

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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R.22-07-005

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Order Instituting Rulemaking to Advance  
Demand Flexibility Through Electric Rates.

**JOINT REPLY COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY  
(U 338-E), PACIFIC GAS AND ELECTRIC COMPANY (U-39), AND  
SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E) ON PROPOSED DECISION  
ADDRESSING ASSEMBLY BILL 205 REQUIREMENTS FOR ELECTRIC UTILITIES**

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April 22, 2024

## JOINT IOUS' REPLY COMMENTS ON R.22-07-005 TRACK A PROPOSED DECISION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (CPUC), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (collectively, Joint Investor-Owned Utilities (Joint IOUs)) submit this Reply to parties' Opening Comments<sup>1</sup> on the Track A Proposed Decision (PD).

As confirmed in almost all parties' Opening Comments and supported by the record evidence taken as a whole, the PD can generally be seen as a positive first step towards achieving Assembly Bill (AB) 205's goals. It is notable that, despite its last-minute objections, even the Solar Energy Industries Association (SEIA) does not fundamentally dispute the PD's overall approach of using the Sacramento Municipal Utility District's (SMUD) current fixed charge as a benchmark for the first version fixed charge. Similarly, Vote Solar, a solar group not previously involved in this OIR, has also concluded that the PD strikes a reasonable balance.<sup>2</sup>

Despite this general support, several parties recommend modifications to the PD that mischaracterize or are unsupported by the record, thus should be rejected. Additionally, many requested modifications would ultimately dilute and/or delay the fixed charges needed to advance the State's policy objectives of providing more meaningful bill savings to low-income customers while also lowering the per unit cost of electricity for all, to further near-term decarbonization and fight climate change.<sup>3</sup> But the CPUC should include in the Final Decision other requested revisions that are supported by the record and will encourage greater bill savings to economically vulnerable customers as well as more fully unlock the benefits of electrification.

### **A. The CPUC Should Adopt Parties' Recommendations to Include Non-Marginal Distribution Costs in the Fixed Charge and Reject SEIA's Recommended Exclusions.**

The Utility Reform Network and the Natural Resources Defense Council (TURN/NRDC) and the Public Advocates Office (Cal Advocates) highlight the importance of including non-marginal distribution costs as eligible fixed costs.<sup>4</sup> TURN/NRDC note that, within the PD's construct, collecting a higher proportion of CARE non-exempt costs through the fixed charge will

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<sup>1</sup> References to parties' respective Opening Comments relate to their 4/16/2024 Track A Opening Comments to the PD.

<sup>2</sup> Vote Solar Opening Comments, pp. 2-3.

<sup>3</sup> All references to the "fixed charges" relate to the first version fixed charge, unless expressly stated otherwise.

<sup>4</sup> TURN/NRDC Opening Comments, p. 3; Cal Advocates Opening Comments, p. 2.

allow greater CARE customer bill savings.<sup>5</sup> The Joint IOUs support these modifications as they meet the PD's definition of fixed costs.<sup>6</sup> Listing non-marginal distribution costs as eligible fixed costs now will allow greater low-income bill savings, especially if fixed charges are initially-capped.<sup>7</sup>

SEIA argues the PD went too far, claiming that the costs underlying Non-Bypassable Charges (NBC), such as Public Purpose Program charges (PPP) and New System Generation Charges (NSGC), vary with customer usage, thus are inappropriate to collect through a fixed charge.<sup>8</sup> Most such arguments have already been responded to.<sup>9</sup> But SEIA appears to newly argue that various PPP programs are a function of aggregate customer usage.<sup>10</sup> This lacks merit. SEIA spotlights the Self-Generation Incentive Program (SGIP) as an example, but ignores the key fact that IOUs are required by law to collect a fixed \$166 million per year in rates to fund this program.<sup>11</sup> Likewise, SEIA's arguments on NSGC are unavailing - as noted by TURN/NRDC, this NBC reflects the cost of contracts that will not vary with customer usage.<sup>12</sup> These contracts reflect legislatively mandated, policy driven procurement regardless of usage (such as the Bio-MAT program) and reliability procurement on behalf of all customers.<sup>13</sup> SEIA therefore argues that a NEM customer that received SGIP rebates and has zero net usage (but significant peak usage) should continue to pay nothing towards these public policy and reliability costs. SEIA's modifications should be rejected as inconsistent with law and the PD's definition for fixed costs.

#### **B. SEIA's Proposed Delays Are Inconsistent With AB 205's Time-Sensitive Policy Goals.**

The CPUC should reject SEIA's new proposals seeking to slow down implementation of the PD's initial fixed charges and/or defer the timing of Phase 2's consideration of further

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<sup>5</sup> TURN/NRDC Opening Comments, p. 4.

<sup>6</sup> Joint IOUs Opening Comments, pp. 2-3.

