute applications for CARE to the implementation of a fixed charge. This amount of $1.898 million is noted, but not part of the total request. In addition, SCE is adjusting its Marketing Education and Outreach (ME&O) budget downward as $0.455 million in CARE customer income solicitation and verification work has been appropriately moved under the Income Verification line item. In this response, SCE will provide support for these updated numbers totaling $27.952 million.

[1] See Track A Opening Brief of [PG&E], [SCE], and [SDG&E], CPUC, R.22-07-005 (10/6/23) ("Track A Opening Brief"), at 34 (Table IV-3).

Table II-1

SCE's Updated Total Fixed Charge Implementation Budget Forecast ($000s)[2,3]

Activity	SCE
Income Verification (IOU Internal Costs)	$1,898
Implementation	
Billing IT Implementation	$2,900
Update to Online Customer Rates Tool	$59
Customer Support Through Contact Center	$16,191
Program and Product Management	$550
Total	**$19,700**
Marketing Education & Outreach (ME&O)	$8,252
Grand Total (Implementation, Management & ME&O)	**$27,952**

B. RESPONSEs TO QUESTIONS 2a-h

QUESTION 2a:

For billing system update costs, provide the following information: (i) the proposed project management internal staffing and/or contract costs for the billing system updates, (ii) the incremental cost of applying an income-graduated fixed charge to each rate schedule that does not currently have a fixed charge, and (iii) the incremental cost of applying an income-graduated fixed charge to each rate schedule that currently has a fixed charge.

---

2 SCE's "Income Verification" budget has been reduced from the budget provided in the Track A Opening Brief because $988,000 to cover the increase in average handle time for CARE enrollment calls has been moved to the Customer Support through Contact Center line item. This reduction to Income Verification was partially offset by an increase of $445,000 which was moved into the Income Verification budget from the ME&O budget and an increase of $208,000 to account for a 4th year of increased CARE call handling time. Further explanation of these activities can be found in the response to question 2g(i).

3 SCE's "Customer Support Through Contact Center" budget has increased from the budget provided in the Track A Opening Brief based on the accounting shift mentioned in the previous footnote, because SCE has added a 4th year of costs to match SCE's General Rate Case (GRC) cycle, and because SCE has revised its estimate to include updated labor rates. Additional information regarding SCE's Customer Support Through Contact Center budget can be found in the response to question 2d(i).

<u>SCE Response</u>

(i) Proposed Project Management Staffing/Contract Costs for Billing System Updates

Table II-2
Project Management Staffing/Contract Costs for Billing System Updates ($000s

Item	Budget
SCE Project Management	$300
Contractor Resources	$2,200
SCE.com Update	$400
Total	**$2,900**

SCE Project Management and Contractor resources are needed to facilitate a billing system update to remove the current fixed charge and implement the new FC for all residential rates. The total estimate and breakdown between SCE staff and contract resources are based on experience with similar projects implemented in the last three years. An update to sce.com is required to collect income information and/or facilitate CARE/FERA enrollment during the "move-in" process so that customers are placed into the correct fixed charge bracket during their first billing cycle. The $400,000 estimate is based on other recent implementations and would be 100% contract resource spend.

(ii) Incremental Cost of Applying IGFC to Each Rate Schedule that does not Currently have Fixed Charge

There is no such incremental cost because all of SCE's current residential rates already include a fixed charge.

(iii) Incremental Cost of Applying IGFC to Each Rate Schedule that Currently has Fixed Charge

To answer this question, SCE performed additional analysis of its billing IT implementation costs and divided costs into two areas. The first area is work that will be common to all rates that will have the new fixed charge applied and the second area is the rate-specific work. SCE estimates that $900,000 is needed for project management, cyber review, training, and system updates that are common to all rates. This value would not significantly differ with the number of rates updated for the new fixed charge. Additionally, SCE estimates an additional $320,000 is needed to update the schema for each rate listed below in TABLE II-3.[4] Finally, SCE estimates that $400,000 is needed to update the SCE.com front-end applications for customer transactions such as Move-In /Move-Out to inform customers about the fixed charge and to collect income information when a customer starts service. SCE's estimate of $2.9 million for billing IT updates assumes that we would not update residential rates that will be discontinued prior to Q3 2025.

QUESTION 2b:

Provide a list of all authorized residential rate schedules with the following information: (i) whether the rate schedule currently has a fixed charge, (ii) for rate schedules that will be phased out in accordance with a final Commission decision or resolution, estimate the date when the rate schedule will be phased out and note which Commission decision (and resolution, if applicable) authorized the phasing out of this rate schedule, and (iii) for rate schedules that are scheduled to be added to the billing system in the future, estimate the date when the rate schedule will be added to the billing system and note which Commission decision authorized the addition of this rate schedule.

<u>SCE Response</u>

The following table provides the information requested in subparts (i) and (ii). As to subpart (iii), SCE does not currently have any additional residential rate schedules scheduled to be implemented.

[4] As TOU D 4-9 and TOU D PRIME share a schema, $320,000 would cover updates for both. DMS 1, 2, and 3 also share a schema and can all be updated for $320,000. Domestic Tiered, TOU D 5-8, and DM have independent schemas and would require $320,000 each.

Table II-3
Residential Rate Schedules

Rate Schedule	Current Fixed Charge	Discontinued	Discontinued Decision
Domestic Tiered	Yes	-	-
TOU D 4-9	Yes	-	-
TOU D 5-8	Yes	-	-
TOU D PRIME	Yes	-	-
DM	Yes	-	-
DMS 1, 2, 3	Yes	-	-
TOU D A	Yes	March 2024	D.15-07-001 D.16-01-044 OP6 A.17-06-030
TOU D B	Yes	March 2024	D.15-07-001 D.16-01-044 OP6 A.17-06-030
TOU D T	Yes	March 2024	D.15-07-001 D.16-01-044 OP6 A.17-06-030

QUESTION 2c:

For online rates tool update costs, provide the following information: (i) the proposed project management internal staffing and/or contract costs for the tool updates, and (ii) the incremental cost of applying an income-graduated fixed charge to each rate schedule.

