

(ATTACHMENT A)



Income Verification Process Working Group

Final Report

Prepared by Resource Innovations in partnership
with Common Spark Consulting

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0. Executive Summary	1
0.1 Near-Term Proposal	2
0.2 Long-Term Proposal	8
0.3 Next Steps	8
0.4 Advocate Statements	8
1. Introduction	10
1.1 Intent of the Base Services Charge	11
1.2 Purpose & Objectives of the Income Verification Process Working Group	12
2. Regulatory Background	14
2.1 Assembly Bill 205 (2022)	14
2.2 Demand Flexibility Rulemaking (R.22-07-005)	14
2.3 Decision 24-05-028	15
3. Research on Existing Income Verification Processes	16
4. Working Group Summary	18
4.1 Working Group Participants	18
4.2 Working Group Meetings Overview	20
5. Criteria for Data Sources and Proposals	23
6. Income Data Sources	25
6.1 Self-Attestation	25
6.2 Modeled Income	26
6.3 Proxy Data	29
6.4 Geographic Data	29
6.5 Categorical Eligibility	33
6.6 Tax Data	35
6.7 Payroll Data	39
6.8 Multiple Data Sources	40

6.9 No Initial Data Source: Defaulting All Customers to the Highest Tier	40
6.10 Cost Assessment of Data Sources	41
7. Framework for the Income Verification Proposal	44
7.1 Structural Components	44
8. Recommendations for a Near-Term Proposal	47
8.1 Overview	49
8.2 Initial Classification by Geographic Proxy Data	51
8.3 Income-Based Appeals	60
8.4 Frequency of Updates	64
8.5 Moderate Income Definition	65
8.6 Costs	69
8.7 Marketing, Education, and Outreach (ME&O)	74
8.8 Empirical Approach and Improvements	75
9. Outstanding Questions and Considerations	76
9.1 Automated Decision Making	76
9.2 Corrective Billing	76
9.3 Low-Income Tier Classification	77
9.4 Cost-Effectiveness and Accuracy of Proposals	78
9.5 Clearly Defining Program Rules for Appeal Process	78
9.6 Administrative Structure and Scope of Work for Near-Term Proposal	79
9.7 Tier Definitions	80
10. Long-Term Proposal	80
11. Next Steps	82
12. Advocate Statements	83
350 Bay Area	83
Alexis K. Wodtke	85
Bear Valley Electric Service, Inc., Liberty Utilities (CalPeco Electric), and PacifiCorp	91
Center for Accessible Technology	100

Public Advocates Office at the California Public Utilities Commission (Cal Advocates)	105
Joint IOUs	111
Sierra Club	122
TURN	125
Utility Consumers' Action Network (UCAN)	128
Western Manufactured Housing Communities Association (WMA)	131
13. Appendices	132
Appendix A. Working Group Meeting Summaries	132
Appendix B. Research on Existing Income Verification Processes	134
Appendix C. Consultant Team Straw Proposal	148
Appendix D. Working Group Participants' Proposals	150
Appendix E. Background on Moderate Income	152
Appendix F. Consultant Team Analyses	160
Appendix G. Eli Technologies Cost References	162

0. Executive Summary

The California Public Utilities Commission ordered the establishment of the Income Verification Process Working Group to develop a proposal to improve processes for the income-graduated fixed charge (now known as the Base Services Charge), as adopted in the decision authorizing IOUs to restructure residential customer bills by shifting the recovery of some fixed costs from volumetric rates into a standardized Base Services Charge (D.24-05-028) to improve customer affordability for those implementing electrification technologies. The first iteration of the Base Services Charge for the large electric investor-owned utilities (IOUs) established three tiers of charges based on income: Tier 1 for customers enrolled in the California Alternate Rates for Energy (CARE) program, Tier 2 for customers enrolled in the Family Electric Rate Assistance (FERA) program or who live in deed-restricted affordable housing, and Tier 3 for all other customers. To help improve the billing structure in the next phase of the proceeding, the Process Working Group was tasked with developing a proposal with the following components:

- An overview of existing income verification processes and alternatives to income verification for moderate- and higher-income customers;
- An assessment of existing and potential income data sources;
- Proposed income verification processes and alternatives;
- A definition of moderate-income customer;
- Administration structure for an income verification process; and
- Estimated costs and an analysis of costs compared to the benefits of each of the proposed income verification processes.

In 2025, the Income Verification Process Working Group convened for 10 monthly meetings to discuss and work towards consensus on the proposal components. Discussions prioritized the development of a near-term, actionable proposal to verify income and support the potential subdivision of the initial Tier 3 group of residential customers into additional moderate- and high-income tiers. However, defining specific income bands for potential base services charge tiers was out of scope for the working group, so discussions relied on illustrative examples to assess potential approaches against key criteria.

As noted below, stakeholders participating in the working group reached general agreement on key criteria for evaluating income verification approaches, income verification approaches that are not suitable for this application, and recognition that the approaches available for a near-term proposal are sometimes accompanied by several significant challenges and drawbacks.

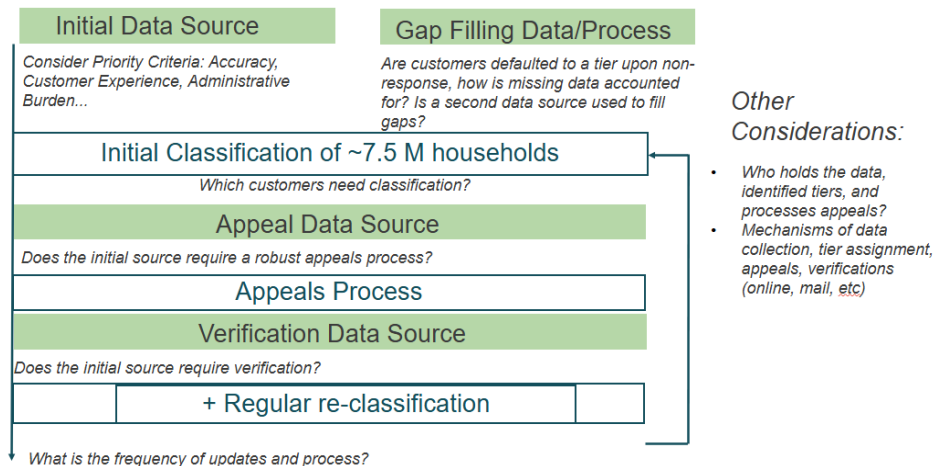
The near-term income verification process proposal is a product of Working Group participants' input and suggestions but does not represent a consensus recommendation. The recommendations represent the Consultant Team's best effort to consolidate ideas, input, priorities, needs, and concerns from Working Group participants into a near-term and actionable proposal with support from multiple parties. Insights and expertise provided by individuals and parties throughout the Working Group process were critical to moving the policy conversation forward and developing the near-term proposal, which are further documented in the Near-Term Proposal recommendations (Section 8) and Advocate Statements (Section 12).

0.1 Near-Term Proposal

The near-term income verification process proposal is comprised of three main steps:

1. Initial Classification: Use an initial data source to classify customers into different base services charge tiers based on income, addressing gaps in the initial data source, as needed;
2. Verification & Income-based Updates/Appeals: Leverage a different income data source for updates/appeals to initial classification; and
3. Reclassification/Update: Regular reclassification using updated data (Figure ES-1).

Figure ES-1: Framework for an Income Verification Process



Detailed recommendations and alternatives for each step in the near-term proposal include:

1. Initial Classification:

- a. Use a "Basic Geographic" approach for Initial Classification: Use American Community Survey (ACS) household median income data to initially classify customers (who are not enrolled in CARE or FERA) into high- and moderate-income tiers based on census tract median income (*the proposed threshold for income tiers is discussed further below*).
- b. If census tracts are missing median income data, use the Consumer Price Index to inflate the most recently available estimate.
- c. Initial classification should be conducted by the large IOUs or a third-party administrator.
- d. Master-meter customers with submetering are classified in the moderate-income tier; master-meter customers without submetering continue to be exempt from the base services charge.
- e. Alternatives:
 - i. Use census block group instead of census tract data.
 - ii. Use an "Adjusted Geographic" approach, which modifies the outcomes of the "Basic Geographic" approach by intentionally reclassifying a proportion of moderate-income census tracts as high-income census tracts.
 - iii. Use a "Default All" approach, which classifies all non-low-income customers to the highest base services charge tier and updates classifications via customer-initiated updates/appeals.
 - iv. To address gaps in ACS data, manually calculate median income for census tracts with missing data based on historical income distribution data for that census tract.

2. Verification & Income-based Updates/Appeals:

- a. Customers can update their initial tier classification if their household income varies from census tract data or because of a change in income or household size.
- b. The Verification & Income-based Updates/Appeals process should be implemented by a third party engaged through a competitive RFP process.
- c. The third-party administrator should be tasked with developing and launching a customer-intuitive, comprehensive platform to update income data.
- d. Data sources should include: tax transcripts (with customer consent) and other documents (e.g., W-2, 1099, social security income, or unemployment documentation).
- e. Alternatives:

- i. Require all customers appealing their tier classification to consent to income verification and provide information to the third-party administrator, but only run a percentage of those updates through the verification service.
 - ii. Allow categorical eligibility for other income-qualified programs, self-attested data, and/or payroll data as income data sources.
3. Reclassification/Update:
 - a. Initial classification by geographic proxy (i.e., using ACS data) should be refreshed every five years.
 - b. Customers who provide verified income data to change their initial tier classification should be required to update their income-based appeal every five years.
 - c. New customers moving into an IOU territory should be notified of their geographic assignment and the option to provide income data on the appeals platform to update the classification.

0.1.1 Moderate Income Definition

To distinguish between moderate- and high-income households, the near-term proposal defines “moderate income” as non-CARE and non-FERA customers earning below 600% of the Federal Poverty Line (FPL) for a household of three. The recommended moderate-income ceiling is \$159,900 in 2025. An alternative to using FPL is defining moderate-income based on area median income (AMI) at the county level to better capture variation in income levels across the state.

0.1.2 Costs

The cost of an income verification process will depend on the complexity of the process. Increases in accuracy often correlate with increased complexity and cost to all ratepayers, as well as effort required by some or all customers to obtain or correct their tier assignments. Costs are highly sensitive to:

1. The sophistication and complexity of the initial classification.
2. The specific options offered to customers to seek reclassification.
3. The number of customers that need to be classified, and the number that are likely to seek reclassification.
4. Frequency of reclassification and updated income-based appeals.

Table ES-1 describes expected costs and estimates (where available), and Table ES-2 compares the estimated costs of the Basic Geographic, Adjusted Geographic, and Defaulting All approaches. Exact costs are challenging to estimate at this time. There is a wide range of possible costs depending on the final requirements of the income

verification process and new income graduation approach to the Base Services Charge, and IOUs note that more refined cost estimates can be presented before the CPUC finalizes a new income graduated approach.

Table ES-1 Near-Term Income Verification Proposal Illustrative Cost Estimate

Cost	Description	Cost Estimate	Source of Cost Estimate
Initial classification (GIS mapping labor)	Labor to map premises to initial geographic classifications and update when account holders move/open.	The IOUs did not have final requirements, and in some cases resources to provide accurate cost estimates	IOUs
Appeals Data & Process	Allow customers to appeal using third party based on household size and income level. Allow for supporting document upload and tax transcript service.	Using a third-party verification service: \$8/verification for supporting documentation or categorical eligibility, \$14/verification for tax data.	Conversation with Eli Rep, estimates, provided with permission
Processing Appeals (labor)	TP processes appeals (cost above), communicates with customers, and returns tier classification to IOUs. Includes extensive case management, robust call center capacity, multilingual support, and troubleshooting.	Using a third-party verification service where verification is included in the data cost: \$620,000/year* Depends on the level of support required from TPA (this reflects a high level of support)	Conversation with Eli Rep, estimates, provided with permission. See Appendix G.

Cost	Description	Cost Estimate	Source of Cost Estimate
Initial Platform Setup	Customize TP system to CPUC specifications with one platform integrated for each IOU, with additional costs for IOU-side integration.	\$100,000/IOU one-time	Conversation with Eli Rep, estimates, provided with permission. See Appendix G.
Marketing Costs (ME&O)	General and targeted customer targeting	The IOUs did not have final requirements and in some cases funding, to provide accurate cost estimates.	IOUs
Program/Product Management Billing System	IOUs to integrate income assignment information into IOU billing system and ongoing programming/maintenance costs.	The IOUs did not have final requirements, and in some cases funding to provide accurate cost estimates.	IOUs
Customer Relationship Management and Support Costs	Customer relationship management software, online web tools, and admin/operational customer support costs.	The IOUs did not have final requirements, and in some cases funding to provide accurate cost estimates.	IOUs

0.1.3 Marketing Education & Outreach

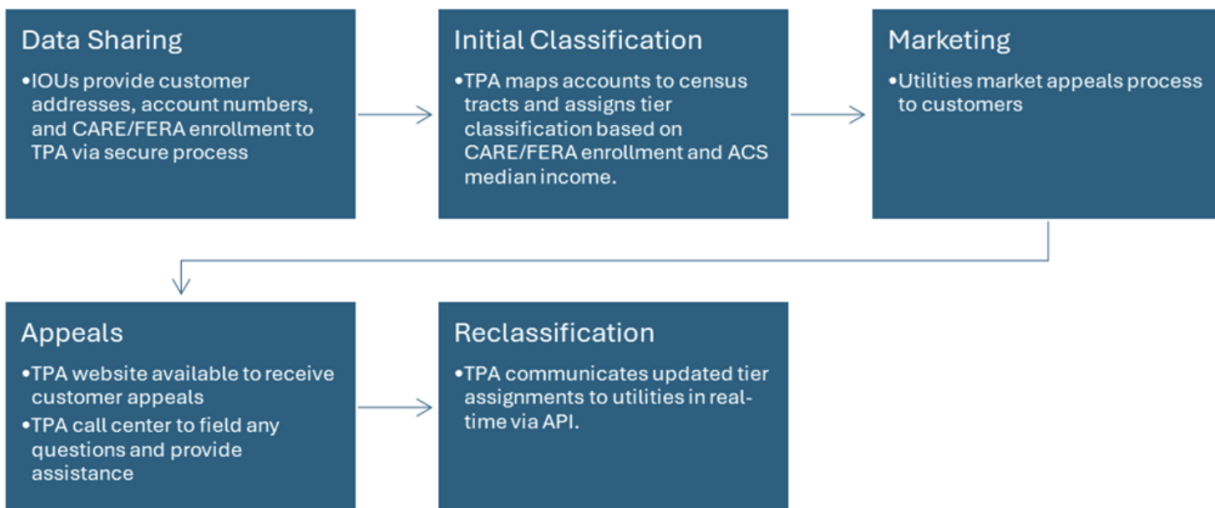
While marketing, education, and outreach are not in scope for this Working Group, participants recognized that it will be a key component in the success of the base services charge, particularly for the new income verification process. Careful consideration should be given to the methods, language, frequency, and volume of communications, as well as how the base services charge tiers are presented.

Multiple Working Group participants support additional targeted outreach for customers living in census tracts that exhibit greater variation in income and increased likelihood for misclassification to encourage customers in those tracts to be aware of their classification and how and why it could be updated.

0.1.4 Administrative Structure

The following administrative structure could be applied to the near-term proposal, as well as several income verification methods (Figure ES-2). Prior to defining a scope of work for a third-party administrator to manage the base services charge income verification process, additional parameters of the rate design must be defined.

Figure ES-2: Envisioned Administrative Structure for Income Verification Process¹



¹ TPA stands for Third-Party Administrator.

0.2 Long-Term Proposal

Multiple Working Group participants agreed that the most accurate information on household income would be tax data provided by the Franchise Tax Board (FTB). The use of FTB data requires additional legislation because the FTB cannot share tax information with another entity without written, time-limited customer consent. While FTB data has the potential to be a more accurate data source, it is unclear how long it would take to realize not only a legislative change authorizing the FTB to provide data for this use, but also subsequent data-sharing agreements and implementation details; thus, the Working Group also developed this long-term recommendation.

Future legislation could allow the FTB to share tax information with the CPUC or a third-party administrator for purposes of the base services charge, provided customer privacy requirements and protections are addressed. Potential process options include:

- The FTB provides tax data to a CPUC-designated third-party administrator, which then matches tax filers to utility service addresses, aggregates household income, and designates an income tier for each household address. The third party then shares categorical tier classifications by service address with the IOUs and no other personally identifying information.
- The FTB and CPUC construct a database that matches tax filers to utility service addresses, aggregates household income, and designates an income tier for each household address. Designated users, such as the IOUs or third-party administrators, can access the database to see tier assignments by service address, and no other personally identifying information.

0.3 Next Steps

This report will be served on the Demand Flexibility service list (Rulemaking 22-07-005). The Commission will determine the next steps for developing a record on modifications to income verification processes in a future successor proceeding.²

0.4 Advocate Statements

Working Group participants were invited to independently develop Advocate Statements to include in this report. The Project Team received statements from 350

² The Demand Flexibility Order Instituting Rulemaking (R.22-07-005) was closed by D.24-05-028 on May 4, 2025, stating "The Commission will continue to consider any changes to income-graduated fixed charges in Phase 2 of this proceeding or a successor demand flexibility rulemaking."

Bay Area; Alexis Wodtke; Bear Valley Electric Service, Liberty Utilities (CalPeco Electric) and PacifiCorp; Center for Accessible Technology (CforAT); Public Advocates Office at the CPUC (Cal Advocates); Joint IOUs; Sierra Club; The Utility Reform Network (TURN); Utility Consumers' Action Network (UCAN); and Western Manufactured Housing Communities Association (WMA). All Advocate Statements are included in Section 12 of this report.

1. Introduction

This report presents a near-term proposal for an income verification process that may be applied to California's Base Services Charge. The Consultant Team, composed of Resource Innovations and Common Spark Consulting, authored this report, leveraging research conducted and discussions held in the Income Verification Process Working Group. The working group was ordered in a California Public Utilities Commission (CPUC) decision to address AB 205 implementation of an income-graduate fixed charge (IGFC),³ now known as the "Base Services Charge").⁴

The near-term income verification proposal is a product of Working Group participants' input and suggestions, but does not represent a consensus recommendation. Working Group participants reached *general* agreement on key criteria for evaluating income verification approaches, income verification approaches that are not suitable for this application, and recognition that the approaches available for a near-term proposal are sometimes accompanied by several significant challenges and drawbacks. While the near-term proposal is not presented as a consensus proposal, it represents the Consultant Team's best effort to consolidate Working Group ideas, input, priorities, needs, and concerns into a near-term income verification proposal. For this reason, this report also includes proposed alternative approaches (from the Consultant Team and stakeholders) and provides statements from individual stakeholders detailing their positions on the near-term proposal. The Working Group's effort resulted in the following near-term proposal to support the CPUC's continued discussion and refinement of the Base Services Charge for California.

The Consultant Team is deeply grateful for the commitment and investment of time and resources by individuals and parties that participated in the Income Verification Process Working Group. Without their timely review of materials, engaged discussion, research and analysis, preparation of proposals, and input and feedback

³ CPUC D.24-05-028, Ordering Paragraph 17. [531686019.PDF](#)

⁴ This report will primarily use the term Base Services Charge rather than income-graduated fixed charge. The Commission used the term "income-graduated fixed charge" in D.24-05-028 but directed the IOUs to develop consistent terminology and messaging. The Commission adopted the term Base Services Charge with the approval of utilities' Base Services Charge implementation plans via PG&E Resolution E-5354, SCE Resolution E-5356, and SDG&E Resolution E-5355.

on Consultant Team and participant proposals, this report would not be possible. Additional information on all Working Group meetings is included in Appendix A.

1.1 Intent of the Base Services Charge

In electric utility service, there are two main categories of costs - “fixed” costs, which are costs incurred to serve any number of customers that do not directly vary based on the electricity usage of the customer (e.g., costs of transmission and distribution lines), and “variable” costs, which are costs that typically increase with the number of customers served and energy consumed (e.g., costs of service drop lines to buildings, customer billing costs). Historically, California investor-owned utilities (IOUs) recover nearly all costs of providing residential electricity service through the amount of electricity used by each residential customer (referred to as volumetric rates). As a result of legislation (AB205, 2022)⁵, the CPUC authorized IOUs to restructure residential customer bills by shifting the recovery of some fixed costs by moving some of them from volumetric rates into a standardized “flat rate” line item referred to as a Base Services Charge, established on an income-graduated basis. With the introduction of the Base Services Charge, the per-unit volumetric rate for energy is reduced. Lower volumetric rates make it more affordable to pursue electrification, furthering the state’s clean energy goals.

The first iteration of the Base Services Charge for the large electric IOUs (PG&E, SCE, and SDG&E) was adopted in May 2024 and established three tiers of charges:

- Tier 1: Customers enrolled in the California Alternate Rates for Energy (CARE) program automatically pay the lowest charge (~\$6 per month);
- Tier 2: Customers enrolled in the Family Electric Rate Assistance (FERA) program or who live in affordable housing restricted to residents with incomes at or below 80 percent of Area Median Income automatically pay a discounted charge (~\$12 per month); and
- Tier 3: All other customers pay a fixed amount of \$24.15 per month.⁶

⁵ *Bill Text - AB-205 Energy*. (2022).

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB205

⁶ CPUC D.24-05-028 at page 46.

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M531/K686/531686019.PDF>

The creation of a Base Services Charge lowers the per-unit price of electricity for all customers, helping make increased electrical consumption from home and vehicle electrification more affordable, regardless of income level or geographic location. The new billing structure does not change the total cost that utilities may recover from customers and does not introduce any new costs to customers. Lower volumetric rates may lead to lower overall bills for some customers, while a higher base services charge may increase bills for others. From a utility standpoint, the new billing structure redistributes existing costs and is revenue-neutral. The new structure began to take effect in late 2025 and early 2026.⁷

1.2 Purpose & Objectives of the Income Verification Process Working Group

In the Commission decision authorizing implementation of the Base Services Charge, the Commission recognized the need for improvements to the new billing structure in the next phase of the proceeding. To support this effort, D.24-05-028 established a Process Working Group to develop a proposal to improve processes for the base services charge with the following components:

- A. An overview of existing income verification processes and alternatives to income verification used for moderate- and higher-income customers in California and other states;
- B. An assessment of existing and potential data sources for how customers could be assigned to income tiers;
- C. Proposed income verification processes and alternatives;
- D. A definition of moderate-income customer;
- E. Administration structure, including a scope of work for the proposed administrator(s); and
- F. Estimated costs and an analysis of the costs compared to the benefits of each of the proposed income verification processes.⁶

⁷ California Public Utilities Commission. (2024, May 9). *AB 205 fact sheet: CPUC decision cuts price of electricity under new billing structure and accelerates California's clean energy transition*. California Public Utilities Commission. https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-flexibility-oir/ab205_factsheet_050824.pdf

This report addresses these components based on insights developed through comprehensive research and facilitation processes.

The key objective of this report is to evaluate and report on the potential for a feasible, cost-effective, and accurate means for subdividing the initial Tier 3 group of residential customers, so as to separate out moderate-income customers from higher-income customers. Doing so could allow a higher base services charge to be adopted for higher-income customers without overburdening moderate-income customers. Policy objectives of allowing a higher, more equitable base services charge to be adopted for higher-income customers include: (1) achieving further reductions in all residential customers' volumetric (per kWh) rate, better incentivizing decarbonization and climate action through beneficial electrification, (2) supporting transparency and cost-based rates, and (3) continuing to support equity and affordability goals.

Although the Process Working Group's scope was defined in D.24-05-028, the report highlights specific topics that are not included in the Working Group scope but are unavoidable in thoughtful consideration of income verification processes. These aspects are noted as "not in scope" in Section 9 of this report but delineated to the extent the Working Group found it necessary to explain either for context, downstream impacts, or for future consideration.

1.2.1 Note about the Implementation Working Group

A separate Implementation Working Group was also established by the Commission (D.24-05-028, page 98) to evaluate implementation efforts and provide feedback regarding stakeholder concerns and recommended solutions. The Implementation Working Group's findings are largely independent of the Income Verification Process Working Group's discussions or recommendations because of differences in timing and in their respective scopes of work. More specifically, the Income Verification Process Working Group met throughout 2025 and had a deadline to file a report with the Commission by January 15, 2026. IOU implementation of the base services charge is staggered, with the first utility to launch in Fall 2025 and others launching in 2026, and substantive feedback on implementation is expected throughout 2026. Despite these timing differences, the Income Verification Process Working Group had the opportunity to hear from the Implementation Working Group towards the end of its process. This was intended to deepen stakeholder understanding and context of

this report’s recommendations and what may be required to consider and solve for in future proceeding deliberations.

2. Regulatory Background

The Income Verification Process Working Group and the resulting report were carried out to fulfill regulatory requirements. The following regulatory background offers context relevant to this report.

2.1 Assembly Bill 205 (2022)

California’s residential electricity rates, already above the national average,⁸ are projected to keep rising, threatening electrification and affordability goals. In response, on June 30, 2022, Assembly Bill (AB) 205, Stats. 2022, ch. 61 (AB 205) was signed into law. AB 205 requires the CPUC to authorize fixed charges in default residential electric rates, with no fewer than three income thresholds, so that the average low-income ratepayer in each service territory would realize a lower average monthly bill without making any changes in electricity usage.⁹

2.2 Demand Flexibility Rulemaking (R.22-07-005)

On July 14, 2022, the CPUC issued an Order Instituting Rulemaking (OIR) 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

⁸ Sieren-Smith, B., et. al. (n.d.). *2024 SENATE BILL 695 REPORT*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf#page=56> p. 32 displays that PG&E, SDG&E, and SCE rank 9th, 5th, and 17th, respectively out of 200 ranked in the U.S. in bundled residential average rates in 2022.

⁹ The Commission interpreted this to mean the “average low-income customer” would see a lower monthly bill without making any changes in electricity usage.

bundled and unbundled customers. These efforts are hosted in the Demand Flexibility Rulemaking (R.22-07-005).¹⁰

R.22-07-005 was composed of two concurrent regulatory tracks to implement distinct but complementary aspects of electric rate reform. Track A focused on the implementation of base services charges as mandated by AB 205, while Track B was dedicated to the development and expedited adoption of demand flexibility tariffs and dynamic pricing for large IOUs. This report is relevant only to Track A of R.22-07-005. A successor proceeding is planned, but an OIR has not yet been issued.

This report recognizes that the Working Group process (planned through November 2025) has outlived the originating proceeding R.22-07-005, and recognizes the intervenor parties that have contributed valuable contributions to the Working Group and this report and proposal. Several intervenor parties have continued participation in the Working Group beyond R.22-07-005, and require clarification on intervenor compensation for work between the original proceeding and any successor proceeding.

2.3 Decision 24-05-028

On May 15, 2024, in R.22-07-005 Track A, the CPUC issued Decision (D.) 24-05-028, “Decision Addressing Assembly Bill 205 Requirements for Electric Utilities”, authorizing California electric utility companies to initially implement income-graduated fixed charges in three tiers. In establishing the initial charges, the Commission found that it was reasonable for the large IOUs’ income verification process to rely on existing processes used for the CARE and FERA programs.¹¹

D. 24-05-028 also established the need to convene a Process Working Group to explore improving upon the initial processes for income-graduated fixed charges. The Commission directed PG&E to issue a request for proposals and contract with a third-party contractor with expertise in implementing voluntary income verification processes. The CPUC’s Energy Division provided guidance to PG&E on the

¹⁰ See: *Demand flexibility rulemaking*. <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/demand-response-dr/demand-flexibility-rulemaking>

¹¹ D.24-05-028 at page 44.

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M531/K686/531686019.PDF>

responsibilities of and key deliverables to be developed by the Facilitation Contractor.

A consultant team composed of Resource Innovations and Common Spark Consulting was awarded the contract in Fall 2024. Throughout the remainder of this report, both organizations are collectively referred to as “the Consultant Team.”

3. Research on Existing Income Verification Processes

The following section summarizes the preliminary research conducted to support the Working Group's knowledge, discussion, and decision-making. Details are documented in Appendix B.

In addressing Working Group objectives, the Consultant Team first began with an in-depth review of Track A of the Demand Flexibility Rulemaking (R.22-07-005) testimony and the documented income verification proposals for the base services charge. Additionally, the team assessed existing income verification processes within and outside of California. This section provides an overview of existing income verification processes and alternative approaches for moderate- and higher-income customers in California and other states.

Income-eligible programs identified within and outside of California use the following processes:

- Simple processes incorporating self-attestation and categorical eligibility with or without the requirement of supporting documentation for verifying self-attested income.
- Several jurisdictions utilize inter-agency data sharing and third-party data to verify self-attested income or categorical eligibility. Examples include cross-agency databases and the use of third-party data brokers like Equifax to verify income.
- State and federal programs often relating to affordable housing (non-exhaustively Homeowners Assistance Funds, Disadvantaged Community - Single-family Affordable Solar Homes (DAC-SASH), California's Hardest Hit Fund, Homeowners Assistance Fund, and the Emergency Rental Assistance Program) utilize geographic income data as a fact-specific income proxy, often at the zip-code or census tract level.

- Alternative processes which integrate with applications like TurboTax or SteadyIQ to pull tax and payroll data from other applications like Paylocity.
- Some programs reach out to employers directly to verify income, as seen in the Mortgage Industry.

Additional details in Appendix B.

While the research aimed to identify existing and alternative processes for verifying moderate- to high-earning customers' income, a majority of the programs identified serve low- to moderate-income households. Of the over twenty-five programs reviewed within and outside of California, a majority are opt-in, requiring customers to provide some income data source upon enrollment. The base services charge differs from the majority of programs reviewed as it is not opt-in and applies to all customers. Further, the Consultant Team did not identify any other utility-run program where prices vary based on customer income level outside of means-tested low-income programs and arrearage arrangements, highlighting the novel nature of the Base Services Charge.

Many verification processes are complex, utilizing several data sources at various steps in the process. Identified processes ranged from highly manual, with workers processing paper or in-person attestations of income, to highly automated platforms that pull verified income data and report eligibility determinations back to the program administrator. Programs that provide a government benefit, such as CalFresh, often employ many workers who work with applicants to solicit data, match data with external sources, make eligibility determinations, and handle appeals.¹² Income data is most often obtained through customer-provided sources, through third-party verification sources with customer consent, or through interagency data-sharing agreements.

¹² *Verification requirements*. (n.d.).

https://stgenssa.sccgov.org/debs/program_handbooks/calfresh/assets/CalFresh/Verification/VrfctnReqsRcrt.htm

4. Working Group Summary

The Working Group meetings served as a foundational tool aimed at soliciting ideas, building understanding, and, when and where possible, building consensus around highly technical and often controversial topics. Through these meetings – along with associated pre- and post-meeting work – Working Group participants developed near-term income verification process proposals, which were key building blocks in developing the near-term income verification process proposal presented in this report. This section provides an overview of the Working Group participants, the agenda arc, and the objectives that guided the process.

4.1 Working Group Participants

The Consultant Team conducted direct outreach to intervening parties who were active in the Track A Demand Flexibility proceeding, with a focus on those representing hard-to-reach or historically underserved communities. Attendance at the Working Group meetings ranged from 30 to 70 participants, with an average of approximately 40 attendees per session. See Appendix A Meeting Summaries for lists of meeting participants and their affiliations.

In addition to direct outreach, stakeholders across multiple proceedings were invited to participate in the Process Working Group. Experience engaging in Track A of the Demand Flexibility proceeding was highly recommended. The Working Group invitation was sent to service lists of R.24-07-005 (Demand Flexibility OIR), A.19-11-003 et al. (ESA/CARE/FERA), R.18-07-006 (Affordability), R.19-01-011 (Building Decarbonization), R.20-11-003 (Reliable Electric Service), R.21-06-017 (High Distributed Energy Resources Future), A.21-12-006 et al. (SDG&E Real Time Pricing Pilot Rate), A.20-10-011 (PG&E's Commercial Electric Vehicle Dynamic Rate), A.19-11-019 (PG&E's GRC Phase II), A.17-01-012 et al. (2018-2022 Demand Response), R.21-10-002 (Resource Adequacy), A.20-10-012 (SCE's GRC Phase II), and A.22-05-002 et al. (2023-2027 Demand Response), as well as to the Low Income Oversight Board (LIOB) and the Disadvantaged Communities Advisory Group (DACAG).

Stakeholders interested in participating in the Working Group were directed to an "Income Graduated Fixed Charge Process Working Group Sign-up Questionnaire." The questionnaire collected information on desired working group outcomes, topical expertise, subject matter interests, and preferred modes of communication.

Additionally, questionnaire responses informed agenda design. The Consultant Team received 44 responses to the questionnaire, with 70% of respondents already a party to the proceeding R.22-07-005. Table 4-1 shows the questionnaire results.

Table 4-1: Process Working Group Sign-up Questionnaire Results

In which areas do you have topical expertise?	
Equity considerations for low-income customers and/or disadvantaged communities	63%
Fairness considerations for all ratepayers	54%
Policy outcomes the base services charges are intended to produce	51%
Background/research into existing income verification methods	40%
Assessing costs of income verification processes	23%
Other: Legality/Regulatory	5%
Which specific working group outcomes are you most interested in discussing?	
Assessment of existing and potential data sources used for income verification	79%
Selection/recommendation of income verification methods	79%
Definitions for moderate and high income	70%
Administration structure for an income verification process	67%
Processes for updates, corrections, and customer appeals to tier placement	56%

Estimating costs of income verification processes	49%
Which subject areas do you find most interesting?	
Fairness/feasibility for ratepayers at large	81%
Energy affordability	81%
Equity for low-income customers / disadvantaged communities	72%
Supporting electrification	47%
Supporting distributed generation	40%
Supporting incentives for climate-protective consumer choices	40%
Other: Legality	2%

4.2 Working Group Meetings Overview

The Working Group convened for 10 meetings, each scheduled for three hours. Meetings #1-6 progressed from establishing scope and evaluation criteria to considering concrete tradeoffs between accuracy, cost, legal feasibility, and customer experience. Following this foundational work, Meetings #7-10 centered on presenting, reviewing, and refining a consolidated income verification process proposal, building on the principles and priorities identified in the earlier discussions. Table 4-2 outlines the arc of the Working Group’s meetings and outcomes. Full meeting summaries are provided in Appendix A.

Table 4-2: Working Group Meeting Summary

Mtg #	Date	Meeting Topics	Meeting Outcomes
1	February 19, 11am - 1pm PT	Kickoff	<ul style="list-style-type: none"> • Outlined the research approach, set up communication channels, and invited participant contributions.
2	March 26, 9am - 12pm PT	Ideation and Brainstorming	<ul style="list-style-type: none"> • Identified accuracy, data security, and customer experience as priority evaluation criteria for data sources and the income verification process. • Discussed the need to clarify income definitions.
3	April 30, 9am - 12pm PT	Guiding Principles, Definitions (Part 1)	<ul style="list-style-type: none"> • Reaffirmed accuracy and customer experience as priority criteria and added cost considerations and legal feasibility. Identified the Franchise Tax Board (FTB) data and Geographic Proxy data as the sources with the most potential for accurate initial categorization. • Clarified that differentiating moderate- from high-income customers was more relevant to the Working Group tasks than differentiating between low- and non-low-income groups.
4	May 21, 9am - 12pm PT	Guiding Principles, Definitions (Part 2)	<ul style="list-style-type: none"> • Emphasized the importance of prioritizing simplicity and ease of implementation to enable near-term progress and agreed that outstanding data source questions must be addressed before moving to proposal development.
5	June 18, 9am - 12pm PT	Narrow down Income Verification Proposals	<ul style="list-style-type: none"> • Clarified that frameworks for near-term and longer-term solutions differ, with immediate efforts prioritizing simplicity and feasibility. • Acknowledged that defining income will be part of the development of straw proposals and prepared to present proposals in Meeting #6. • Determined that Income360 is not an appropriate tool for the income verification process initial categorization due to Fair Credit Reporting Act limitations.¹³

¹³ Equifax Representatives stated the tool was not designed for and cannot be used for decision-making or determining a government benefit, due to FCRA restrictions.