<sup>7</sup> The CPUC could consider additional modifications to OP 3(c) and COL 54 of the PD that pertain to the Tier 3 AL that the Joint IOUs are required to submit to consistently treat non-marginal distribution cost categories as with the Small and Multi-Jurisdictional Utilities (SMJU) in COL 54 and OP 10 (i through iv). This does not change that the CPUC can set a first version fixed charge for the Joint IOUs using the PD's approach of benchmarking SMUD's fixed charge.

<sup>8</sup> SEIA Opening Comments, pp. 4-6.

<sup>9</sup> See Exh. Joint IOUs-04, pp. 19-20 and TURN/NRDC Reply Briefs (Nov. 3, 2023), pp. 9-10.

<sup>10</sup> SEIA Opening Comments, pp. 4-6.

<sup>11</sup> See generally, D20-01-021, consistent with Senate Bill 700, passed by the Legislature in 2018.

<sup>12</sup> TURN/NRDC Reply Brief (Nov. 3, 2023), p. 9.

<sup>13</sup> D.20-08-043 and D.22-05-015.

improvements.<sup>14</sup> Indeed, other parties agree this should only be the start, and fixed charges should increase from this modest level in the near-term.<sup>15</sup> SEIA belatedly and vaguely requests rolling out the PD's initial fixed charges in "at least two, and preferably three, equal annual steps."<sup>16</sup> This is contrary to the PD's approach of a single initial change that is then evaluated it over time to consider improvements. Marketing, Education and Outreach efforts would need to be reconsidered, and may be more complex, if not implemented in a single initial step. SEIA's last-minute effort to delay would only hold back urgently needed low-income bill savings<sup>17</sup> and would further diminish the benefits of volumetric rate reductions to help achieve our State's 2030 goals for decarbonization.

Moreover, the compromise struck by the PD is *already* a gradual approach. The PD caps the initial fixed charge at \$24.15 and rejects the IOUs' requested initial fixed charge levels, which were based on full recovery of fixed costs currently embedded in high volumetric charges. SEIA has provided no showing to contradict the evidence that SMUD has lower costs than the Joint IOUs. This undisputed fact significantly undermines SEIA's request for fixed charges at levels even lower than SMUD's. In addition, SMUD's residential fixed charge was not required by a law that specifically emphasizes the importance of taking a meaningful step toward equitably reducing high volumetric charges and supporting a more affordable energy transition.

Based on voluminous showings supporting our first version fixed charges, the Joint IOUs continue to believe the PD's compromise does not go far enough to meaningfully reduce volumetric rates for all customers, and achieve appreciable bill savings for average low-income customers. It is important for the CPUC to move forward now and adopt initial fixed charges at least equal to the PD's compromise levels (or, ideally, more cost-based higher levels), while

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<sup>14</sup> See e.g., SEIA Opening Comments, pp. 1-2.

<sup>15</sup> See e.g., TURN/NRDC Opening Comments, pp. 9-10; CforAT Opening Comments, p. 2 (seeking separation of moderate and high-income tiers).

<sup>16</sup> SEIA Opening Comments, p. 4. SEIA's wording is inconsistent and fails to support a specific, actionable new proposal. Heading II asks to "*mirror* the [SMUD fixed charge] implementation" (*Id.*, p. 3) but ends with a request that the first version fixed charge be "implemented in at least *two, and preferably three*, equal annual steps" (*Id.*, p. 4, elsewhere summarized as "at least two equal annual steps," *Id.*, pp. i, 11). Its Appendix of recommended changes affirms COL 20 (benchmarking SMUD's residential fixed charges) as is, but inserts a new COL that "[i]t is reasonable to implement the IGFC in *two* equal annual steps." The CPUC could reject this many-faced, new "slow roll-out" because SEIA could not make up its *own* mind about what to request.

<sup>17</sup> SEIA's new preference for three equal steps in the fixed charge would result in an initial step of \$8/mo. As discussed in Exh. Joint IOUs-03, at p. 21, this position won't provide lower bills for low-income customers in each baseline region and thus is not compliant with AB 205.

remaining open to future adjustments that would ensure the Legislature's equity and electrification policy goals are not eroded even as improvements are considered after Phase 2 Workshops end.

