**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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| Application of Southern California Edison Company (U 338-E) to Establish Marginal Costs, Allocate Revenues, and Design Rates. | Application 24-03-019 (Filed March 29, 2024) |

# OPENING BRIEF OF THE UTILITY REFORM NETWORK

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# OPENING BRIEF OF THE UTILITY REFORM NETWORK

## I. INTRODUCTION AND SUMMAR OF RECOMMENDATIONS

Pursuant to Rule 13.12 of the Commission's Rules of Practice and Procedure and Administrative Law Judge's Email Ruling Setting Briefing Schedule and Granting Motion for Party Status, issued on October 3, 2025, The Utility Reform Network ("TURN") respectfully submits this opening brief. This opening brief only addresses the contested issue of baseline allowance.

Below is a summary of TURN's recommendations:

- The Commission should direct SCE to develop adjustment factors to account for behind-the-meter usage in its calculation of baseline allowances.

## II. BASELINE ALLOWANCE SHOULD BE ADJUSTED TO ACCOUNT FOR RESIDENTIAL NEM BEHIND-THE-METER USAGE

Energy affordability and universal accessibility to energy services is a primary goal of utility regulation. Since January 2020, however, SCE's typical residential bills have increased by roughly 70% for non-CARE customers and nearly 60% for low-income customers eligible for rate assistance under CARE and FERA.[1] The Commission has identified the impacts of Net Energy Metering ("NEM") subsidy, among other drivers, on the increasing residential rates and bills.[2] In addition to raising overall rates, NEM also artificially lowers baseline allowances across all SCE climate zones. Thus, non-NEM residential customers risk *both* paying overall higher rates and fewer allowed kWhs priced at the lowest tier, leading to higher bills. To add insult to injury, low- and middle-income customers for whom the baseline allowance is most likely to meet the majority of their electricity needs are those least likely to enjoy the self-

[1] Ex. TURN-01, p. 2.
[2] Ex. TURN-01, p. 3.

generation benefits of rooftop solar. Such an outcome is not consistent with the original intent of baseline legislation promulgated in Public Utilities Code Section 739. Certainly, it does not advance equity, affordability, or support California's policy goals to broadly incentivize and encourage electrification.

SCE appropriately proposes to maintain the baseline allocation for basic electric customers at the statutory maximum of 60%.[3] SCE also proposes to maintain the all-electric baseline allowance at 60% for the summer and 70% for the winter, which is also the statutory maximum.[4] Recognizing the importance of the baseline allowance to many customers, SCE itself states that keeping the baseline allocation "at the statutory maximum provides affordability by maximizing the amount of baseline usage applicable to the lowest tiered rate."[5]

However, SCE fails to account for behind-the-meter consumption by residential NEM customers when determining average residential usage, which artificially decreases baseline allowances for residential customers that should be receiving essential service usage at the lowest pricing tier.

### A. Cumulative NEM Self-Generation Significantly Distorts Measurements of Average Residential Usage.

SCE's rate increases in recent years have driven the adoption of solar rooftops by customers who have the financial resources to invest in rooftop solar and/or battery systems in order to defray some of their monthly utility bills or provide a measure of stability in their future energy budgets. As a result, SCE's annualized residential usage has declined by 20% or more in a number of climate zones.[6]

[3] Ex. SCE-04A, p. 59.
[4] Ex. SCE-04A, p. 59.
[5] Ex. SCE-04A, p. 59
[6] Ex. TURN-01, p. 5.

**Average Residential Usage 2020-2023**[7]

| Average Annual Customer Usage | | | | | | |
|---|---|---|---|---|---|---|
| **Climate Zone** | **Customer Counts (1)** | **2020** | **2021** | **2022** | **2023** | **Percent Decline 2020-2023** |
| Climate Zone 5 | 535 | 615 | 563 | 601 | 588 | -4% |
| Climate Zone 6 | 854420 | 455 | 424 | 428 | 406 | -11% |
| Climate Zone 8 | 1068307 | 489 | 449 | 458 | 420 | -14% |
| Climate Zone 9 | 925996 | 593 | 559 | 565 | 502 | -15% |
| Climate Zone 10 | 930631 | 650 | 597 | 608 | 514 | -21% |
| Climate Zone 13 | 168834 | 671 | 663 | 628 | 538 | -20% |
| Climate Zone 14 | 325799 | 641 | 651 | 606 | 512 | -20% |
| Climate Zone 15 | 134644 | 801 | 780 | 752 | 643 | -20% |
| Climate Zone 16 | 99221 | 511 | 548 | 507 | 478 | -6% |
| **Weighted Average Annualized Total** | **4,508,387** | **565** | **532** | **532** | **473** | -16% |