Mtg #	Date	Meeting Topics	Meeting Outcomes
6	July 16, 9am - 12pm PT	Halfway Mark/Transition to Proposal Drafting	<ul style="list-style-type: none"> • Focused on potential agreement using geographic data for initial tier placement, supported by verification and appeals processes. • Discussed tradeoffs among priority criteria while acknowledging that geographic data may result in some misclassification. Concerns were raised about customer acceptance and responsiveness, and potential backlash if customers are placed into higher tiers without transparency. • Clarified that exact tier cutoffs are a rate design issue to be addressed in the next phase of the proceeding.
7	August 27, 9am - 12pm PT	Proposal Drafting	<ul style="list-style-type: none"> • Examined tradeoffs between Area Median Income (AMI) and Federal Poverty Line (FPL) definitions, debated the fairness and feasibility of hardship appeals in high cost-of-living counties, and raised concerns about retroactive appeals and CPUC policy limits. • Explored the complexity of adjusted geographic approaches against simpler cutoff thresholds to balance accuracy and customer distribution across tiers. • Reiterated the need for appeals processes to be timely, equitable, and understandable, particularly for customers facing barriers such as language access or digital literacy.
8	September 24, 9am - 12pm PT	Present Draft Proposal	<ul style="list-style-type: none"> • Presented the draft report, including a revised compiled proposal that included participant feedback. • Elevated critical questions, elements, and began to further solidify group proposal.
9	October 22, 9am - 12pm PT	Present Revised Proposal	<ul style="list-style-type: none"> • Shared learning on outreach efforts to residents in deed-restricted affordable housing. • Published near-final report draft and provided guidance on Advocate Statements
10	November 19, 9am - 12pm PT	Present Final Proposal, Close Working Group	<ul style="list-style-type: none"> • Presented final report • Closed Process Working Group

5. Criteria for Data Sources and Proposals

With input from Energy Division, at Meeting #2, the Consultant Team presented the following initial minimum criteria and related considerations to apply to each data source assessment:

- Sufficiently **accurate** to be fair and achieve policy objectives
- **Availability of data** for different customer types
- Customer **privacy and data security** protections
- **Customer consent** is managed when needed or is unnecessary
- Suitable for implementation at the **household level**
- Available for **master-metered users**
- **Administrative ease** for customers and administrators
- Modest or proportionately reasonable implementation **cost**

Figure 5-1 shows the results of an in-meeting poll where 23 of the Meeting #2 attendees ranked the criteria, with accuracy and data security being the most important criteria to participants responding to the poll.

Figure 5-1: Meeting #2 Participant Prioritization of Established Minimum Criteria



In Meeting #3, participants confirmed that accuracy and customer experience continued to be the most important criteria for assessing income verification proposals, but warned that "accurate" does not equate to "perfect." Participants highlighted that there are several facets to accuracy - overall accuracy of the process, which asks how often customers are in the incorrect tier; distribution of accuracy, which asks which customers are most often in the incorrect tier; and accuracy at each step in the income verification process (initial categorization, appeal, or verification). Working Group participants also raised cost considerations and legal feasibility as priority criteria. Notably, Meeting #3 is where participants began to apply priority criteria to assess potential initial data sources for tier classification.

Participants continued to apply and refine criteria for assessing data sources throughout the remainder of the Working Group process and eventually transposed these conversations into an assessment of draft income verification processes. At

Meeting #5, Participants recognized that criteria relevance may differ based on assessing viable near-term solutions versus a longer-term solution, which is not presently viable (such as leveraging data from the Franchise Tax Board, which would require legislative authorization). These criteria served as a foundational guide throughout all phases of the Working Group process, shaping the Consultant Team's research, informing discussion, and grounding conclusions and proposals developed by the Working Group.

6. Income Data Sources

One key research outcome that has informed Working Group discussions and the income verification proposal is a comprehensive list of existing and potential data sources that could be used to identify and/or verify customer income tiers. An assessment of barriers associated with each data source is also included below.

6.1 Self-Attestation

Customers self-report income via the mail, an online portal, in person, or by text message. Self-attestation is utilized in many income-eligible programs, with or without post-enrollment verification (PEV) of a portion of the self-attested income. When supporting documentation is required if selected for PEV, customers provide supporting documentation proving their attested income via mail, an online portal, an application, in-person, or text message. PEV typically allows customers to submit or authorize submission of a specific list of documents, like pay stubs, tax forms, unearned income forms, bank statements, attestations from an employer, and more. Program administrators may conduct spot checks by requiring randomized verification on a portion of self-attesting customers using a secondary data source.

6.1.1 Barriers

The administrative and customer burden associated with self-attestation and the required PEV process depends largely on how the process is implemented. For example, self-attestation can be a manual process, including mailed-in information, or it can be largely automated through third-party services. However, self-attested income is generally not verified upon receipt, meaning an additional income source is required for verification. The Working Group was unable to identify any applicable insight into accuracy rates associated with using self-attested income for moderate- or high-income customers. For low-income households, the IOUs cited low response

rates during the PEV process for CARE and FERA where, historically, over half of households selected for PEV did not respond to the PEV request, leading to high rates of de-enrollment and later re-enrollment.¹⁴ Working Group participants expressed concern over accuracy issues, cost, and customer burden associated with self attestation. No data sources or research were provided to make any conclusions with regard to accuracy/inaccuracy, and therefore cost and customer burden (which would be driven by accuracy issues).

6.2 Modeled Income

Income estimates are modeled based on correlating factors such as census data, credit data, and other publicly and privately held data sources. Modeling may be conducted by the IOUs, a Program Administrator, or third-party services as a proxy for income. However, most programs and uses of modeled data are applied to customer targeting or marketing, and not eligibility determinations. Models can range in their characterization from simple and transparent (e.g., developed by the program administrator based on public data) to complex and black box in nature (e.g., developed by a third-party with proprietary inputs). The use of income models does not require customer consent; however, they are only legally authorized for specific use cases such as marketing. Some examples of income models are below:

- **Equifax Income360:** Provides estimated wage and non-wage income up to \$2 million. Income360 was developed for non-Fair Credit Reporting Act (FRCA)¹⁵ applications and is based on multiple validated and benchmarked

¹⁴ The CARE program identifies customers for post-enrollment verification in two ways: using a PEV Probability Model and due to high energy usage. Only 42% of SDG&E customers who were requested to verify based on the PEV Probability Model retained CARE enrollment, and 37% of those requested to verify due to High Energy Use maintained enrollment. Most of those who did not retain enrollment were due to non-response upon PEV.

ANNUAL REPORT ACTIVITY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) ON ENERGY SAVINGS ASSISTANCE, CALIFORNIA ALTERNATE RATES FOR ENERGY, AND FAMILY ELECTRIC RATE ASSISTANCE PROGRAMS FOR 2024 (2025).

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M571/K254/571254615.PDF>

¹⁵ Non-FRCA uses must be solely to benefit a customer and cannot be used to support any adverse actions, such as declining applications or lowering loan amounts, or in the case of the income-graduated base services charge, to convey a greater cost. Non-FRCA uses might include marketing and targeted outreach and other actions that are beneficial in nature. *Fair Credit Reporting Act*. (2024, April 3). Federal Trade Commission. <https://www.ftc.gov/legal-library/browse/statutes/fair-credit-reporting-act>

- **Utility-Built Models:** Utilities often contract with research firms to develop customer targeting models, which look at the household size, energy usage, and more to identify and target customers that are most likely to participate in a given program.

6.2.1 Barriers

Modeled income estimates provide a low-cost and fairly accurate income data source, with Equifax Income360 claiming around 80% accuracy. Experian Consumer View reported 89% accuracy for sorting households above and below a cut off of \$150,000.²⁰ However, the ability to use any income models for the Base Services Charge depends largely on the entity that develops the model, the data the model is based on, and how the modeled income is used. The Fair Credit Reporting Act limits the use of certain financial and income data to be used for decision-making that could harm an individual.

Equifax representatives, in email correspondence with the Consultant Team and Working Group, stated that Income360 does not have clear legal permission to be used for decision-making. This means that estimated income from their model, which was developed from disaggregated income and credit data, cannot be used to make program eligibility decisions such as to assign customers into Base Services Charge tiers. Similarly, Experian Income Insight and TransUnion TruVision, are models developed to determine creditworthiness and are not FCRA compliant. While the legal use cases for the credit agency-developed income models are not entirely clear, Equifax's legal team has advised the Working Group and Consultant Team against Income360's use in the Base Services Charge.

While third-party models may be used for marketing purposes, like marketing appeals to customers, additional challenges include mapping customer records to third-party records, often with name and address, and a lack of transparency in proprietary models. While Equifax's Income 360 is estimated income and therefore not personally identifiable information (PII), in California, customers have specific protections. The California Consumer Privacy Act (CCPA) provides consumers the right to request that businesses delete their personal data or stop the sale or sharing

²⁰ See slide 39: Barbose, G. L., Forrester, S., Darghouth, N. R., & Lawrence Berkeley National Laboratory. (2020). *Income Trends among U.S. Residential Rooftop Solar Adopters*. <https://escholarship.org/content/qt3648q6sm/qt3648q6sm.pdf>

of their data.²¹ California offers a data broker registry to allow easy CCPA requests to data brokers.²² Equifax is on this registry, which may lead to a large portion of non-matches within any of its databases.

6.3 Proxy Data

Similar to modeled data, proxy data utilizes a single proxy, such as property tax, energy use, and other correlating attributes, as a proxy for income level. Non-geographic proxies are not often used in identified income-eligible programs.

6.3.1 Barriers

One proxy recommended by the California Environmental Justice Alliance (CEJA) to identify customer income levels was property value.²³ Property value is generally available for all parcels in the US. Property tax based on value assessments is regressive, over-assessing the lowest-value homes 64% of the time and under-assessing the highest-value homes 32% of the time.²⁴ This issue may be common to other income proxies; for instance, in the case of energy use, the average high-use customer may be high-income, but there are always outliers that will be misclassified based on energy usage.

6.4 Geographic Data

Using geographic data, a customer income level proxy can be assigned based on the average or median income for a given geographic unit from the annual American

²¹ *Consumer Rights under the CCPA, Part 1: What are they?* | Davis Wright Tremaine. (n.d.). <https://www.dwt.com/blogs/privacy--security-law-blog/2019/07/consumer-rights-under-to-ccpa-part-1-what-are-they>

²² *Data Broker Registry*. (n.d.). State of California - Department of Justice - Office of the Attorney General. <https://oag.ca.gov/data-brokers?combine=equifax>

²³ CEJA. (2023). PREPARED TRACK A OPENING TESTIMONY OF TYSON SIEGELE ON BEHALF OF THE CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE IN R.23-07-005, THE ORDER INSTITUTING RULEMAKING TO ADVANCE DEMAND FLEXIBILITY THROUGH ELECTRIC RATES. *In R.22-07-005*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/ceja-opening-testimony.pdf>.

²⁴ Cal Advocates. (2023). Rebuttal Testimony On Rulemaking to Advance Demand Flexibility Through Electric Rates - Income Verification Implementation. *In R.22-07-005*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/track-a-reply-testimony/r2207005-pao-rebuttal-testimony-chapter-2-caladvocates04-v.pdf>

Community Survey (ACS). The ACS is an ongoing nationwide survey conducted by the U.S. Census Bureau that collects detailed demographic, social, economic, and housing information from a representative sample of households each year. Unlike the decennial census, which provides a population count every ten years, the ACS continuously gathers data to produce annual estimates describing how communities change over time. Topics covered include income, education, employment, housing costs, commuting patterns and household composition. The ACS provides annual detailed, aggregated population data about US households, allowing local officials, businesses, and other stakeholders to make data-informed decisions. Customers are assigned the income level associated with their geography, which may be defined at the county, zip code, census tract, or census block group level, among other units. Other sources detail and aggregate ACS and census survey income estimates such as HUD's household AMI dataset²⁵ and IPUMS.²⁶

The ACS is updated annually for most geographies, with one-, three-, and five-year estimates available. The ACS samples approximately 2.5% of U.S. households in a given year. As it is a rolling sample survey, the ACS reaches different households in each iteration (data is collected continuously throughout the year), meaning that over a five-year period, around 12.5% of U.S. households are sampled. The five-year estimates pool the most recent five consecutive years to allow for an increase in sample size and reliability of estimates, especially for small geographic areas that don't have a large enough annual sample to produce reliable estimates.²⁷ One-year estimates are available for areas with populations of 65,000 or more, while less

²⁵ U.S. Department of Housing and Urban Development HUD GID Help Desk, <https://hudgis-hud.opendata.arcgis.com/datasets/HUD::low-to-moderate-income-population-by-block-group/about>

²⁶ IPUMS USA. <https://www.ipums.org/projects/ipums-usa#:~:text=IPUMS%20USA%20includes%20basic%20demographic%20data%20%28e.g.%2C%20age%2C,%2F%20veteran%20status%2C%20household%20appliances%2C%20and%20housing%20characteristics%29.>

²⁷ Typically, around half of the households sampled complete final interviews.

US Census Bureau. (nd.). 2023 Table AVG1.

<https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww2.census.gov%2Fprograms-surveys%2Fdemo%2Ftables%2Ffamilies%2F2023%2Fcps-2023%2Ftabavg1.xls&wdOrigin=BROWSELINK;>

US Census Bureau. (2025, September 30). *Sample size*. Census.gov.

<https://www.census.gov/acs/www/methodology/sample-size-and-data-quality/sample-size;>

U.S. Census Bureau. (2024). *American Community Survey and Puerto Rico Community Survey Design and Methodology* [Report]. [https://www2.census.gov/programs-](https://www2.census.gov/programs-surveys/acs/methodology/design_and_methodology/2024/acs_design_methodology_ch04_2024.pdf)

[surveys/acs/methodology/design_and_methodology/2024/acs_design_methodology_ch04_2024.pdf](https://www2.census.gov/programs-surveys/acs/methodology/design_and_methodology/2024/acs_design_methodology_ch04_2024.pdf)

reliable one-year supplemental estimates are available for areas with populations above 20,000.²⁸

Although using geographic data results only in a proxy assignment (and does not identify income at each household), it provides a comprehensive income assignment source that, along with a customer income verification process, could support a level of accurate tier placement, improve community acceptance, and reduce administrative costs.²⁹

Figure 6-1 displays the 2019-2023 median household income at the census tract level for the Los Angeles area, highlighting the variation in income that can be identified using census data. Median household income is displayed below as it is typically used to describe the income of an area (i.e., Area Median Income or AMI).

²⁸ US Census Bureau. (2025, August 28). *American Community Survey 1-Year Data (2005-2024)*. Census.gov. <https://www.census.gov/data/developers/data-sets/acs-1year.html>;

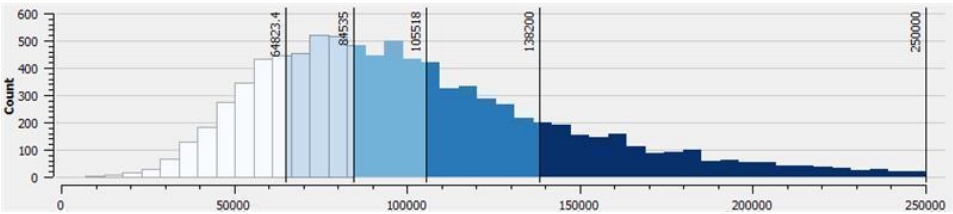
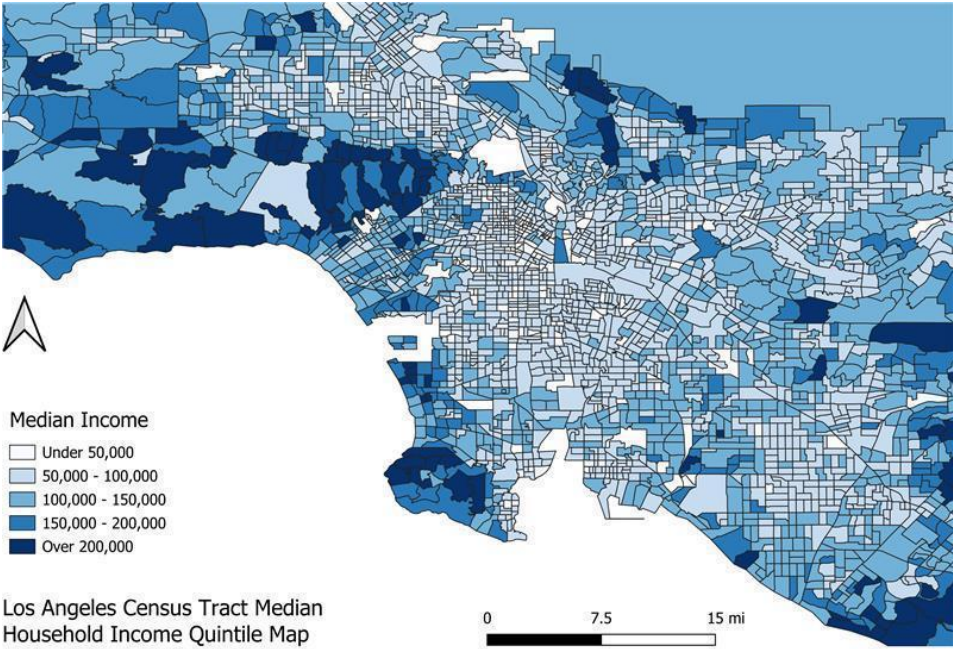
US Census Bureau. (2025, September 2). *Using 1-Year or 5-Year American Community Survey data*. Census.gov. <https://www.census.gov/programs-surveys/acs/guidance/estimates.html>

²⁹ US Census Bureau. (2025, December 15). *American Community Survey (ACS)*. Census.gov. <https://www.census.gov/programs-surveys/acs/>;

rewiringamerica.org. (2022). *Frictionless income verification methods for the electrification rebates*. https://assets.ctfassets.net/v4qx5q5o44nj/3cTqhWhFztiUWShtyztwe/10bfe13a145683d7a8f3e913b41ebd0e/Electrification_Rebates_Income_Verification_Memo.pdf;

US Census Bureau. (2021, October 8). *Understanding geographic relationships: counties, places, tracts and more*. Census.gov. <https://www.census.gov/newsroom/blogs/random-samplings/2014/07/understanding-geographic-relationships-counties-places-tracts-and-more.html>

Figure 6-1 2019-2023 5-Year ACS Median Household Income in the Los Angeles Area by Census Tract



6.4.1 Barriers

Using ACS median household income leads to misclassifications when households earn significantly above or below their area’s median. The exact level of accuracy provided by geographic assignment depends on the base services charge income tier designations, is highly variable due to variation around each point estimate, and has been roughly estimated by the Consultant Team to provide 60-70% initial accuracy upon initial assignment of moderate- and high-income customers. These analyses only considered the classification of moderate- and high-earning customers into moderate- and high-income tiers, with various tier definitions as Working Group discussions developed. Consultant Team analysis identified that high-earning households are misclassified more often than moderate-earning households in the

assessed scenarios (See 10.2.1). Further, less-populated rural areas have less precise income estimates due to smaller sample sizes. It should be noted that analysis by one Working Group participant found different results depending on different assumptions, underscoring that assignment accuracy fluctuates depending on what is being defined as "moderate" or "low" income, and whether AMI or Federal Poverty Level (FPL) thresholds are used to determine tiers.³⁰

While the ACS income estimates are updated annually, the geographic units are based on the census, which is conducted every ten years. A small portion of census tracts' median income values are missing from the ACS datasets in any given year.

There are no insurmountable barriers to using geographic data as an initial proxy data source to classify income tiers in the near term. However, there are challenges with using geographic data for tier assignment due to the inherent inaccuracies that come with using a geographic-based proxy for an income-based tier assignment, and ensuring there is a straightforward process for customers to be accurately assigned to the correct tier (and compliance with AB 205). These challenges and the required processes to mitigate those challenges are delineated in greater detail in the near-term proposal included in this report.

6.5 Categorical Eligibility

Categorical eligibility, generally, classifies customer income level or program eligibility based on participation in other income-qualified programs, with the presumption that the customer demonstrated their actual income to a program administrator at some point. For example, if a customer is enrolled in a program open to households with income below 80% AMI, and can provide proof of enrollment, that customer can be found eligible for a second program with overlapping income eligibility. Categorical eligibility is often used in income-qualified programs to reduce barriers to entry for additional programs.

³⁰ CalAdvocates' analysis shared in WG#6 found that moderate-income customers were correctly assigned 78% of the time, while high-income customers were correctly assigned 56% of the time. This analysis assumed a moderate-income definition of \$53,000 - \$125,000 and a high-income definition of \$125,000 or more.

Categorical eligibility is the foundation of the first iteration of the Base Services Charge for the large IOUs, which relies on CARE and FERA enrollment for base service charge tier assignment.

6.5.1 Barriers

Because most income-qualified programs serve lower-income customers, most moderate- and high-income customers are not enrolled in any existing program that could be used to establish tier placement. Even for customers who are enrolled in various programs, categorical eligibility determinations can be conducted by having the applicant upload proof of enrollment in other programs or through inter-agency data sharing. Consultant Team research has shown that data sharing between agencies is not always possible due to laws and administrative barriers.

For these reasons, categorical eligibility cannot be used as a data source for initially distinguishing between moderate- and high-earners, but can continue to be used to identify CARE- or FERA-enrolled and categorically eligible customers. Categorical eligibility could also support assignment of low-income customers into lower-income tiers, even if they are not currently enrolled in CARE or FERA but are participating in other income-qualifying programs, and are otherwise eligible for CARE or FERA.

The ability of IOUs or a third-party administrator to access household-level enrollment data in income-eligible programs is dependent on who administers the income-eligible program, associated state and federal laws, as well as program rules. In general, if the IOUs or BSC administrator are a third-party (not an administrator or facilitating the program in any way), accessing enrollment data is likely prohibited or requires additional legislation. For example, data sharing and coordination are permitted with utilities for LIHEAP under 42 U.S.C. § 8624(b)(2), which requires coordination with utility-run weatherization and energy assistance programs.³¹ Per CPUC Decision 12-08-044, data sharing agreements between the IOUs and the California State Department, and explicit customer consent are required to allow for data matching with LIHEAP enrollment.³² On the other hand, utilities cannot access

³¹ 42 U.S. Code § 8624 - Applications and requirements | U.S. Code | US Law | LII / Legal Information Institute

³² Low Income Oversight Board, Wimbley, J., Delgado-Olson, B., Castaneda, R., Medina, L., Tang, J., All LIOB Members, California Public Utilities Commission, Castilone, L., Irwin, P. D., Shiroma, G., Stamas, M., Watts, P., Investor Owned Utilities, Kalafut, J., LaBonte, A., Hart, M., Weaver, G., Sansone, R., . . . Lemei, G. (2023). SB 1208 Report. In *LIOB Report to Legislature: SB 1208*.

CalFresh enrollment data under 7 C.F.R. § 272.1(c), which forbids disclosure to entities not directly administering SNAP or another federally funded means-tested program.³³

6.6 Tax Data

Tax data includes all forms of reported income filed into state or federal taxes (depending on the source). In all current forms, accessing tax data requires customer consent or additional legislation to access. Different ways to access customer tax data are listed below:

- **Customer-authorized access to tax data:** Customers can authorize access to their tax data with the federal IRS or the state FTB. Without *automatic* authorization via state legislation, the customer would need to actively provide access to their tax data. This can be done in various ways, outlined below.
 - **FTB-provided data:** The Joint IOU's Proposal recommended working with FTB to administer income-tier differentiation through automated assignment with California income tax data. However, the sharing of tax data between organizations is not currently allowed under the Revenue and Taxation Code Section 19542.³⁴
 - **FTB Form 3516:** Customers fill out the form along with a check for \$20 to the FTB to authorize the sharing of specified tax forms in a given year(s).³⁵
 - **FTB Form 3518:** One-Time Release of Confidential Tax Information.³⁶
 - **FTB Form 3534:** Tax Information Authorization for all tax years to an individual containing estimated payments, account history, and compliance status.³⁷

<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2023/low-income-oversight-board-liob-sb-1208-final-reportjune-2023.pdf>; California ALJ. (2011). DECISION ADOPTING CORRECTED ATTACHMENT Q TO DECISION 14-08-030. In <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M142/K991/142991241.PDF>.

³³ 7 U.S. Code § 2020 - Administration | U.S. Code | US Law | LII / Legal Information Institute

³⁴ Emails with FTB representatives.

³⁵ Find at: [FTB 3516 - Request for Copy of Personal Income or Fiduciary Tax Return](#)

³⁶ Find at: [FTB 3518 One-Time Authorization For Release of Confidential Information \(REV 09-2023\)](#)

³⁷ Find at:

https://nam02.safelinks.protection.outlook.com/?url=https%3A%2F%2Furldefense.com%2Fv3%2F_https%3A%2Fwww.ftb.ca.gov%2Fforms%2Fmisc%2F3534.pdf_%3B!!LFxIGwQ!wGCosgrUbFS_Yai19lyZ4IJho7aQVwGWBa3uFwc-pyWZnoi5yLzYXiTzVnpJK3xWJZdOZbUxutsTXzJ8oiTy81XZFoW2IP27S7G%24&data=05%7C02%7Cas

- **IRS IVES or IRS Form 4506-C:** The IRS hosts the Income Verification Express Service (IVES), which allows customers to authorize banks or lenders to access their tax records when applying for loans, mortgages, or other services. This well-established service has high rejection rates (up to 40%) due to inconsistencies on 4506-C forms. This service allows for one-time authorization, and one form must be filled out for each tax document requested.³⁸
- **IRS Form 8821:** Tax information authorization form allows for authorization of all required tax documents at once and for access for a specified timeline of up to three years.³⁹
- **Third-party Tax Transcript Services:** Instead of compiling individual forms for all customers using the above IRS forms, many third parties offer tax transcript services to streamline the process. Third-party platforms place guardrails around the process to minimize errors, decrease rejection rates, increase automation, and reduce cost. This allows for third parties to provide the same data to program administrators more efficiently.
 - **Veri-Tax:** Authorized report supplier of 4506-C Tax Transcript verification.⁴⁰
 - **TrueWork:** A Verification platform allowing for tax transcript verification and other income verification methods. Allows for automated income document parsing for increased accuracy and efficiency.⁴¹
 - **Equifax The Work Number Tax Transcript Service:** Provides IRS tax transcripts with customer consent.⁴²
 - **Eli Technologies:** Provides IRS tax transcript services in addition to other income verification options. A customizable platform that uses

[mith%40resource-innovations.com%7C15f87d49a03b40f68cdf08dd80ff28ec%7Cf47531636e054a32bf82acbc0efbc64d%7C0%7C0%7C638808555634020487%7CUnknown%7CTWFpbGZsb3d8eyJFbXB0eU1hcGkiOnRydWUsIlYiOiIlwLjAuMDAwMCIslIAiOiJXaW4zMilslkFOljoiTWFpbGlldUljoyfQ%3D%3D%7C0%7C%7C%7C&sdata=weYjznS1HNIPYP%2BiT%2FDHZBSrf5e7tEVTT2HypYdl1MI%3D&reserved=0](https://www.irs.gov/individuals/income-verification-express-service)

³⁸ *Income Verification Express Service (IVES) | Internal Revenue Service.* (n.d.).

<https://www.irs.gov/individuals/income-verification-express-service>

³⁹ Ravee, E., & Ravee, E. (2025, January 3). Why SBA Lenders Should Use Form 8821 instead of Form 4506-C | Form 4506-T - Legacy Tax & Resolution. *Legacy Tax & Resolution Services.*

<https://www.legacytaxresolutionservices.com/blog/why-sba-lenders-should-use-form-8821-instead-of-form-4506-c--form-4506-t/900276>

⁴⁰ Find at: <https://www.veri-tax.com/services/verification-of-employment/>

⁴¹ Find at: <https://www.truework.com/overview>

⁴² Find at: <https://theworknumber.com/solutions/products/irs-tax-transcripts-fulfillment>

automation to increase efficiency and reduce the cost of eligibility determinations.⁴³

- **Halcyon:** Instantaneous IRS tax transcript verification via IRS API integration. Customers log in to their IRS accounts and allow access to specified IRS documents.⁴⁴
- **MeasureOne:** Application that allows customers to log into their payroll website(s), bank accounts, or pay stub upload and share W2 and 1099 transcripts.⁴⁵

6.6.1 Barriers

The Working Group considered three key methods, described below, for potentially using tax data to assist in base services charge tier assignment or income verification. Some barriers associated with tax data depend on the mode through which they are procured, while the following apply to all forms:

1. Tax data is a lagging indicator (by about 18 months) and may not reflect an individual's current income level.
2. Tax data is at the filer level, and the FTB does not have household information, meaning the FTB does not have the data to aggregate tax information to the household level.
3. Approximately 20% of Californians do not file state income taxes.⁴⁶

FTB-provided Tier Assignment

In the original paper outlining an income-graduated fixed charge⁴⁷, the envisioned process included the Franchise Tax Board collaborating and translating individual tax

⁴³ Find at: <https://www.eli.build/>

⁴⁴ Find at: <https://www.halcyonsolutions.ai/>

⁴⁵ Find at: <https://www.measureone.com/solutions/income-verification>

⁴⁶ Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company. (2023). Joint testimony of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company (the joint IOUs) describing Income-Graduated Fixed Charge proposals. In R.22-07-005. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/joint-iou-opening-testimony-exhibit-1.pdf>

⁴⁷ Borenstein, S., Fowlie, M., & Sallee, J. (2021). Designing Electricity Rates for An Equitable Energy Transition. Energy Institute at Haas (WP 314). <https://haas.berkeley.edu/wp-content/uploads/WP314.pdf>

returns into base service charge tier assignments, which then would be communicated to the IOUs. However, in an email response to the Consultant Team, the FTB shared significant barriers to this approach, including:

- Currently, there is no legal authority for the FTB to share tax data with third parties, so a legislative change would be required. Legislation must be enacted along with a data exchange agreement with each utility to share tax data or tier assignment. Data sharing between FTB and multiple entities would be complex and result in additional implementation costs.
- Providing tier assignment back to the IOUs instead of tax data would be disallowed, as it could reveal a given customer's income level to other members of the same household. This leads to the inability to aggregate income to the household level from the filer-level due to privacy concerns.
- The FTB does not have income data for lower-income taxpayers who do not file tax returns because their income is below the return filing requirement (this applies to approximately 20% of Californians).
- The FTB is charged with the administration of income taxes under the Revenue and Taxation Code and does not have the authority or expertise to administer or determine a taxpayer's eligibility for specified income tiers or to address related disputes of tier assignments. The FTB recommends that an agency with the authority and relevant expertise administer the income-tier differentiation programs.

Because it is unclear how long it would take to realize not only a legislative change authorizing the FTB to provide data for this use, but also subsequent data-sharing agreements and implementation details, FTB-provided data has been excluded from Working Group consideration as an initial data source for a near-term income verification solution; rather using an FTB-based approach is described as a potential long-term solution in Section 10.

[FTB Forms 3516, 3518, and 3534, IRS IVES, or IRS Forms 4506-C and 8821](#)

These individual FTB and IRS forms allow for limited access to tax documents with customer consent. Relying on these forms would require each customer to actively consent in order to make a tier assignment. Reaching each customer and asking for

consent to access tax data for all filers in the household is expected to come with low response rates, great cost, customer acceptance issues, and privacy concerns.

Third-party Tax Transcript Services

While the data security and processing infrastructure requirement varies by tax transcript service, accessing customer tax data via third parties also requires customer consent. These services require a Social Security Number or Individual Tax Identification Number and access to the internet for use. Many third-party tax services securely manage income data and have infrastructure to only report customer tier decisions back to the IOUs, removing the administrative burden and security requirements of transferring income data to the IOUs. While third-party tax services can aggregate tax data to the household level, this requires customer cooperation to report all household members' income.

6.7 Payroll Data

Payroll records can be purchased from credit agencies or other third parties. Specifically, Equifax's The Work Number holds payroll data for employees of over 4.4 million employers, covering around 90% of the non-farm California workforce.⁴⁸ Equifax provides "work reports" to program administrators for acceptable purposes, including determining a government benefit.⁴⁹ Work reports held by Equifax are updated after each pay cycle. Accessing this data requires customer consent and personal identifiers. Then, program administrators would determine customer eligibility based on the work report. The Work Number is used to verify other sources of income data, like self-attestation and categorical eligibility in many government programs. Note that additional services, like MeasureOne, allow access to payroll data by having customers log into their bank accounts, providing recent paycheck amounts to the program administrator.

6.7.1 Barriers

The Work Number and other payroll services require customer consent to access and only incorporate wages at the individual level, providing no insight into gross

⁴⁸ Find at: <https://theworknumber.com/solutions/products/income-employment-verification>

⁴⁹ The Work Number verifies income for CalFresh and other public programs in California, "The Work Number Employment and Income Verification." California State Controller.

https://www.sco.ca.gov/ppsd_se_worknumber.html

household income (such as capital gains or secondary income). To pull a work report, name, date of birth, and address or Social Security Number are required, potentially leading to challenges in data matching between utility accounts and work reports. Use of The Work Number requires an administrative infrastructure for a third-party to communicate with customers and pull the work reports to assign or modify tiers. This process would also require a data security infrastructure to hold and process the work reports.⁵⁰

6.8 Multiple Data Sources

Due to the unique nature of the base services charge, the use of multiple data sources to identify customer income tiers may be appropriate. For instance, if self-attestation were used, a secondary data source would be required to assign customers who do not provide any attested income level. Further, different data sources may be more appropriate at different stages in an income verification process. Using multiple data sources can also help address concerns with a single data source, increasing accuracy and administrative ease. Section 7 provides an overview of how income data sources are applied in various existing and potential income verification processes.

6.8.1 Barriers

Use of multiple data sources may lead to non-matches or discrepancies between name, address, and income from different sources. Further, administrators should aim to use multiple data sources that present the same income measure (wages, gross income, adjusted gross, household, individual, etc.).

6.9 No Initial Data Source: Defaulting All Customers to the Highest Tier

One initial categorization option posited in several proposals in Track A of R.22-07-005 was to default all customers to the highest income tier. Then, customers would have the opportunity to provide verified income data to appeal their initial assignment.

⁵⁰ Information obtained through conversations and emails with Equifax representatives.

6.9.1 Barriers

While defaulting all customers to the highest tier would incentivize customers to provide verified income data and capture the highest-earning customers in the appropriate tier, not all customers will appeal their assignment, leading to high inaccuracy. Customers who do not appeal but should be in a lower tier would end up paying higher charges than justified by their actual income, along with the administrative burden of completing an income verification or appeals process. Further, providing an incentive to appeal or verify income does not remove barriers to customers providing data to change their initial assignment, including ensuring customer awareness and the difficulty of assembling and providing documentation. Defaulting all customers into a high tier would wrongly place low- and moderate-earners, creating an inequitable burden on lower- and moderate-income households to prove their lower income. Placing all customers in the highest tier would greatly increase the cost, customer, and administrative burden of the appeals process by increasing the number of misclassified customers by a substantial magnitude.