<u>SCE Response</u>

(i) Proposed Project Management Staffing/Contract Costs for Tool Updates

SCE's Rate Plan Comparison Tool (RPCT) is supported by an internal SCE program team and a third-party vendor. Modifications to the RPCT are completed each time a residential rate is structurally changed; *i.e.*, when new rate factor charges are added or removed or when rate calculation logic changes as the result of a Commission decision. Typically, there is no SCE incremental labor cost associated with these updates as this work is absorbed into the routine program management of the RPCT, which is funded by SCE's GRC. However, incremental contract scope for the third-party vendor who supports the RPCT is not covered by SCE's GRC and is incremental. SCE estimates $59,000 in third-party vendor costs to perform the updates to the RPCT needed to facilitate the first version IGFC implementation.

(ii) Incremental Cost of Applying IGFC to each rate schedule for Tool Updates

SCE expects the logic of the new IGFC to be the same across rates even if the amounts of the fixed charges for each rate differ. That is, SCE expects to replace the current fixed charge with a new fixed charge, with prices that differ based on customer income-qualified program enrollment, and income level. As described above, SCE's current rates all include a fixed charge. Because of this, SCE does not expect that the work and cost to implement the new fixed charge for multiple rates will be materially different from implementing for a single rate. Therefore, SCE does not expect a material incremental cost for applying the new FC to each rate schedule.

QUESTION 2d:

For customer support through contact center costs, provide the following information: (i) the projected additional call volume relating to income-graduated fixed charges during a specific time period, over average call volume, and the basis of this expectation, (ii) the time period for increasing internal staffing or external contracts to address incrementally higher call volume, and the rationale for using internal staff or external contracts, (iii) the additional call volume the utility received during a specific time period after implementing default time-of-use (TOU) rates, and (iv) a breakdown of internal and external budget line-items to address the incremental call volume (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts), including the time period for these incremental costs.

SCE Response

(i) Projected additional call volume

Table II-4
Projected Additional Call Volume

Customer Population	Population Size	Call Rate	Annual Calls
1 - CARE <100% FPL without income data	315,000	8%	25,200
2 - CARE w/ income change during year	300,000	5%	15,000
3 - Additional Customer Billing Inquires Related to FC	3,300,000	7%	231,000

To determine contact center costs, SCE determined the likely drivers of customer calls and used those determinations to create three customer populations. The first population is CARE customers with <100% FPL whom SCE has not identified income yet. These customers are likely to call in response to communications about the FC or because they otherwise learn that they may be eligible for a lower-level fixed charge. The second population are CARE customers who will experience a significant income change during the year (25% of total care population). These customers are likely to call to inquire about the fixed charge bracket eligibility due to their new even lower income level. The third group of customers represents the non-care residential customer population, including structural non-benefiters and NEM customers, who are likely to call in response to a customer communication about the fixed charge or because they notice the fixed charge line item or messaging on their billing statements.

After determining the populations of customers likely to call, SCE assigned a call rate based on expertise with past billing changes and response to customer communications. This enabled us to determine an estimate of annual calls for the first year of the fixed charge. SCE then estimated calls for years 2, 3 and 4 based on a ramp down of call activity of 18% for year 2 and 41% for years 3 and 4 compared to year 1.

(ii) Time period for increasing internal staffing or external contracts to address higher call volume, and rationale for using internal staff or external contracts

SCE budget estimates only account for four years of costs due to additional call volume. After this time, SCE expects that call volume due to the fixed charge will stabilize and that costs will be included with all other contact center costs in SCE's next GRC.

SCE's estimates assume internal staff resources will be used to handle the additional calls. While internal staff resources are more expensive, experience shows that they are more effective at resolving sensitive and/or complex customer issues, including billing inquiries, such as significant structural billing changes.

(iii) Additional call volume after implementing default TOU rates

SCE's primary TOU defaulting activity involved approximately 2.5 million customers defaulted between July 2020 and June 2022. During this time, SCE received approximately 200,000 calls relating to the TOU default. In contrast, the FC implementation will impact all 4.5 million residential customers, assuming that the FC will apply to all residential rates. For this activity, SCE is estimating a first-year customer call volume of approximately 271,000 calls. While this is a higher volume of calls than the actual calls which occurred during the TOU transition, SCE's estimate accounts for the significantly larger impacted customer group, as many customers were excluded from the TOU transition.

(iv) Breakdown of internal and external budget line-items to address incremental call volume and related time period

Table II-5
Call Center Staffing Assumptions

Time Period	Call Center Staff #	Call Center Staff $	Support Staff #	Support Staff $	Training	IVR Upgrade	Total
Year 1	70	3,293,500	14	1,182,677	1,759,334	150,000	**6,385,511**
Year 2	44	2,969,931	11	1,047,706	-	-	**4,017,637**
Year 3	31	2,106,179	7	729,730	-	-	**2,835,909**
Year 4	31	2,192,605	7	759,487			**2,922,335**
Total							**16,191,149**

Call center staff answer and resolve calls from customers directly. Support staff include Lead Representatives, Supervisors, and Quality Assurance personnel. SCE's costs have been updated from the costs provided in the Track A Opening Brief[5] to account for updated labor rates and to include a fourth year of costs to correspond with SCE's GRC. SCE anticipates that funds for CCC resources will be needed for years 2025-2028 due to ongoing increased call volume as a result of the fixed charge. Beyond 2028, any increased costs can be recovered through SCE's GRC.

QUESTION 2e:

For the proposed administrative and project management support costs, provide the following information: (i) whether these administrative and project management support costs overlap with or are separate from the costs for managing the other budget categories (e.g., billing system upgrades, online rates tool updates, customer support through contact center), (ii) actual costs incurred for administrative and project management support for default TOU implementation, (iii) a breakdown of internal and external budget line-items to implement the first income-graduated fixed charges (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts) including the time period for these incremental costs, and (iv) if your proposed budget is higher than actual default TOU implementation costs, explain why.

