



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

**FILED**

05/20/25

10:33 AM

R2207005

May 20, 2025

**Agenda ID #23513**  
**Ratesetting**

TO PARTIES OF RECORD IN RULEMAKING 22-07-005:

This is the proposed decision of Administrative Law Judge Carrie Sisto. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's June 26, 2025 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules).

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC:nd3

Attachment

Decision **PROPOSED DECISION OF ALJ SISTO** (Mailed 5/20/2025)

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

Order Instituting Rulemaking to  
Advance Demand Flexibility Through  
Electric Rates.

Rulemaking 22-07-005

**DECISION CORRECTING ERRORS IN DECISION 25-01-039**

**Summary**

This decision corrects two errors in Decision (D.) 25-01-039 related to tracking revenues for income-graduated fixed charges (IGFCs).

D.25-01-039 corrected terms related to delivery rates that apply to IGFCs adopted in D.24-05-028. Shortly after D.25-01-039 was issued, Commission staff identified errors in Ordering Paragraph 1 and Ordering Paragraph 3, which modified how the electric utilities should track IGFC revenues.

This decision confirms that the IGFC balancing accounts remain the appropriate mechanism for the electric utilities to use to track revenue adjustments associated with the IGFC.

Rulemaking 22-07-005 remains open.

**1. Background**

Assembly Bill (AB) 205 was signed into law on June 30, 2022. On July 14, 2022, the Commission opened the Order Instituting Rulemaking (R.) 22-07-005 to comply with the directives adopted in AB 205. The initial scope of R.22-07-005

described the Commission's intent to establish demand flexibility policies and modify electric rates to advance the following objectives: (a) enhance the reliability of California's electric system; (b) make electric bills more affordable and equitable; (c) reduce the curtailment of renewable energy and greenhouse gas emissions associated with meeting the state's future system load; (d) enable widespread electrification of buildings and transportation to meet the state's climate goals; (e) reduce long term system costs through more efficient pricing of electricity; and (f) enable participation in demand flexibility by both bundled and unbundled customers.

D.23-04-008, D.24-05-028, and D.25-01-039 address the directives of AB 205, and the development and implementation of Income-Graduated Fixed Cost (IGFC) and associated development, evaluation, and improvement of the Public Tool.

On April 6, 2023, the Commission adopted D.23-04-008, authorizing a scope of work and budget for a third-party contractor to develop a public spreadsheet tool (Public Tool) to help parties and the Commission evaluate proposals to design new electric IGFCs.

The Commission adopted D.24-05-028 on May 15, 2024, requiring all electric investor-owned utilities (IOUs) in California to modify the structure of residential customer bills to shift the recovery of a portion of fixed costs previously assigned to volumetric rates to an IGFC.

On September 16, 2024, the assigned Administrative Law Judge (ALJ) issued *Ruling Seeking Party Comment on Amendments to Decision 24-05-028 and Proposed Additional Third-Party Contractor Budget* (Ruling) to request party comments on a proposed correction to D.24-05-028 and a budget increase to support the continued development of the Public Tool. The following parties

filed opening comments on September 30, 2024, and/or reply comments on October 7, 2024: Alexis K. Wodtke; California Environmental Justice Alliance; the Public Advocates Office at the California Public Utilities Commission; Solar Energy Industries Association; Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (collectively, the large electric IOUs); and Utility Consumers' Action Network.

On January 30, 2025, the Commission adopted D.25-01-039, correcting references in D.24-05-028 from “distribution” to “delivery” in the text on page 99 of D.24-05-028, Conclusion of Law 34, and Ordering Paragraph (OP) 6.

D.25-01-039 also approved a \$650,000 budget for an update to the contractor budget for Energy and Environmental Economics, Inc. (E3) to further develop the Public Tool to support Phase 2 of the Demand Flexibility Order Instituting Rulemaking 22-07-005.

D.25-01-039 finally extended E3's contract to support evaluation of the implementation of D.24-05-028, and directed the large electric IOUs to track E3 contract-related costs in specific memorandum accounts. PG&E, SCE, and SDG&E's existing memorandum accounts to track E3 consultant costs were authorized in D.23-04-008.

Shortly after D.25-01-039 was issued, Commission staff identified errors that could lead to confusion about how the electric utilities should track revenues associated with the IGFC. This decision addresses the ambiguous language that could lead to confusion about implementation of the IGFC.

### **1.1. Submission Date**

This matter was submitted on October 7, 2024, upon the filing of reply comments to the Ruling.