6.10 Cost Assessment of Data Sources

The Consultant Team undertook a literature review and conversations with third-party representatives to identify certain cost estimates associated with each potential data source. The costs in Table 6-1 only include the per-unit cost of procuring the data source unless otherwise noted. Importantly, these cost estimates do not include key components like administrative costs to process the data, communication with customers, or infrastructure to manage the data, or infrastructure to bill customers using their income tier classification, unless otherwise noted. The unit varies by source and is described at the household, filer, or individual level.

Table 6-1: Initially Estimated Costs of Data Sources

Data Source	Cost(s)	Source(s)
Individual FTB Tax Data	\$20/filer	State of California Franchise Tax Board ⁵¹
IRS Income Verification Express Service	\$4/filer	IRS ⁵²
The Work Number	<\$9.30/work report	California Public Advocates Office in R.22-07-005, Appendix A.1 ⁵³
Geographic Data	\$0/household	American Community Survey
Equifax Income360 or Similar models	\$0.005 - \$0.015/household	NRDC and TURN in R.22-07-005, p. 25 ⁵⁴
Other Categorical Eligibility	Unknown	-
Income Proxy	\$0 for public information or utility-held information	-

⁵¹ State of California & Franchise Tax Board. (2015). Request for copy of personal income or fiduciary tax return. In *FTB 3516* (pp. 1-1). <https://www.ftb.ca.gov/forms/misc/3516.pdf>

⁵² *Income Verification Express Service (IVES) | Internal Revenue Service*. (n.d.-b). <https://www.irs.gov/individuals/income-verification-express-service>

⁵³ Chau, N., Marquez, A., Nichols, O., PUBLIC ADVOCATES OFFICE, & Gruen, D. (2023, July). *COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON THE ASSIGNED COMMISSIONER'S RULING INVITING COMMENTS ON THE IMPLEMENTATION PATHWAY FOR INCOME-GRADUATED FIXED CHARGES*. <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/R2207005/6629/518988973.pdf>

⁵⁴ Chhabra, M., Ashford, S., Natural Resources Defense Council, & Utility Reform Network. (2023b). *REBUTTAL TESTIMONY OF MOHIT CHHABRA AND SYLVIE ASHFORD, SPONSORED BY THE NATURAL RESOURCES DEFENSE COUNCIL AND THE UTILITY REFORM NETWORK ADDRESSING OPTIONS FOR AN INCOME-GRADUATED FIXED CHARGE*. In *REBUTTAL TESTIMONY*.

https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/track-a-reply-testimony/r22-07-005_nrdc-turn_jointrebuttal_060223.pdf

Data Source	Cost(s)	Source(s)
Eli Technologies Verification Services	<ul style="list-style-type: none"> ● Self-attestation: \$0.25/individual verification ● Document upload: \$8/individual verification ● Categorical Eligibility: \$8/individual verification ● Tax Transcript Pull: \$14/individual verification 	Discussions with Eli representative, all costs include the data source and processing data into an appeals decision. See Appendix G.
Halcyon Tax Transcript Service	\$10/household	Conversations with a representative
CARE & FERA Self-Attestation Cost	\$2-3/customer	Joint IOUs in R.22-07-005, p. 72
Post-enrollment Verification of CARE & FERA attestations	\$9/customer	Joint IOUs in R.22-07-005, p.69 ⁵⁵

In summary, many existing data sources have significant barriers to using them to implement a potential refined base services charge that could include more than the initial three-tier structure from D.24-05-028.

⁵⁵ Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company. (2023). Joint testimony of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company (the joint IOUs) describing Income-Graduated Fixed Charge proposals. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/joint-iou-opening-testimony-exhibit-1.pdf>

7. Framework for the Income Verification Proposal

This section describes the structural components of the proposed income verification approach, explaining key components required to implement the base services charge. See Section 8 for the proposed near-term approach.

The purpose of the income verification process is to classify the IOUs' ten million residential customers into base services charge tiers, differentiated by income level. These key factors inform the near-term proposal:

1. Effort to find a pathway to implement the Commission's intent to further differentiate the base services charge beyond only CARE and FERA participant tiers to incorporate moderate- and high-income tiers.
2. While Californians already report income data to the state, the use of FTB data (the recommended long-term strategy) requires additional legislation and other work that makes it infeasible as a near-term solution.
3. There are trade-offs between simplicity and complexity in an income verification process. Greater complexity could support greater accuracy, which could support greater progressivity in the charge. Greater simplicity supports greater transparency and thus greater customer acceptance and a lower customer burden.
4. Due to the great uncertainty around the feasibility and implementation of using FTB-provided data, the Consultant Team focused the Working Group meetings on developing a near-term, actionable proposal, recognizing that while a near-term solution may not provide the greatest accuracy or greatest progressivity in the charge, it could provide progress in that direction in lieu of waiting for the unknown longer-term solution of using FTB-provided data.

7.1 Structural Components

Based on Working Group conversations and collective understanding of how the base services charge will function, the type of data each source holds, and customer consent requirements, potential data sources have been categorized into four stages. These stages make up the outline for an "income verification" process for the base services charge, which can be applied to all customer income levels. Note that

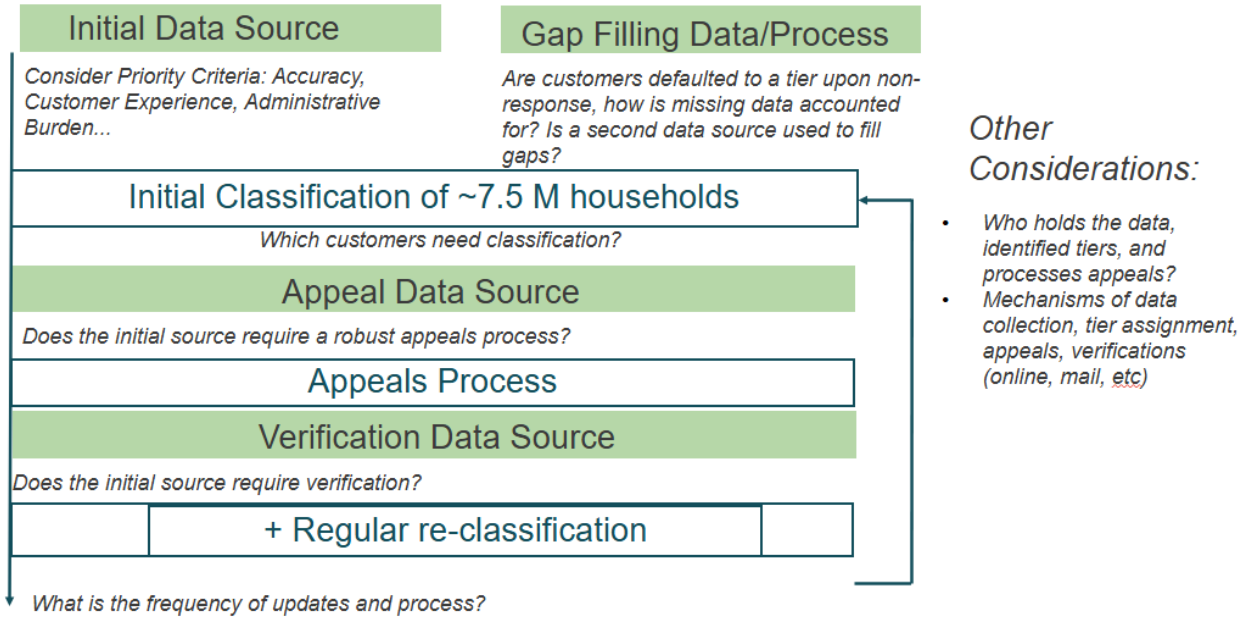
income verification typically refers to using a verified income source to confirm a customer's income. In this case, "income verification" is being used to describe a *process* that does the following:

1. **Initial Classification:** This represents the initial categorization of customers into income tiers. Sources used for initial categorization should be comprehensive and should not require customer consent to ensure all customers promptly receive a tier assignment. Initial classification should aim to maximize the accuracy of the initial assignment.
 - a. **Gap-filling:** Gap-filling sources should provide the ability to classify customers not included in the initial source, if applicable.
2. **Verification & Income-based Updates/Appeals:** The process may include a step in which a segment of customers' initial data sources are verified with a secondary income data source. In addition or alternatively, the process should include customer-driven updates to initial tier assignment, using a verified data source. Verifications and income-based appeals are functionally the same step, but verification could be IOU- or program administrator-initiated, while income-based appeals are customer-initiated. Preferably, verification and income-based appeals data sources are an equal or higher source of truth than the initial data source(s).⁵⁶
3. **Re-classification/Updates:** At a determined regular interval, customers must be re-classified with updated data to ensure tier assignments are up to date. Re-categorization would likely utilize the same sources from steps 1-2.

Figure 7-1 illustrates the income verification process alongside key considerations for each step. Note that the use of the term "Appeal," indicates a customer-initiated update to their tier assignment based on their actual income.

⁵⁶ Customer-initiated updates are envisioned to address income-based changes or tier corrections based on provided income data. The Working Group also considered other life circumstances that can impact a customer's ability to pay. Income-based reasons, such as a job loss or job change, or a change in household size, would all be able to be addressed in a Customer-initiated Update process. Other hardships that cannot be remedied with an updated income report would be addressed through existing utility programs to support bill repayment.

Figure 7-1: Framework for an Income Verification Process



Given the characteristics and barriers associated with each data source (summarized in Section 6), and considering the criteria established and discussed in detail in the Working Group, Table 7-1 details which currently available data sources are appropriate for each step in a near-term income verification process for moderate- to high-earners.

Table 7-1: Menu of Data Sources Applicable to Each Income Verification Process Step

Initial Categorization/Gap Filling	Verification/Appeals
Geographic Data	The Work Number/Payroll Data
Defaulting (no data)	Individual IRS Form
Non-Geographic Income Proxy	3 rd Party Tax Form Service
Model based on publicly available data	Supporting Documentation
Self-Attestation	Individual FTB Form

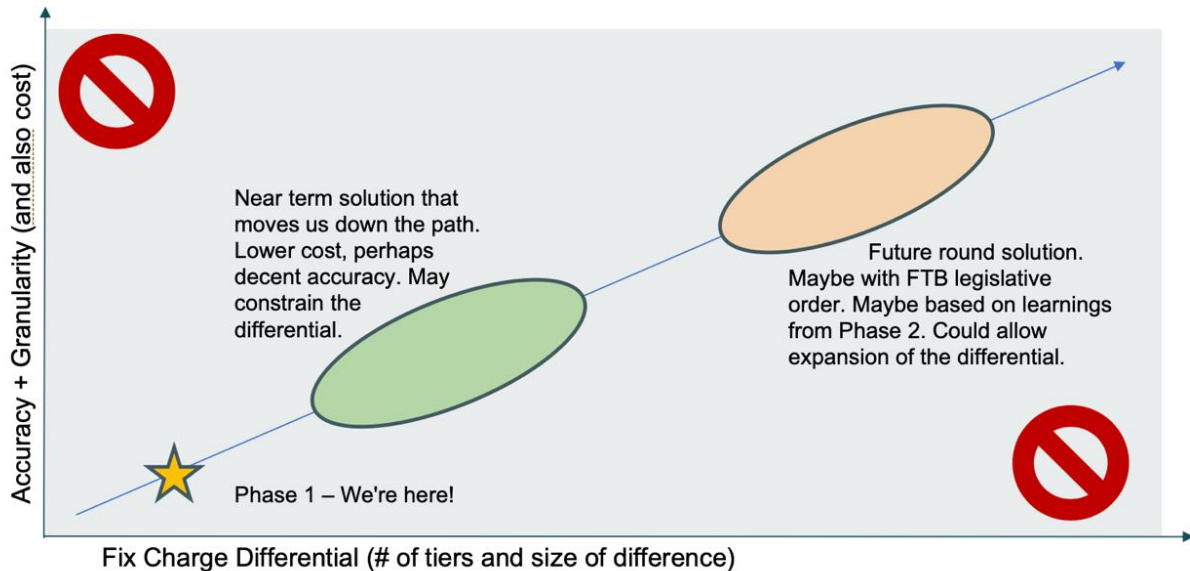
8. Recommendations for a Near-Term Proposal

This near-term proposal is the result of eight months of discussion and deliberation by the Process Working Group. The Consultant Team synthesized the group's perspectives and feedback, incorporating insights from both primary and secondary empirical research conducted by the Research Team, proposals submitted by Working Group participants, and the CPUC Energy Division's guidance on regulatory policy.

Through the Working Group process and discussions around the Consultant Team straw proposal shared at Working Group Meeting #5 (see Appendix C) and the six advocate proposals shared at Working Group Meeting #6 (see Appendix D), the following near-term proposal reflects stakeholder viewpoints, recommendations with support from the greatest number of parties (even if there was no consensus), and the nuances of stakeholder concerns and alternatives.

The key objective of this proposal is to present a near-term actionable method of classifying residential customers currently in Tier 3 into additional moderate- and high-income tiers. The following raised the fewest concerns among parties as a near-term solution: the use of a geographic proxy for the initial classification paired with third-party verification, customer-initiated update process, and periodic data refreshes, ideas around sufficient time for outreach and education, and approaches to delineate tiers that would support the greatest accuracy during tier assignment. This near-term proposal aims to balance the accuracy of customer classification with a greater differential of the base services charge, and may continue to evolve as more experience is gained (Figure 8-1 Income Verification Process Evolution).

Figure 8-1: Potential Income Verification Process Evolution



As many alternative components of this proposal were explored and received varying levels of Working Group support, alternatives to each step in the proposed process are described below, along with their key benefits and drawbacks. More detailed alternate proposals are described in the Advocate Statements in Section 12.

This chapter is organized as follows:

- 8.1 Overview of the proposal
- 8.2 Initial Classification by Geographic Proxy Data
- 8.3 Income-Based Appeals
- 8.4 Frequency of Updates
- 8.5 Moderate Income Definition
- 8.6 Costs
- 8.7 Marketing, Education, and Outreach
- 8.8 Empirical Approach and Improvements

8.1 Overview

Given the statutory limitations of the FTB to share tax data for base services charge assignment, the Working Group focused on building a near-term, actionable income verification solution for California IOUs' base service charge. As the base services charge will be differentiated by income for all residential IOU customers, the Near-Term Proposal's initial classification method intends to assign customers who are not enrolled in CARE or FERA into two additional base services charge tiers, instead of placing all non-CARE or FERA customers into a single tier (i.e., Tier 3 from D. 24-05-028) utilized in the first iteration of the base services charge. This proposal presupposes that existing income verification processes used by the IOUs' low-income programs (i.e., CARE or FERA) will continue to be utilized to identify and assign low-income customers enrolled in these programs to the low-income base services charge tier(s). Therefore, a near-term solution that does not depend on legislative changes is presented herein.

8.1.1 High-Level Summary

This proposal uses the ACS household median income data to initially classify customers (who are not enrolled in CARE or FERA) into high- and moderate-income tiers based on their census tract median income. This report refers to this near-term proposal as a "Basic Geographic" approach, which is distinguished from an "Adjusted Geographic" approach, which is a proposed alternative.

The actual number of tiers and definitions of income tiers will be defined in the next proceeding.

Prior to the implementation of new tiers, customers would be notified of their tier classification and given time to update their classification through a third-party managed income verification process. The third party would communicate any updated tier classifications back to the IOUs before implementation of new base services charges.

The process restarts every five years, first by updating all income classifications based on updated ACS data, then allowing for customer-initiated updates through the provision of recent income data. Customers would also be able to update their tier placement through the third party at any time. Figure 8-1 displays an overview of the process, and Figure 8-2 displays a relative timeline of steps.

Figure 8-2: Income Verification Process Overview

Notify of geographic assignment. Allow customers a period of months to provide third party income verification before BSC charges are reflected on bills.

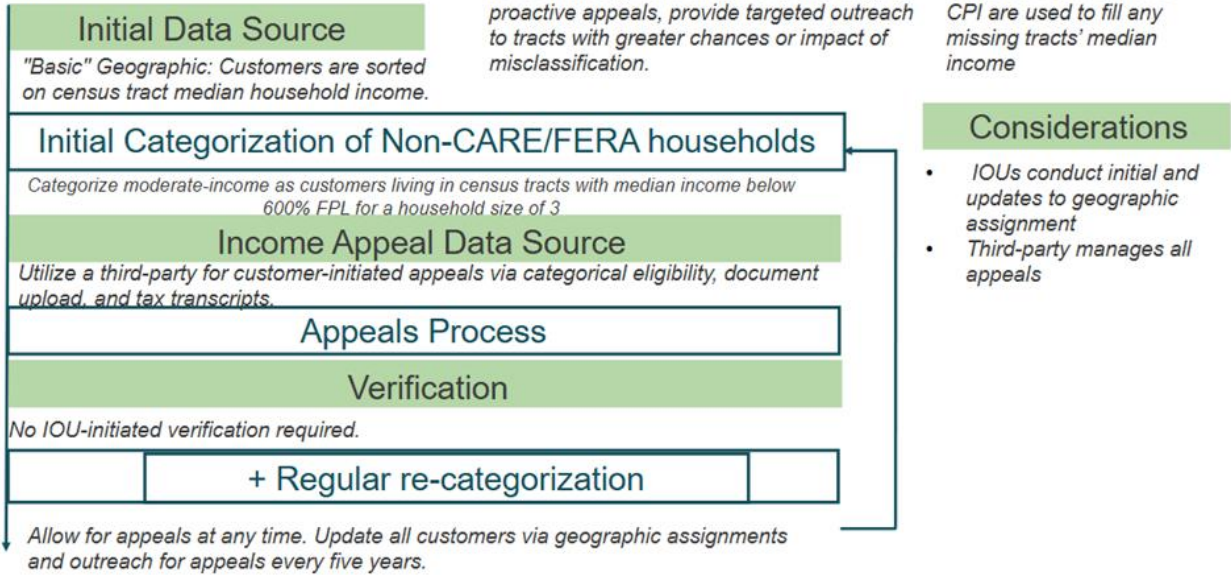
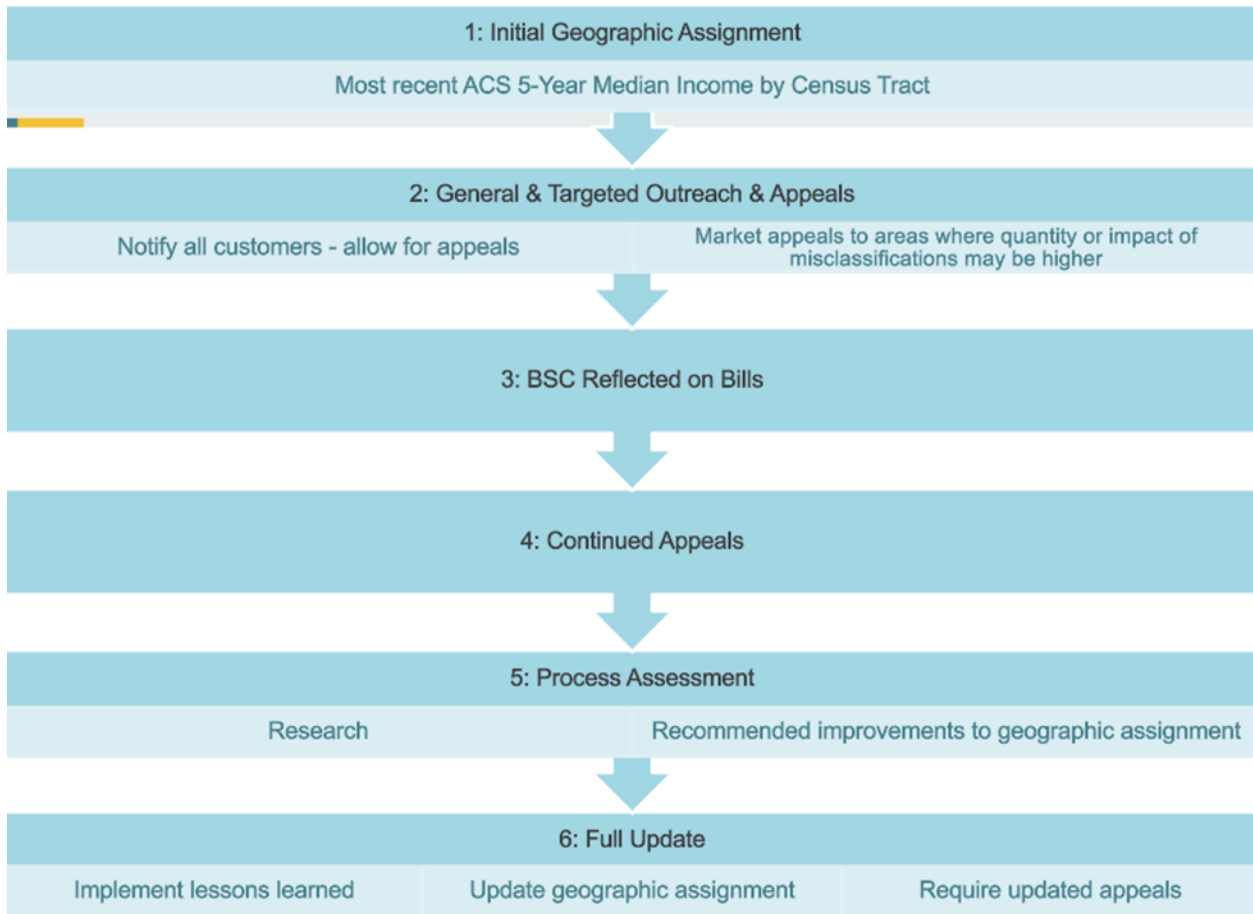


Figure 8-3: Near-Term Proposal Relative Timeline



8.2 Initial Classification by Geographic Proxy Data

Initial classification of customers into the hypothetical new moderate- and high-income tiers would use ACS estimates as a fact-specific proxy for income.⁵⁷ For example, classification into moderate- and high-income tiers would be based on the

⁵⁷ Fact specific proxies are often used in government-run income eligible programs to simplify document requirements. Fact-specific proxies allow programs to infer an applicant's income based on external data, often median income for a given geographic unit.

Using Fact-Specific proxies to simplify documentation requirements. (2025, December 23). U.S. Department of The Treasury. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/promising-practices/fact-specific-proxies>

most recent (currently 2023) five-year ACS median income data at the census tract level.

Proposed Data Source: The ACS income data represents gross household income, including wages, self-employment income, interest, dividends, social security, and more.⁵⁸ ACS five-year estimates are updated annually and hold survey responses from the most recent five years, reflecting a rolling average. The ACS five-year estimates are preferred over the one-year estimates as they have smaller margins of error and include more complete data for less populated areas due to larger sample sizes. While using five-year estimates can mask recent changes in income to certain geographic areas (e.g., areas experiencing gentrification), it allows for greater reliability in estimates.⁵⁹ Similarly, using median income for census *tracts* is preferred over census *block groups*, which are much smaller than tracts, as the estimates have smaller margins of error.⁶⁰ Further, census tracts likely have a higher administrative practicality, as SDG&E has some experience manually mapping premises to census tracts and there are several available online tools which allow for address mapping to census tracts.⁶¹ Therefore, this proposal applies a “Basic Geographic” approach, which simply classifies customers into tiers based upon the median household income estimate for their census tract.

While tier definitions are out of scope for the Working Group, this proposal presumes a moderate-income definition that classifies all non-CARE and non-FERA customers earning below 600% FPL as defined for a household size of three.⁶² For illustrative purposes, applying this presumed cutoff provides the accuracy levels shown below:⁶³

⁵⁸ *Measures of Income in the Census - MCDC.* (n.d.). <https://mcdc.missouri.edu/help/measures-of-income/>

⁵⁹ US Census Bureau. (2025, September 2). *Using 1-Year or 5-Year American Community Survey data.* Census.gov. <https://www.census.gov/programs-surveys/acs/guidance/estimates.html>

⁶⁰ *Strategies for determining eligibility of homeowners based on income.* (2025, December 23). U.S. Department of The Treasury. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/homeowner-assistance-fund/program-service-design/strategies-for-determining-eligibility-of-homeowners-based-on-income>

⁶¹ Find here: <https://www.transportation.gov/gis/national-address-database> and: <https://geocoding.geo.census.gov/geocoder/geographies/addressbatch?form>

⁶² There was substantial discussion and disagreement among the parties about the use of multiples of FPL versus other standards such as AMI for setting tier definitions. This discussion and the parties’ positions are summarized in greater detail below and in the Advocate Statements.

⁶³ This analysis is described in Appendix F. 2019-2023 five-year ACS data and 2023 FPL limits are utilized. Households earning below 250% FPL for a household of three are excluded for analysis, while census tracts with median income below 250% FPL for a household of three are included in the “moderate tier.” This is because the proposal does not recommend an additional tier below 250% FPL,

Table 8-1: Estimated Accuracy of Basic Geographic Classifications: Defining “Moderate” as less than 600% FPL for a household of three, Annual Household Income

Tier	Actual Households in Tier	# of Households Classified into Tier	Of the Actual Households: # Correctly Classified	Of the Actual Households: # Incorrectly Classified	Percent of Actual Households Correctly Classified
High >600% FPL (household of 3)	4,107,758	1,917,998	1,348,694	2,759,064	32.8%
Moderate (<600% FPL household of 3)	5,044,789	7,234,549	4,475,485	569,304	88.7%
Total	9,152,547	9,152,547	5,824,179	3,328,368	63.6%

Notably, in this illustrative example, moderate-income households are classified accurately more often than high-income households, and under this definition of moderate-income, there are many more moderate-income households than high-income households within California. In this scenario, it is estimated that fewer than 600,000 moderate-income households are eligible for an income-based update to adjust their initial classification. While 2.7 million high-income households are classified into the moderate tier, this analysis found the accuracy of initial classification to be 63.6%. If all moderate-income customers eligible to change their classification (~569,304 households) provided verified income data to appeal their

but the analysis aims to approximate the exclusion of CARE and FERA customers from the moderate and high tier classifications. Household size is not taken into account.

assignment, overall accuracy of the process would be 70%. However, the portion of eligible customers that might appeal their assignment is unknown.

While this analysis is illustrative, several other analyses were conducted, such as shifting moderate income definitions and household size, which all provided between 60 to 70% accuracy for the Basic Geographic approach. This assessment describes the creation of a moderate and high differentiation, which theoretically could be split into more income tiers. Generally, the smaller the range of income used to define a given tier, the lower the accuracy of initial classification for that tier - not necessarily overall. For example, increasing the ceiling of the moderate-tier definition would increase the accuracy of moderate-income initial classification and decrease the accuracy of high-income initial classification.

Proposed Gap Filling: If census tracts were missing median income data for a given five-year sample, the Consumer Price Index (CPI) could be used to inflate the most recently available historical estimate to provide a reasonable proxy for median income. When ACS median incomes are missing from a given dataset, it is because the data does not have a sufficient sample size to develop an estimate (most often affecting relatively sparsely populated areas and therefore would be needed for only a small number of households). Using CPI to inflate historical estimates is consistent with how the ACS inflates its data over time.⁶⁴ HUD has also historically used CPI to adjust rental limits.⁶⁵

Proposed Administration: Initial tier classification using ACS data can be managed either by the IOUs by mapping customer premise addresses to census tracts or by a third party selected through a Request for Proposals (RFP) process. Working Group participants expressed a preference for whichever is a lower cost option. SDG&E has some experience manually mapping customer premises to census tracts, demonstrating that IOUs have the data and ability to initially classify customers.

⁶⁴ U.S. Census Bureau & U.S. Bureau of Labor Statistics. (n.d.). *Understanding and using American Community Survey data*. https://www.census.gov/content/dam/Census/library/publications/2018/acs/acs_general_handbook_2018_ch10.pdf

⁶⁵ *Consumer Price Index (CPI) Factor for rent increase Calculation* | California Department of Housing and Community Development. (n.d.). <https://www.hcd.ca.gov/funding/income-limits/state-federal-income-limits/cpi-factor>

8.2.1 Alternatives

8.2.1.1 Alternative Data Sources for Geographic Classification

There was no consensus in the Working Group about the use of census tracts over census block groups. For example, the Sierra Club prefers census block groups as it can provide greater granularity and their research found fewer mischaracterizations of low-income households into higher income tiers. Other parties also showed interest in whether census block groups might be more advantageous. However, the U.S. Department of Treasury states: “Census tracts offer a good tradeoff between size, data availability, and data quality. The census offers smaller units, such as block groups, but the sample size of these units makes further subdivisions less meaningful. In general, programs should aim to strike a balance between specificity, data quality, data availability, and ease of implementation” in a framework developed to guide the development of fact-specific income proxies for the Emergency Rental Assistance Program.⁶⁶

Determining which geographic unit to use requires balancing precision, population size, data reliability, and administrative practicality. Census tracts include more households and provide higher data reliability than the more granular block groups which can capture neighborhood-level differences but suffer from higher margins of error. ACS data by census block can also be applied in the same way to classify customers into any number of tiers, based on what is adopted in a future Commission decision.

8.2.1.2 Alternative Approaches to Initial Assignment

Other near-term initial classification data sources, when evaluated against Working Group criteria, were not recommended for inclusion in this near-term proposal due to concern over the legality of use cases (e.g., with modeled income data from credit agencies), unclear relationship to income (e.g., with non-geographic income proxies

⁶⁶ *Guidelines for fact-specific proxies*. (2025, December 23). U.S. Department of The Treasury. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/service-design/fact-specific-proxies#:~:text=Determining%20a%20geographic%20area%20for,availability%2C%20and%20difficult%20in%20implementation>

like property value or energy usage), and customer consent requirements (e.g., with The Work Number and FTB tax data).

Alternative Initial Assignment: Defaulting All Customers to Highest Tier

The Working Group also considered defaulting all non-CARE and non-FERA customers to the high-income tier and allowing moderate-income customers to change their classification through income-based appeals. The justification for this approach would be to minimize the number of high-income households that are misclassified as moderate-income, which would impact the ability of the base services charge to recover revenue from high-income customers. This approach was strongly opposed by a number of parties, including the Center for Accessible Technology, as it would greatly increase the inaccuracy of initial assignment, which may lead to increased costs for moderate- and low-income (if not enrolled in CARE or FERA) customer-driven updates, equity concerns, and low customer acceptance. Using the same assumptions as in Table 8-1, defaulting all customers to the highest tier would likely result in the estimated accuracy shown in Table 8-2.

Table 8-2: Estimated Accuracy of Defaulting All to High: Defining “Moderate” as less than 600% FPL for a household of three, Annual Household Income

Tier	Actual Households in Tier	# of Households Classified into Tier	Of the Actual Households: # Correctly Classified	Of the Actual Households: # Incorrectly Classified	Percent of Actual Households Correctly Classified
High >600% FPL for a household of 3	4,107,758	9,152,547	4,107,758	0	100.0%
Moderate < 600% FPL for a household of 3	5,044,789	0	0	5,044,789	0.0%
Total	9,152,547	9,152,547	4,107,758	5,044,789	44.9%

Defaulting all customers to the high tier would result in 44.9% accuracy upon initial classification, making over 5 million moderate-income customers likely eligible for an income-based appeal. This option shifts all inaccuracy onto all non-high-income households, placing the burden to update and verify one's income on lower earners. Theoretically, if all 5 million moderate-income customers eligible to change their classification provided verified income data to appeal their assignment, the overall accuracy of the process would be 100%. As the base services charge is novel, there is currently no insight into the portion of customers classified into the wrong tier that would provide income data to change their initial assignment. Section 8.6.1 describes the costs associated with these theoretical appeals.

Alternative Initial Assignment: Adjust the "Basic Geographic" Approach to Shift Risk and Update/Appeal Burden

To address the potential misclassification of high-earning customers in the moderate-income tier, without defaulting all customers into the high-income tier, "Adjusted Geographic" classification methods were introduced for consideration. An "Adjusted Geographic" method would modify the outcomes of the "Basic Geographic" approach by intentionally reclassifying some proportion of moderate-income census tracts as high-income census tracts. For example, an "Adjusted Geographic" approach could reclassify the top 25% of moderate-income census tracts as high-income census tracts (based on median income) to support a more even distribution of customers across tiers. These methods, while better at classifying high-income households, are worse at classifying moderate-income households. Thus, while the near-term proposed Basic Geographic approach errs on the side of charging high-income households a lower base services charge, the alternative Adjusted Geographic approach errs on the side of misclassifying moderate-income households as high-income and needing those households to provide income-based appeals.

Compared to the Basic Geographic method, the Adjusted methods result in similar levels of accuracy upon initial assignment but allows for greater overall accuracy *if* more moderate earners appeal their assignment. For example, as shown in Table 8-3, reclassifying the top 25% of moderate-income tracts as high-income census tracts, effectively adjusting the moderate-income definition ceiling to \$109,254 (the 75th percentile of the moderate-income census tracts in this analysis), results in different levels of accuracy for different groups.

Table 8-3: Estimated Accuracy of Adjusted Geographic Classifications: Defining “Moderate” as less than 600 % FPL for a household of three, Annual Household Income

Tier	Actual Households in Tier	# of Households Classified into Tier	Of the Actual Households: # Correctly Classified	Of the Actual Households: # Incorrectly Classified	Percent of Actual Households Correctly Classified
High >600% FPL for a household of 3	4,107,758	4,289,902	2,561,914	1,545,844	62.4%
Moderate <600% FPL for a household of 3	5,044,789	4,862,645	3,316,801	1,727,988	65.7%
Total	9,152,547	9,152,547	5,878,715	3,273,832	64.2%

In this Adjusted Geographic Classification method, an initial accuracy of 64.2% is achieved; the accuracy of classifying high-earning households increased, while the accuracy of classifying moderate-earning customers decreased. This leads to approximately 1.1 million additional moderate-income customers eligible for income-based appeals when compared to Basic Geographic Classification. However, if a significant portion of these customers appeal, greater overall accuracy can be achieved. If all 1.7 million moderate-income customers eligible to change their classification provide verified income data to appeal their assignment, the overall accuracy of the process would be 83%. However, the portion of eligible customers who might appeal their assignment is unknown. The costs associated with the theoretical appeals are described in Section 8.6.1.

8.2.1.3 A Note About Accuracy and Its Reliance on Income-based Appeals

Mathematically, Basic Geographic Classification can achieve 69.9% accuracy if all approximately 569,000 misplaced moderate-income customers appeal (assuming no high-earners correct their initial assignment into moderate), while Adjusted Geographic Classification, as defined above, can achieve 83.1% accuracy if all 1.7 million misplaced moderate-income customers file income-based appeals and are reclassified. Similarly, defaulting all customers to the high tier can achieve 100% accuracy if all 5 million moderate customers provide income data to change their assignment.

Cal Advocates points out that using an Adjusted Geographic method allows the Commission more control over the proportion of customers classified into each tier, which may be a factor considered in a future proceeding but was not in scope for this effort.

The IOUs oppose the use of Adjusted Geographic Classifications in favor of the Basic Geographic Classification due to the former's added layers of complexity, increased administrative and ME&O costs, and difficulty explaining the process to customers. SDG&E noted that adjusting geographic assignment does not fairly treat moderate- and high-income customers and that the added complexity needs to be justified.