<u>SCE Response</u>

SCE's cost for project support is separate from other cost categories. SCE incurred approximately $1.6 million in incremental labor costs for residential default TOU implementation between 2016 and 2023.

SCE's project support budget is $550,000 for two full-time equivalent (FTE) resources total, one Data Management analyst (contractor) and one internal Sr. Project Manager, both for 18 months. Costs for both resources would be split across the first two years of implementation.

The proposed FC budget for project management and administration is not higher than the actual default TOU project management costs to support implementation.

[5] Track A Opening Brief, p. 34, Table IV-3.

QUESTION 2f:

For the proposed marketing, education, and outreach (ME&O) budget, provide the following information: (i) a breakdown of internal labor costs and external contract costs for planning, developing messaging, and coordination, (ii) a breakdown and description of external expenses for paid media, advertising, and outreach, and (iii) a breakdown and description of any other proposed costs.

SCE's total ME&O budget of $8.252M is as follows with further breakdown and explanations in the following sections. Internal costs total $1,095,800 and ME&O Expenses total $7,156,200.

The following table provides a breakdown of ME&O expenses for internal labor costs and external contract costs for planning, developing messaging, and coordination.

Table II-6

Internal ME&O Costs

	Preparation	Awareness - Phase 1	Inform - Phase 2	Engagement - Phase 3	Total
	Research & Development	~6 Months (PreTransition)	~3-4 Months (Implementation)	~18 Months (Total Bill Experience)	
ME&O Labor		$161,450	$161,450	$322,900	$645,800
Research	$200,000	$50,000	$100,000	$100,000	$450,000

The ME&O labor includes 1.5 incremental marketing advisors for two years to manage and execute multiple communication phases and campaign tactics to prepare and continuously engage our customers through the transition of Fixed Charge. It also includes one research advisor for two years to solicit customer feedback, for quantitative and qualitative message testing, as well as continuous optimization of customer communications.

The following table provides a breakdown of ME&O expenses for paid media, advertising, and outreach.

Table II-7
ME&O Expenses

	Preparation	Awareness - Phase 1	Inform - Phase 2	Engagement - Phase 3	Total
	Research & Development	~6 Months (PreTransition)	~3-4 Months (Implementation)	~18 Months (Total Bill Experience)	
Community-Based Organization (CBO) Outreach		$145,300	$145,300	$390,600	$681,200
Direct Mail / Email Notification	$230,000	$1,475,000	$1,475,000		$3,180,000
Email Other			$20,000	$120,000	$140,000
Integrated Programs Outreach	$52,000	$50,000	$50,000	$10,000	$162,000
Non-Paid Media		$20,000	$65,000	$20,000	$105,000
Paid Media		$950,000	$350,000	$1,000,000	$2,300,000
Support Materials	$70,000		$128,000	$198,000	$396,000
Web	$162,000	$10,000	$10,000	$10,000	$192,000

Notes:

- Community-Based Organization (CBO) Outreach – covers incentive expenses to participating CBOs over two years to bring broad awareness to disadvantaged and hard-to-reach communities.
- Direct Mail/Email Notifications – targeted email and letter communication covers development, deployment, print production and postage expenses to inform and prepare customers through multiple communication phases.
- Integrated Programs Outreach – covers message development and integrations to expand awareness through other existing program communications.
- Non-Paid Media – leverages SCE news releases, blogs, newsletters, and social channels to promote Fixed Charge awareness. It includes costs to design advertising creatives, develop content and applicable translation expenses.
- Paid Media – leverage geotargeting to promote Fixed Charge awareness through paid social, paid search, and paid digital media.

- Support Materials – covers the design, translations and print production costs for flyers, buck slips, ad creatives, videos, and other printed materials for various media channels as well as distribution during events.
- Web – covers the design, development and publishing costs for multi-language landing pages, translation services, and video vignette production.

Regarding subpart iii of Question 2f, SCE has no other proposed costs within its requested ME&O budget.

QUESTION 2g:

For the Large Utilities' proposal to create a separate tier for customers with incomes at or below 100 percent of the federal poverty guidelines level, provide the following information: (i) a breakdown of the incremental costs of the separate tier, including the costs associated with collecting this income information from new CARE applicants, the costs associated with collecting this information from existing CARE applicants, and the timeframe over which these costs will be incurred, and (ii) clarify whether recovery of all or a portion of these costs is requested through a decision in this proceeding.

SCE Response

In response to subpart i, following is a breakdown of the incremental costs associated with creating a separate tier for customers at or below 100% FPL and the relevant timeframe.

Table II-8
CARE Outreach & Processing [6] [7]

Activity	Year 0	Year 1	Year 2	Year 3	Year 4	Total
CARE Income Outreach	$ 455,200					$ 455,200
Increased Call Time		$ 247,002	$ 370,503	$ 370,503	$ 404,859	$ 1,392,867
Subtotal		**$ 247,002**	**$ 370,503**	**$ 370,503**	**$ 404,859**	**$ 1,848,067**
Increased CARE Application Processing & Support		$ 523,656	$ 414,022	$ 297,334	$ 207,895	$ 1,442,907
Total		**$ 770,658**	**$ 784,525**	**$ 667,837**	**$ 612,754**	**$ 3,290,974**

Using the existing CARE/FERA process for income verification will result in two related but distinct areas of cost. The first area encompasses costs that will be incurred to gather additional income information from current and future CARE/FERA customers who have not yet

6 The "Increased Call Time" line item is listed in the budget for Customer Support Through Contact Center because these activities are typically recovered using O&M funds approved in SCE's GRC.

7 The "Total" amount needed for income verification activities, not accounting for "Increased Call Time" which is included in the Customer Support Through Contact Center budget, is $1,690,212.

provided that information to SCE. For this, SCE anticipates two activities for which it requires incremental funds: 1) a CARE income outreach campaign in which SCE will send communications to CARE customers without income data and encourage them to provide it, and 2) increased average handle time (AHT) resulting from asking an additional question and providing an explanation during enrollment of new CARE customers through SCE's customer contact center. Activity 1 was previously included in SCE's ME&O budget (as presented in the 10/6/23 Opening Brief) but has been moved to SCE's Income Verification budget for this filing.