(1) Customer Counts based on 2022 data (Source: Fix Charge Design Model 04-13-2024, Customer Counts Tab)

Over this same period, the number of customers increased by less than 1%,[8] suggesting that either residential households are using less electricity consistently year-over-year (despite California's electrification policies and the increase in EV ownership), or the average residential usage metric is not accurately reflecting actual usage. Not surprisingly, the residential NEM penetration is increasing in SCE's service territory at the same time average usage is declining. In 2020, SCE had 42,695 NEM customers.[9] By 2023, that number has increased to 119,597,[10] an increase of 180% over three years.

Thus, the declining average residential usage is likely due to the proliferation of residential rooftop solar and a commensurate increase in behind-the-meter generation than to any true reduction in average household electricity usage over time. NEM behind-the-meter usage is not captured in SCE's average customer usage metric electricity usage; hence, an increasing percentage of residential usage is not counted and therefore reduces the average usage.

[7] Ex. TURN-01, p. 5, citing Cal Advocate DR_005, Q6a
[8] Ex. TURN-01, p. 5.
[9] Ex. TURN-02, p. 7.
[10] Ex. TURN-02, p. 7.

When the level of NEM self-generation is small, it has an insignificant impact on the calculations of average residential usage, but as NEM increases, the impact matters. As NEM penetration grows in the residential class, baseline allowances (if based on measured average usage) can be expected to diverge more and more from the essential service levels they are meant to approximate.

TURN estimates that the percentage of actual usage captured in SCE's average has declined from almost 100% in 2014 to about 86% in 2024.[11] This implies that overall SCE's residential customers are using about 16% more electricity than what SCE is measuring in its average usage metric, and that baseline allowances should be commensurately higher.[12] This is consistent with SCE's own analysis – SCE estimates that residential NEM production consumed onsite accounts for approximately 16.6%.[13]

The Commission should mitigate this outcome since it disproportionately harms low-and middle-income, non-NEM customers who are already bearing the rooftop solar customers' subsidy.

### B. The Commission Should Require that Average Usage Figures Be Adjusted for NEM Self-Generation to Ensure Appropriate Residential Baseline Allowances

TURN recommends that the Commission direct SCE to develop adjustment factors to account for behind-the-meter usage to determine baseline allowances that are more appropriately aligned with essential service needs.

Based on TURN's analysis, ratepayer savings could range from roughly $2 per month in more temperate climate zones to more than $12 per month for basic service in the hottest climate

[11] Ex. TURN-01, p. 8.
[12] Calculation: 1/0.86= 1.163%.
[13] Ex. TURN-02, p. 8, citing Ex. SCE-03 I.C.3.a - Generation Capacity Retail Net Load and Revenue Allocation.xlsx, tab "Dashboard."

zone. In climate zones 10 (Riverside County), 13 (Central Valley), 14 (San Bernardino and East LA county, and 15 (Desert communities), the savings are most significant.[14] Based on 2022 data, 35% of SCE's residential customer live in these areas.[15] These are the areas where usage and bills are highest, and also where climate considerations and the necessity of air condition make it most difficult to reduce usage.