Considering the Working Group's key criterion of cost, customer acceptance, and accuracy, "Defaulting All" and the "Adjusted Geographic" approaches are not as strong recommendations as the Basic Geographic approach, as they pass the burden of accuracy to moderate-income customers, and the expected rate of income-based appeals is unknown. Further, Adjusted Geographic Classification redefines the moderate-income definition for initial assignment for some census tracts while maintaining the definition for appeals and other census tracts.

Additional alternative methods of initial assignment were discussed by the Working Group, including:

- Placing customers in the moderate tier and slowly moving them to the high tier if they do not provide verified income to maintain the moderate tier assignment.
- Moving customers who live in census tracts that have very high mean incomes into an additional very high base services charge tier.

8.2.1.4 Alternatives for Gap Filling

Cal Advocates proposed manually calculating median income based on the income distribution data for the census tracts with missing median income data and income distribution data. For other census tracts with missing median income data and without income distribution data, they would be defaulted to the high-income tier.

8.2.2 Master-Meter Customers

The Working Group was tasked with considering how to classify master-meter customers. For Phase 1, master-meter customers without submetering are exempt from the base services charge, but master-meter customers with submetering are not. As this also relates to tier classification, it is likely out of scope for this working group. Master-meter customers reflect 1-2% of IOU customers⁶⁷, and parties are concerned about landlords either absorbing benefits or passing on bill increases associated with the base services charge. Master-meter customers are also concerned about the need or even perception that landlords must perform income verification for their tenants for purposes of utility billing. Therefore, due to the various concerns and complexities raised by the Working Group, it is proposed that master-meter customers with submetering be classified into the moderate tier, unless they are otherwise eligible for assignment to either Tier 1 or Tier 2 (referencing D. 24-05-28); master-meter customers without submetering would continue to be exempt from the base services charge.

8.3 Income-Based Appeals

Customers who are eligible for an income tier different from what they are originally assigned should be able to change their classification through an appeals process (1) after initial classification, but before tier assignment is finalized, and (2) at any time thereafter. Reclassification may occur due to household income varying from the initial geographic classification or changes to income or household size over time. Third-party vendors recommend rolling out the appeals process in waves so as not to overload the appeals platform with a high volume of appeals at one time.

A customer-intuitive, comprehensive appeals platform should be managed by a third party selected through a competitive RFP process. Customers who desire to contest

⁶⁷ Portion of master-meter customers provided to Consultant Team by SCE and PG&E via email.

their tier classification should be able to easily navigate to a web-based portal that allows them to consent to income verification by a third party and submit necessary identifying information or upload documents. Any web platform or portal must be built in compliance with web accessibility standards and provide in-language and alternative formats to ensure broad customer access.

While 96% of Californians had access to the internet in 2023,⁶⁸ an in-person or paper-based process should also be provided to ensure all customers can file appeals. This process could be managed by the selected third-party administrator. For consistency, the unit of income used for geographic classification should match that of the income data provided upon appeal (i.e., gross household income).

Considering Working Group discussion around criteria for cost, customer acceptance, and accuracy, the following appeals data sources are recommended:

1. **Tax transcript access:** Allow customers to provide consent to pull IRS tax transcripts through the third-party appeals platform, which can be used by the third-party to make a classification change if necessary. This option should be inclusive of all taxed income streams for those with a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) for income within and outside of California. Tax transcripts used for an appeal should reflect the most recent available tax year.
2. **Supporting document upload:** For non-filers or those unwilling to consent to virtual tax transcript access, the third-party platform should allow a list of accepted documents, including paystubs, W-2s, 1099s, social security income, and unemployment documentation for upload to the appeals portal. The Commission should define a time period from which these documents are acceptable, for example, requiring the most recent tax year or the most recent several paychecks up to a number of months.

The envisioned third-party appeals and verification platform (and an alternative that does not require online access) should allow for all working adults within a household to easily provide income verification and communicate updated tier classification – not income data or Personally Identifiable Information (PII) – back to the utility. While household size cannot be incorporated in initial geographic classification, household size may be included in appeals decisions by comparing the verified income and

⁶⁸ *Digital Access in California*. (2025, July). Public Policy Institute of California. <https://www.ppic.org/publication/digital-access-in-california/>

customer-reported household size to the FPL matrix. This is consistent with many programs, including CARE and FERA, that capture household income and household size. Third-party platforms can incorporate household size into tier appeals decisions, but it typically cannot be verified or could be unreasonably costly to verify. Further, the envisioned third-party appeals and verification platform would communicate with the utilities via an Application Programming Interface (API), allowing for immediate updates to customer classification databases and seamless communication between the third-party administrator and IOUs.

The appeals process should take customer burden into account by minimizing the time and effort required to complete an appeal. This includes providing accessible, translated support resources and customer service assistance. Reducing unnecessary complexity of the appeals process will help ensure that customers - especially those with limited time and technology access - can provide data to change their tier classification effectively.

8.3.1 Alternatives

8.3.1.1 Alternatives to an Income-based Appeals Process

To reduce verification costs, one party recommended that the process require all customers appealing their tier assignment to consent to income verification and provide the requisite information to the third-party administrator, but only run a percentage of those customers through the verification service.

8.3.1.2 Alternative Data Sources for Income-based Appeals

Categorical Eligibility: While the Working Group is primarily focused on differentiating between moderate- and high-income customers, some participants recommend allowing categorical eligibility in the appeals process for qualifying customers. More specifically, in addition to CARE and FERA enrollment, the appeals process should allow customers to upload proof of participation in other low- and moderate-income programs, where income limits align with the tier classification income definitions. Additionally, some participants, including CforAT and Sierra Club, recommended that customers who are not enrolled in CARE or FERA, but whose incomes would qualify them for either of these programs, can be placed into a lower tier based on income. While tier-placement and ratemaking are out of scope of this report, income-based appeals supported by categorical eligibility could function in two ways simultaneously: First, by continuing to classify customers enrolled in CARE

and FERA to Tiers 1 and 2, as defined in D. 24-05-28; and second, by allowing customers to appeal their moderate- or high-tier classification by uploading documentation of income that would qualify them for CARE or FERA or documentation of enrollment in other income-eligible programs to the third-party administrator.⁶⁹ Allowing households that can prove enrollment in other programs to align eligibility requirements will increase the ease of appeals for low-income households. The IOUs oppose the use of categorical eligibility beyond CARE and FERA in the appeals process.

Self-Attested Data: Multiple participants, including TURN and Sierra Club, support the use of self-attested income data in the appeals process for customer ease and accessibility. However, others, including the Joint IOUs, find that self-attested data is not appropriate for use in the general customer tier recategorization process, as it is not verified income data and would require some level of random post-appeal verification. A two-step hybrid process including self-attestation with administrator-initiated verifications of a sample could increase overall costs, administrative burden, and customer burden. Alternatively, an honors system could be applied using self-attested appeals alone, but many Working Group participants are skeptical of the accuracy this would provide. The IOUs' experience with CARE and FERA provides no specific insight into the accuracy of self-attested income for moderate- and high-income customers.

Payroll Data: Payroll data sources like The Work Number were assessed for use in income-eligible appeals. However, third-party platforms offering tax transcripts and supporting document verifications were preferred for the base services charge because The Work Number introduces additional administrative challenges, likely increasing overall cost. First, processing work reports from The Work Number into income-based appeals decisions requires creating a platform to do so, hiring eligibility workers, and setting up a system to communicate with customers throughout the process. These aspects are built into verification platforms like Eli

⁶⁹Examples of programs with eligibility criteria below 250% FPL include CARE, FERA, ESA, LIHEAP, WICC, CalFresh, LifeLine, DAC-SASH, DAC-GT, and CAP water bill assistance. The intent of allowing categorical appeals is to increase the ease of tier changes for low-income households not enrolled in CARE or FERA placed in the moderate or high income tier. CPUC. (n.d.). *CPUC Income-Qualified Programs*. https://www.cpuc.ca.gov/-/media/cpuc-website/about-cpuc/documents/transparency-and-reporting/fact_sheets/cpuc-income-qualified-programs_11072025.pdf

Technologies. While The Work Number requires a Social Security number or name and address, there may be data matching challenges with utilizing name and address alone. Further, payroll data does not include other sources of income, providing wages instead of gross household income. Aggregation to the household level would also require additional administrative structure.

8.3.1.3 Alternative Appeals for Non-Income Hardship

The Working Group and Consultant Team considered the addition of hardship appeals, which would allow a change in tier classification for customers whose income level has not necessarily changed, but their ability to pay the base services charge has changed. However, the IOUs currently offer payment plans, CARE, FERA, and medical discounts, and based on an assessment of other potential income-based scenarios, the Consultant Team found there would be few-to-no scenarios where hardship appeals applicable only on the base services charge portion of the bill would apply. Notably, payment plans change the timeline over which utility bills must be paid, where a potential hardship appeal would change the amount due.

8.4 Frequency of Updates

8.4.1 Classification by Geographic Proxy

Working Group participants discussed a range of options for how frequently an update should be made, ranging from one to five years. Frequency of reclassification also impacts cost, customer burden and acceptance, and accuracy. Based on analysis by the Consultant Team of whether reclassifying at a lower or higher frequency would result in any meaningful update to customer tier assignment, this proposal recommends five years.

Assignment to base services charge tiers based on geographic data should be updated for all customers every five years. While the ACS was not designed to be a time-series dataset, one could measure the portion of census tracts that would change tier classification year-over-year. Illustrative estimates by the Consultant Team found that using ACS median income at the census tract level within IOU territories to classify customers into income tiers, the tier classifications using 2020 data and 2023 data would only change for 8% of census tracts (if using a generalized \$150,000 per year cutoff for "moderate" income). Additionally, the five-year ACS estimates are combined estimates going back five years, meaning an update more frequently than

five years would include overlapping data points. Five-year updates would reduce costs, administrative burden, and customer burden compared to more frequent updates.

8.4.2 Income-based Appeals Reset at a Five-Year Update

Customers who provide verified income data to change their initial tier classification should be required to update their income-based appeal every five years as well. Requiring a comprehensive five-year update increases consistency across the process. Certain circumstances, like fixed-income customers, may warrant additional time prior to requiring updated income data. However, exceptions to the five-year update add complexity and administrative burden to the process.

8.4.3 Customer Move-Ins

When a new customer moves into an IOU territory, they should be notified of their geographic assignment and of the option to provide income data on the appeals platform. If they do not appeal at move-in, they should retain the option to appeal at any time. If a known customer previously living at a different premise within the same IOU's territory moves to a different census tract, they should be assigned an updated tier based on their new geographic location and similarly notified of the option to appeal. However, if a known customer already provided verified income data to appeal their previous assignment, they should retain that classification until the next five-year update.

8.5 Moderate Income Definition

In recommending a definition of moderate income for the purpose of creating additional tier options in the base services charge, the Working Group weighed using an FPL or AMI-based approach. While AMI better captures geographic variation in income and cost of living across the state, FPL is more consistent with existing low-income programs (e.g., CARE and FERA) and standard across the state. The Working Group suggested many different potential moderate-income cutoffs; however, the Working Group proposals coalesced at household moderate-income ceilings ranging between \$100,000 and \$175,000 per year. The Working Group did not come to a consensus on a specific definition. Multiple parties support a **recommendation for a moderate-income definition of non-CARE or FERA customers earning below 600% FPL**. Specific considerations from Working Group discussions are

outlined below, and individual stakeholders have provided alternative proposed moderate-income definitions in Section 12.

Moderate Income Definition for Implementation: While the moderate-income definition here is expressed in terms of FPL, for the purpose of implementation, the threshold would need to be expressed in a dollar amount, grounded in an FPL definition. Based on Working Group input and feedback on different ways to define cutoffs for the purposes of understanding a moderate income definition, research conducted by the Consultant Team, and the Working Group’s desire to maximize accuracy where possible, the proposal recommends an initial moderate income ceiling using 600% FPL for a household of three, or \$159,900 in 2025.⁷⁰ This illustrative threshold lands within the range of proposals from Working Group members.

About Household Size: Despite the recommended moderate-income definition, applying it for the initial classification of income tiers using geographic data does not allow for meaningful consideration of household size. Some Working Group participants recommended using the average household size by California county or by census tract. However, using census-based household size increases the statistical uncertainty by stacking two variables with their own large margins of error (i.e., ACS median household income and median household size) together. To elaborate, each census tract has an estimated median household income and median household size. Both values are estimates with margins of error around them calculated from variance and sample size. Each individual household varies from the median in both income and household size. When the two variables are combined, the margins of error are multiplied.

Rather, for initial classification purposes, the Working Group recommends using an average household size proxy. Using a household size of three aligns closely with the average household size in California (2.8)⁷¹ and allows the approach to better capture moderate-income households in high-AMI counties in the moderate tier.

⁷⁰ U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. (n.d.). *2025 Poverty Guidelines: 48 Contiguous States (all states except Alaska and Hawaii)*. <https://aspe.hhs.gov/sites/default/files/documents/dd73d4f00d8a819d10b2fdb70d254f7b/detailed-guidelines-2025.pdf>

⁷¹ World Population Review. (2026, January 9). *Average household size by state*. <https://worldpopulationreview.com/state-rankings/average-household-size-by-state>

Moderate Income Threshold Update: It should be noted that tier classification is proposed to occur every five years, while both AMI and FPL are updated annually. For consistent application across customers, the moderate-income definition should be updated based on the FPL every five years with the comprehensive update.

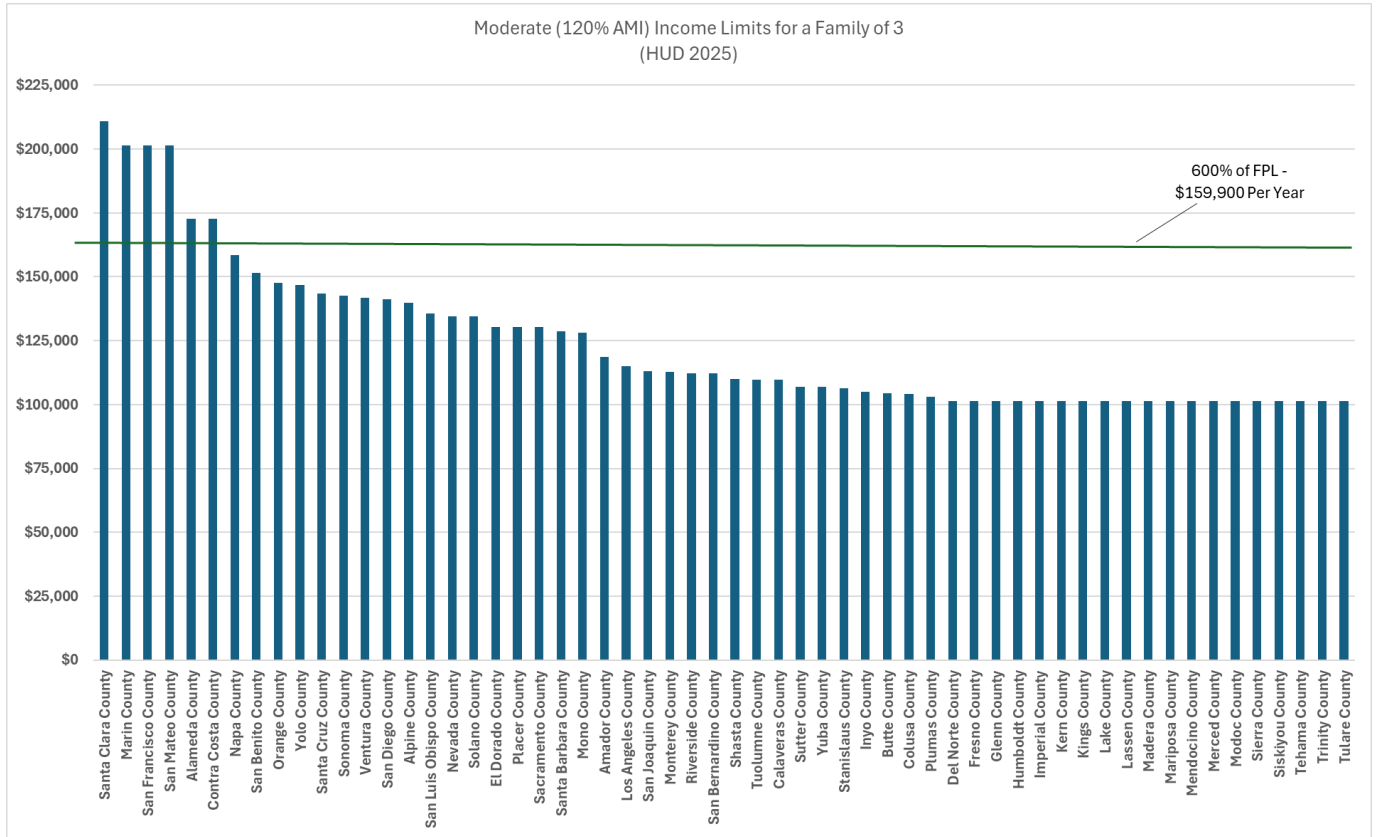
8.5.1 Alternatives

Capturing High-AMI Counties: Several Working Group participants raised the need to capture the socio-economic variance across the state in defining “moderate income” for the base services charge. Participants shared that in the highest-earning counties, using a statewide moderate-income definition to differentiate tiers could cause households to be classified as high-income even though their lived experience reflects a moderate-income household due to the very high cost of living in their area.

Based on 2025 HUD Income Limits⁷², there are six counties in California where 600% FPL is lower than 120% AMI for a household of three, suggesting that in these counties, using an FPL-based moderate-income definition would “miss” a portion of moderate-income households. These counties (Contra Costa, Santa Clara, Marin, San Francisco, and San Mateo) are all located within PG&E territory.

⁷² Kirkeby, M. & Department of Housing and Community Development. (2025). *2025 state income limits*. <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2025.pdf>

Figure 8-4: Income Limits for a Family of Three in California by County (HUD 2025)



Using census data, the Consultant Team identified that less than 300,000 households in PG&E territory living within high-AMI counties earn above 600% FPL but below 120% AMI for a household of three (see Appendix F). Accounting for socio-economic variance across the state is valuable; however, this would make implementation of a base services charge significantly more complicated. In the spirit of making near-term improvements that balance simplicity and accuracy, the near-term proposal uses an FPL-based moderate-income definition that seeks to better capture the wider range of moderate-income households in California.

8.6 Costs

Costs are an important consideration when weighing trade-offs among potential income verification processes for the base services charge. In considering the costs of the different options or variations of the Working Group's proposed approach, note the following considerations:

1. The extent to which increased rigor from greater investments in the income verification process enhances the policy objectives for which the Legislature established the base service charge.
2. The extent to which increased costs affect energy affordability for Californians overall, given how income verification costs are recovered.
3. The combination of costs to the system and the burden on individual ratepayers to navigate the system. In other words, does the cost to improve or correct a customer's tier accuracy - whether through initial assignment or income-based appeals - exceed the tier differential for that customer?

Increases in accuracy often correlate with increased complexity and cost to all ratepayers, as well as effort required by some or all customers to obtain or correct their tier assignments. System-level cost for implementing an income verification process depends on the details of the entire system. Costs are highly sensitive to:

1. The sophistication and complexity of the initial categorization.
2. The specific options offered to customers to seek recategorization.
3. The number of customers that need to be classified, and the number that are likely to seek reclassification. This is dependent on the upcoming rate-making process, the level of accuracy of initial classification, and how that accuracy is distributed across customers.⁷³
4. Frequency of recategorization and updated income-based appeals.

This section provides the best information on these costs at the system level available as of September 2025, but does not include quantified burden for customers' time.

⁷³ Accuracy refers to the portion of customers assigned to the "correct" base services charge tier. However, even with further insight into the accuracy of initial tier classification, research provided no insight into the portion of inaccurately classified customers that would appeal the assignment or the portion of accurately placed customers that would appeal the assignment due to confusion.

Parties have expressed particular concern about the level of burden various proposals would place on moderate-income customers. Such a burden may result in higher levels of inaccurate placements if misclassified customers do not appeal and may also lead to reduced customer acceptance of the base services charge overall.

Ranges of possible costs are wide, as illustrated by Track A of R. 22-07-005 income verification cost estimates provided by the Joint IOUs (\$97 million) and CEJA (\$13.1 million).⁷⁴ Note that both proposals relied upon scaling CARE and FERA's annual income verification costs, which may not be an accurate proxy for the base services charge.

As described in Section 7, an income verification process for the base services charge will include multiple steps: initial classification, gap filling (if applicable), customer-driven appeals, verification (if applicable), and regular recategorization. Table 8-4 describes possible cost categories associated with an income verification process for the base services charge.

⁷⁴ Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company. (2023). Joint testimony of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company (the joint IOUs) describing Income-Graduated Fixed Charge proposals. In R.22-07-005. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/joint-iou-opening-testimony-exhibit-1.pdf> at p.71;

Siegele, T. & California Environmental Justice Alliance. (2023). REPLY TESTIMONY OF TYSON SIEGELE ON BEHALF OF THE CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE. In R.22-07-005. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/track-a-reply-testimony/r2207005-ceja-siegele-track-a-reply-testimony.pdf> at p.6

Table 8-4: Base Services Charge Income Verification Process Cost Components

Cost	Description	Per Unit	Re-occurring
Customer Targeting (if applicable)	Customer targeting for income verification, marketing education, and outreach is outside of the purview of the Income Verification Process Working Group	Yes	Yes
Initial Classification Data	Cost of data to initially classify customers	Yes	Yes
Gap Filling Data (if applicable)	Cost of gap filling data source	Yes	Yes
Initial Categorization (labor)	Cost to actually assign the tiers based on data sources above	Yes	Yes
Verification/Appeals Data	Cost of data to verify customer appeals	Yes	Yes
Processing Verifications/Appeals (labor)	Cost of workers/third-party processing appeals. Some third-party appeals platforms build this cost into the per-verification cost alongside the cost of data. Options to automate verifications and appeals can reduce costs.	Yes	Yes
Training of Eligibility Workers (if applicable)	Train workers on use of data sources/appeals process	No	No
Initial Platform Setup (if applicable)	Cost of setting up program website and appeals interface	No	No
Ongoing IT Technology/Programming	Cost to maintain program website and appeals interface	No	Yes

For the above reasons, the exact costs of the proposed income verification process are challenging to estimate accurately at this time. Indeed, the Joint IOUs assume there will be a proceeding in which more refined cost-estimates will be presented and considered before the CPUC finalizes any refined income graduation approach to potentially replace its initial three-tiered base services charge from D.25-05-028. However, Table 8-5 displays illustrative cost category estimates for the Commission’s introductory consideration.

Table 8-5: Near-Term Income Verification Proposal Illustrative Cost Estimate

Cost	Description	Cost	Source of Cost Estimate
Initial classification (GIS mapping labor)	Labor to map premises to initial geographic classifications and update when account holders move/open.	The IOUs did not have final requirements, and in some cases resources to provide accurate cost estimates	IOUs
Appeals Data & Process	Allow customers to appeal using third party based on household size and income level. Allow for supporting document upload and tax transcript service.	Using a third-party verification service: \$8/verification for supporting documentation or categorical eligibility, \$14/verification for tax data.	Conversation with Eli Rep, estimates, provided with permission. See Appendix G.
Processing Appeals (labor)	TP processes appeals (cost above), communicates with customers, and returns tier classification to IOUs. Includes extensive case management, robust call center capacity, multilingual support, and troubleshooting.	Using a third-party verification service where verification is included in the data cost: \$620,000/year depending on the level of support required from TPA (this estimate reflects a high level of support)	Conversation with Eli Rep, estimates, provided with permission. See Appendix G.

Cost	Description	Cost	Source of Cost Estimate
Initial Platform Setup	Customize TP system to CPUC specifications with one platform integrated for each IOU, with additional costs for IOU-side integration.	\$100,000/IOU one-time	Conversation with Eli Rep, estimates, provided with permission. See Appendix G.
Marketing Costs (ME&O)	General and targeted customer targeting	The IOUs did not have final requirements and in some cases funding, to provide accurate cost estimates.	IOUs
Program/Product Management Billing System	IOUs to integrate income assignment information into IOU billing system and ongoing programming/maintenance costs.	The IOUs did not have final requirements, and in some cases funding to provide accurate cost estimates.	IOUs
Customer Relationship Management and Support Costs	Customer relationship management software, online web tools, and admin/operational customer support costs.	The IOUs did not have final requirements, and in some cases funding to provide accurate cost estimates.	IOUs

8.6.1 Cost Comparison of Alternatives

While estimating exact costs with a given base services charge income verification proposal is challenging without insight into tier definitions, accuracy, and income-

based appeals rate for those initially misclassified, using the general cost per appeal identified above can help to compare the costs of alternative approaches.

Taking the count of moderate-income customers placed into the high tier from Table 8-1, Table 8-2, Table 8-3, and the cost for a tax transcript appeal (\$14/verification as cited by Eli Technologies), along with the average household size in California (2.86), the maximum appeals cost associated with each alternative is:

- Basic Geographic Classification: 569,304 possible appeals = ~\$23,034,039
- Defaulting All Customers to High: 5,044,789 possible appeals = ~\$201,993,352
- Adjusted Geographic Classification (Sorting the top 25% of moderate tracts into high): 1,727,988 possible appeals = ~\$69,188,640

These estimates only include the cost of income verification through appeals and are provided for illustrative purposes only to give the CPUC a sense of the likely differences in scale of income-based appeals and their relationship to potential levels of cost.

8.7 Marketing, Education, and Outreach (ME&O)

Customer outreach and education plans and lead-time will depend on what final process is approved by the CPUC, but should be initiated several months before tier classifications begin to impact customer bills through the BSC. This lead-time is necessary to ensure that customers: 1) understand the new rate component and 2) are aware of their ability to update their geographic proxy classification through an income-based appeal process. This pre-launch period should also help ensure that the third-party administrator's communications on tier assignments have enough time to be implemented properly into the IOU billing systems.

While ME&O is not in scope for this Working Group, the Working Group recognized it will be a key component in the success of the BSC, and especially in this recommended potential new process. Careful consideration should be given to the methods, language, frequency, and volume of communications, as well as how the BSC tiering is presented. ME&O will significantly impact customer acceptance, transparency, accuracy, cost, administrative burden, and customer burden of appealing tier assignment by influencing appeals rates and customer understanding. A more precise estimate of time and tactics can be provided once the CPUC makes a final determination on what specific process and method for income verification is being adopted.

8.7.1 Alternatives

Some Working Group participants point out that communicating initial tier classifications to customers that do not match their actual income may decrease customer acceptance. The alternative, seeking voluntary customer income verification prior to geographic classification, could unnecessarily increase income verification costs, since many moderate-income customers would otherwise be correctly classified using the “Basic Geographic” classification.

Multiple Working Group participants support additional targeted outreach for customers living in ACS census tracts that exhibit 1) greater variation in income and 2) increased likelihood for misclassification, to especially encourage customers in those tracts to be aware of their classification and have a full opportunity to appeal their classification. Groups most likely to be harmed by misclassifications could receive targeted outreach to encourage income-based appeals.

8.8 Empirical Approach and Improvements

The Base Services Charge is a novel concept not yet tested within a utility context. The Working Group process surfaced a high level of uncertainty about the effectiveness of the near-term proposal and how issues may be addressed in future iterations. In this spirit, the proposal above is conservative (directing classification error toward placing high-earners in the moderate tier rather than moderate-earners in the high tier) and can be altered over time if research supports changes to the geographic classification process. As the program rolls out, the third-party administrator should track and report geographic concentrations of appeals, concentration of tier classifications, customer acceptance, and time and money spent on appeals. This information can be assessed and used to make changes to the initial geographic classification and the appeals process as lessons are learned. This opens the possibility of targeting areas with higher appeal rates or lower high-tier classifications than expected with ME&O, or making mathematical geographic corrections or adopting any of the “Adjusted” geographic methods listed earlier in this proposal.

9. Outstanding Questions and Considerations

This section describes outstanding questions and considerations relating to the income verification process and proposal. Many of these questions are pertinent to the proposal outlined in Section 8, but others may be relevant to the broader context of the Base Services Charge policy and implementation.

9.1 Automated Decision Making

Several third-parties that provide income verification services for income-eligible programs can automate appeals or verification decision-making. In this scenario, a customer would access the appeals platform and provide their verified income data (either through tax transcript pulls or uploading supporting documentation). Then, the appeals decision can be made by a worker, partially automated, or fully automated, potentially with artificial intelligence. If fully automated with the use of AI, all PII would be stored offline on a secure server to avoid data security concerns. Automated processes are less costly and more efficient. For instance, staff performing manual decisions for CalFresh previously cost \$2.15 per verification, while automated data matching is now \$0.12 per verification.⁷⁵ For CalFresh, a data matching process is automated without the use of AI. There appears to be a spectrum of automated decision-making that could allow for efficiencies in the income verification process. However, there may be ethical, legal, and customer acceptance considerations associated with fully automated appeals decisions.

9.2 Corrective Billing

An outstanding question remains about how customer income-based appeals, tier changes, and base services charge changes will be handled.

Currently, if customer bills have errors resulting in the customer being overcharged, they may be refunded for a period of up to three years.⁷⁶ Conversely, if a billing error

⁷⁵ CalFresh. <https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/lifeline/pilots-and-government-partnerships/calfresh>

⁷⁶ Cherry, B. K. (Director). (2014). ELECTRIC RULE NO. 17.1 Sheet 1. In *Revised Cal. P.U.C. Sheet No. 33679-E*. https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_RULES_17.1.pdf

results in a customer being undercharged, the utility may collect the owed amount back-dated for a period of three months. In the case of the proposed process, if the Commission were to order the IOUs to use geographic data as a proxy for an initial classification, some customers will unavoidably be placed in the incorrect tier with the hope and likelihood that customers will pursue income-based appeals to be correctly classified. Upon correcting their tier via the appeals process, some participants wondered whether such customers might be entitled to retroactive billing corrections, and if so for what period of time.

The IOUs expressed concern that an income-based appeal is not correcting a “billing error” in that the IOU charged customers based on the information it had at the time. Indeed, the IOUs noted that neither the CARE or FERA programs have any retroactive billing. Thus, the IOUs believe this issue should be deemed beyond the scope of this proceeding, as any resolution here could affect other programs and would amount to setting a new precedent here without a holistic consideration of its potential wider cost impacts on all customers.

9.3 Low-Income Tier Classification

The Working Group discussed opportunities to prevent low-income customers not currently enrolled in CARE or FERA from being classified as moderate- or high-income customers. We acknowledge CPUC Energy Division comments during Process Working Group meeting #6, that placement of CARE and FERA enrolled or eligible customers into specific base services charge tiers is not the primary goal of this Working Group. Rather, it is to develop a process that can verify the income level of non-low-income households under the assumption that low-income customers can continue qualifying for CARE and FERA (and thus the low-income fixed charge tiers) through existing processes. However, some parties recommended alternate/additional processes for assigning customers to low-income fixed charge tiers. Many parties, including CforAT recommend placing customers into CARE and FERA Tiers 1 and 2 based on their census tract’s median income being below CARE or FERA eligibility. Other parties point out that CARE and FERA eligibility are not based on geographic income data, and this would cause confusion by placing different eligibility requirements on the fixed and variable rate discounts.

Under the current base services charge structure, customers living in deed-restricted affordable housing (DRAH) are eligible for Tier 2, which includes FERA customers. These are households earning less than 80% of AMI, residing in some of the 570,080

government-subsidized affordable homes in California.⁷⁷ Because this category is based on AMI, there is some overlap with the other income tiers based on FPL. For example, DRAH households enrolled in CARE are enrolled in the CARE tier of the base services charge, instead of the FERA tier. The near-term proposal presented in Section 8 would not change this special assignment of DRAH low-income customers.

As tier definitions are out of scope for this Working Group, this will be deliberated in the successor proceeding.

9.4 Cost-Effectiveness and Accuracy of Proposals

An initial overview of estimated costs was discussed by the Working Group; however, a thorough cost-benefit analysis was not possible without access to the parameters of the rate design. A more thorough review of cost, cost categories, and cost benefit analysis is anticipated to occur in a future proceeding.

A study could be conducted before rolling out an updated base services charge - for example, contracting with a data broker to verify the accuracy of geographic classification within a test area. Any further study should use IOU data to first map customer addresses to census tracts alongside CARE and FERA enrollment data, which would allow a better understanding of the number of customers eligible for appeals and the portion of customers assigned to and truly in each tier. As a lack of insight into CARE and FERA households within each census tract has been a significant barrier to analysis in this report, these steps would provide valuable insight to the Commission.

9.5 Clearly Defining Program Rules for Appeal Process

Before selecting a third-party to manage and process base services charge appeals, detailed program rules should be defined that cover all possible income-based appeal scenarios. For instance, in what circumstances may a customer bypass tax-transcript pulls and instead provide a supporting document upload? In the case that a customer reports three household members, but only provides income data for one, how is the income level determined, and an appeal decision made? A

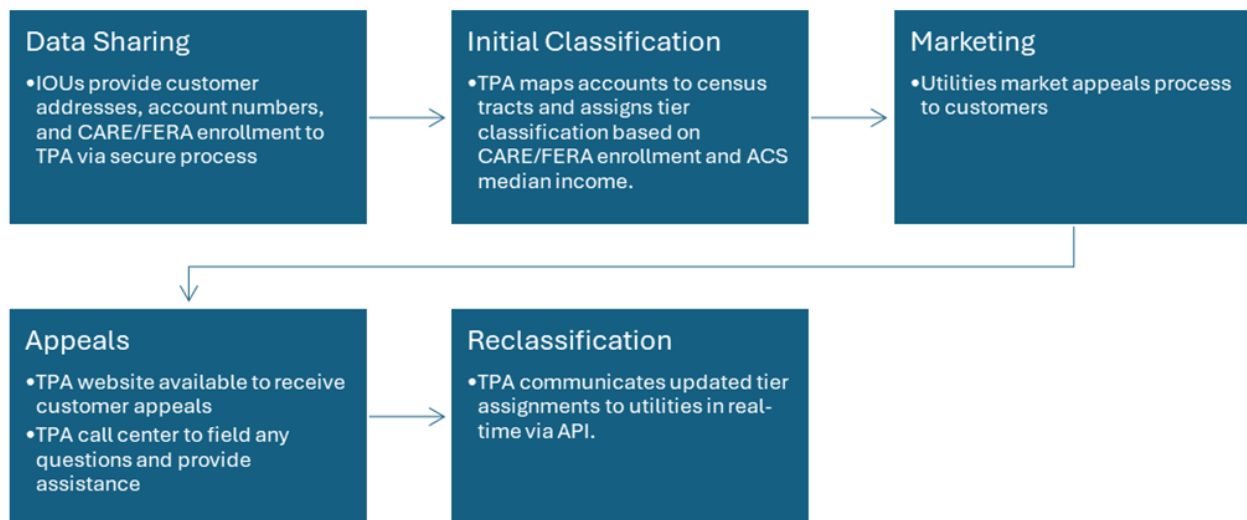
⁷⁷ California Housing Partnership. (2025). *Affordable homes are at risk of losing affordability in the next 10 years*. https://chpc.net/wp-content/uploads/2025/04/CHP_2025-Subsidized-At-Risk-Report.pdf

comprehensive non-filer flow should be developed to ensure all IOU customers have access to the appeals process. Rules should be defined across all possible appeal scenarios to ensure a smooth and systematic process. An example of program rules for an income-eligible program is provided [here](#).

9.6 Administrative Structure and Scope of Work for Near-Term Proposal

Prior to defining a scope of work for a third-party administrator to manage the base services charge income verification process, additional parameters of the rate must be defined. Working Group discussions and conversations with third-party income verification representatives have informed the general administrative structure laid out below. Note that a similar administrative structure could be applied to several alternative income verification processes, like those that include Adjusted Geographic Classification or the use of alternative verification data sources (which may require additional steps).