The second area of cost that will result from using the CARE/FERA process for income verification arises regardless of whether a separate tier is created for CARE customers at or below 100 percent of FPL. SCE is anticipating an increase in CARE applications and related support activities as a result of using the CARE/FERA process for income verification. Because one of the anticipated results of this proceeding is to decrease bills for low-income households, SCE assumes that the CARE/FERA programs will be more attractive for customers and that applications will increase. SCE's budget for Increased CARE Application Processing and Support was included in SCE's Income Verification Budget.

As to subpart ii of this question (whether cost recovery is sought for creating a tier at 100% or below FPL), SCE responds that it is seeking to recover the $1.39 million for "Increased Call Time" noted above via a decision in this proceeding. This activity accounts for the increase in CARE enrollment call time due to asking all applicants to provide household income, instead of skipping the question for categorically eligible customers as is done today. This change in the application process question procedure would not be necessary were a Fixed Charge with a separate tier for <100% FPL customers not adopted, and so it is reasonable to request the required funds in the Customer Support Through Contact Center budget in this proceeding.

Upon a review of the budget for income verification and the anticipated activities described above, SCE recommends that funds totaling $1.90 million for increases in current CARE processes to support the implementation and administration of a FC based on CARE/FERA income verification, as well as outreach to CARE customers to provide income information, should be recovered through the existing two-way balancing account for CARE which was authorized in D-21.06.015. It is possible that leveraging CARE for fixed charge income verification will result in an overrun of the projected budget for CARE, since the budget projections were created prior to the knowledge of any fixed charge activities, but in this case, these overruns could be explained and recovered through the existing two-way balancing account mechanism.

QUESTION 2h:

Provide a list of Commission decisions that authorized funding for similar implementation costs (such as income data collection costs, ME&O costs for specific programs such as FERA, and information technology or billing system implementation costs) and explain whether the previously authorized funding may be used to pay for all or a portion of the implementation costs of the first income-graduated fixed charges.

SCE Response:

D.21-06-015 authorizes SCE's income-qualified programs and balancing account funding mechanism for costs related to income verification and ME&O for income-qualified customers. As explained above, SCE proposes to use the existing balancing account mechanism to account for income verification efforts, as it would otherwise be difficult to discern income verification work arising from a typical CARE enrollment compared to a CARE enrollment arising from the fixed charge.

On the question of whether previously authorized funding may be utilized to pay for implementation of the first version IGFC, SCE already has factored into its budget estimates the use of previously authorized funding to some extent. For example, as noted, GRC funded resources will support management of the Rate Plan Comparison Tool, and funding from the income-qualified program budget will be utilized to the extent possible where there is overlap between CARE program and IGFC administration work. Thus, the costs reflected in SCE's revised budgets included here represent new funding that would need to be authorized in this proceeding to facilitate the unique work relating to income verification, information technology and systems, and ME&O that will be required to implement the first version IGFC.

[END OF APPENDIX B]

APPENDIX C

SAN DIEGO GAS & ELECTRIC COMPANY'S RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING ON IMPLEMENTATION BUDGET AND TIMING ISSUES

APPENDIX C

Table of Contents

I. Introduction

San Diego Gas & Electric Company (SDG&E) provides its response to the assigned Administrative Law Judge's *Ruling on Implementation Budget and Timing Issues (Track A)* (December 18 Ruling).

II. SDG&E's Budget Information

a) Billing System Update Costs

For billing system update costs, provide the following information:

(i) the proposed project management internal staffing and/or contract costs for the billing system updates,

SDG&E's Response to Section II (a)(i): SDG&E's total cost estimate for billing system updates (previously referred to as "Billing IT Implementation") is $4.25M, which reflects the forecasted costs for implementing the required changes to SDG&E's billing system.[1] These costs include a combination of internal staffing and contract costs that will be used to accurately implement and test the required changes. SDG&E forecasts that internal staffing will make up 25% and contractor costs will make up 75% of the total costs, but will vary depending on contractor availability. This estimate includes costs for key areas of the implementation, (1) Planning, Analyzing and Assessing Requirements; (2) Design, Build and Validate New Fixed Charge Within Billing System; (3) Quality Assurance and End to End Testing of Solution; and (4) Deployment, Rate Transitions and Stabilization.

(ii) the incremental cost of applying an income-graduated fixed charge to each rate schedule that does not currently have a fixed charge, and

SDG&E's Response to Section II (a)(ii): SDG&E's Billing IT Implementation cost estimate of $4.25M includes costs associated with building out a universal Fixed Charge billing system architecture and incremental costs associated with implementing each individual rate schedule. To confirm the overall accuracy and consistency in the billing processes for calculating and applying the income-graduated fixed charge, SDG&E will be implementing a universal Fixed Charge billing system architecture that can be used across all of its residential rates. The universal architecture will eliminate duplication of billing changes across the different rate schedules and will help to keep costs down as existing rate schedules are updated or new rate schedules are added in the future. Broken out from the $4.25M, SDG&E forecasts that the universal architecture will require an initial cost of $2.65M. Once the universal architecture is in place, SDG&E forecasts an incremental implementation cost of $125,000 - $140,000 per rate

[1] *See* Track A Opening Brief of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company ("Joint IOU Opening Brief") at 34. SDG&E discovered an inadvertent error in Table IV-3 of the Joint IOUs Opening Brief. SDG&E previously estimated Billing IT Implementation at $5.1M. However, it was discovered that SDG&E failed to remove certain costs associated with integration with a Third-Party Administrator (TPA) and the build-out of the TPA framework. With all TPA-related costs removed, SDG&E's updated estimate for billing system update costs is $4.25M.

schedule without an existing fixed charge, varying upon the system configuration and required testing.

(iii) the incremental cost of applying an income-graduated fixed charge to each rate schedule that currently has a fixed charge.