## **2. Issues Before the Commission**

The issue before the Commission is whether and how to correct the following two errors in D.25-01-039:

- a. OP 1 erroneously modified page 99 of D.24-05-028, directing the large electric IOUs to “use existing balancing and memorandum accounts” instead of establishing new delivery balancing accounts for tracking income-graduated fixed charge revenues.
- b. OP 3 erroneously modified OP 6 of D.24-05-028, instructing IOUs to record over- or under-collections in SCE’s Income-Graduated Fixed Charge Consultant Services Memorandum Account, SDG&E’s Demand Flexibility Memorandum Account, and PG&E’s new subaccount of its existing Dynamic and Real-Time Pricing Memorandum Account, rather than the Income-Graduated Fixed Charge Balancing Account.

## **3. Discussion of Errors to be Corrected**

The Commission did not intend for D.25-01-039 to change the tracking method for IGFC revenue adjustments. These tracking methods were clarified in a staff memo that was issued as an attachment to the Ruling.<sup>1</sup>

The staff memo noted that D.24-05-028 directed the large electric IOUs to develop new Fixed Charge Balancing Accounts to track any over- or under-collection of revenues through the IGFC. However, the intent was for each revenue category to be balanced individually. This would have been clear if the decision had used the term “delivery balancing accounts” rather than “distribution balancing account” and “delivery rates” rather than “distribution

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<sup>1</sup> [Administrative Law Judge’s Ruling Seeking Party Comment on Amendments to Decision 24-05-028 and Proposed Additional Third-Party Contractor Budget](#) issued September 16, 2024.

rates” in this portion of the text, conclusions of law, and the corresponding ordering paragraph.<sup>2</sup>

D.25-01-039 aimed to address these concerns, but erred by directing the IOUs to use other, existing balancing and memorandum accounts instead of establishing the new delivery balancing accounts directed in D.24-05-028, in both OP 1 and OP 3.

On January 7, 2025, the large electric IOUs provided comments to the proposed decision dated December 20, 2024, noting that the incremental \$650,000 budget extension for E3 should be recorded to the memorandum accounts authorized by D.23-04-008, which were authorized to be the accounts to track the additional E3 Public Tool costs.

While addressing the IOUs’ comments on the proposed decision, the Commission’s staff introduced the errors in the revision of the proposed decision. The errors resulted in the IOUs being directed to collect “delivery” revenues and any under and over-collection of revenues from their IGFCs within the accounts authorized in D.23-04-008, which are meant only for recovery of the E3 consultant costs.

We note that parties reviewed and provided comments on the version of OP 1 and OP 3 that were included in the proposed decision, dated December 20, 2024. The errors Commission staff identified in OP 1 and OP 3 were not present

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<sup>2</sup> PG&E, SCE, and SDG&E Joint Opening Comments on the proposed decision dated April 16, 2024, at 14-15, noted that the proposed process for addressing revenue imbalances would result in an improper shift in revenue between the distribution rate component and the other three line item rate components (public purpose program charges, new system generation charges, and nuclear decommissioning charges). However, this comment was not addressed in the final decision.

in the proposed decision that was mailed on December 20, 2024, but arose in the revision to the proposed decision.

No parties recommended the changes to OP 1 and OP 3 that were ultimately adopted in D.25-01-039, which resulted in the errors described above. Therefore, the changes to OP 1 and OP 3 that were made before the D.25-01-039 was adopted were not based on the record of this proceeding. Therefore, we find it reasonable to correct the two ordering paragraphs of D.25-01-039, as ordered below. No other changes to the text of D.25-01-039 are necessary to correct these errors.

#### **4. Summary of Public Comment**

Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No public comment about the issues addressed in this decision are on the Docket Card of this proceeding as of April 24, 2025.

#### **5. Comments on Proposed Decision**

The proposed decision of ALJ Carrie Sisto in this matter was mailed to the parties of D.22-07-005, in accordance with Public Utilities Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on

\_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

#### **6. Assignment of Proceeding**

President Alice Reynolds is the assigned Commissioner and Carrie Sisto is the assigned ALJ in this proceeding.

**Findings of Fact**

1. The revisions to the proposed decision in OP 1 and OP 3 of D.25-01-039 do not reflect any party comments on the record of this proceeding.
2. The Commission did not intend for D.25-01-039 to change the tracking method for revenue adjustments associated with IGFC.
3. The Commission did not intend for D.25-01-039 to change the tracking method for revenue adjustments associated with the costs of the third-party contract to develop the public spreadsheet tool to support the design of IGFC proposals.