Figure 9-1: Envisioned Administrative Structure for Income Verification Process⁷⁸



⁷⁸ TPA stands for Third-Party Administrator.

9.7 Tier Definitions

Determining whether and how to integrate the income verification process into rate design was out of scope for the working group; however, participants needed to understand the potential impacts of the process on customers, cost recovery, and cost shift to assess whether they can support a given proposal. Tier definitions will be included as part of the rate-making process in the next proceeding, which will significantly impact process accuracy, cost, customer acceptance, and more.

10. Long-Term Proposal

Multiple Working Group participants agreed (and the Consultant Team's research supports) that the most accurate information on household income would be the tax data provided by the Franchise Tax Board (FTB). While there are barriers preventing the immediate use of FTB data for the BSC, it is possible that the CPUC could develop an income tier classification process using tax data provided by the California FTB at some time in the future. Direct data sharing between the FTB and a third-party administrator, if possible, would offer significant benefits in terms of accuracy, potential graduation of the base services charge, and customer acceptance. Aggregate household tax data would provide highly accurate income information at the household level, ensuring all earners are represented. However, the FTB has expressed its inability to aggregate filer-level income to the household level due to privacy concerns and expressed concern for verifying household income because FTB data is not based on household income information.

Approximately 80% of Californians file state income taxes.⁷⁹ The accuracy of this data could enable the CPUC to authorize a base services charge with additional income graduation and base services cost collection, resulting in greater volumetric rate reductions and savings for low-income households. The FTB is also a widely accepted source of income data with strong data privacy practices. However, FTB data

⁷⁹ Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company. (2023). Joint testimony of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company (the joint IOUs) describing Income-Graduated Fixed Charge proposals. In R.22-07-005. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/joint-iou-opening-testimony-exhibit-1.pdf> at p. 67

excludes low-earning households that do not file taxes and out-of-state income sources.

As noted above, the use of FTB data was not considered for near-term implementation because, under the Revenue and Taxation Code Section 19542,⁸⁰ the FTB cannot share tax information with another entity without written, time-limited customer consent. Correspondence between the Consulting Team and the FTB also indicated that it would be bureaucratically complex and costly to establish a process for every household to issue consent for near-term implementation. However, future legislation could allow and would need to address privacy requirements and protections necessary to direct the FTB to share tax information with the CPUC or third-party administrator for purposes of assigning base services charge income tier designations to household addresses in a streamlined manner, without express customer consent. This process could take on multiple forms. There is no data available to evaluate the potential cost of developing any possible information-sharing process. Potential process options include:

- The FTB annually provides tax data to a CPUC-designated third-party administrator, which then matches tax filers to utility service addresses, aggregates household income, and designates an income tier for each household address. The third-party administrator then shares categorical tier classifications by service address with the IOUs, and no other personally identifying information.
- The FTB and CPUC construct a database that matches tax filers to utility service addresses, aggregates household income, and designates an income tier for each household address. Designated users, such as the IOUs or third-party administrators, can access the database to see tier assignments by service address, and no other personally identifying information. The Canada Revenue Agency maintains a similar database described in Appendix B.

In any case, customers could appeal their tier assignment due to inaccuracy or income changes with the third-party administrator at any time, using another income verification pathway such as self-attestation or document submission. Customers who

⁸⁰ Emails with FTB representatives.

do not file tax returns and are missing from the FTB database could be defaulted to a low tier and contacted for income information.

The FTB noted that it is charged with the administration of income taxes under the Revenue and Taxation Code and does not have the authority or expertise to administer or determine a taxpayer's eligibility for specified income tiers or to address related disputes over assigned income tiers. They recommend that an agency with the authority and relevant expertise administer the income-tier differentiation programs.⁸¹

11. Next Steps

Upon the close of the Working Group, this report will be served on the Demand Flexibility service list (R.22-07-005), documenting the research, Working Group perspectives, and income verification process recommendations from the Working Group. The Commission will determine the next steps for developing a record on modifications to income verification processes in a future successor proceeding.⁸²

⁸¹ Emails with FTB representatives.

⁸² The Demand Flexibility Order Instituting Rulemaking (R.22-07-005) was closed by D.24-05-028 on May 4, 2025, stating "The Commission will continue to consider any changes to income-graduated fixed charges in Phase 2 of this proceeding or a successor demand flexibility rulemaking."

12. Advocate Statements

350 Bay Area

350 Bay Area appreciates the thoughtful and extensive efforts by the Working Group and the consultants to develop a feasible and cost-effective approach to income verification for moderate and high income tiers. As agreed by virtually all participants, the most accurate approach to income verification using data from the Franchise Tax Board is not possible without additional legislative direction, leaving aside the feasibility and desirability of using these data given understandable privacy concerns. The Working Group therefore proposes use of a proxy measure using household median income data to classify households into tiers based on census tract median income.

350 Bay Area supports criteria for judging whether this proxy is appropriate that were entered into the Proceedings record by the Utility Consumers Action Network, UCAN. In Rebuttal testimony in 2023, UCAN presented criteria against which an income-dependent Base Services Charge (Income Graduated Fixed Charge at the time) should be measured. UCAN's criteria included:

... each residential ratepayer will be placed automatically, that is, with no action needed by the ratepayer, into the correct [Base Service Charge Income] tier, and that the process is not excessively costly or burdensome to the utility (and eventually its ratepayers) ⁸³

350 Bay Area asserts that the proxy method proposed by the Working Group assigns an unacceptably large portion of households to the "incorrect" tier. Based on Table 8.1 in the working group report, the proposal will likely place only 64% of the non-CARE and non-FERA households into the correct income tier; approximately 3.3 million households will be placed in the incorrect tier.

This incorrect assignment will put a substantial burden on millions of rate payers to recognize their household has been misclassified and undertake the appeals process.

In addition, California is in an electricity cost crisis. Virtually the only substantive cost figures for implementing this proxy measure in the final report are for the cost of the appeals process. The cost for the number of appeals generated intrinsically by the incorrect assignments from this proxy measure may be as high as 23 million dollars,

⁸³ R.22-07-022, "Rebuttal of Mark Fulmer on Behalf of the Utility Consumers' Action Network Concerning the Establishment of a Residential Income Graduated Fixed Charge," June 2, 2023, p. 2.

or up to 69 million dollars for the OPA proposed geographic variant.⁸⁴ That estimate does not include the cost that the utilities will incur for outreach and marketing this confusing and complex process, and for making changes in their billing systems

This substantial burden on ratepayers and increased electricity system costs might be justified for implementing a rate design which has clear-cut benefits for electrification and equity. However, as the Final Report acknowledges

“The Base Services Charge is a novel concept not yet tested within a utility context. The working group process surfaced a high level of uncertainty about the effectiveness of the near-term proposal and how issues may be addressed in future iterations”.⁸⁵

As the CPUC contemplates a new proceeding for next steps, it will be important to be aware of the evident limitations of this interim approach to income verification. Those limitations make it all the more urgent that the Commission focus on the most promising approaches to achieve their key objectives of equity and electrification, including comparisons to rate designs with direct incentives for electrification, and optimization of demand flexibility to limit substantial infrastructure spending, which drives high and increasing electricity rates. As 350 Bay Area stated in an earlier filing

“ Shifting volumetric energy costs to fixed charges should not be treated as the primary lever in achieving electrification, but should be considered in the full context of strategies, goals, and opportunities - for example, time differentiated volumetric rates as under discussion in Track 2 of this Proceeding.”⁸⁶

We appreciate the opportunity to comment on the report.

With regards,

_____/_____

Claire Broome

party representative 350 Bay Area

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January 6, 2026

⁸⁴ Process working group final report page 74

⁸⁵ ibid p75

⁸⁶ 350 Bay Area Reply Comments R.22-07-005 8-21-2023 p4

Alexis K. Wodtke

I buy electricity from Pacific Gas & Electric Company (PG&E). I became involved in this proceeding (R.22-07-005) when I discovered the California Public Utility Commission had begun, nine months earlier, considering how to develop an “income-graduated fixed charge” as permitted by legislation enacted in June 2022 (AB 205). I asked for party status to explain my objections, one of which was that implementation of income graduated fixed charges would violate California Constitution Art. I, § 1 which guarantees California citizens like me the right to privacy.

More than 1,600 other customers also stated their opposition to the income-graduated fixed charge (IGFC) by posting a “public comment” on the docket card of R.22-07-005,⁸⁷ when newspaper stories caught on to what was happening.⁸⁸ Some of these complaints were summarized in my Brief filed October 6, 2023⁸⁹:

- the Fixed Charge is an additional tax on utility service;
- Income-graduated rates do not encourage conservation;
- the collection of income information violates customers’ privacy rights;
- Income-graduated rates will increase the cost of electricity for customers who have implemented energy savings measures;
- income should have zero bearing on my electricity bill. No other good or service, like gas or groceries, is priced on the basis of the purchaser’s income;
- The best way to help low-income customers pay their electric bills is to lower electric rates.

Rather than addressing the Constitutional privacy issue, “the CPUC issued [Decision \(D.\) 24-05-028, “Decision Addressing Assembly Bill 205 Requirements for Electric Utilities”](#), authorizing California electric utility companies to implement income-graduated base services charges in three tiers . . . [and] also established the need to convene a Process Working Group to improve processes for income-graduated base services charges.”⁹⁰

⁸⁷ <https://apps.cpuc.ca.gov/apex/f?p=401:65:::> The website says there were more than 500 comments. I counted the Comments when I filed an Application for Rehearing on June 14, 2024; there were 1,615 Public Comments at that time..

⁸⁸ See e.g., <https://www.mercurynews.com/2023/04/12/pge-month-bill-jump-electric-gas-price-consumer-utility-income-economy/>. No notice of the proceeding was provided to affected customers as required by Public Utilities Code section 454(a).

⁸⁹ Brief at 8-9 & 27-29.

⁹⁰ WG Report at Sec. 2.3 (D.24-05-028).

1. The Report Does Not address the Question of Whether Income Graduated Fixed Charges Violate Customers' Right to Privacy.

The income verification working group's final report does not provide a legal opinion on the Constitutional right to privacy, which would seem to be a prerequisite to going forward with implementation of what is now called the Basic Service Charge (BSC). The income verification working group's final report seems to recognize that California statutes and agency regulations currently preclude the Commission from obtaining private data: "accessing tax data requires customer consent or additional legislation to access." The report does not explain why the legislature would be able to pass a law that unconstitutionally requires customers to give up private data.

2. The Working Group Thoroughly Searched for Sources of Data That Would Accurately Estimate Customer Income and Found None.

The working group report then proceeds with the goal of finding information that could be used as a "surrogate" for the actual income of each customer. The group, with the assistance of consultants, has made a very thorough search for data, and lists defects in the data it found. The report says "accuracy and customer experience continued to be the most important criteria for assessing income verification proposals, but caveated that "accurate" does not equate to 'perfect.'"⁹¹ I object to being billed on the basis of what someone thinks I earn, rather than my actual earnings, and I would guess other customers would agree.

The working group report indicates there are "barriers" to the use of data they studied.⁹² Some examples:

- Self attestation: "The IOUs have cited low response rates for CARE and FERA upon post-enrollment verification (PEV), and only a small portion of customers retain eligibility upon PEV."⁹³ In other words, self-attestation is not reliable.
- The [California Consumer Privacy Act](#) (CCPA) provides consumers the right to request that businesses delete their personal data or stop the sale or sharing of their data. . . . Equifax is on this registry, which may lead to a large portion of non-matches within any of its databases.

⁹¹ WG Report at Sec. 6.6.

⁹² WG Report Sec. 6

⁹³ Only 42% of SDG&E customers requested to verify based on the PEV Probability Model retained CARE enrollment and 37% of those requested to verify due to High Energy Use maintained enrollment, mostly due to non-response. ANNUAL REPORT ACTIVITY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) ON ENERGY SAVINGS ASSISTANCE, CALIFORNIA ALTERNATE RATES FOR ENERGY, AND FAMILY ELECTRIC RATE ASSISTANCE PROGRAMS FOR 2024

- Tax data is lagged and may not reflect an individual's current income level. Tax data is at the filer level, meaning it is not initially aggregated to the household level. Approximately 20% of Californians do not file state income taxes.
- The Work Number and other payroll services require customer consent to access and only incorporate wages at the individual level, providing no insight into gross household income.
- Equifax's legal team has advised the Working Group and Consultant Team against Income360's use in the income-graduated base services charge.
- Property tax based on value assessments is regressive, over-assessing the lowest-value homes 64% of the time and under-assessing the highest-value homes 32% of the time.⁹⁴
- Using ACS median household income leads to misclassifications when households earn significantly above or below their area's median. The exact level of accuracy provided by geographic assignment has been roughly estimated by the Consultant Team to provide 60-70% initial accuracy upon initial assignment of moderate- and high-income customers.

3. Customers Cannot Be Forced To Give up Private Information Through An Appeal Process.

In apparent recognition of the fact that there is no way to get perfectly accurate information about customer income, the Working Group recommends using inaccurate ACS median household income data and forcing customers to supply proof that their income has been wrongly estimated. "[C]ustomers would be notified of their tier classification and given time to update their classification through a third-party managed income verification process. . . The third party would communicate any updated tier classifications back to the IOUs before implementation of new base services charges."⁹⁵

The Report does not address the question of what rights, if any, a 'third-party' would have to demand and examine income data relating to customers. The Report notes that "Databases of households enrolled in government-run income-eligible programs are not accessible to the IOUs or third-party administrators without authorizing legislation."⁹⁶

The Report recognizes that:

⁹⁴ <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/track-a-reply-testimony/r2207005-pao-rebuttal-testimony-chapter-2-caladvocates04-v.pdf>

⁹⁵ WG Report Sec. 8.1

⁹⁶ WG Rpt. at Sec. 6.5.

[N]ot all customers will appeal their assignment, leading to high inaccuracy. Customers who do not appeal but should be in a lower tier would end up paying higher charges than justified by their actual income, along with the administrative burden of completing an income verification or appeals process.

Creation of an appeal process is not a solution to the problem of faulty estimates of household income. It forces customers to disclose information they are constitutionally protected against revealing, to avoid excessive charges for electricity.

4. There Is No Justification For A Departure From Cost-Based Ratemaking. The Legislature Did Not Require It.

There is no rational basis for making income the basis for electricity charges, rather than costs. Income-based rates do not satisfy the Commission's principle that rates should be based on cost-causation principles. The Commission has made no effort to reconcile its previous holding that there was no correlation between income and consumption:

"Because the correlation between income and consumption, even within climate zones, is not perfect, there are likely cases of middle- and upper-income households with low consumption paying bills that do not cover the full cost to serve them. Similarly, lower-income households, particularly households that do not qualify for CARE, may consume relatively large quantities of electricity and consequently pay bills that are greater than the cost to serve."⁹⁷

The legislature, in AB 205, did not "require[] the CPUC to authorize income-graduated fixed charges in default residential electric rates," as stated in the Report. AB 205 gave the Commission discretion to decide whether to create income-graduated fixed charges. As stated in the Commission staff's "R.22-07-005, Phase 1 Track A: IncomeGraduated Fixed Charge Guidance Memo", attached to a Ruling of the Administrative Law Judge issued January 17, 2023:

The legislature declared that the intent of AB 205 in modifying Section 739.9 of the Public Utilities Code (PU Code) is as follows: [AB 205, 2022, SEC. 14] (b) In regards to Section 739.9 of the Public Utilities Code, as amended by this act, it is the intent of the Legislature to do both of the following: (1) Authorize the Public Utilities Commission to establish reasonable fixed charges on default

⁹⁷ Comments Of Alexis K. Wodtke On The IGFC Implementation Pathway (R.22-07-005 July 31, 2023) at 9.

residential customer rates to help stabilize rates and equitably allocate and recover costs among residential customers in each electrical corporation's service territory. (2) **If the Public Utilities Commission establishes fixed charges on default residential customer rates**, ensure that the fixed charges are established to more fairly distribute the burden of supporting the electric system and achieving California's climate change goals through the fixed charge.

5. The Cost of Obtaining Income Information May Make Electricity Unaffordable to Many.

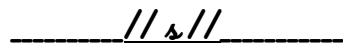
If the Commission does not consider public reaction to the BSC/IGFC or inaccuracies in billing data as cause for rejecting income-based rates, it should at least consider the cost of collecting imperfect data to create rates. The Working Group identified "certain cost estimates associated with each potential data source," not including key components like administrative costs to process the data, communication with customers, or infrastructure to manage the data, or infrastructure to bill customers using their income tier classification, unless otherwise noted. "The cost would be approximately \$10 per individual or household." The IOU's have ten million residential customers.

There is a thorough discussion of the cost of implementing the BSC/IGFC in Section 8.6 of the Report. The section points out that it is important to consider costs of different options or variations of the Working Group's proposed approach in order to determine the extent to which increased costs of income verification affect energy affordability for Californians overall. The purpose of AB 205 was, in part, to more fairly distribute the burden of supporting the electric system and achieving California's climate change goals."⁹⁸

CONCLUSION

I appreciate being given the opportunity to Comment on the draft report prepared by the Working Group. I urge the Commission to Reconsider Its Decision to adopt income-based rates in light of the information provided by the Income Verification Working Group.

⁹⁸ Public Utilities Code section 739.9.



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Bear Valley Electric Service, Inc., Liberty Utilities (CalPeco Electric), and PacifiCorp

Bear Valley Electric Service, Inc. (BVES), Liberty Utilities (CalPeco Electric) LLC (Liberty), and PacifiCorp d/b/a Pacific Power (PacifiCorp) (collectively, the small and multi-jurisdictional utilities (SMJUs)) appreciate this opportunity to provide this advocate statement for inclusion with the Process Working Group Final Report (Working Group Report). While the SMJUs support efforts to update and improve the income-verification processes utilized to assign customers into different tiers for income-graduated fixed-charges (or base services charges (BSCs)), it is essential that the California Public Utilities Commission (CPUC or Commission) conduct a thorough review of the BSC program. Before making any modifications to the BSC program, the Commission should carefully evaluate the effectiveness of existing BSCs and the costs and benefits associated with potential changes to the BSC, including income-verification processes, to ensure that such changes achieve statutory goals of reducing volumetric rates for all residential customers. As described further below, the near-term proposals included in the Working Group Report should not be applied to small utilities like BVES, Liberty, and PacifiCorp given their unique characteristics and to best advance Assembly Bill (AB) 205 goals for the BSC program.

I. Introduction and Background.

A. Description of Bear Valley Electric Service, Liberty, and PacifiCorp.

BVES is a small electric utility in the Big Bear Lake recreational area of the San Bernardino Mountains located about 80 miles east of Los Angeles that provides electric distribution service to approximately 23,000 residential customers in a resort community with a mix of approximately 40% full-time and 60% part-time residents. Its service area also includes approximately 1,500 commercial, industrial, and public authority customers, including two ski resorts and the local wastewater treatment facility. Many of BVES' approximately 24,500 customers are seasonal and part-time residents, some of whom own second homes within BVES' service territory or whose properties serve as vacation rentals. Although BVES' overall service territory is compact, it is in a highly diverse mountain region with low household density. BVES' service territory is connected to the California Independent System Operator (CAISO) via Southern California Edison's (SCE) system.

Liberty serves approximately 50,000 electric customers in California, in and around the Lake Tahoe Basin. Its service territory is geographically compact and generally encompasses portions of Placer, El Dorado, Nevada, Sierra, Plumas, Mono, and Alpine Counties. Almost 80% of Liberty's customers are located in the Lake Tahoe Basin, with the biggest population center in the City of South Lake Tahoe. Liberty

operates within the NV Energy balancing authority area and is not part of the CAISO balancing authority area. Like BVES, many of Liberty's customers are seasonal vacation home customers who are not full-time residents.

PacifiCorp serves about 46,000 retail customers in the northernmost areas of California. PacifiCorp's California customers currently comprise approximately two percent of PacifiCorp's total retail sales.⁹⁹ PacifiCorp's California customers and its electric facilities are geographically dispersed, with only approximately four customers per square mile. The main population centers in PacifiCorp's California service territory are Crescent City, Yreka, and Mount Shasta. PacifiCorp's California service territory includes most of the area north of Shasta Lake to the Oregon border. PacifiCorp operates two balancing authority areas that encompass its six-state service territory but it is not part of the CAISO balancing authority area.

Although the SMJUs are electric utilities, they differ significantly from California's largest electric investor-owned utilities, Pacific Gas and Electric Company (PG&E), SCE, and San Diego Gas & Electric Company (collectively, the Large IOUs). With 50,000 or fewer customers, the SMJUs are substantially smaller than the Large IOUs and administrative costs are a more significant and disproportionate burden for the smaller number of customers of each utility. Utility planning efforts, program implementation and administration, customer outreach and service, and billing is conducted and handled by significantly smaller staff for the SMJUs than for the Large IOUs. Imposing new or more onerous income verification requirements on the SMJUs' very limited staff would be acutely challenging and costly for customers. Because BVES only has 24,500 customers, it has approximately 0.15 percent of PG&E's customer base from which to recover administrative costs.¹⁰⁰ Liberty, with about 50,000 customers, has approximately 0.31% of PG&E's customer base from which to recover administrative costs. PacifiCorp, with about 46,000 California customers, has approximately 0.29 percent of PG&E's customer base from which to recover administrative costs.

B. Working Group Report Recommendations Must be Fully Evaluated Before Adoption.

Decision (D.) 24-05-028 describes how the Process Working Group was established "for proposing a new income-verification process to enable the next version of income-graduated fixed charges to differentiate between customers with moderate

⁹⁹ PacifiCorp is a multi-jurisdictional utility providing electric retail service to approximately 2.1 million customers in six western states (including California, Idaho, Oregon, Utah, Washington, and Wyoming).

¹⁰⁰ These numbers are based on PG&E's 2025 Joint Proxy Statement, available at https://s1.q4cdn.com/880135780/files/doc_financials/2025/ar/2025-PG-E-Proxy-Statement.pdf.

and higher incomes,”¹⁰¹ further outlining how for small utilities, the “Process Working Group should develop a proposal for how to improve the income verification processes of the Small Utilities’ income-graduated fixed charges, including how to verify the incomes of moderate-income customers.”¹⁰² While the SMJUs support these directives, as outlined more fully below, it is unclear whether the near-term proposals included in the Working Group Report can be effectively implemented, particularly for smaller utilities like the SMJUs that face unique challenges. For these reasons, to the extent the Commission plans to move forward with new income verification requirements, it is essential that the Commission fully vet the Working Group Report recommendations and provide meaningful opportunities for stakeholder participation before implementing new requirements, especially for small and multi-jurisdictional utilities.

II. New Income Verification Processes Will be Challenging to Implement and May not be Appropriate, Especially for Small Utilities like the SMJUs.

A. It is Premature to Implement New Income Verification Processes.

Given the nascency of BSCs, it is important that sufficient time is provided to evaluate BSC programs and impacts to customers before modifying existing processes. Any revisions to existing income verification processes should be made cautiously and only after thoroughly reviewing BSC data and evaluating the success of the BSC program. For example, as required by D.24-05-028, BVES filed Tier 3 Advice Letters 495-E and 495-EA to implement its BSCs, tier assignment process, and its ME&O Plan.¹⁰³ BVES proposed to assign customer to different income tiers through customer self-attestation of income, similar to the current CARE application process.¹⁰⁴ BVES’ Advice Letters were only recently approved by the Commission on September 18, 2025 through Resolution E-5395. Liberty also filed Tier 3 Advice Letters 248-E, 248-E-A, and 248-E-B to implement its new BSC program to take effect in the first quarter of 2026 pursuant to D.24-05-028.¹⁰⁵ Similarly, PacifiCorp filed Tier 3 Advice Letters 744-E, 744-E-A, and 744-E-B to implement its new BSC program to

¹⁰¹ D.24-05-028, p. 120.

¹⁰² D.24-05-028, p. 121; *see also* Conclusion of Law 49.

¹⁰³ D.24-05-028, Conclusion of Law 72 (“Each of the Small Utilities’ Tier 3 implementation advice letters should include an implementation schedule that facilitates beginning to apply income-graduated fixed charges to Small Utilities’ customers by the first quarter of 2026.”); *see also* Resolution E-5395.

¹⁰⁴ *See* Resolution E-5395, pp. 17-28. Consistent with the R.22-07-005 Settlement Agreement between the BVES, Liberty Utilities, and PacifiCorp and the Public Advocates Office at the California Public Utilities Commission, BVES proposed the following tier assignments: (1) CARE Plus; (2) CARE; and (3) Non-CARE.

¹⁰⁵ In accordance with D.24-05-028, Liberty filed Advice Letter 248-E on June 14, 2024, which was supplemented by Advice Letters 248-E-A and 248-E-B, filed on May 8, 2025, and October 24, 2025, respectively.

take effect in the first quarter of 2026 pursuant to D.24-05-028.¹⁰⁶ Liberty and PacifiCorp are still awaiting disposition on their Advice Letters for approval of their BSC programs. Because BVES' self-attestation income verification process has just begun, and Liberty's and PacifiCorp's processes have not yet been approved by the Commission, it is important that the existing income verification processes remain in effect for an adequate time for the programs to stabilize and to allow enough time for the Commission to review and evaluate the programs. New programs typically take time to gain stability as customers adapt to new billing requirements and energy usage impacts.

While changes to existing processes may be appropriate in the future, the SMJUs maintain that the existing income verification processes should remain in effect for a minimum of at least 18 to 24 months. Further, waiting until a more comprehensive and accurate long-term proposal, such as income verification utilizing tax data provided by the Franchise Tax Board, can be implemented is in the public interest for small utilities that are not well suited for implementation of novel and experimental income verification methods. Depending on the success of the existing CARE-based income verification process utilized by the SMJUs, as well as the potential administrative burdens associated with alternative income verification methodologies like the near-term proposals in the Working Group Report, it may become apparent that additional verification requirements are unnecessary or could be overly complicated, particularly for smaller utilities like the SMJUs given their more limited resources. Indeed, it could turn out that the BSC programs of the SMJUs function effectively and minimal or no revisions are required for the income verification aspects of the respective programs.

Moreover, the Working Group Report is just one aspect of multiple planned efforts to consider potential updates to the BSC program. D.24-05-028 outlines how the "Commission will continue to consider any changes to income-graduated fixed charges in Phase 2 of this proceeding or a successor demand flexibility rulemaking."¹⁰⁷ That decision also directed the formation of an Implementation Working Group tasked with, among other things, providing input for the CPUC staff "evaluation report for income-graduated fixed charges based on one calendar year of metrics."¹⁰⁸ Other efforts, like the utility report providing an analysis of single-family versus multi-family data, are also relevant. All of these efforts must be carefully coordinated and considered before making adjustments to the BSC program, and

¹⁰⁶ In accordance with D.24-05-028, PacifiCorp filed Advice Letter 744-E on September 12, 2024, which was supplemented by Advice Letters 744-E-A and 744-E-B, filed on November 6, 2024, and October 1, 2025, respectively. Pursuant to the implementation schedule included in the advice letters, PacifiCorp's BSC will be applied to customer bills beginning in the first quarter of 2026.

¹⁰⁷ D.24-05-028, p. 77.

¹⁰⁸ D.24-05-028, p. 101.

adjustments to elements of the BSC program should be considered holistically and not independently of other program changes. Accordingly, the SMJUs believe it is premature at this juncture to consider implementing new income verification methods for small and multi-jurisdictional utilities and recommend that the Commission conduct a detailed evaluation before moving forward with any verification adjustments.

B. New and More Complex Income Verification Methodologies May Not Achieve Desired Outcomes.

1. BSC Goals Support Straightforward and Easy-to-Implement Verification Processes for Smaller Utilities like the SMJUs.

AB 205 addresses and prioritizes several issues including fair distribution of utility costs across customers,¹⁰⁹ ensuring low-income customers pay less without changing usage,¹¹⁰ reducing volumetric rates to encourage electrification,¹¹¹ and incentives for conservation and energy efficiency.¹¹² To adequately satisfy AB 205's goals, the Commission must consider the limited number of SMJU customers before modifying income verification requirements. The more complex the income verification methodology, the more burdens and costs utilities will incur to implement the methodology. In turn, costs will be passed on to customers, which leads to an unfairly high allocation of costs to the more limited pool of SMJU customers in a manner inconsistent with AB 205's goals.

2. Costs to Implement Complex Verification Processes May Exceed Benefits of such Processes.

As noted in the Working Group Report, the "cost of an income verification process will depend on the complexity of the process."¹¹³ The SMJUs' respective BSC programs, including the income verification aspects of each program, are designed to ensure that BSCs can be easily implemented and administered in recognition of the more limited resources and small number of customers that face disproportionately larger cost impacts than customers of the Large IOUs. Complex and burdensome income verification proposals generally do not account for the unique characteristics of small utilities like the SMJUs, nor the disproportionate rate impacts that will be borne by the small number of small utility customers if such proposals are adopted. Put simply, the more complexity involved with any adopted

¹⁰⁹ AB 205 § 14(b)(2).

¹¹⁰ AB 205 § 10(e)(1).

¹¹¹ AB 205 § 10(d)(2).

¹¹² AB 205 § 10(d).

¹¹³ Working Group Report, Sec. 0.1.2.

income verification requirements, the more challenging and time consuming it will be for utilities to implement such programs, and even more so for the SMJUs given their limited number of customers and more limited staff.

Before modifying income verification requirements, the Commission should take into consideration the unique characteristics of the SMJUs; namely, their small numbers of customers (50,000 or fewer customers) and limited staff. Because of these differences from the Large IOUs, more onerous requirements will be challenging for the limited staff of the SMJUs to handle, and will also be more costly for customers as fixed costs get spread over smaller customer bases. SMJU customers feel a more significant and disproportionate burden whenever administrative costs increase since there is a smaller pool of customers to spread those administrative costs around compared to the larger pool of customers that the Large IOUs serve. To continue to avoid passing on burdensome administrative costs to their customers, and to comply with AB 205 and the Public Utilities Code, the Commission should carefully consider impacts of updated income verification requirements before updating the SMJUs' BSC programs.

III. Near-Term Proposals Are Problematic as Applied to BVES, Liberty, and PacifiCorp, and are Likely to Lead to Inaccuracies and Customer Confusion.

The Working Group Report's near-term proposal utilizes a "Basic Geographic" approach which uses American Community Survey (ACS) household median income data to initially classify customers into tiers based on their census tract median income. The Working Group Report's alternative near-term proposal utilizes an "Adjusted Geographic" approach which modifies "the outcomes of the 'Basic Geographic' approach by intentionally reclassifying some proportion of moderate-income census tracts as high-income census tracts."¹¹⁴ As discussed in the subsections below, the SMJUs have a number of concerns with the Working Group Report's proposals.

A. BVES and Liberty.

The Working Group Report proposals' reliance on ACS median income data at the census tract level is an inappropriate measure for a small, sparsely populated mountain service territory like that of BVES and Liberty with a highly variable seasonal population. Census tracts in BVES' and Liberty's service territories contain significantly fewer permanent households than other utilities, and, as a result, the ACS sample sizes for these tracts are small. Because there are a small number of

¹¹⁴ Working Group Report, Sec. 8.2.1.2.

households within a single census tract, a single individual with a high or low income will have a disproportionate impact on ACS median income and may lead to misclassifications of all customers within that tract. Furthermore, census tract data within BVES' and Liberty's service territories does not reflect BVES' or Liberty's actual, year-round customer bases. Like other mountain communities, BVES' and Liberty's service territories contain a large number of second homes and vacation rentals. Including these properties within census counts will distort income characteristics and fails to accurately capture income characteristics of BVES' or Liberty's customer bases. Misclassifying customer income is not a benign issue—it could lead to an over-classification of moderate income households as “high-income” as seasonal homeowners artificially elevate tract level income estimates, or lead to an under-classification of households as “low-income” that mask pockets of economic hardship. The Working Group Report's alternative “Adjusted Geographic” proposal exacerbates these issues by purposely reclassifying moderate income tracts as high income, which further distances the tiering system from the customer's ability to pay. Similarly, the more granular census units rejected by the Working Group Report would only create smaller sample sizes that are less reliable, substantially increase the margins of error, and introduce administrative complexities that are difficult for utilities to implement and provide few apparent benefits.

BVES and Liberty maintain that the Commission should not apply the Working Group Report's proposals to the SMJUs. BVES' and Liberty's three-tiered BSC income structures based on CARE qualifications leverage an existing and well-established statewide customer-specific income verification program to help classify customer income-tiers. Unlike the Working Group Report proposals' reliance on imprecise geographic proxies and census-level data that is inappropriate for BVES and Liberty, the three-tiered BSC income structure uses verified customer level income data that better reflect a customer's ability to pay. Because it is based on the CARE program, the three-tiered BSC income structure has the added benefits of being simpler for customers to understand and for the utilities to administer.

B. PacifiCorp.

PacifiCorp has similar concerns about both proposals in the Working Group Report. Unlike more densely populated regions of the state, there are a limited number of census tracts in PacifiCorp's service territory. Coupled with the limited number of customers in PacifiCorp's service territory (only approximately four customers per square mile), broadly assigning median income data to entire census tracts could severely skew income data. For example, given how geographically dispersed PacifiCorp's customers are, single customers that have particularly low or high incomes could significantly distort the median income for an entire census tract, resulting in inaccuracies for customer income and misclassifications in BSC income tiers. Although more granular options were considered, such options were rejected.

As noted in the Working Group Report, while the “census offers smaller units, such as block groups, ... the sample size of these units makes further subdivisions less meaningful.”¹¹⁵ Additionally, census blocks are less reliable, have a higher margin of error, and are more administratively burdensome.¹¹⁶ In light of these concerns, PacifiCorp does not believe the Working Group Report’s near-term proposals are appropriate to verify customer incomes for PacifiCorp.

IV. Income Verification Determinations and Appeals Should be Handled by an Independent Third-Party.

To the extent that income verification methodologies are modified, the SMJUs maintain that it is important that income verification determinations and appeals are conducted by an independent third-party and not utilities. To begin with, it is not the utility’s role to verify customer income. Additionally, utilities face several challenges with respect to verifying income for customers who are not CARE program participants. Utilities in general do not have access to customer income data or a method to verify income data outside of leveraging the existing CARE program to verify low-income customers. The utilities would need to implement new verification processes that would enable them to determine the income of customers outside of the CARE program. A new verification process of this nature would require overcoming significant confidentiality, privacy, and administrative concerns. Due to existing privacy laws and administrative costs, it is particularly challenging for small utilities to stand up such a verification process given utility roles and the lack of expertise regarding income identification and verification. Furthermore, any income verification process created by utilities is likely to be contentious and challenging given confidentiality protections and privacy laws, which makes development of an income verification process difficult to achieve in a quick and cost-effective manner.

While the Working Group Report’s near-term proposals attempt to mitigate these challenges, the SMJUs maintain that utilities should not be the entities responsible for income verification or appeals. Instead, the Commission should use a designated third party to conduct income verification and appeals. Using a designated third party that specializes in income verification will not only provide greater accuracy, but greater accountability as well. A specialized third party is better equipped to address customer inquiries than an electric utility that may lack training or knowledge on such income verification issues. A third-party verifier or appeals handler would streamline customer experiences by providing consistency across utilities. Utilizing a third party could avoid privacy issues concerning sharing sensitive customer information with utilities as well. For small utilities like the SMJUs, utilizing a third party specialist will

¹¹⁵ Working Group Report, Sec. 8.2.1.1.