<u>*SDG&E's Response to Section II (a)(iii)*</u>: SDG&E currently has two existing rate schedules with a fixed charge (EV-TOU-5 and TOU-ELEC). SDG&E plans to leverage the same universal architecture approach described above in (a.ii) to derive the income-graduated fixed charge for these rate schedules. SDG&E forecasts an incremental implementation cost of $85,000 - $95,000 for each rate.

b) Residential Rate Schedules

Provide a list of all authorized residential rate schedules with the following information:

(i) whether the rate schedule currently has a fixed charge,
(ii) for rate schedules that will be phased out in accordance with a final Commission decision or resolution, estimate the date when the rate schedule will be phased out and note which Commission decision (and resolution, if applicable) authorized the phasing out of this rate schedule, and
(iii) for rate schedules that are scheduled to be added to the billing system in the future, estimate the date when the rate schedule will be added to the billing system and note which Commission decision authorized the addition of this rate schedule.

<u>*SDG&E's Response to Section II (b)(i-iii)*</u>: SDG&E's active Residential rate schedules are listed in Table I below. SDG&E currently does not have any Residential rate schedules that are scheduled to be phased out or rate schedules that are approved and not yet added to the billing system.

Table I – SDG&E's Active Residential Rate Schedules

Status	Schedule	Description	Does the rate currently have a fixed charge?	Will fixed charge be added?
Open to New Customers	DR	Residential Tiered Non-Time-of-Use Service (Single Meter)	No	Yes
	DT-RV	Residential Submetered Multi-family Non-Time-of-Use for Recreational Vehicle Parks and Residential Marinas (Master Metered)	No	Yes

	TOU-DR1	Residential Tiered 3-Period Time-of-Use Service (Single Meter)	No	Yes
	TOU-DR2	Residential Tiered 2-Period Time-of-Use Service (Single Meter)	No	Yes
	TOU-DR	Residential Tiered 3-Period Time-of-Use Service (Single Meter)	No	Yes
	DR-SES	Residential untiered time-of-use service (Single Meter)	No	Yes
	EV-TOU	Residential untiered time-of-use service for Electric Vehicle charging (single meter separate from house meter)	No	No, because separately metered EV use
	EV-TOU-2	Residential untiered time-of-use service for Electric Vehicle Charging (whole house rate single meter)	No	Yes
	EV-TOU-5	Residential untiered time-of-use service for Electric Vehicle Charging (whole house rate single meter)	Yes	Existing fixed charge adjusted
	TOU-ELEC	Residential untiered time-of-use service for households with Electric Vehicles, Energy Storage, or Heat Pumps (whole house rate single meter)	Yes	Existing fixed charge adjusted
Closed to New, Legacy Customers on Rate	DM	Residential Multifamily Non-Time-of-Use Service	No	Yes
	DS	Residential Submetered Multi-Family Non-Time-of-Use Service	No	Yes
	DT	Residential Submetered Multi-Family Non-Time-of-Use Service – Mobilehome Park	No	Yes

c) Online Rates Tool Update Costs

For online rates tool update costs, provide the following information:

(i) the proposed project management internal staffing and/or contract costs for the tool updates, and

<u>SDG&E's Response to Section II (c)(i)</u>: SDG&E maintains that the cost estimate of $1.2M, as reflected in Table IV-3 of the Joint IOUs' Opening Brief under the activity heading "Updates to Online Customer Rates Tools," reflects the forecasted costs for implementing the required

changes to enable the Online Rates tool.[2] These costs include a combination of internal staffing and contract costs that will be used to accurately implement and test the required changes. SDG&E forecasts that internal staffing will make up 25% and contractor costs will make up 75% of the total costs, but will vary depending on contractor availability. This estimate includes costs for key areas of the implementation, (1) Planning, Analyzing and Assessing Requirements; (2) Design, Build and Validate the Online Rates tool; (3) Quality Assurance and End to End Testing of Solution; and (4) Deployment and Stabilization.

> *(ii) the incremental cost of applying an income-graduated fixed charge to each rate schedule.*

<u>*SDG&E's Response to Section II (c)(ii)*</u>: SDG&E's cost estimate of $1.2M is comprised of costs associated with building out a universal system architecture for the Online Rates tool and incremental costs associated with implementing each individual rate schedule. To confirm overall accuracy and a consistent customer experience in the Online Rates tool, SDG&E will be implementing a universal system architecture that can be used across all of its residential rates. The universal architecture will eliminate duplication of the Online Rates tool changes across the different rate schedules and will help to keep costs down as existing rate schedules are updated or new rate schedules are added in the future. Broken out from the $1.2M estimate for Updates to Online Customer Rates Tools, SDG&E forecasts that the universal architecture will require an initial cost of $775,000. Once the universal architecture is in place, SDG&E forecasts an incremental implementation cost of $30,000 - $35,000 per rate schedule without an existing fixed charge, varying upon the tool configuration and required testing.

d) Customer Support Through Contact Center Costs

For customer support through contact center costs, provide the following information:

> *(i) the projected additional call volume relating to income-graduated fixed charges during a specific time period, over average call volume, and the basis of this expectation,*

<u>*SDG&E's Response Section II (d)(i)*</u>: SDG&E uses its CARE Call Center and the Customer Care Center to respond to and support customer inquiries and needs. The CARE Call Center handles inquiries, enrollments, certifications, and post-enrollment verification for customers who want to apply for or remain on CARE or FERA and be included in Brackets 1 or 2. The Customer Care Center addresses all other inquiries and acts as the main point of contact should a customer need assistance. SDG&E's responses herein will refer to costs associated with each contact center separately.

The projected call volume for the CARE Call Center, specifically associated with income-graduated fixed charges and income verification, is 116,000 calls over 4 years. Projected additional CARE Call Center volume is based on estimated, average call-in response rates of 7% from existing residential customers and 25% from CARE customers for whom SDG&E does not currently have household income data.

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[2] *See* Joint IOU Opening Brief at 34.