**C. Proposed Modifications that Would Hinder Efficient Processes Should be Rejected.**

The Center for Accessible Technology (CforAT) recommends new processes to enable applying low tier fixed charges to customers not enrolled in CARE/FERA,<sup>18</sup> and Sierra Club and the California Environmental Justice Alliance (Sierra Club/CEJA), and Greenlining improperly relitigate basing tier levels on Area Median Income.<sup>19</sup> The CPUC should reject CforAT's assertion that "eligibility for Tier 1 is based on household income [...] not on actual enrollment in CARE"<sup>20</sup> because the July 2023 Ruling as well as the PD make it clear that initial fixed charges must rely on existing CARE/FERA income verification processes, not new or costly processes that could delay implementation.<sup>21</sup> CforAT's concern about outreach to customers not currently CARE-enrolled will be addressed by the outreach plan, which will start communications well before fixed charges are launched.<sup>22</sup> A lower fixed charge and greater overall discount will provide new motivation to eligible customers who had previously neglected to join CARE or FERA. The Final Decision should stand firm on initially using existing CARE/FERA processes and envisioning Phase 2 to explore other potential future approaches.<sup>23</sup>

The California Community Choice Association (CalCCA) asks that the IOUs be directed to include income tier data in existing reports to CCAs.<sup>24</sup> The Final Decision should avoid being too prescriptive about information provided to CCAs, as it may unnecessarily complicate billing system upgrades and/or be infeasible. Instead, IOUs should be encouraged to work with CCAs during implementation to evaluate solutions.

Cal Advocates correctly notes the PD misquotes the Joint IOUs on The Work Number product's potential customer match rate.<sup>25</sup> This should be revised to quote the relevant

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<sup>18</sup> CforAT Opening Comments, pp. 4-7.

<sup>19</sup> Sierra Club/CEJA Opening Comments, pp. 7-8; Greenlining Opening Comments, pp. 4-5.

<sup>20</sup> CforAT Opening Comments, p. 4.

<sup>21</sup> PD, p. 145, COL 13.

<sup>22</sup> Exh. Joint IOUs-04, pp. 24-25.

<sup>23</sup> ALJ's Ruling Addressing the Track A Procedural Schedule, Opening Briefs Guidance, and Exhibits (Aug. 22, 2023), p. 4.

<sup>24</sup> CalCCA Opening Comments, p. 5.

<sup>25</sup> Cal Advocates Opening Comments, p. 5.

testimony.<sup>26</sup> But the Final Decision should not include Cal Advocates’ suggestion that The Work Number’s income records have a “match rate of approximately 75%,” as that rate was based solely on low- and middle-income households but none with higher incomes (>\$100k/yr), and was not assessed in a utility billing setting.<sup>27</sup> To the extent the PD’s discussion about The Work Number is revised, the CPUC might also note that, in addition to concerns about costs and incomplete data that weigh against using this product, using a credit agency to provide household income data on millions of Californians raises significant legal concerns about privacy.

The PD should not be modified to further specify the scope of Phase 2 of this proceeding, reporting metrics, Working Group mandates, or evaluation parameters.<sup>28</sup> No party seriously disputes that the PD already “addresses all of the Phase 1 issues in the Scoping Memo, including all issues necessary to comply with AB 205.”<sup>29</sup> When Phase 2 is begun, the CPUC should elicit comments allowing parties to request relevant issues at that time.<sup>30</sup>

#### **D. Other Issues**

- The PD does not err in its calculation of the CARE discount exemption. As the Joint IOUs briefed in detail, TURN/NRDC’s proposal is inconsistent with the law.<sup>31</sup>
- TURN/NRDC’s proposal to adjust fixed charges for electrification rates should be adopted. This is similar to the Joint IOUs’ showing that, at minimum, electrification rate fixed charges should collect the same amount of distribution costs as today, to reasonably support electrification in the near-term -- especially since the PD’s first version default fixed are a modest compromise and are not fully cost-based.<sup>32</sup>

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<sup>26</sup> Exh. Joint IOUs-03-E1, p. 67.

<sup>27</sup> Exh. Cal Advocates-08, p. 2, Section 9.

<sup>28</sup> See, e.g., SEIA Opening Comments, pp. 11-12; CESA Opening Comments, p. 4; PearlX Opening Comments, pp. 7-8; Sierra Club/CEJA Opening Comments, pp. 10-13; CalCCA Opening Comments, p. 5.

<sup>29</sup> PD, pp. 5, 8-9 (citing Phase 1 Scoping Memo (issued November 2, 2022)).

<sup>30</sup> The Joint IOUs also object to CalCCA’s argument that the PD should be modified to direct the IOUs to augment weekly customer database updates and billing transactions to include customer income tier data. As CalCCA concedes, “the IGFC will reside on the IOU side of the bill.” CalCCA Opening Comments, p. 5. Thus, not only is no additional information necessary, but doing so would raise privacy and data protection concerns that have not been vetted in this proceeding.

<sup>31</sup> Joint IOU Reply Brief (Nov. 3, 2023), pp. 32-35.

<sup>32</sup> TURN/NRDC Opening Comments, pp. 7-8.

Respectfully submitted,

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<sup>33</sup> Pursuant to Rule 1.8(d), counsel for PG&E and SCE have authorized SDG&E to file this document on their behalf.