¹¹⁶ Working Group Report, Sec. 8.2, 8.2.1.1.

minimize burdens on utility employees and also minimize corresponding rate impacts on the more limited number of customers of small utilities. AB 205's goals are advanced through third party administration of income verification and appeals as it minimizes administrative costs and helps maximize customer benefits.

Center for Accessible Technology

Introduction:

Center for Accessible Technology (CforAT) represents the interests of utility customers with disabilities, chronic health conditions, and other medical needs. This population is disproportionately low income and depends on affordable and reliable access to electricity to power medical devices and otherwise support their ability to live independently. Some members of this population, including those who participate in the Medical Baseline program or who receive a medical discount as part of an opt-in rate, may have high levels of usage and thus may structurally benefit from the introduction of the income-graduated fixed charge, now called the Basic Services Charge or BSC. Others, however, may face challenges with the adoption of the first generation BSC. This is particularly the case for those customers, both within and outside of our constituency, who have a high energy burden but are not eligible for or enrolled in support programs.

For all residential customers, the constraints of the first generation BSC are problematic, and substantial changes are needed to advance the intent of the fixed charge, which is to be a progressive element in utility bills to support various policy goals while also supporting affordability of utility service, particularly for low-income customers and customers with a high energy burden. The Near Term Proposal for a second-generation BSC set forth in the Process Working Group Final Report takes some steps in this direction but remains substantially constrained. While the effort to create a separate moderate-income tier and higher-income tier is critical, many challenges remain. CforAT's input reflects on the constraints of the proposal set out in the Final Report, as identified by active participation in the Working Group Process, as well as the ongoing need to continue to improve the BSC to support future reliance on a fixed charge element of electric bills to support important state policy goals while also protecting affordability efforts.

Policy Goals of the BSC:

The near-term proposal set forth in the final report identifies a policy objective of "allowing" a higher BSC to be adopted for higher-income customers and "potentially" subdividing the initial large Tier 3 customer group, but this phrasing does not adequately convey the vital need for the addition of at least one, and preferably multiple, additional income tiers to allow for a genuinely progressive element within the BSC. The enabling legislation authorizing the fixed charge (AB 205) mandates creation of at least three income tiers to ensure that low-income customers pay a smaller fixed charge than high-income customers. However, the first-version BSC combines all non-CARE or FERA customers into a single tier, meaning that a customer

whose income is just above the FERA threshold pays the same charge as California's millionaires and billionaires. Under this construct, the fixed charge is effectively a supplement to existing low-income programs rather than a truly progressive element of rates. In particular, it provides very limited relief to customers who face substantial energy burdens but are not eligible for or enrolled in any support program.

The near-term proposal begins the work of introducing a genuinely progressive element to the BSC, but it is still overly limited in providing support to low-income customers and in asking high income customers to pay their fair share. More work is needed to implement the intent of the BSC. To some extent, the need for such work is captured in the discussion of more long-term opportunities for further revisions to the BSC (particularly the concept of integrating household income data from the Franchise Tax Board), but additional elements, including those noted below, should also be considered.

The presentation of the proposal in its final draft mutes the importance of these issues in the way that it provides a very passive presentation of its recommendations. In final revisions to the draft report, the Consultant Team preparing the document made efforts to avoid characterizing it as a "consultant proposal" and instead simply described it as "the" proposal. This includes incorporating suggestions without clarity of where the suggestions came from, and potentially implying greater consensus on the various elements of the proposal, often referring to them as the "recommendations" of the proposal itself. While CforAT appreciates that the consultant team did not want to inaccurately imply their own direct support for elements of the proposal, the resulting passive presentation should be recognized in order to avoid the risk of reading the elements as having stronger stakeholder support than may be the case.

Equity Issues in the Near Term Proposal

While the near-term proposal, if adopted, would provide for some improvements to the equity implications of the BSC relative to the first iteration of the charge, further steps are necessary to better implement the overall policy goals of AB 205. CforAT notes some of the key remaining issues as follows:

Standards for setting tiers:

Use of AMI: While not proposing specific tier thresholds, the Consultant Proposal relies on multiples of the Federal Poverty Line (FPL) to calculate breakpoints between BSC Tiers. Because of the extreme differences in the cost of living in various areas of California, CforAT was one of several parties who strongly supported use of the alternative standard of Area Median Income

(AMI) to assist in tier placement. The Final Report recognizes that there are a number of counties in California where a household can earn an income that might classify them into a high tier based on FPL, but a low tier based on AMI. These differences are highly meaningful to households in high-cost areas who cannot afford their electric bills. Ongoing reliance on FPL rather than AMI will be particularly problematic for customers in these high-cost areas who will continue to be slotted into higher tiers even as they face substantial affordability burdens. Use of AMI for all or some of the tier classification process would increase equity.

Adoption of a Fifth Tier: In order to support a truly progressive BSC, CforAT recommends that ongoing equity work evaluate methods for adding at least one additional tier for high-income customers above the top tier currently delineated in the near-term proposal.

Equity for Low-Income customers:

The Commission Decision establishing the BSC determined that customers *eligible* for CARE or FERA should be assigned to the low-income tiers; however, in implementation of the first-iteration BSC, only customers *enrolled* in one of the low-income support programs were determined to be eligible for the low-income tiers. It is vital that this flaw be addressed in the next iteration of the charge.

The near-term proposal would use geographic proxies for income on a census tract level, effectively assigning each household the median income estimate for their census tract. In discussing this proposal, the Final Report acknowledges that customers with lower incomes than average will be inputted a higher income than they actually receive, and customers with higher incomes than average will be inputted a lower income.

The near-term proposal, if implemented, would use this proxy only to enroll customers into the new subdivisions of Tier 3 (the moderate-income tier or the higher-income tier). CforAT strongly recommends it also be used for assignment to the lower tiers, such that that all customers who live in a census tract with a median income that would be CARE-eligible would be assigned to Tier 1 unless they are already enrolled in FERA, and all customers who live in a census tract with a median income that would be FERA-eligible would be assigned to Tier 2 unless they are already enrolled in CARE. This is one mechanism that can provide assistance to low or lower-income households that do not currently receive support.

Another complementary improvement that could better ensure that low-income customers are correctly enrolled in the low-income tiers would be to ensure that any notice or correction process through which a customer demonstrates income allows for assignment to Tier 1 or Tier 2, based on actual income, without requiring enrollment in CARE or FERA. While enrollment in low-income support programs should be encouraged, it should not be required.

Defaulting customers to high tiers:

CforAT notes with appreciation that the near-term proposal does not incorporate the suggestions of some parties to default all customers who are not enrolled in CARE or FERA to the highest tier and burden those with moderate or low incomes by requiring them to provide verified income data to appeal their initial assignment. As noted in the final report, this would not only result in a substantial burden on all IOU customers except those with high incomes, but it would also ensure that all misclassified customers are wrongly placed in a higher tier than would be accurate based on their income. This would be highly inequitable and should not be given consideration in later iterations of the BSC.

CforAT also notes that the near-term proposal does not specifically include recommendations about the break points between tiers, describing this as being outside of the current scope of work. However, throughout the Working Group process, some parties have suggested the need to set break points based on desired revenue to be collected from the BSC or allocation of set numbers of customers to particular tiers. CforAT strongly opposes use of standards other than bill impact and affordability to evaluate where to set the tier break point between moderate-income and higher-income.

Process Issues with the Near Term Proposal:

Any reclassification process associated with a new iteration of the BSC is likely to be burdensome on impacted customers. Response rates are likely to be fairly low, and even among those customers that do respond, the requirement may cause resentment and frustration.

Among other challenges created by such burdens, stakeholders and policymakers should be mindful that customers are predisposed to strongly dislike fixed charges. While the intent of the BSC is to be revenue-neutral while lowering volumetric rates, it will be implemented in conjunction with substantial rate increases that have already been requested and approved for each of the large IOUs. Customers will

simultaneously see the introduction of the new fixed charge and increased bills. It is likely that many will be convinced that these two things are related, and that it will be difficult or impossible to persuade them otherwise.

This context increases the importance of effective and accessible ME&O. All communications must be well designed, in plain language, and available readily both in-language and in accessible formats. These items (including designing any websites and/or portals in compliance with web accessibility standards and with prioritization of user-friendly design) must be fundamental to the process of ME&O development, not afterthoughts. Additionally, all communications must be available through non-internet options to ensure that customers on the wrong side of the digital divide are not excluded.

CforAT supports the elements of the near-term proposal that prioritize reductions in misclassifications of customers into higher tiers than , in favor of increased risk of classifying customers into a lower tier than would be the case with exact income information, in order to reduce the burden faced by moderate-income customers who are misclassified.

As noted above, CforAT also strongly recommends that any customer who demonstrates through a reclassification process that they have an income that would render them eligible for CARE or FERA should be enrolled in the appropriate tier regardless of whether they choose to enroll in the appropriate low-income support program.

Process Issues with the Commission's Ongoing Work

The Final Report appropriately recognizes that the Working Group process has continued after the proceeding ordering its creation has been closed, and that this has created strain on participating intervenors who are now uncertain about whether they will be provided an opportunity to seek compensation for their work. The consultants are clear that the intervenor parties have made valuable contributions to the Working Group process and anticipate that the recommendations coming from the Working Group and the Final Report will be given consideration in a successor proceeding to R.22-07-005. CforAT strongly urges the Commission to clarify that intervenors who have participated in the Working Group process will be eligible to seek compensation for the time spent in the Working Group in conjunction with the successor proceeding.

Public Advocates Office at the California Public Utilities Commission (Cal Advocates)

Cal Advocates appreciates the opportunity to contribute to the Working Group and comment on the Working Group Report Proposal (Report Proposal). As raised in Cal Advocates' presentation to the working group, an inaccurate and uneven distribution of customers across income tiers increases the risk of revenue undercollections and could reduce any benefits from the Base Services Charge (BSC), to the point where it may not be worth the cost to implement changes. Cal Advocates recommends the Commission consider two improvements to the Report Proposal that will: 1) better account for changes in income and increase customer familiarity with the BSC through more frequent interactions and 2) provide the Commission with the flexibility to adjust results to improve the accuracy of this new process.

First, the Commission should require utilities to refresh income data and recategorize customer census tracts every three years. The Report Proposal would only refresh income data and recategorize customers every five years. However, the five-year time frame between refresh cycles is not appropriate for the investor-owned utilities' (IOU) initial implementation of geographic categorization. Waiting five years for updates will not adequately account for ongoing changes in income, and place more burden on moderate-income customers living in census tracts just above the high-income threshold to appeal their income categorization. Additionally, more frequent updates would allow customers to become familiar with the customer categorization process and understand that they have opportunities to receive a lower BSC if their incomes decrease. In addition, five-year refresh cycles are too long of a time frame to wait to evaluate and apply learnings from the implementation experience to improve implementation during the subsequent refresh cycle. For example, waiting five years for a refresh will not allow for the timely test of additional solutions to map customers on the border of two census tracts to a single census tract, alternative education and outreach strategies, and efficient updates to customer bills during a period with large numbers of income verification appeals. After developing a straightforward data refresh process, the Commission can consider increasing the duration between data refreshes to reduce customer burden.

Second, Cal Advocates proposes an additional Adjusted Geographic method for customer categorization, beyond what is recommended by the Report Proposal, as described further below. This method would allow the Commission greater ability to dictate the percentage of customers in each income tier and balance categorization

accuracy by utilizing reclassification of census tracts to include more high-income customers in a high-income tier. The categorization accuracy improvements resulting from this method would allow for a BSC reduction to moderate-income customers and reduce the likelihood of revenue undercollections. Further, this method requires no additional cost, minimal additional effort, and could be performed with any income threshold.

Excluding California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA)-enrolled customers, this Report estimates that the Working Group proposal would misclassify ~2.76 million (~67%) high-income customers as moderate-income customers (Table 8-1). Unfortunately, these misclassified customers would receive a lower BSC that they do not qualify for. Moreover, the Report Proposal provides no solution to correct this inequitable discount. The Report Proposal would result in the majority of all customers not enrolled in the CARE and FERA programs categorized into the moderate-income tier (~7.23 million or 79%), and only 1.92 million (~21%) classified into the high-income tier. The number of customers in the high-income tier will also decrease as moderate-income customers incorrectly classified as high-income appeal their income tier designation. In contrast, if all customers were correctly categorized, 55% of customers would be placed in the moderate-income tier and 45% would be placed in the high-income tier. A disproportionately small high-income tier results in fewer customers that are charged a higher BSC, which impacts the reduced BSCs that could be adopted for the lower- and moderate-income tier customers. The combined impact of incorrectly providing high-income customers with a reduced BSC through miscategorization and classifying the majority of customers into the moderate-income tier will dilute the potential BSC reductions moderate-income customers can receive.

Cal Advocates' proposed Adjusted Geographic method resolves these problems with the Report Proposal by recategorizing moderate-income census tracts with the largest percentage of high-income customers. After the initial classification is performed, census tracts that are classified as moderate-income will be sorted from highest to lowest based on the percentage of high-income customers in each census tract. The moderate-income census tracts with the largest percentages of high-income customers would then be reclassified as high-income census tracts. The particular number of moderate-income census tracts that would be reclassified would depend on targeted categorization accuracy metrics and the distribution of customers into each income tier. This process would still allow moderate-income customers misclassified as high-income to appeal their income categorization.

Without this adjustment method, the accuracy and distribution of customers into tiers are solely contingent on the high-income threshold. This adjustment method is a tool the Commission can utilize to target an improved outcome regardless of the chosen high-income threshold. For example, similar accuracy and customer distribution outcomes could be targeted regardless of whether the income threshold is \$125K, \$150K, or \$165K.

Cal Advocates' Adjusted Geographic method also allows options for achieving the desired balance of customers in each tier and an accuracy percentage that is based on the Commission's target values. For example, if the Commission adopted the Report Proposal's income thresholds and also determined that distributing approximately 40% of the customers into the high-income tier would strike the appropriate balance of providing moderate-income customers with a lower bill while minimizing bill increases to high-income customers, the Commission could direct that 1,200 moderate-income census tracts with the highest percentage of high-income customers be reclassified as high-income. Recategorizing 1,200 moderate-income census tracts would still correctly classify 75% of moderate-income customers and would increase categorization accuracy of high-income customers from 33% to 54% (See Table Cal Adv-1, below). This adjustment method would therefore nearly double the accuracy in categorizing high-income customers, which provides several benefits:

- Approximately 852 thousand less high-income customers would receive a bill reduction they are not eligible for; and
- Moderate-income customers could experience a larger bill reduction benefit because there are more high-income customers from which to recover the higher BSC. For example, without recategorization, a \$5 monthly reduction in the BSC for moderate-income customers would result in an \$18.86 monthly increase for high-income customers, because there would be few high-income customers to recover the costs from. In contrast, if 1,200 census tracts are recategorized, moderate-income customers could receive an \$11.38 reduction in their BSC at a similar increase to high-income customers (\$18.86 increase).

Table Cal Adv-1 below aggregates the improved results from three potential options provided by Cal Advocates' Adjusted Geographic method. The first set of columns shows the results of the Report Proposal with no recategorization using the Adjusted Geographic method. The second (800 recategorized census tracts), third (1200 recategorized census tracts) and fourth (1600 recategorized census tracts) set of

columns show the results from three illustrative scenarios using Cal Advocates' Adjusted Geographic method. The "Categorization Accuracy by Income Tier" row provides the percentage of customers accurately categorized into the moderate- and high-income tiers. The "Customer Distribution by Income Tier" row provides the percentage of customers categorized into each income tier, depending on whether the Report Proposal or the Adjusted Geographic method is used. The "# of Miscategorized Customers by Tier" row provides the number of customers in each income tier that will be misclassified after the initial categorization process is complete. The "Overall Categorization Accuracy" row provides the total percentage of customers accurately categorized into income tiers.

Table 12-Cal Advocates-1

Table Cal Adv-1: Impact of Recategorizing Moderate-Income Census Tracts to High-Income Census Tracts								
(Thresholds of \$62.15K and \$149.16K)								
# of Census Tracts	Recategorize 0 Census Tracts (Working Report Group Proposal)		Recategorize 800 Census Tracts		Recategorize 1200 Census Tracts		Recategorize 1600 Census Tracts	
	Income Tier	Moderate	High	Moderate	High	Moderate	High	Moderate
Categorization Accuracy by Income Tier	89%	33%	80%	47%	75%	54%	71%	59%
Customer Distribution by Income Tier	79%	21%	68%	32%	62%	38%	57%	43%
# Miscategorized Customers by Income Tier	569,304	2,759,064	1,013,388	2,163,104	1,243,806	1,907,477	1,484,173	1,670,720
Overall Categorization Accuracy	63.6%		65.3%		65.6%		65.5%	

For example, with the Report Proposal, 89% of moderate-income customers would be accurately categorized based on 79% of non-CARE/FERA customers categorized into the moderate-income tier. In addition, only 33% of high-income customers would be accurately categorized based on 21% of non-CARE/FERA customers categorized into the high-income tier. However, under the Adjusted Geographic method, if 800 of the moderate-income census tracts with the largest percentages of high-income customers are recategorized as a high-income census tract, 80% of moderate-income customers would be accurately categorized into the moderate-income tier. This is based on 68% of non-CARE/FERA customers categorized into the moderate-income tier. The accuracy of categorization for high-income customers would increase to 47% based on 32% of non-CARE/FERA customers categorized into the high-income tier. Recategorizing the same 800 moderate-income census tracts results in the number of moderate-income customers misclassified and placed in the high-income tier increasing from 569K to 1.01 million. However, the number of high-income customers misclassified and placed in the moderate-income tier would decrease from 2.76 million to 2.16 million. Overall categorization accuracy would increase to 65.3% compared to 63.6% accuracy resulting from the Report Proposal.

Compared to the Report Proposal in the first column of the table (zero census tracts recategorized), recategorizing only 800 moderate-income census tracts to high-income would: 1) significantly reduce the percentage of high-income customers that would incorrectly receive a reduced BSC, 2) more evenly distribute customers into the moderate- and high-income tiers which would allow for a more meaningful moderate-income BSC reduction and mitigate revenue undercollection risk, and 3) reduce the total number of misclassified customers (accuracy would increase from 63.6% to 65.3%). Under the Report Proposal, a larger number of high-income customers would be misclassified and have no financial incentive to correct their income tier, as they would receive a higher BSC.

If the Commission adopts the Report Proposal, the Commission should adopt a three-year refresh cycle instead of a five-year cycle to acclimate customers to this novel process and to ensure customers are categorized based on more current income information. Further, the Commission should also adopt Cal Advocates' proposed Adjusted Geographic method to increase the Commission's flexibility over determining income thresholds, income categorization accuracy, and the percentage of customers categorized into each tier. The increased flexibility provided by this adjustment method will mitigate the risk of undercollections and allow the

Commission to provide more meaningful BSC reductions for moderate-income customers.

Joint IOUs

Introduction

The Joint IOUs, collectively Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E), present the Advocacy Statements below for inclusion with the Income Verification Working Group Recommendation (Report). The IOUs note that the working group did not agree on a single approach. The Joint IOUs will make comments on the Report ordered by the Decision, but request the Commission recognize the outcome and lack of consensus from the effort in the next available official capacity, including via a scoping memo for the CPUC’s successor proceeding.

On some subtopics of the Report, certain advocacy statements are specifically attributed to one or two of the Joint IOUs; in those instances, the reader should not assume support from the unnamed IOU(s).

Table 12-Joint IOUs-1

IOU	Advocacy Topics	Relevant Consultants’ Report Section
Joint	Changes to Income Verification in Successor Proceeding	8 Recommendations for a Near-Term Proposal
Joint	Meaningful Cost Estimates Are Needed	8.6 Costs
PG&E, SCE	Initial Verification & Income-Based Appeals	8.6 Costs
SDG&E	Initial Verification & Income-Based Appeals	8.6 Costs
Joint	Customer Privacy Considerations	5 Criteria for Data Sources and Proposals
Joint	Concerns About Use of AMI	8.5 Moderate Income Definition

Joint	Corrective Billing is Out of Scope	9 Outstanding Questions and Considerations
PG&E	PG&E Billing System Timeline and Constraints	8.6 Costs

Additionally, the Joint IOUs reserve the right to raise other IOU-specific matters at a later date, such as in testimony presented in the CPUC’s successor proceeding on the full range of potential changes to the initial Base Services Charge (BSC) process.

Joint IOU Advocacy Topic: Changes to Income Verification in The Successor Proceeding¹¹⁷

The Joint IOUs recognize that the Report on Income Verification is one part of several post-May 2024 Decision efforts, which also includes a Report issued by the Joint IOUs providing an analysis of single-family vs. multi-family data, and a pending Implementation Working Group Evaluation Report.¹¹⁸ In addition, the May Decision indicated that a phase 2 or successor rulemaking would look at various rate design changes and policy changes aiming to reduce ratepayer costs and support electrification.¹¹⁹ All of these various elements should be evaluated together to ensure that any future version of BSC supports its intended goals.

Given the importance of all the above elements being evaluated together, we respectfully request that the CPUC provide further policy guidance to enable parties to refine and finalize the preliminary analysis presented in this Report through sworn testimony detailing estimated costs, feasibility, and timelines for income verification options of interest to the CPUC. The Joint IOUs look forward to receiving such guidance from the CPUC to focus our continued active participation in the successor rulemaking on the issues discussed in this Report’s initial assessment.

¹¹⁷ D.24-05-028 at p. 77 clarifies the Commission will consider any changes to income graduated fixed charges in Phase 2 of this proceeding or a successor demand flexibility rulemaking.

¹¹⁸ D.24-05-028. p. 101.

¹¹⁹ Since the May 2024 decision was issued, a subsequent decision for Track B was issued in August 2025 closing R.22-07-005. The proceeding was then reopened to address an Application for Rehearing filed by SDG&E for that August 2025 decision.

Joint IOU Advocacy Topic: Meaningful Cost Estimates Are Needed

A. The Joint IOUs' Position on Cost Recommendations In This Report

The Joint IOUs appreciate that the CPUC's decision requires the facilitator of this Working Group to consider costs associated with any recommendations. Affordability is top-of-mind for the Joint IOUs as it is for the CPUC; thus, it is crucial to consider the costs of all recommended methods for potential further income verification efforts associated with future iterations of BSC. However, the costs presented in the Report are merely rough estimates because the final requirements to provide meaningful estimates have not been developed. At this point, the Joint IOUs request that the CPUC provide guidance on the type of income verification approach (or approaches) it wishes to consider in the follow-on Rulemaking. Once enough is known about the final requirements, the Joint IOUs will then be in a position to provide meaningful cost estimates. Additionally, meaningful cost estimating is not possible without dedicated expert resources and time to complete those cost analyses. This process itself tends to carry considerable expenses, which merits CPUC provision of an avenue for the Joint IOUs to recover such costs. Typically, the Joint IOU staff require several months, after a method for cost recovery has been provided, to draft detailed business requirements, architect system integrations, and develop cost estimates to enable meaningful comparison to recommendations.

The Joint IOUs assume that the successor rulemaking will also include litigating the number of additional tiers, tier income threshold amount cut-offs, and continued treatment of CARE and FERA customers. A fully developed record must be developed in the successor proceeding, to refine the rough cost estimates outlined in this Report. It would be premature and prejudicial to attempt to adopt any cost estimates, or set any type of cost cap, for implementing this Report's recommendations or other variant approaches the CPUC may wish to explore. The Joint IOUs offer our further comments, below, including discussions of cost estimates, approximate magnitude of adjustments, and the factors driving uncertainties based on the most recent draft of the Report's recommendations, which were shared with the Joint IOUs at the October 2025 Working Group meeting. The Joint IOUs reserve the right to comment further on the issue of cost estimates at a later date.

1. Basic Geographic Model Rough Cost Estimates/Categories

If the Joint IOUs are ordered to implement another iteration of income categories for the BSC before a Franchise Tax Board (FTB)-based approach could be effectuated, the Joint IOUs would generally be willing to accept the Report's recommended **Basic**

Geographic Model (Basic Model), which uses the federal census income data to arrive at an average household income figure for each census tract or census block. The Joint IOUs recognize that no single model was ideal; nor were any considered low cost, simple to explain to customers, and extremely granular or accurate.¹²⁰ The Joint IOUs believe that taking the average income for a census area and placing every residential customer in that area in the corresponding tier would be relatively straightforward, easy to explain to customers, and the cost of obtaining the underlying census data it uses should be relatively less costly. The Joint IOUs presented in a Working Group meeting that the Basic Geographic Model is feasible, although it would carry additional costs to overlay the census tract maps with the IOU territory maps.

In addition, this approach provides an avenue for any customer, who wishes to do so, to provide their actual household income as an appeal of or update to their classification accordingly, if it differed from the initial tier placement. The Joint IOUs recommend the appeals process to update a customer's tier be handled by an independent third party. It is noteworthy that two of the three Joint IOUs currently outsource their post-enrollment verification for the CARE and FERA rate discounts. By comparison, because the BSC affects almost all residential customers, a much larger number of customers may be expected to appeal their initial BSC tier categorization than what is currently done for CARE/FERA income verification, so scaling up for this new activity will be necessary. A single, independent third-party administrator would provide consistency for this appeals process across IOU service territories and a consistent customer experience. Note, the previous statements only relate to a potential appeals process. The Joint IOUs present their thoughts regarding the initial classification in separate advocacy statement below.

Given all of the foregoing, the Joint IOUs believe that if a Basic Geographic Model is preferred by the CPUC, the current rough cost estimate for the process of arriving at and setting up a census tract/average income table (as described above) would probably be in the low- to mid-single digit millions of dollars per IOU. Additional one-time and ongoing costs would include, but are not limited to: (1) ongoing maintenance and operations that would include manual processes (staff and time) for the handling of exceptions (anything automated still has some instances that require manual work, such as customers whose property straddles tracts, or for which tracts do not have enough data for an assigned average income, etc.); (2) the built-from-scratch set up for actual income verification done by a third party wherein there would be some system integrations or secure data transfers needed between the IOU

¹²⁰ We also note that formal litigation in the successor proceeding can determine what the income cut-offs are for the various tiers, and how many tiers there should be.

and the third party; (3) the price-per-customer verification, also built from scratch; and (4) the additional cost for customer appeals or updates.

2. Adjusted Geographic Model Costs

The facilitator also presented, for Working Group discussion, a potential modified version of the **Basic Geographic Model**, called the **Adjusted Geographic Model (Adjusted Model)** which would use the same census income data to arrive at an average household income amount per census area but would apply additional data and processes seeking to mitigate limited and selective types of possible misclassification.

A specific focus of concern was that the Basic Model would end up classifying high-earning customers into the moderate-income tier (which they are unlikely to appeal). Discussions in Working Group meetings about an Adjusted Model looked for ways the Basic Model's initial classification methods might be changed to more accurately classify high-income households into the high-income tier to start with; on the other hand, these methods could result in misclassifying some moderate-income households. Although the Adjusted Model could do a better job of assigning many high-income customers into a default high-income tier for certain counties with higher median incomes, shifting the default tier in those counties would result in some moderate-income customers initially being classified as high-income, which would result in those households needing to appeal. The CPUC will need to balance the desire to maximize the BSC by including as many truly high-income customers as possible, which could be used to increase low-income benefits and/or further reduce the price per kWh for all customers, with the cost and operational burdens of doing so. The adjusted model is likely to result in a significantly higher number of appeals, and attendant cost, than under the Basic Model (where, in the Basic Model, high-income customers would have little incentive to appeal as it would increase their BSC charge).

Moreover, the Joint IOUs have concerns about the added layers of complexity that the Adjusted Model would add. For example, it was discussed that, after initial tier classifications, there would be a sorting of the census tracts. Specifically, census tracts in the top 25% of median income values would be adjusted to use the high-income tier, rather than the moderate-income tier as the default for initial classifications in those locations, noting that moderate-income customers would have the opportunity to appeal to update their classification. First, this sorting and reclassification effort would require additional processes – both automated and manual – which would result in added costs. Secondly, customers within moderate census tracts would be reclassified to the high tier if the tract's *mean* income is above a certain cutoff. For example, the cutoff could be for those census tracts above the top 25% of mean

incomes within the moderate tracts. This adds another process, which would result in more added costs.

Lastly, there was discussion of classifying customers into the moderate-income tier only if they live within census tracts that are statistically lower than the moderate-income definition's ceiling, using census data reported margins of error around the median. This would entail checking whether the upper and lower bounds of the median income estimate overlap with the moderate-income ceiling (or the floor of the high tier). Again, these added steps would need to be automated and statistically checked, which would add to cost and operational workload burdens. Most notably, such layers of complexity being added would be difficult to explain to customers and could lead to even more appeals if there is a lack of confidence in what the process entailed.

The facilitator and group also considered additional methods of reclassification beyond the Basic Model advocated by the Joint IOUs, which included providing actual income documents to a third party. The additional methods discussed included scrutiny based on living in an especially high-cost-of-living county, and perhaps other factors known to have an impact on customers' ability to pay the charge (with such factors to be determined). For example, the facilitator recommended allowing an area median income (AMI) based update for customers living within the top five earning counties in the state who can prove they earn less than 120% of their county's AMI through the appeal updates. The Joint IOUs discuss the merits of using AMI in a separate Advocacy Statement further below.

The Joint IOUs note that each of these considerations would add considerable complexity to the reclassification process, with much of the review needing to be manual review by third party staff with discretion to decide each case. Any reclassification request needs to have binary criteria, with a "yes or no" answer as to whether a customer meets the criterion, hopefully allowing for a process that can be automated. As reclassification requests under the Adjusted Model may possibly rise to tens of thousands of requests per year, statewide, the Joint IOUs are concerned that this more complex reclassification process, that may include various different categories of which census tracts should be reclassified, may carry significantly higher costs which could outweigh the potential policy benefits from such an Adjusted Method approach.

The Joint IOUs estimate that if the Adjusted Model uses a straight-forward appeals process like the Basic Model (i.e., filing actual income documents with a third party) it may cause substantial increases to the implementation costs under the Basic Model for impacted utilities, or possibly be even higher. If the Adjusted Model's AMI-based reclassification process is further complicated with additional layers and processes, as

discussed above, the cost increases would be even higher, given the greater numbers of reclassifications inherent with this approach.

There is an additional further cost factor. Marketing, Education and Outreach (ME&O) costs are likely to be higher for the Adjusted Model, given that its added complexities will be more difficult for customers to understand and accept since the new lines being drawn use unfamiliar terms and concepts like AML, which may seem arbitrary or even unfair to some customers.

B. Conclusion on the Consideration of Costs

The Report claims that both the Basic Model and the Adjusted Model could yield approximately 70 percent accuracy.¹²¹ The basis for this conclusion is unclear. As discussed above, a key difference between the two is which customers are more likely to be impacted positively or negatively under the two Models' different approaches. If it is true that the Adjusted Model would not result in a significant increase in accuracy, it is unclear what justification there would be for requiring its significant additional and more complex processes that carry additional costs. There does not appear to be an adequate record for adopting either approach at this time, rather the important questions above about the basis for accuracy assessments for each approach should first be answered through detailed sworn testimony during the CPUC's successor proceeding. That proceeding should look carefully through the lens of affordability. Since all customers would likely bear the burden under a higher cost approach, the CPUC would need to find that the policy benefits outweigh those added costs before moving forward with any new method of income verification.

The Joint IOUs believe that in order for the CPUC to be able to make a "just and reasonable" finding on any near-term approach, it will need to have before it more meaningful estimates of the likely costs of each option, showings supporting likely accuracy of each approach, and the approach's ability to support the policy goals of increasing low-income equity and/or decreasing per kWh prices for all customers to support decarbonization. While the Joint IOUs currently see the Basic Model as having lower costs to implement than the Adjusted Model, the lack of precision on accuracy of income classifications and the lack of assessment of relative policy benefits gained under each make it premature for the CPUC to proceed with either near-term option until after the successor proceeding creates the necessary evidentiary record. The CPUC could decline to adopt either near-term approach at this time and instead provide guidance to the parties on the types of evidence the

¹²¹ Income Verification Process Working Group Report 6.4 Geographic Data.

parties should include in their testimony in the successor proceeding, if no other better options emerge in the meantime.

PG&E and SCE Advocacy Topic: Initial Verification & Income-Based Appeals

PG&E and SCE believe that tier classification and any tier classification changes (e.g., through a customer request) be run by an independent third-party administrator, selected through a Request for Proposals (RFP) process. This third party would only provide tier classifications back to the Joint IOUs. While there may be instances where it may be appropriate for the Joint IOUs to handle some exceptions, this removes the Joint IOUs from processing sensitive personal information for millions of customers,¹²² reduces administrative costs specific to compliance requirements, allows for a consistent process across all IOU territories, and creates a streamlined customer experience. Supporting this position are results from customer focus group and surveys that PG&E completed in 2022. In the survey, customers indicated confusion, distrust, and concern with the process of utilities collecting income information.

SDG&E Advocacy Topic: Initial Verification & Income-Based Appeals

Given that the Working Group, as reflected in the report, does not arrive at a single, ideal income verification process on which the parties agree, SDG&E anticipates that the approach will need to be litigated to arrive at a robust regulatory record being developed. Parties supported greatly varying modifications to the basic geographic model which added significant complexities and cost. SDG&E questions whether such added complexities are needed, especially in light of affordability being a key concern, and because such additions did not increase the accuracy of the geographic model. Therefore, as for implementation of the basic geographic model or the adjusted geographic model, SDG&E does not have a position at this time as to whether it would make initial tier classifications through an in-house process or outsource such a process. It would depend on several factors including what the final requirements will be, whether specific customer data was needed, scalability, and so forth. SDG&E would be looking for the most efficient yet cost-effective approach to support affordability and seeks additional time to consider its approach and whether, for factors specific to SDG&E, such as its smaller size, may impact the cost-effectiveness of doing classification in-house vs. through a third party. For the customer appeals process, SDG&E still believes that outsourcing actual income

¹²² PG&E and SCE note that IOUs currently gather income data for a limited number of customers in the CARE/FERA post-enrollment verification process, but this is done on a small-scale basis.

verification processes that will assuredly collect confidential data, such as income documents, are probably best done by a neutral third party.

Joint IOU Advocacy Topic: Customer Privacy Considerations

Privacy laws hinge on data minimization and transparency. The Joint IOUs strongly advocate for ensuring that any new approach to income verification for the BSC must uphold those principles and work within privacy rules, not around them, so that consumers' privacy rights can be conserved. Providing customers with opportunities to consent to data-sharing with third parties allows the customer to have more control over their personal data. This becomes particularly important in a process such as this where sensitive customer data that verify their income level will be processed.

The recommendation discussed in the Report would open up the possibility of processing State tax data, provided by the Franchise Tax Board (FTB), to develop a more accurate, household-based income-tier classification process at some time in the future. Because the Revenue Tax Code currently prevents FTB from sharing tax information with another entity without written, time-limited customer consent, a long-term FTB-based income verification approach would either require: (1) the third-party administrator to request and receive such consent from every IOU customer, or (2) legislative changes to be passed and signed into law that would allow for such data sharing with the CPUC and/or its third party administrator for purposes of BSC tier assignments without such customer consent. The Joint IOUs recommend consumers' rights to privacy and controls over their data be preserved with third-party administration that works within current tax code, not around it.