For the Customer Care Center, SDG&E expects call volumes to increase as compared to the residential average annual call volume from years 2019-2022. SDG&E expects the increased calls to come from three categories of customers: 1) Customers who believe they should receive a reduced fixed charge based on their income and would like clarification on how to obtain the lower fixed charge; 2) Net Energy Metering (NEM) customers who may be confused by having to pay a fixed charge every month when they have been accustomed to only paying a minimum charge, and who may need clarification on how this will affect their annual True-Up; and 3) Customers who have general inquiries and want to know how income was verified to determine the fixed charge or customers who experience a bill increase as a result of the fixed charge. Notably, SDG&E has over 300,000 residential NEM customers, which is roughly 20% of our residential electric customer base. Table II shows the estimated additional calls resulting from the implementation of a fixed charge.

Table II – Customer Care Center Estimated Incremental Call Volume and Percentage Increase Over Average

	Incremental call volume	% Increase over Avg. volume
t-1 (Yr. 2024)	14,000	1%
t (Yr. 2025)	123,000	8%
t+1 (Yr. 2026)	95,000	6%
t+2 (Yr. 2027)	41,000	3%

(ii) the time period for increasing internal staffing or external contracts to address incrementally higher call volume, and the rationale for using internal staff or external contracts,

SDG&E's Response to Section II (d)(ii): SDG&E estimates increasing external/contract staffing in Q3 2024 for the CARE Call Center to allow time for on-boarding and training prior to handling in-bound calls and processing CARE & FERA applications in Q4 2024 through the First Version Fixed Charge launch expected in Q3 2025. External contract staffing is preferred as the expectation is that in-bound calls and increases in CARE & FERA applications will be highest in the beginning years and then gradually decrease to standard volumes.

For the Customer Care Center, SDG&E estimates that 20 additional Energy Service Specialists (ESS) will need to be on onboard in early 2025 to manage the additional calls associated with the fixed charge. Generally, it takes about 4-6 months to hire and about 3-months to train internal staff; the time to onboard externally can vary generally between 3-6 months depending on infrastructure needs. Using internal staffing is preferable due to the need to train for compliance with company and state regulations. Additionally, internal hires will be completely trained on every aspect of the call type and specialty group and eliminate the need to transfer a call for other requests for a better customer experience. Returning to normal staffing levels can be completed through natural attrition. External hires would require specialty training and have limited system capabilities.

(iii) the additional call volume the utility received during a specific time period after implementing default time-of-use (TOU) rates, and

<u>*SDG&E's Response to Section II (d)(iii)*</u>: Table III represents data on the additional call volume SDG&E received thought its Integrate Voice Recognition (IVR) Program, over the specified time period after implementing the time of use (TOU) rates. Because this data reflects only those calls that were specifically identified by the IVR system as relating to the TOU transition, SDG&E believes it does not reflect the true number of calls received regarding the TOU transition.

Table III – Approximate Call Volumes Received After Implementing Default (TOU)

TOU Calls	Yr. 2018	Yr. 2019	Yr. 2020
Total	550	13,000	4,300

(iv) a breakdown of internal and external budget line-items to address the incremental call volume (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts), including the time period for these incremental costs.

<u>*SDG&E's Response to Section II (d)(iv)*</u>: For the CARE Call Center, SDG&E estimates $2.21M for external and contract staff over 4 years for operations, training, and online tools preparation. For internal staff, SDG&E estimates $418,000 over 4 years for First Version Fixed Charge income verification Brackets 1 & 2 application processing, post-enrollment verification, program administration, and regulatory compliance.

For the Customer Care Center, SDG&E's refined cost estimate of $5.93M reflects the estimated cost to manage additional calls associated with a fixed charge based on the expected number of calls, the expected minutes per call which was estimated based on a weighted handle time due to the length of billing-related and solar calls, and overhead cost.[3] The cost per minute is driven by the Energy Service Specialist's salaries. Also included in Table IV is the cost required for training and to support additional staff and calls.

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[3] *See* Joint IOU Opening Brief at 34. SDG&E discovered an error after the Joint IOU Opening Brief was submitted (Table IV-3). The error was due to calculation error for the number of Forecasted Calls. The end result is a reduction in the previously submitted Customer Support Through Contact Center cost of $6.1M to $5.93M, for a net reduction of $170,000.

Table IV – Estimated Customer Care Center Costs and Resource Needs

Cost Summary	t-1 (Yr. 2024)	t (Yr. 2025)	t+1 (Yr. 2026)	t+2 (Yr. 2027)
ESS training and ops cost (labor)	$88,105	$2,320,433	$1,382,511	$319,107
Sup / Assoc. training	$7,080	$7,080	$7,080	$0
Incremental FTE ESS	5	20	15	8
Supervision cost	$0	$337,650	$337,650	$0
Incremental FTE Supervision	0	2	2	0
Total incremental FTE	5	22	17	8
Total Labor	$95,185	$2,665,163	$1,727,241	$319,107
Total Non-labor	$450,000	$450,000	$225,000	$0
Total Labor & Non-labor	$545,185	$3,115,163	$1,952,241	$319,107

e) Administrative and Project Management Support Costs

For the proposed administrative and project management support costs, provide the following information:

(i) whether these administrative and project management support costs overlap with or are separate from the costs for managing the other budget categories (e.g., billing system upgrades, online rates tool updates, customer support through contact center),

SDG&E's Response to Section II (e)(i): SDG&E's cost estimate of $1.56 M for the proposed administrative and project management activities in Table IV-3 of the Joint IOU Opening Brief does not overlap with the other budget categories.[4] The administrative and project management costs focus on business responsibilities throughout the project/program lifecycle including, but are not limited to, business requirements development, and coordination among various internal business units involved in the implementation and management of the rate changes. The program/project management costs associated with developing requirements for, and managing changes to, the online tools is also covered in budget line item "Program/Project Management". These administrative costs also cover coordination with Community Choice Aggregators in SDG&E's service area. The administrative and project management team will continue to support the project during implementation and post implementation.

(ii) actual costs incurred for administrative and project management support for default TOU implementation,

SDG&E's Response to Section II (e)(ii): San Diego Gas & Electric's Quarterly Report on Progress of Residential Rate Reform provides actual costs incurred for administrative and project management support for the default TOU implementation. The costs of Labor (FTE and contract) of $11.738M are located in Appendix A. [5]

[4] *See* Joint IOU Opening Brief at 34.