**Illustrative Bill Impacts of Adjusting for NEM by Climate Zone.[16]**

| SCE Baseline Territory | Season | 2023 Average Usage (kWh/Mo.) (1) | 2023 Adjusted Usage (kWh/Mo.) (1) | Basic Baseline (kWh/Mo.) (2) | All Electric Baseline (kWh/Mo.) (3) | Annualized Monthly Savings Basic Electric (4) | Annualized Monthly Savings All-Electric (4) |
|---|---|---|---|---|---|---|---|
| 5 | Summer | 533 | 572 | 343 | 343 | $ 2.73 | $ 3.05 |
| 5 | Winter | 616 | 660 | 396 | 462 | | |
| 6 | Summer | 409 | 436 | 261 | 261 | $ 1.69 | $ 1.87 |
| 6 | Winter | 404 | 430 | 258 | 301 | | |
| 8 | Summer | 474 | 514 | 308 | 308 | $ 2.28 | $ 2.52 |
| 8 | Winter | 393 | 426 | 255 | 298 | | |
| 9 | Summer | 595 | 660 | 396 | 396 | $ 3.64 | $ 4.01 |
| 9 | Winter | 456 | 506 | 303 | 354 | | |
| 10 | Summer | 679 | 856 | 513 | 513 | $ 10.11 | $ 11.06 |
| 10 | Winter | 432 | 544 | 327 | 381 | | |
| 13 | Summer | 792 | 996 | 597 | 597 | $ 10.43 | $ 11.32 |
| 13 | Winter | 411 | 517 | 310 | 362 | | |
| 14 | Summer | 657 | 816 | 490 | 490 | $ 9.23 | $ 10.11 |
| 14 | Winter | 439 | 545 | 327 | 382 | | |
| 15 | Summer | 1008 | 1274 | 764 | 764 | $ 12.86 | $ 13.88 |
| 15 | Winter | 460 | 581 | 349 | 407 | | |
| 16 | Summer | 453 | 494 | 296 | 296 | $ 2.80 | $ 3.12 |
| 16 | Winter | 491 | 535 | 321 | 374 | | |

Notes:
(1) 2023 Average and Adjusted Usage values from Figure 6 above
(2) Basic Baseline based on 60% of Summer and Winter Average Usage.
(3) All Electric Baseline based on 60% of Summer and 70% of Winter Average Usage
(4) Annualized Savings assumes 4 months Summer + 8 months Winter based on (Adjusted Usage -Average Usage) x Baseline Allowance % x Tier2/Tier 1 differences of $0.10 per kWh

PUC Code 739 defines a "baseline quantity" for electricity (and gas) as what is "necessary to supply a significant portion of the reasonable energy needs of the average

[14] Ex. TURN-01, p.11.
[15] Ex. TURN-01, p. 11.
[16] Ex. TURN-01, p. 12.

residential customer."[17] Based on the plain language of the statute, it is clear that baseline was intended to account for a significant level of actual monthly household energy needs.

> "Baseline quantity" means a quantity of electricity or gas allocated by the commission for residential customers based on from 50 to 60 percent of average residential consumption of these commodities, except that, for residential gas customers and for all-electric residential customers, the baseline quantity shall be established at from 60 to 70 percent of average residential consumption during the winter heating season. In establishing the baseline quantities, the commission shall take into account climatic and seasonal variations in consumption and the availability of gas service. The commission shall review and revise baseline quantities as average consumption patterns change in order to maintain these ratios and may do so during the rate case or other ratesetting proceeding of a gas corporation or electrical corporation."[18]

The Commission can, and should, act to ensure baseline allowances actually reflect the *average residential electricity consumption*, as Section 739 intends. Although SCE's method attempts to calculate a typical, rather than an average or mean bill, nonetheless, if its inputs fail to capture 100% of residential usage, their output will be flawed to the detriment of non-NEM customers. Consequently, TURN recommends that in addition to setting baseline allowances at the maximum level allowed by statute, the Commission also act to correct usage calculations so that these allowances can make a more meaningful impact in moderating monthly residential electric bills.

In its rebuttal, SCE proposes to update the baseline allowances "to reflect current residential customer usage across SCE's service area based on the previous ten years (2015-2024) of usage,"[19] as compared to the current baseline allowance which is based on usage from 2010-2019. Thus, the usage of years 2010-2014 will be replaced by usage from years 2020-2024. What SCE does not disclose, however, is that due to the increasing number of NEM/NBT customers, baseline allowances for residential customers will *decrease* because SCE does not

[17] PUC Section 739(a)(1).
[18] PUC Section 739(a)(1)
[19] Ex. SCE-07, p. 17.

account for behind-the-meter usage by NEM/NBT customers. From 2010-2014, SCE had an average of 8,642 NEM customers. In contrast, from 2020-2024, SCE had an average of 92,935 NEM/NBT customers, or 10.8 times the number of customers from 2010-2014! Clearly, this will lead to an even greater distortion of the baseline allowance due to the unaccounted behind-the-meter usage by residential NEM customers, which provides further compelling evidence that adjustment for behind-the-meter usage is necessary.

## III. CONCLUSION

In conclusion, TURN strongly urges the Commission to direct SCE to develop adjustment factors to account for behind-the-meter usage in its calculation of baseline allowances.

Date: November 3, 2025

Respectfully submitted,

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