Joint IOU Advocacy Topic: Concerns About Use of AMI

The Report correctly identifies that the Joint IOUs oppose the use of county level Area Median Income (AMI) for establishing moderate-income thresholds for the fixed charge rather than maintaining statewide definitions based on the Federal Poverty Level. As this Report acknowledges, creating county-level income thresholds would increase the complexity of implementation and therefore recommends against such a policy in the near term. The Joint IOUs agree that the practical drawbacks of county level income thresholds weigh strongly against pursuing this concept. However, even if the practical concerns could be mitigated, the Joint IOUs oppose such a measure on policy grounds.

AMI is most prominently used in the context of establishing income thresholds for affordable housing, with the goal of limiting housing costs to 30% of gross income.¹²³ Housing costs are the primary driver in cost-of-living variance across the state, which in turn drives average incomes. Unlike housing costs, electricity rates do not vary by geography within a utility's service area.¹²⁴ While overall bills do vary by geography due to differences in climate and thus energy usage, inland, lower income counties tend to see higher bills due to higher summer temperatures than coastal, higher-income counties. Unlike usage-based charges (let alone housing costs), by definition the BSC for a given income category will be the same for all customers in that income category, without any geographic variation. With consistent service territory wide income categories, at a given income level, the BSC would therefore account for the same percentage of household income, regardless of if that household lives in a high-income or low-income area.

Under the AMI-based structure suggested in Appendix F of this Report, a household in Santa Clara County making \$210k per year would be deemed moderate-income, while a household just to the south in San Benito County making \$160k per year would be deemed high-income. Even within these high AMI counties there are clear inequities. This Report's recommended approach would deem a household making \$173,000 in Alameda County that commutes to work in San Francisco as being "high-income," while deeming a household making \$173,000 that both lives and works in San Francisco as "moderate income." This approach would force the customer in Alameda to be charged a higher BSC simply because they have chosen to live in a somewhat lower cost county. Thus, the AMI-based proposal results in arbitrary and unfair treatment of customers due to where they happen to live and should be considered a discriminatory rate structure that should be rejected.

Joint IOU Advocacy Topic: Corrective Billing is Out of Scope

During the Workshops, a party raised concerned about a potential result of the initial BSC tier classification through which some customers might challenge whether they were placed in the appropriate tier (however any new tiers might be defined). This situation could occur due to unknown accuracy of the American Community Survey data. A party wondered whether, if the customer were much later to provide documentation suggesting that their household income should put them into a lower tier, would this situation be considered a billing error subject to being corrected

¹²³ <https://www.hcd.ca.gov/funding/income-limits>

¹²⁴ While baseline quantities do vary by geography, the purpose of this variance is to ensure that average rates do not vary by geography due to tiered rates. All customers also have access to untiered rates, which do not feature even this nominal geographic variation.

through back billing? The Joint IOUs expressed concern that such a situation would not constitute a “billing error” in that the IOU charged the customer based on the information it had at the time. Indeed, the Joint IOUs noted that neither the CARE nor the FERA program has any retroactive billing when a customer enrolls or is reinstated onto the program. The Joint IOUs argued that this issue has broader implications than just for purposes of this proceeding and therefore is outside the scope of this Report. Rather, if the CPUC wishes to analyze such a concern, the issue should be litigated in a subsequent proceeding as the resolution could affect other programs and could amount to setting a new precedent for a single purpose without a holistic consideration of its potential wider impacts on customers and existing operational processes, capabilities, and costs.

PG&E Advocacy Topic: PG&E Billing System Timeline and Constraints

PG&E is currently undertaking a multi-year Billing Modernization Initiative (BMI), which is currently expected to be completed in Q4 of 2029. PG&E must modernize its outdated billing systems to continue to deliver reliable customer service, including continuing to provide reliable billing services to customers. PG&E’s BMI will also allow for more efficient implementation of future structural changes¹²⁵ in the new billing system, including new rates and rate programs and modifications to existing rates and rate transitions. If the Commission were to adopt any new structural rate changes or structural modifications to existing rates in PG&E’s billing and systems (such as creating additional BSC income tiers), programming will need to be delayed until 2030 or later, after BMI has been finalized in Q4 2029, and then prioritized among the previously-adopted rate projects already in the rates implementation pipeline.^{126 127}

¹²⁵ A structural change would require coding and testing of new billing parameters and/or calculations, whereas a value change would entail a numerical adjustment to a parameter that already exists in PG&E’s billing systems. Structural changes to the billing system require new variables, formulas, or billing determinants to calculate bills, which involve extensive coding and testing. Examples of structural changes would be adding a new charge or changing the hours associated with Time of Use Periods. Value changes entail a numerical adjustment to a rate parameter that is already coded in PG&E’s billing systems, such as changing prices associated with an existing rate structure. Value changes do not require extensive coding changes and can be implemented much more quickly.

¹²⁶ 2023 GRC Phase II, Exhibit (PG&E-3), Ch. 10, p. 10-1, lines 26-32 to p.10-4, lines 1-18 (served October 29, 2025).

¹²⁷ The specific timelines and project details of the Billing Modernization Initiative are presented in A.24-10-014, PG&E’s Billing Modernization Application Initial Testimony (dated October 23, 2024), Chapter 5, Billing Modernization Initiative Implementation, p. 5-34, lines 3-10. A CPUC decision on the BMI application is expected in or about Q3 2026 and could result in changes to the current completion timeline.

Sierra Club

Sierra Club's approach to the base service charge (formerly the income-graduated fixed charge) is grounded in the principle that the fixed charge must protect low- and moderate-income customers from undue financial burdens, including excessively high fixed charges and inappropriate tier assignments. Sierra Club's goals are to center equity, accuracy, and transparency in identifying income tiers, with a focus on ensuring that customers with limited means are not misclassified due to data or methodological limitations.

Sierra Club does not oppose using American Community Survey (ACS) census data as a proxy for household income, given the limited options for income verification. ACS data also offers several advantages—it is publicly available, geographically comprehensive, and demonstrates relatively high homogeneity at the lowest and highest income levels. For instance, Sierra Club evaluated income levels in census tracts in Alameda County and found that in low-income census tracts, the percentage of households earning less than \$50,000/year is upwards of 60% and when the income tier is expanded to less than \$100,000/year, 80-85% customers fall into this bucket. Symmetry could also be found in high-income census tracts. Again reviewing a sample of census tracts in Alameda County, over 70% of households are predicted to earn over \$200,000/year and when including all households earning above \$100,000/year, 80-90% of households are captured. However, there is significant income diversity within middle-income and some high-income census tracts, which limits its reliability for assigning customers to moderate tiers.

Recommended Approach

Sierra Club recommended in the Working Group that customers be first given an option to voluntarily provide income so that they may be placed into the correct tier. We continue to believe that this approach would help support public acceptance of the base service charge and provide a means of gathering the most accurate income information from customers. We recognize that response rates may be low and thus many customers will also need to be automatically sorted into income tiers.

We recommend that geographic data be used primarily to place low-income customers not currently enrolled in CARE or FERA into the CARE/FERA tiers and to identify high-income customers. All remaining customers should default into a middle-income tier.

This approach diverges from the Working Group report, which emphasizes using ACS data to sort customers into a "moderate income" tier. Our approach, in contrast, would use ACS data to identify low-income census tracts and sort customers living in

those tracts into either the CARE/FERA tier (or another low income tier). On the other end of the spectrum, ACS data should be used to identify high-income census tracts, and sort those customers into a high income tier.

Our approach is particularly important for low-income customers. Under the Working Group report proposal, even when customers are identified to live in low-income census tracts—and therefore very likely be low-income themselves—they will not be sorted into the CARE/FERA tier but will be placed in the moderate income tier. Only customers who are enrolled in CARE or FERA will be placed in that tier. Sierra Club believes that this approach ignores available evidence about a customer’s likely income and inequitably would place many low-income customers into a moderate income tier.

Appeals and Verification Process

Sierra Club supports the creation of an accessible appeals process that customers can utilize at any time. The appeals process should allow customers to submit multiple forms of income verification, including pay stubs, tax returns, and demonstration of categorical eligibility with CARE or FERA through participation in other low-income assistance programs, such as SNAP. Customers who can demonstrate eligibility for CARE or FERA, even if not formally enrolled, should be assigned to those tiers. The Working Group report’s recommendation to exclude such customers from the CARE/FERA tier is inequitable and disproportionately harms households already struggling to access assistance programs.

We further recommend a simple, secure online platform—such as the Eli website—to facilitate income verification through categorical eligibility, pay stubs, or tax returns.

Income Tier Definitions and Cost-of-Living Adjustments

When customers self-attest or appeal their income tier placement, those determinations should rely on Area Median Income (AMI) and household size, especially since the Working Group report’s proposed “moderate-income” definition (\$159,000) does not adjust for local cost of living. While the Consultant Team initially proposed a hardship appeal that would take into account AMI for customers in high cost-of-living areas, the proposal was subsequently withdrawn. One reason cited was that CARE and FERA rely on the Federal Poverty Level (FPL), as does the Working Group report’s moderate-income definition. But the use of FPL in CARE and FERA does not mean that FPL must also govern income tiers for a fixed charge. Sierra Club agrees that customers must demonstrate eligibility for CARE or FERA (based on FPL) to be assigned to the CARE/FERA tier. However, the moderate-income threshold, while nominally linked to FPL, is in practice a fixed dollar amount (\$159,000), not a

function of FPL values. Similarly, AMI could be expressed as a flat-dollar threshold to determine eligibility for income tiers, providing a more equitable and locally sensitive approach that accounts for household size and regional cost of living. Because high-cost-of-living counties are also the most populous in California, failing to adjust for AMI would risk misclassifying large numbers of moderate-income customers as high income.

TURN

The Utility Reform Network

TURN appreciates the efforts of the working group to develop income verification options for the Base Services Charge (BSC) and expand the affordability benefits of the BSC to middle-income customers.

TURN's primary recommendation is to pursue a long-term income verification approach that relies on a trusted third-party administrator leveraging high-accuracy information from the Franchise Tax Board to assign customers to income tiers. TURN presented this recommendation to the working group (*Section 10: "Long-Term Proposal"*). Such a verification system would be highly accurate, cost-effective and require minimal customer effort. This would enable a higher overall BSC with more granular income tiers, resulting in lower volumetric rates and more progressive recovery of fixed costs.

In the interim, TURN supports expanding the BSC to include a middle-income tier of households up to 600% FPL, while maintaining the existing CARE, FERA, and DRAH low-income discount tiers (as TURN drafted in *Section 9: "Low-Income Tier Classification"*). In its presentation to the working group, TURN proposed that customers enroll in this middle-income tier via self-attestation and consent to verification through a third-party service, with verification randomly conducted on a subset of those customers. TURN disagrees with the report's characterization of this method as 'low accuracy' given that all high-income customers would be captured in the high tier and middle-income customers could enroll in a discounted BSC through a process similar to the CARE/FERA programs today.

With respect to the proposed geographic sorting method, TURN has repeatedly raised concerns related to accuracy, complexity, and customer acceptance. The working group proposal would only sort about two-thirds of customers correctly, and does so using a proxy, which is difficult to understand. Further, the large number of high-income customers incorrectly sorted into the middle tier will have no incentive to correct their placement (67% of high-income customers—2.8 million households—sorted incorrectly per *"Table 8-1"*), making it challenging to set a BSC that produces enough revenue to generate savings for low- or middle-income customers.

If the Commission adopts a geographic sorting method for the middle-income tier, TURN proposes the following changes to the working group proposal:

(1) Consider authorizing a third-party administrator (TPA) to oversee the entire income verification process. Receiving and appealing tier assignments through a TPA

would increase customer trust and acceptance compared to the IOUs. The TPA could oversee the geographic sorting process, maintain a customer appeals portal, and establish contracts with third-party income verification services to reduce cost duplication across the IOUs.

(2) TURN supports considering an approach comparable to Cal Advocates' "Adjusted Geographic" method to reduce the number of high-income customers incorrectly sorted into the middle tier. As modelled, the working group's proposal would mean that each \$10 discount per middle-income customer would need to be offset by a \$37 increase per enrolled high-income customer – assuming no customers appeal.¹²⁸ If all middle-income customers appealed, a \$10 discount per middle-income customer would require a \$57 increase per high-income customer.¹²⁹ The next proceeding should include transparent modelling of geographic sorting variations to evaluate the likely number of customers sorted into each tier and better understand affordability impacts. While the scope of this working group was limited to income verification rather than tier cut-offs, both design elements must be determined in combination.

(3) TURN disagrees that all customers appealing their tier assignment should be required to verify income through a tax transcript service or direct document submission (*Section 8.3: "Income-Based Appeals"*). Without sacrificing accuracy, it would substantially reduce costs to permit customers to self-attest eligibility for the middle tier and only run a randomly selected portion of those customers through a verification service. The working group has not identified any evidence that self-attestation leads to fraudulent program enrollment, while it is well-known that tedious verification steps create barriers for vulnerable populations to access benefits. The Commission could also pilot alternative income verification methods for appeals in different geographic areas, to test differences in cost and accuracy in the rollout of the BSC.

(4) TURN is concerned that both the listed tax transcript services and alternative income documents would require customers to report social security numbers. Requiring households to share social security numbers or provide substantial documentation would create unreasonable barriers to participation for undocumented customers and other vulnerable groups. Customers should be able to appeal their tier assignment through a pathway which does not require a social security number, such as the Equifax Work Number (used by numerous benefits programs in California) or self-attestation (used by CARE/FERA). If a customer does

¹²⁸ Per Table 8-1: (7.2 million in middle tier * \$10)/(1.9 million in high tier) = ~ \$37

¹²⁹ Per Table 8-1: (7.2 million + 0.5 million appeals in middle tier * \$10)/(1.3 million in high tier) = ~ \$57

not return a match through an income database, they should be enrolled in the middle tier based on their self-attested income level.

Utility Consumers' Action Network (UCAN)

Utility Consumers' Action Network (UCAN) representatives actively participated in the Income Verification Working Group (WG), attending all of its meetings, asking questions and making suggestions, and presenting an income verification proposal. UCAN commends the consultants who facilitated the group and authored this *Process Working Group Final Report* (Report), Resource Innovations and Common Spark Consulting. They took great efforts to present to the WG a broad array of options, listened to the Working Group participants, performed additional research to answer WG questions, endeavored to understand our comments and feedback, and kept the process focused and on track.

In Rebuttal testimony in 2023, UCAN presented criteria against which an income-dependent Base Services Charge (Income Graduated Fixed Charge at the time) should be measured. At the highest level, UCAN's criteria were:

... each residential ratepayer will be placed automatically, that is, with no action needed by the ratepayer, into the correct [Base Service Charge Income] tier, and that the process is not excessively costly or burdensome to the utility (and eventually its ratepayers).¹³⁰

In other words, whatever income verification process is used, it must be (1) reasonably accurate and (2) require minimal customer involvement. UCAN still finds these criteria to be timely and reasonable and comment on the Report's proposal in light of these criteria.

First, UCAN concurs with the Report that without additional legislative action there is no way for the utilities, Energy Division or any designated third party to have access to the actual household income data needed to accurately assign a household to the correct income tier without requiring the data to be provided, or permission to access explicitly granted, by each household electricity consumer. Given this limitation, the critical question is whether there is an alternative that can **reasonably accurately** identify household incomes without customer approval or action and that a system is available to place new customers into the correct income tier and allow households to change their income tier assignment due to initial mis-assignment or changes in the household's financial circumstances ("appeals").

¹³⁰ R.22-07-022, "Rebuttal Testimony of Mark Fulmer on Behalf of the Utility Consumers' Action Network Concerning the Establishment of a Residential Income Graduated Fixed Charge," June 2, 2023, p. 2.

On this second matter, appeals, the Report reasonably addresses the concerns that UCAN raised regarding appeals and verification. In particular, UCAN supports multiple avenues for households to appeal their assigned income tier including that the household new to utility service can appeal its tier assignment prior to acquiring utility service and that the tier assignment of each census tract be revised every five years.

On the first matter, accurate placement of households into the correct income tier, the Report's proposal alas falls short in two ways. First, and most critically, the proposal is not based on income; it is based on geography. While UCAN agrees with the notion that households in any particular neighborhood will **tend to** have similar incomes, this rough correlation is not enough. Under the Report's proposal, those who live in the same neighborhood will be treated the same, be they professionals or laborers, renters or homeowners, retired or students or employed or unemployed, singles or large extended families. This fundamental flaw leaves the proposal vulnerable to legal challenges by individuals or organizations who find the geographic proxy to fall short of the legislature's direction, accurately noting that a proxy is not the same as genuine data. The bottom line is that there is rough correlation between the location of a household and its income, the correlation is too weak to use for such a novel, and likely controversial, rate.

With regard to the second way it falls short: even ignoring the proxy issue, the Report's proposal fails to place households into correct (middle- or high-) income tier at a reasonable rate. As noted in the Report, the proposal will likely place only 64% of the non-CARE and non-FERA households into the correct income tier (Table 8-1). This means that around 3.3 million households would be placed in the incorrect tier (Table 8-1). UCAN finds placing over 3 million households in the wrong income tier because of the use of a highly approximate proxy to be unacceptable.

Furthermore, if implemented, a rate based on the Report's income verification process would face three challenging customer acceptance hurdles. The first is simply the notion of a rate based on household incomes. UCAN believes that most customers are comfortable with providing low-income households a break on their electricity bills by providing them with discounted rates. However, ratcheting that up to having rates based on incomes above those designated for the CARE and FERA programs is novel, to say the least, and could face significant resistance. UCAN is aware of no regulated rate or any other consumer commodity product that is priced based on the income of the purchaser. This fact will be known, or at least intuited, by the residential customers subject to the new rate. Communicating this notion alone to the point of customer acceptance will be a significant challenge. Second, as discussed above, this challenge is compounded by the fact that the proposal is not actually income-based, but neighborhood based. The third challenge is the potential sense of unfairness that many middle-income customers would have to prove that

they are not high-income (when assigned to a high-income BSC tier) but high-income customers would not have to report that they are not middle income (when assigned to a middle-income BSC tier).

UCAN therefore recommends that if the Commission chooses to continue to pursue a geographically-based proxy income tiering system, that market research be conducted by a qualified consultant chosen by the Commission before too much has been invested to determine whether these customer acceptance hurdles can be overcome, and if so, how.

UCAN supports the goals of the income-dependent charge: create lower per kilowatt-hour charges so as to encourage beneficial electrification while providing progressive rate relief. UCAN understands that this proposal is intended to be an interim step towards a better, fairer and more accurate income-based BSC. However, relying on geography rather than actual income and mischaracterizing an estimated one-third of the household is not a positive step forward.

Western Manufactured Housing Communities Association (WMA)

The Western Manufactured Housing Communities Association represents the owners of 1,689 manufactured housing communities, which provide Californians the opportunity to own their home at low cost compared to traditional foundation-constructed housing, and the flexibility to move their homes around the state. Manufactured housing, or “mobilehomes,” fill an important position in the range of housing options available to California.

WMA’s primary interest in this process concerns master-metered customers. Many mobilehome parks (MHP) are master-metered facilities that submeter each mobilehome tenant. By law, submetered community residents pay for electric service at the “applicable” rate charged by the investor-owned utility which would have otherwise served those residents. WMA is concerned that imposition of income-based electric rates could lead to a requirement that MHP owners verify incomes of their submetered tenants just to perform utility billing. Doing so would likely violate state and federal laws and would undermine the trust needed between MHP owners and their tenants.

Due to this concern, WMA strongly supports the recommendation within the Near-term Proposal that master-metered customers with submetering be automatically classified in the moderate-income tier unless eligible for Tier 1 or Tier 2 through the CARE and FERA programs. This will eliminate the need to perform income verification for submetered customers outside of what is already performed to administer the CARE and FERA programs. This will also reduce the implementation cost of the Near-term Proposal.

WMA thanks the Commission and Working Group administrators for the opportunity to participate in the Working Group and will continue to participate in subsequent stakeholder processes regarding income-graduated fixed charges.

13. Appendices

Appendix A. Working Group Meeting Summaries

Working Group Meeting Materials were disseminated via email and stored in a shared Google Drive. Below is a table of WG meeting high-level topics and links to respective meeting summaries.

Table 13-1: Working Group Meeting Summaries

Mtg #	Date	Topic	Link to Meeting Summary
1	February 19, 11am - 1pm PT	Kickoff	<u>Income Verification Process WG #1 Meeting Summary.pdf</u>
2	March 26, 9am - 12pm PT	Ideation and Brainstorming	<u>Income Verification Process WG #2 Meeting Summary.pdf</u>
3	April 30, 9am - 12pm PT	Guiding Principles, Definitions (Part 1)	<u>Income Verification Process WG #3 Meeting Summary.pdf</u>
4	May 21, 9am - 12pm PT	Guiding Principles, Definitions (Part 2)	<u>Income Verification Process WG #4 Meeting Summary.pdf</u>
5	June 18, 9am - 12pm PT	Narrow down Income Verification Proposals	<u>Income Verification Process WG #5 Meeting Summary.pdf</u>
6	July 16, 9am - 12pm PT	Halfway Mark/Transition to Proposal Drafting	<u>Income Verification Process WG #6 Meeting Summary.pdf</u>
7	August 27, 9am - 12pm PT	Proposal Drafting	<u>Income Verification Process WG #7 Meeting Summary.pdf</u>
8	September 24, 9am - 12pm PT	Present Draft Proposal	<u>Income Verification Process WG #8 Meeting Summary.pdf</u>
9	October 22, 9am - 12pm PT	Present Revised Proposal	<u>Income Verification Process WG #9 Meeting Summary.pdf</u>
10	November 19, 9am - 12pm PT	Present Final Proposal, Close Working Group	<u>Income Verification Process WG #10 Meeting Summary.pdf</u>

Appendix B. Research on Existing Income Verification Processes

The following section summarizes the preliminary research conducted to support the Working Group's knowledge, discussion, and decision-making.

B.1 Regulatory Research Process

In addressing these objectives, the team first began with an in-depth review of the Phase 1 testimony. In Phase 1 of R.22-07-005, interested parties filed income verification proposals to be applied to California's base services charge. Proposed data sources to assign customers to income tiers ranged from self-attestation with spot-checks utilizing property value, use of third-party modeled income or wage data, defaulting all customers to the highest tier, or passing legislation to allow California's Franchise Tax Board (FTB) to use recent tax returns to categorize customers into the appropriate income tiers. Table B-1 summarizes the parties' income verification proposals.

Table B-1: Opening Testimony Verification Proposals¹³¹

Table 1: Opening Testimony Income Verification Proposals

Parties	Administrator	Process	Default Tier
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- 38 -

R.22-07-005 ALJ/SW9/sgu

Large Utilities	Third-party administrator	Franchise Tax Board data (requires consent or legislation)	Highest tier, unless enrolled in CARE/FERA
TURN/NRDC, Cal Advocates	Third-party administrator or utilities	Credit agency data (requires consent)	Highest tier, unless enrolled in CARE/FERA
CEJA	Utilities	Self-attestation and spot checks based on property assessment value	Based on property assessment value or CARE/FERA enrollment
SEIA/Small Utilities	Utilities	Existing CARE and FERA process	Based on whether or not enrolled in CARE/ FERA

Each proposed data source and process has well-documented drawbacks, which are discussed further in Section 6. Credit agency data like The Work Number requires customer consent and does not include all customers. Self-attestation, while when implemented via text message, would minimize costs, but would likely suffer from high non-response and accuracy concerns. The FTB is not currently authorized to share tax data with any other party, and legislation would be required to utilize this data. As a result, the CPUC stated:

“We agree with CforAT that the Commission should authorize a simple solution for income verification at this time. The parties’ opening proposals indicated not only the legal restrictions that apply to income verification but also the high costs and time required to develop and implement a new income verification process. Further, party proposals presented more questions than answers about how to design and implement an income verification process that can differentiate between moderate- and high-income customers. It is clear that this issue requires further analysis and

¹³¹ CPUC D.24-05-028.

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M531/K686/531686019.PDF>

stakeholder engagement to avoid the potential pitfalls of customer confusion, assigning customers to the wrong tier, and inefficient spending of ratepayer fund.”

The Decision authorized the use of existing CARE and FERA enrollments to determine customer income tier in the near-term while calling for a Working Group to research, assess, and propose alternative income verification approaches that would allow for differentiation between moderate and high-income customers in the future. Initially, by leveraging existing CARE/FERA eligibility customers will be segmented into three tiers without any customer action required. In addition to CARE and FERA eligibility, the second tier will include customers living in affordable housing with incomes below 80% AMI identified via the California Housing Partnership tool. No additional income verification will take place initially, with verification activities continuing as usual for CARE and FERA. Under the current approach, there is no ability to separate moderate and high-income customers or to create additional tiers beyond those issued in D. 24-05-028.¹³¹

B.2 Existing Income Verification Processes and Alternatives

This section provides an overview of existing income verification processes and alternative approaches for moderate- and higher-income customers in California and other states.

B.2.1 Existing Income Verification Processes

The Consultant Team conducted a literature review of income verification processes utilized in other income-eligible programs in California and other states. Again, a majority of programs reviewed target low to moderate-income customers, with few exceptions for high earners. The base services charge income verification process is also unique, as all customers must receive a tier assignment.

Of the over twenty-five programs reviewed, a majority are opt-in, requiring customers to provide some income data source upon enrollment. Many verification processes are often complex, utilizing several data sources and steps in the process. A flow chart is often necessary to understand at which part of the process each data source is utilized in existing income verification processes. The most popular income data source utilized in the programs reviewed is self-attestation, often paired with supporting documentation and/or categorical eligibility. Processes ranged from highly manual, with workers processing paper or in-person attestations, to highly automated platforms that pull verified income data and report eligibility determinations back to the program administrator. Programs that provide a government benefit often employ many eligibility workers who work with applicants to solicit data, data match with external sources, make eligibility determinations, and

handle any appeals. Income data is most often obtained through customer-provided sources, with customer consent, or through interagency data-sharing agreements.

B.2.2 Income Verification Processes within California

The tables below provide an overview of allowed income verification data sources for key income-eligible programs within California.¹³²

¹³² No geographic proxies identified in programs listed in Table B-2.

Evergreen Economics. (2023). *Categorical Eligibility study*.

https://www.calmac.org/publications/Categorical_Eligibility_Report_-_FinalES.pdf;

Process for securing verifications. (n.d.).

https://stgenssa.sccgov.org/debs/program_handbooks/calfresh/assets/CalFresh/Verification/SecrgVrfctns.htm;

IEVS Applicant and Recipient reports. (n.d.).

https://stgenssa.sccgov.org/debs/program_handbooks/business_process/assets/09IEVS/IEVS_Overview.htm;

Department of Community Services & Development California. (2025). *Low Income Home Energy Assistance Detailed Model Plan*. https://liheapch.acf.gov/docs/2025/state-plans/CA_Plan_2025.pdf;

LIHEAP Clearinghouse. (2013). *LIHEAP Income Verification Examples from States*.

https://liheapch.acf.gov/delivery/verification_incomexamples.htm;

California LifeLine Program Guidelines. (n.d.).

https://www.californialifeline.com/en/eligibility_requirements;

California LifeLine Sample Forms. (n.d.-b). https://www.californialifeline.com/en/sample_forms;

Access Clean California. <https://accesscleanca.org/>;

Income verification process summary provided by TURN;

<https://www.mylowcostauto.com/faq>

Table B-2: Income Data Sources Used in California Programs

Program	Self-Attestation	With Supporting Documentation	Categorical Eligibility	Use of State Database for Data Matching	Third-Party Data
CalWorks (TANF)	X	X		Income and Eligibility Verification System (IEVS)	The Work Number (requiring consent and applicant review)
CalFresh (SNAP)	X	X	X	IEVS, Medi-Cal Eligibility Data System (MEDS), Social Security Administration (SSA)	The Work Number
MediCal (MediCaid)	X	X		IEVS, MEDS, Federal Data Services Hub	The Work Number in limited cases
California LifeLine	X	X	X	Cross-checking DSS CalFresh and Medi-Cal	
California LIHEAP	X	X			
Family Electric Rate Assistance (FERA)	X	For an annual sample			
California Alternate Rates for Energy (CARE)	X	For an annual sample	X		
Access Clean California Programs	X	X			VeriTax is used to verify income, Eli Technologies used to verify income

Table B-3: Income Data Sources Used in California Programs Continued¹³³

Program	Self-Attestation	With Supporting Documentation	Categorical Eligibility	Geographic Data
California WIC	X	X	X	
Covered California	X	X	X	
Disadvantaged Communities Single-Family Solar Homes (DAC-SASH)	X	X		DAC Members
Head Start Income Eligible	X	X	X	
California Low Cost Auto Insurance (CLCA)	X	X	X	

Of the programs assessed above, all of them allow for self-attestation, and a majority also require supporting documentation or allow for categorical eligibility. There is variation in whether and how that data is verified, depending on the program and circumstance. Often, data matching or third-party data sources are used to confirm eligibility in cases where supporting documentation is missing or inconsistent with existing records.

¹³³ No use of state database for data matching or third-party data identified in programs listed in Table B-3.

Manalo-LeClair, G. (2025, October 24). *Nourish California - home*. Nourish California. <http://cfpa.net/>;

Goldberg, S. (2017, June 14). *IEVS processing deadlines*. LSNC Regulation Summaries.

<https://reg.summaries.guide/2017/06/ievs-processing-deadlines/>;

Apply for CalFresh | sfhsa.org. (n.d.). <https://www.sfhsa.org/services/food/calfresh/apply-calfresh>

CARE and FERA first take self-attested household size and income level upon enrollment. Then, an annual sample (typically 6-8% of participants) is selected for post-enrollment verification¹³⁴, which requires uploading supporting documentation. Nonresponse rates are between 49-78% upon post-enrollment verification despite the risk of losing eligibility if they fail to respond.

Applicants apply online to CalFresh with a photo ID, proof of residency, and proof of income via pay stubs and other supporting documentation. When these sources are not available, CalFresh may use home visits.¹³⁵ The CalFresh office can also verify applicants using computer and electronic data sources, including California's IEVS. Enrollees must re-certify their eligibility within a dedicated period, depending on household circumstances.

California Lifeline applicants can qualify using categorical eligibility of other programs, including SNAP, Medicaid, SSI, LIHEAP, TANF, Section 8, and WIC.¹³⁶ To qualify using income, they must provide tax returns, pay stubs, or other supporting documentation. Supporting documentation is considered proof of income or eligibility upon application and must be provided again upon renewal. Additional verification of income takes place due to random audits or as called for by the CPUC or program administrator. Additional verification is conducted using IRS data, Medicaid databases, public assistance enrollment records, and supporting documentation.

There are several state-wide data-matching databases utilized in the above state and federal programs. California's Income and Eligibility Verification System (IEVS) is the umbrella term used for the many computer matching systems that assist in eligibility determinations for California public benefit programs. The IEVS requires the applicant's social security number (SSN) to use and includes data from state welfare files, California wages, FTB assets, dividends, investments, Social Security Income (SSI), as well as program ineligibility or overpayments. Since data from the IEVS is delivered directly from a given public benefit program administrator, it is considered verified upon receipt. The IEVS is mandated by federal law for certain programs and allows for matching applicant or recipient information with other databases to ensure factors affecting program eligibility are known to the administrator. Access to the IEVS must be for authorized purposes, typically by county eligibility workers. MEDs is

¹³⁴ CPUC D.24-05-028.

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M531/K686/531686019.PDF>

¹³⁵ *How to keep getting CalFresh benefits (certification periods)*. (2023, August 29). LSNC Guide to CalFresh Benefits. <https://calfresh.guide/how-to-keep-getting-cal-fresh-benefits-certification-periods/>

¹³⁶ *California LifeLine*. (n.d.). <https://www.californialifeline.com/en>

the Medi-Cal eligibility database.¹³⁷ Medi-Cal eligibility workers also have access to the Federal Data Services Hub, which is a centralized database to help states verify income, citizenship, and other information for applicants seeking health coverage. California Lifeline administrators have access to the California Department of Social Services (DSS) CalFresh Confirm tool, which instantly confirms enrollment in CalFresh for Lifeline applicants.¹³⁸

CalWorks, CalFresh, and MediCal also use Equifax's The Work Number to supplement the IEVS in some cases. The Work Number can be used for CalFresh and CalWorks ongoing eligibility determinations and fraud investigations. Program participants are allowed the opportunity to receive a copy of The Work Number results and dispute the result if it would lead to loss of eligibility.¹³⁹

Access Clean California (ACC) is a collection of programs that use varying income verification processes.¹⁴⁰ Some programs within ACC utilize self-attested income and verification through Veri-Tax, requiring applicants to fill out an IRS 4506-C form. GRID Alternatives launched a streamlined platform (by Eli Technologies) to reduce barriers for low-to-moderate household applications to ACC programs.¹⁴¹ The platform allows applicants to determine eligibility and verify their income for several programs at once. This platform allows for different income verification pathways, including a tax transcripts service, uploading pay stubs, and self-attestation utilizing third-party records to cross-check attested income.

B.2.3 Income Verification Processes Outside of California

To identify additional income verification processes, the Consultant Team also researched income-eligible programs in other states and countries.

¹³⁷ The Department of Health Care Services. (n.d.). *DHCS Information Technology Projects*. <https://www.dhcs.ca.gov/provgovpart/Pages/DHCS-IT-Systems-and-Projects.aspx#:~:text=Medi-Cal%20Eligibility%20Data%20System%20%28MEDS%29%20Modernization%3A%20MEDS%20is,Medi-Cal%20and%20other%20health%20and%20human%20services%20programs>

¹³⁸ *California LifeLine*. (n.d.). https://www.californialifeline.com/en/eligibility_requirements

¹³⁹ *The work number (TWN)*. (n.d.). https://stgenssa.sccgov.org/debs/program_handbooks/common_place/assets/01VRT/02VerType/The_Work_Number.htm

¹⁴⁰ Find at: <https://accesscleanca.org/>

¹⁴¹ *rewiringamerica.org*. (2022). *Frictionless income verification methods for the electrification rebates*. https://assets.ctfassets.net/v4qx5q5o44nj/3cTqhWhFztiUWShtyztwe/10bfe13a145683d7a8f3e913b41ebd0e/Electrification_Rebates_Income_Verification_Memo.pdf

Simple Processes

Several programs allow for self-attestation of income or categorical eligibility, with or without requiring supporting documentation. The Emergency Food Assistance Program relies on self-attestation without supporting documentation.¹⁴² Puget Sound Energy Efficiency Boost, which serves low to moderate-income customers¹⁴³, City of Philadelphia Water Bill Assistance¹⁴⁴, and Illinois Utility Bill Assistance¹⁴⁵ all allow customer enrollment via self-attestation or categorical eligibility with supporting documentation and perform no additional verification. The Inflation Reduction Act's (IRA) Home Energy Rebate Program requires supporting documentation of income or categorical eligibility within six months of applying for rebates in most states.¹⁴⁶ This program serves low and moderate-income households. Each state has been tasked with configuring its exact income verification process for IRA programs, and there is some variation in the level of documentation required and automation of the process.