[5] Rulemaking 12-06-013, San Diego Gas & Electric's Quarterly Report on Progress of Residential Rate Reform at Appendix A: Rate Reform Costs August 2015-June 2020. The report reflects all FTEs and contract labor.

(iii) a breakdown of internal and external budget line-items to implement the first income-graduated fixed charges (e.g., number and type of internal staff, cost of individual internal staff and/or external contracts) including the time period for these incremental costs, and

SDG&E's Response to Section II (e)(iii): The proposed Program and Product Management costs of $1.56M presented in Table IV-3 of the Joint IOU Opening Brief includes one Project Manager and two Business Systems Analyst resources covering the year prior to implementation and the year of implementation.

(iv) if your proposed budget is higher than actual default TOU implementation costs, explain why.

SDG&E's Response to Section II (e)(iv): SDG&E's proposed budget for the First Version Fixed Charge is not higher than the actual default TOU implementation costs.

f) Marketing, Education, and Outreach (ME&O) Budget

For the proposed marketing, education, and outreach (ME&O) budget, provide the following information:

(i) a breakdown of internal labor costs and external contract costs for planning, developing messaging, and coordination,

SDG&E's Response to Section II (f)(i): SDG&E's internal labor and external contract costs for ME&O planning, developing messaging, and coordination are detailed in Table V.

Table V – ME&O Internal Labor and External Contract Costs

Description	Year 1	Year 2 Launch year	Year 3	Description
Internal labor	$276,514	$495,420	$206,946	The proposed labor budget includes internal marketing and outreach labor related to developing the strategy, planning campaigns, execution of each tactic, continuous monitoring and optimization, managing overall outreach plans and calendars, customer analytics and research support, and web support. The budget includes (2) FTEs for marketing and project management labor; (.25%) FTE for a digital advisor; (.50%) FTE for both research and analytics support.

External labor	$609,500	$272,950	$84,000	The proposed external labor budget includes agency fees for messaging development, campaign concept and design, visual and graphical representation and production of materials.

(ii) *a breakdown and description of external expenses for paid media, advertising, and outreach, and*

SDG&E's Response to Section II (f)(ii): SDG&E's external expenses for paid media, advertising and outreach are detailed in Table VI.

Table VI – ME&O External Expenses for Paid Media, Advertising, and Outreach

Description	Year 1	Year 2 Launch year	Year 3	Description
Paid Media	$609,500	$272,950	$84,000	SDG&E's proposed budget includes paid digital (e.g., banner ads, paid search, paid social, etc.) and print media, including advertisements in community papers and out-of-home ads in laundromats and convenience stores, for example, to target customers by income and/or geography (by zip code) and in-language. The proposed budget excludes earned media and organic social on SDG&E owned channels, which SDG&E plans on utilizing to inform customers at no additional cost.
CBO Outreach	$39,750	$117,000	$60,750	SDG&E's proposed budget includes paid sponsorship fees and outreach materials for use by approximately 200 Community-Based Organizations (CBOs) SDG&E works within its Energy Solutions Partner Network. These CBOs will help further create awareness and understanding of the new fixed charge line item on customers' bills through outreach activities including social media posts, events, presentations and workshops.
Email	$28,420	$56,839	$18,946	SDG&E will be using an "Email first" method to directly reach most of its electric customers. The proposed budget includes 11 touchpoints. Estimated costs include email production, deployment, monitoring, and reporting of email results. SDG&E will also seek

				opportunities to incorporate related fixed charge messaging in other related materials to increase budget efficiencies and further customer touchpoints.
Direct mail	$122,500	$411,749	$ -	Direct Mail will be used as the secondary method to reach customers who do not have an email address on file. As of the time this testimony was submitted, SDG&E has identified approximately 10% of residential customers that do not have an email on file. SDG&E has estimated up to five direct mail communications, which include costs for development, printing, postage, and other associated handling fees. Due to the cost of direct mail, SDG&E is also budgeting for touchpoints through the customer bill. See Bill Package section referenced below.
Bill package	$29,680	$375,452	$29,680	At the time of this testimony, approximately 54% of SDG&E customers receive a monthly paper bill. The bill package is another opportunity to reach customers in addition to digital. Proposed costs include bill inserts, outer envelope messaging, on-bill messaging, and on-bill "post-it-notes." The proposed budget is exclusive of bill onserts, which provide another communication touchpoint at no additional cost.
Web	$2,539	$43,812	$12,748	The proposed Website activities estimated include the development of a new online resource for customers to better understand why the fixed charge is being implemented, the charge associated with each income tier, sample bills, FAQs and how to dispute an assignment. Budget also includes periodic updating throughout the three phases of the customer journey, and content changes to other sdge.com pages that may be impacted by the final decision (e.g., sdge.com/whenmatters, sdge.com/solar, etc.). This estimate does not include messaging within SDGE's customer portal, My Account, or tools that may be developed.

Outreach Collateral	$39,750	$117,000	$60,750	The proposed budget includes costs for employee training materials and resources, updating existing materials that may be impacted by the final decision, and translation services for in-language ME&O materials.

(iii) a breakdown and description of any other proposed costs.

SDG&E's Response to Section II (f)(iii): Other ME&O proposed costs are detailed in Table VII.

Table VII – Other ME&O Proposed Costs

Description	Year 1	Year 2 Launch year	Year 3	Description
Customer Research	$128,658	$128,658	$ -	The proposed budget includes pre- and post-transition customer research, qualitative and quantitative. Pre-transition research will be utilized for the development of ME&O materials and gauge customer sentiment. Following the implementation of the fixed charge, a second round of qualitative and quantitative research will be deployed to gauge customer awareness and understanding and identify gaps in messaging and outreach that may need to be addressed for Phase 3.

g) Separate Tier for Customers with Income at or Below 100% Federal Poverty Guidelines Level (FPL)

For the Large Utilities' proposal to create a separate tier for customers with incomes at or below 100 percent of the federal poverty guidelines level, provide the following information:

(i) a breakdown of the incremental costs of the separate tier, including the costs associated with collecting this income information from new CARE applicants, the costs associated with collecting this information from existing CARE applicants, and the timeframe over which these costs will be incurred, and

SDG&E's Response to Section II (g)(i): $1.62M over 4 years is estimated for First Version Fixed Charge CARE Call Center labor for households seeking inclusion in Bracket 1 or Bracket 2. Of the $1.62M, approximately $550,000 (34% of total) incremental CARE Call Center costs over 4 years are to collect income information from new CARE applicants, and existing CARE customers for whom SDG&E does not currently have household income data, in order to properly assign Brackets 1 and 2.

