(**ATTACHMENT B**)

Public Tool and Consulting Services for Development and Assessment of Advanced Rate Design Proposal

The proposed scope of work and budget for a third party consultant would support the California Advanced Electric Rate Design proceeding. The two workstreams would support residential modeling and develop a new public toolkit for large non-residential rate design, which is expanded upon below.

	Residential	Large Non-Residential
1. Data Requests and Model Development	*Existing budget*	$200,000
2. Stakeholder Support for Using Model	*Existing budget*	$100,000
3. Stakeholder Feedback; Model Updates	$100,000	$100,000
4. Energy Division Support	$100,000	$100,000
Total	**$700,000**	

Background:

In April 2023, in Rulemaking 22-07-005 (Demand Flexibility proceeding), Decision (D.) 23-04-008 authorized funding for Energy and Environmental Economics (E3) to develop a spreadsheet tool that could be used to design and assess the impact of rate designs that feature an income-graduated fixed charge (currently referred to as Base Service Charge). The goal was to make this tool available to parties so as to aid in the development and evaluation of party proposals. This also obviated the need to submit multiple, lengthy data requests to the investor-owned utilities (utilities) over the course of the proceeding.

Throughout the Demand Flexibility proceeding, the tool was used by parties to propose income-graduated fixed charge levels and to understand the corresponding bill impacts of these rates. The tool was also leveraged by parties, Commission staff, and decisionmakers to compare key metrics and outcomes across party proposals and the Commission's proposed decision. The most recent version of the public tool was published on April 18, 2023, and includes the following capabilities:

1. Calculating an average fixed charge level based on utility-provided cost data and user-selected categories for recovery through the fixed charge.
2. Using utility revenue requirement data to calculate the volumetric rate impact associated with a given average fixed charge, assuming revenue neutral cost recovery.
3. Allowing the user to develop an income-based graduation of the average fixed charge.
4. Using the dataset from a study conducted by Next 10 and the Energy Institute at Haas School of Business to study the distributional bill impacts of an income-graduated fixed charge on households of different income levels, with additional detail by utility climate zone, California Alternate Rates for Energy (CARE) status, and net energy metering (NEM) status.

5. Assessing the impact of the proposed income-graduated fixed charge on the cost-effectiveness of vehicle and building electrification for various customer segments.

In January 2025, D.25-01-039 authorized additional funding to update the tool with new features to support the forthcoming phase of rate design analysis. Supported by this funding, E3 began the process of updating the public modeling tool. The updated model will be introduced with a public workshop following the launch of the new proceeding. Model updates include:

1. Updated utility data to reflect most recently available customer and revenue requirement data.
2. Updated methodologies to be able to model customers on the Net Billing Tariff.
3. New features to allow a user to model new time-of-use rate designs, including up to 12 time-of-use periods per utility (e.g., "Summer Peak") with custom period definitions.
4. New features to allow users to model demand charges of different types.
5. A new, standalone model that explores how customers may respond to time-of-use price signals through load flexibility. This includes measures for heat pump water heating flexibility, managed electric vehicle charging, battery dispatch under Net Billing Tariff, and general demand elasticity. This model aligns input assumptions with the Electrification Dashboard in the existing public model to allow users to import results from one model to another.

Some budget remains from the funding authorized under D.25-01-039. Following the launch of the new proceeding, Commission staff plans to host a stakeholder workshop to introduce parties to the updated tool and new load flexibility model. In addition to the public workshop, E3 will use remaining funding to support stakeholders in using these modeling tools through written materials and one-on-one support as needed.

Proposed Scope and Budget:

For the scope of the new California Advanced Electric Rate Design proceeding, the proposed budget and scope would support two workstreams: one focused on continued support of residential modeling and one to develop a new public toolkit for large non-residential rate design. The majority of this work will support the large non-residential workstream, which was not considered in previous budget authorizations. This budget will also support development and analysis of improved marginal cost assessment methodologies for rate design for all customer classes.

For the residential rate design toolkit, additional budget will support E3 responding to stakeholder feedback on the tools and making model updates as needed based on party feedback, as well as supporting Energy Division staff with residential rate modeling.

For the large non-residential rate design toolkit, E3 will create a new public tool to support large non-residential rate design. This tool will focus on modeling rate and bill impacts for non-residential customers, especially large users, under different rate design changes. This may include rate design changes related to line item charges, wildfire costs, demand charges, transmission rates, new time-of-use periods, and other changes to large user rates. E3 will gather data through utility data requests and other data sources to provide a consistent dataset for parties to use in the proceeding. E3 will

also offer support for stakeholders in using these modeling tools, including written materials, a public workshop, and one-on-one support. E3 will respond to stakeholder feedback on the tool and make model updates based on proposed features or concerns from parties. E3 will also support Energy Division staff on non-residential rate design in the proceeding.

To support efficient performance for this scope of work, it makes sense to retain the third-party consultant that developed the tools for the design and evaluation of income-graduated fixed charges and is currently developing tools for additional rate design modeling. The existing contract between SCE and E3 can be revised as an extension of the existing contract to accommodate the additional scope and budget.

(**END ATTACHMENT B**)