**Conclusions of Law**

1. The large electric IOUs should establish new balancing accounts to track revenues associated with IGFC.
2. The large electric IOUs should record over- or under-collections in their new Fixed Charge Balancing Accounts, rather than any existing memorandum accounts.
3. The large electric IOUs should use the memorandum accounts authorized in D.23-04-008 to track costs associated with the third-party contractor's development of the public spreadsheet tool.
4. R.22-07-005 should remain open.

**O R D E R****IT IS ORDERED** that:

1. Ordering Paragraph 1 of Decision 25-01-039 is amended to state:  
The dicta on page 99 of Decision 24-05-028 is modified to read 'The Large Electric Utilities' proposal to record revenue imbalances in existing balancing accounts and use the Annual True-Up Advice Letter to address revenue imbalances is aligned with standard ratemaking practices and is designed to account for electric revenue forecasting errors.' However, we



have concerns about using a Tier 2 advice letter process to potentially increase the revenue requirement for income-graduated fixed charges. Instead, we direct the Large Electric Utilities to use the Annual True-Up Advice Letter process to propose how to modify delivery rates to address revenue imbalances. We require Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (collectively, the Large Electric Utilities) to create new delivery balancing accounts, rather than use existing accounts, to record these imbalances to increase transparency. It is reasonable for each of the Large Electric Utilities to (a) establish a new delivery balancing account (Income Graduated Fixed Charge Balancing Account) to record over- or under-collections of revenues compared to projected revenues from income-graduated fixed charges, and (b) propose in each Annual True-Up Advice Letter how to modify delivery rates to account for over- or under-collections of revenues by the income-graduated fixed charges compared to projected revenues.

2. Ordering Paragraph 3 of Decision 25-01-039 is modified to state:

Ordering Paragraph 6 of Decision 24-05-028 is modified to state "Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall record over- or under-collections of revenues compared to projected revenues from income-graduated fixed charges in each utility's respective Income-Graduated Fixed Charge Balancing Account. PG&E, SCE, and SDG&E shall also propose, in each Annual True-Up Advice Letter, how to modify delivery rates to account for over- or under-collections of revenues by the income-graduated fixed charges compared to projected revenues."

3. Rulemaking 22-07-005 remains open.

This order is effective today.

Dated \_\_\_\_\_, at Sacramento, California.

# **ATTACHMENT A**

## Appendix A: Redline Ordering Paragraph Corrections

1. Ordering Paragraph 1 of D.25-01-039 is edited to read:

The dicta on page 99 of Decision 24-05-028 is modified to read:

“The Large Electric Utilities’ proposal to record revenue imbalances in existing balancing accounts and use the Annual True-Up Advice Letter to address revenue imbalances is aligned with standard ratemaking practices and is designed to account for electric revenue forecasting errors. However, we have concerns about using a Tier 2 advice letter process to potentially increase the revenue requirement for income-graduated fixed charges. Instead, we will direct the Large Electric Utilities to use the Annual True-Up Advice Letter process to propose how to modify delivery rates to address revenue imbalances. ~~We will also require the~~ **Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (collectively, the Large Electric Utilities) are required** ~~Large Electric Utilities~~ to create new delivery balancing accounts (rather than use existing accounts) to record these imbalances to increase transparency. It is reasonable for each of the Large Electric Utilities to (a) ~~use existing balancing and memorandum accounts~~ **establish a new Income-Graduated Fixed Charge Balancing Account** to record over- or under-collections of revenues compared to projected revenues from income-graduated fixed charges, and (b) propose in each Annual True-Up Advice Letter how to modify delivery rates to account for over- or under-collections of revenues by the income-graduated fixed charges compared to projected revenues.”

2. Ordering Paragraph 3 of D.25-01-039 is edited to read:

Ordering Paragraph 6 of Decision 24-05-028 is modified to state “Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) **shall record over- or under-collections of revenues compared to projected revenues from income-graduated fixed charges in each utility’s**

respective Income-Graduated Fixed Charge Balancing Account.” (a) record over- or under- collections of revenues compared to projected revenues from income-graduated fixed charges in SCE’s Income-Graduated Fixed Charge Consultant Services Memorandum Account, SDG&E’s Demand Flexibility Memorandum Account, and PG&E’s new subaccount of its existing Dynamic and Real-Time Pricing Memorandum Account. PG&E, SCE, and SDG&E shall also propose, in each Annual True-Up Advice Letter, how to modify delivery rates to account for over- or under-collections of revenues by the income-graduated fixed charges compared to projected revenues.

(END OF ATTACHMENT A)