The remaining $1.07M (66% of total) incremental CARE Call Center costs over 4 years are to field inquiries from existing CARE and FERA customers as a result of ME&O efforts pre- and post-launch, and from non-CARE/FERA customers transferred from SDG&E's Customer Care Center who want to inquire about participation in CARE or FERA. An estimated 23% of those inquiries will apply for CARE or FERA to be included in Brackets 1 or 2. $0.22M over 4 years is estimated for processing, certification, re-certification and post-enrollment verification resulting from the anticipated surge in incremental CARE and FERA applications as a result of the First Version Fixed Charge roll-out. $0.145M over 4 years is estimated for labor costs to train CARE Call Center and processing staff on Information Technology including Income Verification customer-facing tools and new processes. $0.65M over 4 years is estimated for Income Verification administration and regulatory compliance labor.

(ii) clarify whether recovery of all or a portion of these costs is requested through a decision in this proceeding.

<u>*SDG&E's Response to Section II (g)(ii)*</u>: SDG&E is seeking approval, through a decision in this proceeding, for all incremental costs listed associated with the First Version Fixed Charge. For SDG&E that total is $20.31M.[6] For the Income Verification proportion, recovery of all of the estimated $2.63M incremental costs over 4 years is requested through a decision in this proceeding.

h) List of Commission Decisions Authorizing Funding for Similar Implementation Costs

Provide a list of Commission decisions that authorized funding for similar implementation costs (such as income data collection costs, ME&O costs for specific programs such as FERA, and information technology or billing system implementation costs) and explain whether the previously authorized funding may be used to pay for all or a portion of the implementation costs of the first income-graduated fixed charges.

<u>*SDG&E's Response to Section II (h)*</u>: In their Opening Brief, the Joint IOUs included the following Table setting forth implementation costs for the First Version Fixed Charge.[7]

[6] *See* Joint IOU Opening Brief at 34 (as described above in Footnotes 1 and 3, SDG&E's estimated budget was adjusted downwards from $21.33M to $20.31M).
[7] *See* Joint IOU Opening Brief at 34-37.

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

Prior Commission decisions have authorized funding for implementation costs for similar activities as those required here. For instance, the June 19 Ruling in this proceeding states that the First Version Fixed Charge shall 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."[8] Decision ("D.")21-06-015 approved SDG&E CARE and FERA Program budgets for 2021-2026 including Outreach, Processing/Certification/Re-certification, Post-Enrollment Verification, IT Programming, Regulatory Compliance and General Administration.[9] SDG&E's approved administrative budgets include income verification work necessary to operate the CARE and FERA Programs.

Additionally, D.21-10-012 authorized the recovery of Percentage of Income Payment Plan (PIPP) Pilot electric cost in rates via the Public Purpose Programs (PPP) rate component from all customer classes and recovery of gas pilot costs from all gas customers in transportation rates.[10] Income verification and recertification costs included sorting Pilot participants, all of whom are CARE Customers, into two tiers: Tier 1) 0-100% Federal Poverty Guidelines (FPG), and Tier 2)

[8] Administrative Law Judge's Ruling on the Implementation Pathway for Income-Graduated Fixed Charges (June 19, 2023) at 3-4.
[9] D.21-06-015, Ordering Paragraph ("OP") 1 and 2 at 472; *see also id.* at Attachment 1, Table 2 at 3 for CARE, Table 4 at 3 for FERA.
[10] D.21-10-012, OP9 at 91.

101-200% FPG. Utilizing a process similar to CARE Post-Enrollment Verification, Pilot participants opting into Tier 1 are required to provide proof of income within 90 days, unlike the process for new CARE applications which can be accomplished via self-reported Categorical Eligibility or self-reported household income. Further, D.21-10-012 limited authorized funding to costs associated with Pilot implementation.[11] Accordingly, the Pilot's authorized funding may not be used for costs associated with the First Version Fixed Charge.

On the question of whether previously authorized funding may be utilized to pay for implementation of the First Version Fixed Charge, Table IV-3 above sets forth the **incremental funding** needed to implement the First Version Fixed Charge. This new funding is needed to facilitate the unique work relating to income verification, information technology and systems, and ME&O that will be required to implement this new rate structure.[12] SDG&E believes these incremental costs should be separately tracked and authorized for recovery via the proposed IGFC Balancing Account.[13]

The intent of SDG&E's CARE Program budgets is to build on the successful delivery of the CARE Program during the 2021 through 2026 Program Cycle, maintain 90% CARE enrollment using retention strategies and specifically target hard-to-reach communities in SDG&E's service territory. SDG&E did not anticipate the need to support other proceedings with these funds, and does not believe increased CARE and FERA Program spending to support Demand Flexibility Track A is a prudent use of authorized CARE and FERA Program budgets.[14] SDG&E will continue to review authorized budgets for income-qualified program administration to determine whether there are unspent, authorized funds that, with Commission approval, could be used to further reduce the incremental budgets for a First Version Fixed Charge.

[11] San Diego Gas & Electric Advice Letter 3941-E / 3058-G, Attachment C Percentage of Income Payment Plan Pilot Implementation Plan.
[12] *See* Joint IOU Opening Brief at 34-37.
[13] *See id.* at 39-40.
[14] *See* A.19-11-003, Monthly Report of San Diego Gas & Electric Company on Low income Assistance Programs for December 2023 (January 22, 2024) at 27.

[END OF APPENDIX C]