Data Sharing & Third-Party Data

Several jurisdictions utilize self-attestation and categorical eligibility with supporting documentation accessed via a shared portal between programs or agencies. Colorado Energy Outreach manages an application and verification process shared across three low-income programs (via supporting documentation) for Xcel Energy, allowing for efficient implementation of categorical eligibility and reduced verification costs.¹⁴⁷

Efficiency Maine serves low to moderate-income customers and verifies self-attested categorical eligibility using enrollment data from the Department of Health and Human Services & State Housing Authority via an online portal. Using this web portal, the program is able to provide pre-qualification to households participating in qualifying programs. Efficiency Maine also allows an income-based verification approach, which requires uploading tax forms.¹⁴⁷

A handful of programs identified auto-enroll eligible customers with no customer action required. Seattle City Light (SCL) auto-enrolls low-income Seattle Housing Authority (SHA) tenants in bill assistance via a partnership with the SHA. SHA tells SCL

¹⁴² Participant eligibility in TEFAP (Revised) | Food and Nutrition Service. (n.d.).

<https://www.fns.usda.gov/tefap/participant-eligibility-revised>

¹⁴³ Efficiency boost. (n.d.). <https://www.pse.com/en/rebates/efficiency-boost>

¹⁴⁴ Sell, L. (2025, February 10). Water bill customer assistance. <https://cap.phila.gov/>

¹⁴⁵ How to apply. (n.d.).

<https://dceo.illinois.gov/communityservices/utilitybillassistance/howtoapply.html>

¹⁴⁶ Pacific Northwest National Library. (2021). *Inflation Reduction Act goals*.

<https://email.horne.com/hubfs/Home%20Energy%20Rebates%20Program.pdf>

¹⁴⁷ ESource article provided by PG&E.

which customers are receiving rental assistance and are therefore eligible for low-income utility bill assistance.¹⁴⁸ However, there are challenges with data-sharing agreements between government agencies and utilities. Salt River Project aimed to come to a data share agreement with the Arizona Department of Economic Security but was unable to move forward due to the Code of Federal Regulations.¹⁴⁷

In Canada, the Income Tax Act allows the Canada Revenue Agency (CRA) to provide certain taxpayer information to partnering government agencies to aid in administering over one hundred programs or services. The CRA acts as an administrator and information holder. Through this process, the applicant either provides the information directly to the program or provides consent to allow the other government agency to obtain their information from the CRA through an automated income verification process. Applicant consent is not required in all cases, for example, in receiving workers' compensation. The information provided by the CRA to the administering government agency is customized to ensure the minimum number of fields is electronically transferred. While Canada's Income Verification Service through the CRA is only available for use between government agencies to administer programs, Canada's Income Tax Act also allows the CRA to provide taxpayer information to any person or entity with the consent of the taxpayer.¹⁴⁹

Income data sources and verification processes for some federal income-eligible programs vary greatly from state to state. The US Government Accountability Office (GAO) evaluated income data sources of select federal programs and found¹⁵⁰:

- LIHEAP: The majority of states use self-attestation with supporting documentation, categorical eligibility, and information from the Social Security Administration (SSA). Six states use Equifax's The Work Number to supplement income verification.
- SNAP: Required to use external sources via electronic data matching to verify income in addition to applicant-provided documentation. States are required to have an IEVS. Most states use The Work Number as a supplementary data source.

¹⁴⁸ *Utility bill assistance* | Seattle Housing Authority. (n.d.). <https://www.seattlehousing.org/current-tenants/community-resources/utility-bill-assistance>

¹⁴⁹ Canada Revenue Agency. (2024, April 15). *Income Verification Services v4.0*. Canada.ca. <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/protecting-your-privacy/privacy-impact-assessment/income-verification-services-v4.html>

¹⁵⁰ United States Government Accountability Office. (2021). *FEDERAL LOW-INCOME PROGRAMS: Use of data to verify eligibility varies among selected programs and opportunities exist to promote additional use*. <https://www.gao.gov/assets/gao-21-183.pdf>

- Medicaid: Also required to use electronic data verification, but has more flexibility in which sources or how than SNAP. The Federal Data Services Hub is available for data sharing, and 38 states also use The Work Number.

The GAO recommended increasing the use of electronic income data sources, like data matching systems or third-party data, for programs without existing requirements to increase program integrity and reduce the burden on applicants.

Mass Save allows for categorical eligibility, or self-attestation with verification through supporting documents or a 4506-C tax form for moderate-income customers.¹⁵¹ Customers enrolled in a discount rate are automatically eligible for income-based offers. Those not enrolled in a discount rate are asked to enter the last four of their Social Security number, which allows a third-party service to verify income level. If the third party provides no data match or provides an income level above the eligibility guidelines, customers can then proceed to upload supporting documentation, including pay stubs, W-2s, or unemployment documentation. Alternatively, customers can fill out an IRS Form 4506-C, providing tax documents instead of uploading other supporting documentation. Program administrators are currently working to build out a direct link to the 4506-C process on the IRS website (similar to Halcyon’s application) as a quicker verification option for applicants.¹⁵²

Use of Geographic Data

Geographic proxies are used in several identified income-eligible programs. The Federal Emergency Rental Assistance Program aims to reduce the burden of enrolling by allowing for a mix of self-attestation, supporting documentation, categorical eligibility, and verification via geographic proxies. In this program, ACS income data is mapped to the applicant’s address to verify self-attested income without requiring additional supporting documents. The Homeowner Assistance Fund considers zip code and enrollment in other programs (categorical eligibility) as fact-specific income proxies. Emergency Rental Assistance and California’s Hardest Hit Fund also utilize zip code as a fact-specific proxy for income.¹⁵³ In the case of fact-specific proxies, the ACS income for the applicant’s zip code is treated as the

¹⁵¹Mass Save | *Income eligible programs*. (n.d.). Mass Save.

<https://www.masssave.com/residential/programs-and-services/income-based-offers/income-eligible-programs>

¹⁵² Mazuera, K., Berger, L., Eversource, & National Grid. (2022). *Income verification & Moderate-Income delivery updates*. https://ma-eeac.org/wp-content/uploads/EEAC-May-Income-Verification_Revised_6-15-22.pdf

¹⁵³ *Strategies for determining eligibility of homeowners based on income*. (2025, December 23). U.S. Department of The Treasury. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/homeowner-assistance-fund/program-service-design/strategies-for-determining-eligibility-of-homeowners-based-on-income>

applicant's income when determining eligibility. A New Jersey Residential Low-Income Pilot (Comfort Partners) automatically qualifies residents of ten disadvantaged communities. Similarly, to qualify for DAC-SASH, homeowners must live in the top 25% of the most disadvantaged communities using the CalEnviroScreen.¹⁵⁴

Alternative Processes

Some unique income verification processes identified in other states include tax-time enrollment and functional applications. While doing their taxes, Colorado residents have the opportunity to consent to share income data with the state health insurance marketplace administrator to determine eligibility for free or low-cost health coverage. This process is seamlessly integrated into tax filing applications like TurboTax.¹⁵⁵

In response to an increase in gig workers and the increased need for public assistance during the COVID-19 pandemic, the Missouri Department of Social Services has recently started using SteadyIQ. This application integrates with common payment services like Venmo and PayPal to aid in income verification, reducing the need for applicants to upload many supporting documents. This process also reduces errors by automatically pulling required data from the payment and payroll platforms. SteadyIQ is applied for income verification for SNAP, Medicaid, and TANF. Alabama and Georgia have recently started using this platform, with more states rolling it out soon.¹⁵⁶

The Portland Water Bureau automatically enrolls customers in its low-income Smart Discount program by using an algorithm that determines program eligibility and the percent discount based on account and census data. The Smart Discount program's algorithm aims to determine a customer's ability to pay by considering usage data, the amount owed in unpaid bills, the number of people in the household, census data attributes, and income data if provided by the applicant to assign a percentage discount between 5% and 80%.¹⁵⁷ The percent discount for each customer is reassessed every six months, and the utility conducts regular audits of the algorithm to ensure accuracy and fairness. This was the only instance of a model being used to

¹⁵⁴ DAC-SASH. (n.d.). GRID Alternatives. <https://gridalternatives.org/what-we-do/program-administration/dac-sash>

¹⁵⁵ Colorado Department of Revenue. (2008). Colorado Easy Enrollment information form. In *Colorado Department of Revenue*. https://tax.colorado.gov/sites/tax/files/documents/DR0104EE_2024.pdf

¹⁵⁶ Wood, C. (2025, January 22). Verifying income for public benefits is about to get easier in Missouri. *StateScoop*. <https://statescoop.com/verifying-income-public-benefits-missouri-steadyiq/>

¹⁵⁷ *Smart Discount program Frequently asked questions*. (n.d.). Portland.gov. <https://www.portland.gov/water/customer-service/pay-your-utility-bill/smart-discount#toc-how-is-eligibility-for-a-discount-determined->

determine eligibility across all reviewed programs. Note that this model estimates customers' ability to pay bills instead of estimating customers' income level.

The Mortgage Industry

While several programs identified above serve moderate-income customers, none serve high-income households. However, the mortgage and lending industry must make determinations based on borrowers' income to a relatively granular degree. For instance, they must determine if borrowers can afford a \$700,000 or \$750,000 home. The mortgage industry uses an array of income verification methods, including reaching out to the borrower's employer directly and requesting supporting documentation like an employment verification letter, W-2s, pay stubs, and more.¹⁵⁸ To expedite the approval process, some lenders utilize verification databases, banking and asset data, or direct payroll connections. Lenders utilize third-party verification services like The Work Number, which provides payroll data, and Halcyon, which provides access to IRS tax documents. To receive more up-to-date data than what is provided in verification databases, lenders use banking and asset data. This is done by building integrations with financial institutions through products like Fincity and Plaid, which allow access to borrowers' bank accounts and real-time financial data. This data can then be used to determine real-time income and employment status through analyzing regular direct deposits. This may be done manually in some lending contexts, by asking a borrower to log in and show their bank account data to the lender. Another option used by the lending industry is direct payroll connections, where a third party builds integrations with original sources of income data like MyADP, employer-specific payroll systems, and gig platforms like Uber and Lyft. All of these methods require the borrower's consent to access income data.

To identify more programs targeting moderate and high-income customers, the team expanded the search to international programs. However, a majority of international programs reviewed had similar qualities to those outlined above. In Germany, housing benefits are accessed with self-attestation and supporting documentation.¹⁵⁹ The Swiss welfare system uses self-attestation.¹⁶⁰ When verifying income for mortgage applications, international banks use similar sources to those in the US.

¹⁵⁸ Team, A. M. (2024, August 20). *How verification of Income & Employment for mortgages works*. Argyle. <https://argyle.com/blog/how-verification-of-employment-voe-for-mortgages-works/>

¹⁵⁹ Elaina, L. (2024, December 29). Housing benefits in Germany (Wohngeld) - Germanised. *Germany Simplified*. <https://germanised.com/housing-benefits-in-germany-wohngeld/#who-is-eligible-for-housing-benefits-in-germany>

¹⁶⁰ Wikipedia contributors. (2025, December 21). *Social assistance in Switzerland*. Wikipedia. https://en.wikipedia.org/wiki/Public_Welfare_Policy_in_Switzerland

In Canada, the mortgage industry is working to reduce the prevalence of applicant-provided income documentation to mitigate mortgage fraud. The CRA is working with the mortgage industry to develop an income verification tool. The tool will be used to verify borrower-provided supporting documentation of income with CRA-held data by providing tax documents directly to lenders. The CRA verification tool will be available for banks, mortgage brokers, credit unions, and other financial companies, will require applicant consent to access data, and will transfer all sensitive data through a secure online portal. The CRA held a national round table with the financial industry to share views on best practices, challenges, and opportunities regarding income verification. They also worked to outline desired qualities for an income verification tool to be used in mortgage applications. Findings from the Canadian financial industry and a survey of borrowers recommend that the tool:

- Requires the applicant's consent
- Give an immediate response
- Include a secure online service/portal
- Account for the fact that borrowers may not have reliable access to the internet
- Half of the surveyed applicants wanted the process to provide them with copies of documents forwarded to the lender, while the other half said that the CRA confirming the accuracy of shared documents would be sufficient.
- The process should consider the possibility of system errors
- The CRA is continuing to evaluate options to design a secure digital tool to meet the needs of the mortgage industry while protecting taxpayer privacy.¹⁶¹

¹⁶¹ Admin, & Admin. (2025, December 23). *The Ministry of Finance automated the Tax Compliance Verification (TCV)*. One Accounting. <https://www.oneaccounting.cpa/the-ministry-of-finance-automated-the-tax-compliance-verification-tcv/>;

Income and Employment Verifications | Business | Equifax Canada. (n.d.).

<https://www.equifax.ca/business/income-and-employment-verifications/>;

Admin, & Admin. (2024, April 26). *Enhancing mortgage fraud prevention through Canada Revenue Agency income verification*. Best Rates Mortgages.

<https://www.bestratesmortgages.ca/blogs/enhancing-mortgage-fraud-prevention-through-canada-revenue-agency-income-verification/>;

Canada Revenue Agency. (2025, July 11). *Mortgage industry consultation on a potential income verification tool*. Canada.ca. <https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/transparency-proactive-disclosure-canada-revenue-agency/consultations-engagement-canada-revenue-agency/consultations-income-verification.html>;

National Trending Staff. (2024, December 18). *Fraudsters beware: CRA will start using an income verification tool soon*. Daily Hive. <https://dailyhive.com/vancouver/cra-income-verification-tool-mortgage-fraud>

Appendix C. Consultant Team Straw Proposal

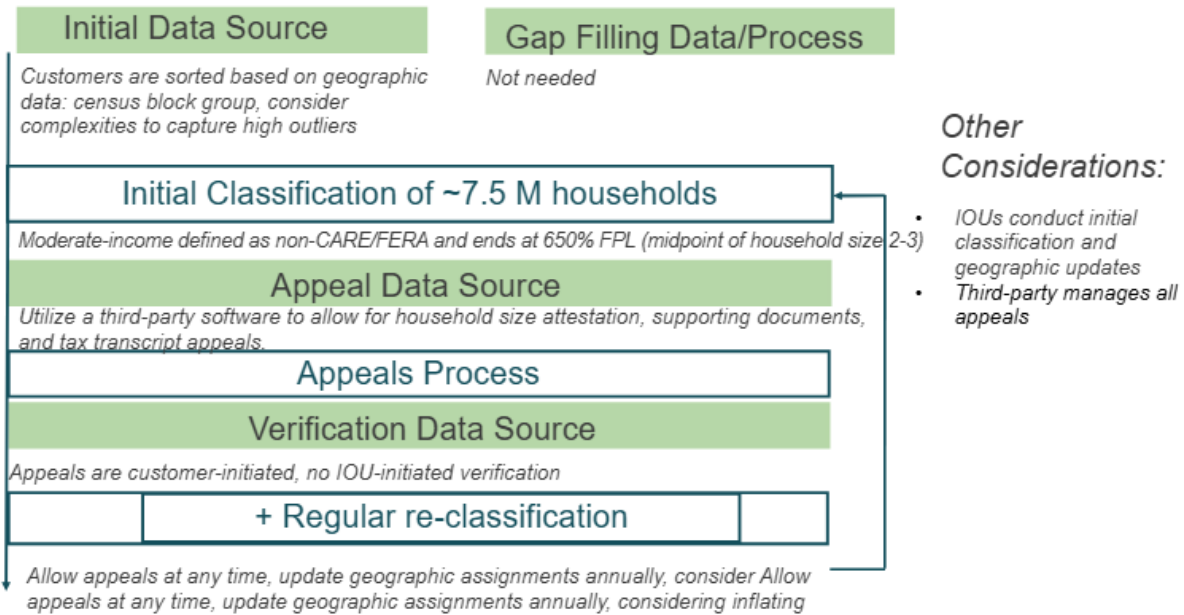
In Meeting #5, the Consultant Team presented a straw proposal based on the collective Working Group discussions, research, key criteria, and the overall structure described above. The straw proposal aimed to serve as a starting point for participants to consider, focused on a near-term, actionable income verification solution. The straw proposal also tested a framework for presenting an income verification proposal. Then, the Working Group discussed ways to improve the straw income verification proposal and identified key questions and concerns. After presenting the proposal, the Working Group was asked to suggest improvements and adjustments via their own proposals described in Appendix D.

The straw proposal employed geographic assignment of IOU customers into income-based tiers based on American Community Survey (ACS) data. Research by the Consultant Team deemed several of the other potential data sources as infeasible in the near term or inappropriate for initial classification due to customer consent requirements or lack of comprehensiveness. Using ACS data is low-cost, alleviates initial privacy concerns and consent requirements, is transparent, and does not require customers to an initial tier. However, concerns with ACS data include lower accuracy in rural areas and that it may not initially assign low- and high-earners to their correct tier.

The use of ACS data would be as a proxy. As ACS income data is aggregated to a given geographic unit, it requires a comprehensive appeals process. The Consultant Team recommended the use of a third-party tax transcript service with software that would allow the tax data obtained with consent to be translated into tier determinations that are sent back to the IOUs. This method is recommended as several software services exist to handle the appeals process wholesale, incorporating best data security practices, aggregating individual income to the household level (with customer cooperation), mapping to utility accounts, and tier determinations. This type of service reduces cost since the third parties already have infrastructure currently used for other income-eligible programs in California. However, using tax transcript services excludes non-filers. Therefore, the Consultant Team also recommended also allowing for supporting document upload within the appeals platform for non-filers. Figure C-1 shows the proposal visually.

Figure C-1: Consultant Team Straw Proposal Overview

Allow customers 90 days to provide consent to third-party verification prior to BSC on bill



Participants of the Working Group then responded with their own proposals, detailed in the following section. The Working Group proposals aimed to tackle the largest remaining questions and concerns. Key concerns include initial accuracy of geographic assignment, inclusion of non-filers in the appeals process, how different geographic boundaries may impact customer acceptance, how to incorporate household size, a definition of moderate income, and over what time period to regularly reclassify assignments.

Appendix D. Working Group Participants' Proposals

At Meeting #6, five Working Group participants presented full proposals on the Income Verification Process, followed by a robust discussion aimed at reaching consensus on a clear direction for a draft proposal. The Center for Accessible Technology (CforAT) shared overarching themes and perspectives but did not present a full proposal. Table D-1 presents a high-level summary of key takeaways from the presentations.

For more details on the Working Group participant proposals, [see the Meeting #6 slides](#). For a summary of the Working Group's discussion of each proposal, refer to the Meeting #6 summary in Appendix A.

Table D-1: Working Group Participant Proposals - Meeting #6

Working Group Participant	Key Takeaways
Center for Accessible Technology (CforAT)	CforAT recommended using the most granular geographic data available for sorting, and recommended that geographic areas whose median income falls below CARE or FERA eligibility levels would result in assigning customers in those areas into lower tiers, whether or not they are enrolled in CARE or FERA. They proposed using Area Median Income (AMI) to differentiate higher tiers, ensuring regional cost-of-living differences are reflected.
Cal Advocates	Cal Advocates proposed that if the consultants move forward with proposing initial categorization using geographic data, it should determine initial categorization using census block group incomes, with added verification. The verification would target customers initially categorized as moderate income who have a higher chance of actually being high income. Their approach aimed to balance the number of customers categorized as moderate or high income and prevent revenue shortfalls by identifying and correctly categorizing more high income customers.
Joint IOUs	The IOUs presented ACS census tract data as a cost-effective, transparent, and privacy-protected way to categorize customers for a nearer-term solution. In the Joint IOUs presentation, customer appeals (updates) would be handled by independent third parties using financial verification, thus avoiding utility involvement in

	handling customer income data, about which customers had expressed very negative attitudes.
Sierra Club	Sierra Club centered its proposal on customer self-attestation and verification through a third-party platform, with geographic data used as a backup and only to identify low-income households missed by CARE/FERA and super-high income geographies. This approach emphasized protecting low/moderate income customers from unjustifiably high fixed charges, consent, accuracy, and customer transparency while reducing reliance on ACS data.
TURN	TURN suggested defaulting all non-CARE/FERA households to a high-income tier, with the option to self-attest into a middle tier subject to verification as a near-term proposal, while seeking a long-term solution based on FTB data sharing. This would ensure transparency and fairness though it would require significant customer action and oversight through a third-party administrator.
UCAN	UCAN argued that ACS data is too imprecise for reliable tiering and instead favored holding off until tax data became available. If ACS must be used, UCAN proposed census tract assignments with appeals through third-party verification, updated less frequently to reduce disruptions.

Meeting #6 was a pivotal stage in the Working Group process, as participants presented and discussed their individual proposals in detail. Working Group Participant proposals clarified priorities and surfaced points of convergence that eventually shaped the near-term proposal. Discussions indicated how participants were willing to apply priority criteria to proposal development, such as accuracy, customer experience, administrative simplicity, and customer acceptance.

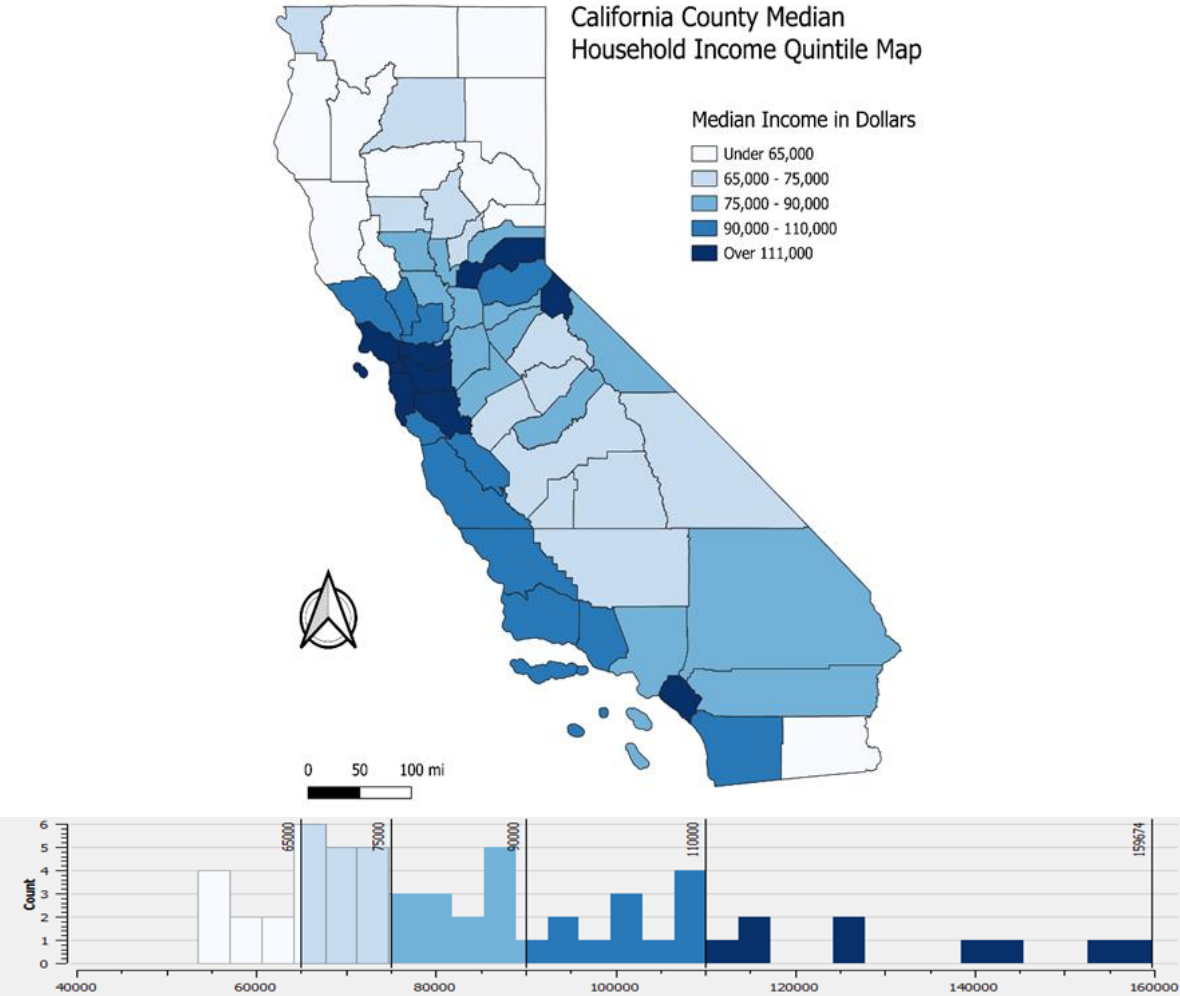
The discussion in Meeting #6 also highlighted recurring themes, including the need for third-party verification, periodic data refreshes, and protections through appeal processes. This meeting served as a bridge between early brainstorming and the concrete consensus-building that informed the draft compiled proposal presented at Meeting #7.

Appendix E. Background on Moderate Income

The Consultant Team conducted a literature review to identify existing and potential definitions of “moderate income.” CPUC Decision 24-05-028 defines a customer as all persons residing in one dwelling and served by the same electric meter; therefore, to differentiate the Base Services Charge for additional income groups, income must be defined at the household level.

Income-eligible programs typically utilize Area Median Income (AMI) or Federal Poverty Level (FPL) to define eligibility. Both incorporate household size in their definition and are updated annually. As AMI reflects the midpoint of an area’s income distribution, it varies across California counties. FPL is a nationwide value calculated by the Department of Health and Human Services, designated for the lower 48 states. FPL is meant to denote the minimum income required for food, clothing, transportation, shelter, and other necessities, accounting for inflation. Figure E-1 displays the 5-year ACS 2019-2023 county-level median income in California. Note that this figure does not take household size into account.

Figure E-1: 2019-2023 five-year ACS Area Median Income by California County



In Track A of the Demand Flexibility Rulemaking (R.22-07-005), the parties proposed various tier definitions, implying different proposed “moderate income” definitions for the purpose of differentiating the base services charge by income level. Table E-1 displays the proposed tiers from Track A Opening Testimony and Reply Testimony. Notably, all proposed income definitions were flat values (not varying by household size) or were based on FPL (which implies variation by household size).

Table E-1: Track A R.22-07-005 Proposed Income Tiers¹⁶²

Tier	Sierra Club	Cal Advocates	Joint IOUs	NRDC/TURN	SEIA	Liberty, bear Valley, PacifiCorp*	CEJA**
1	CARE/FERA customers enrolled in CARE/FERA programs	Low-income Households <\$50,000 annual income	Extra Discounted Fixed Charge CARE households < 100% FPL	CARE/FERA customers enrolled in CARE/FERA programs	CARE Households enrolled in CARE	(Not named) Households < 100% FPL	(Not named) Households < \$300,000
2	Below average income Households <80% AMI	Middle Income Households \$50,000 - \$100,000 annual income	Discounted Fixed Charge CARE households >100% FPL (implies up to 200% FPL))	Middle Income Non-CARE/FERA households <\$150,000	FERA+ Households enrolled in FERA, or 1-2 person households \$36,621- \$46,060	(Not named) Households >100% FPL up to 200% FPL	(Not named) Households \$300,000-\$2M
3	Moderate Income Households <125% AMI	High-income Households >\$100,000 annual income *With Non-CARE and CARE differentiation	(Not named) Non-CARE/FERA households <650% FPL	Highest Income Households >\$150,000 income	All other customers	Non-Low Income Households >200% FPL	(Not named) Households > \$2M
4	High Income Households <200% AMI	-	(Not named) Non-CARE/FERA households >650% FPL	-	-	-	-
5	Upper Income Households >200% AMI	-	-	-	-	-	-

¹⁶² PacifiCorp split out tiers by single and multi-family designations. CEJA proposed ten income brackets based on percentage of tax liability, with the displayed tiers below reflecting CEJA’s secondary proposal.;

Wilson, J. D. & Sierra Club. (2023). Reply Testimony of John D. Wilson. *In R.23-07-005*.

<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/track-a-reply-testimony/r2207005--sierra-club-reply-testimony-of-j-wilson-demand-flexibility.pdf>;

Reynolds, A., Wang, S., Chau, N., Nichols, O., & PUBLIC ADVOCATES OFFICE. (2023). Prepared testimony on rulemaking to advance demand flexibility through electric rates – income graduated fixed charge rate design. *In R.23-07-005*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/public-advocates-opening-testimony---rate-design.pdf>;

Chhabra, M., Ashford, S., Natural Resources Defense Council, & Utility Reform Network. (2023). OPENING TESTIMONY OF MOHIT CHHABRA AND SYLVIE ASHFORD, SPONSORED BY THE NATURAL RESOURCES DEFENSE COUNCIL AND THE UTILITY REFORM NETWORK. *In R.23-07-005*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/turn-and-nrdc-opening-testimony.pdf>;

Beach, R. T. & Solar Energy Industries Association. (2023). Prepared Direct Testimony of R. Thomas Beach on behalf of the Solar Energy Industries Association. *In R.23-07-005*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/seia-opening-testimony.pdf>;

Wilson, J. D. & Sierra Club. (2023). Direct Testimony of John D. Wilson On Behalf of Sierra Club. *In R.23-07-005*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/sierra-club-opening-testimony.pdf>;

Meredith, R. M. (2023). Direct testimony of Robert M. Meredith. *In R.23-07-005*.

<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand->

The Consultant Team aggregated low and moderate-income cutoffs for a collection of programs in California and nationwide to identify how moderate income is defined in existing programs. Figure E-2 displays a collection of low and moderate-income eligible programs defined with FPL. Notably, the majority of the identified programs only serve low-income households, while two were identified to serve moderate-income households, and both defined moderate income as up to 400% FPL. The majority of California programs reviewed use FPL to define income eligibility. The cutoffs below are typically defined by legislation and/or program requirements.

[response/demand-response-workshops/advanced-der---demand-flexibility-management/pacificcorp-opening-testimony.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/pacificcorp-opening-testimony.pdf);

Fisher, C. & Liberty Utilities. (2023). Testimony of Cynthia Fisher before the California Public Utilities Commission. *In R.23-07-005*. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-response-workshops/advanced-der---demand-flexibility-management/liberty-opening-testimony.pdf>;

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Figure E-2: FPL-defined Income Eligibility¹⁶³

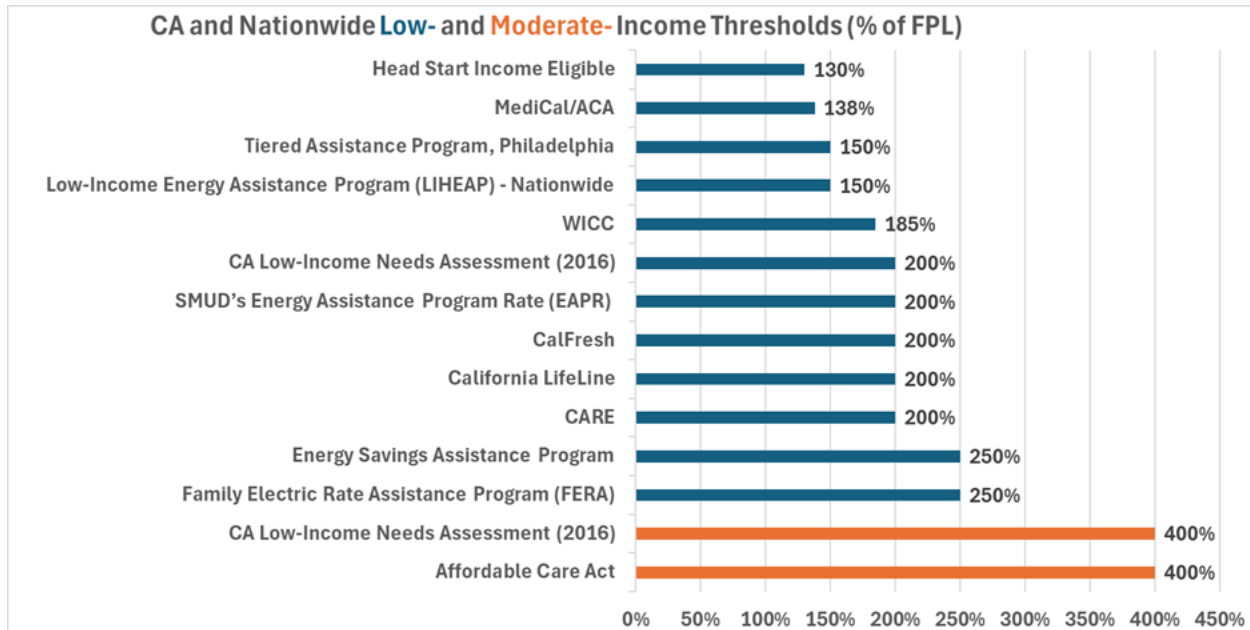


Figure E-3 displays income definitions identified through the literature review that are based on AMI, the majority of which are outside of California. Moderate-income, based on AMI, ranges in definition from 80% AMI to 150% AMI.

¹⁶³ Head Start Program. (2025). *2025 FAMILY INCOME GUIDELINES FOR HEAD START PROGRAMS*. <https://s47591.pcdn.co/wp-content/uploads/2025-Family-Income-Guidelines-including-100-130-Final.pdf>;

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Evergreen Economics. (2016). *Needs assessment for the Energy Savings Assistance and the California Alternate Rates for energy programs* (Vols. 1-2).

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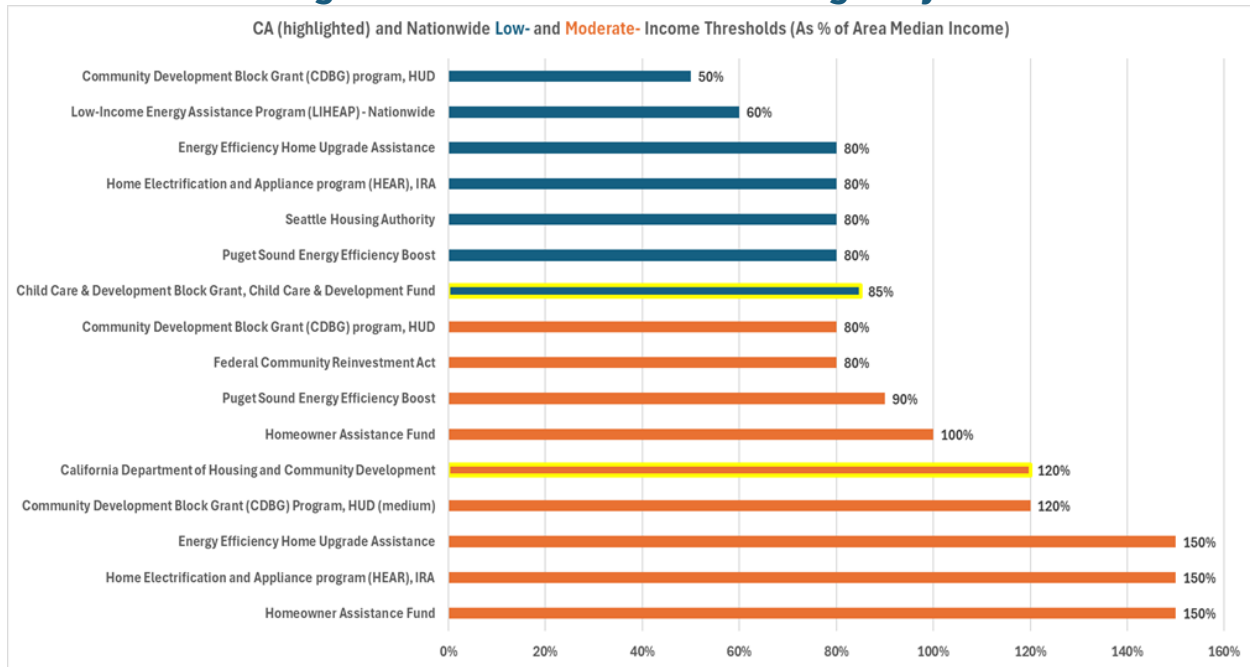
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Energy savings assistance. <https://www.cpuc.ca.gov/esap/>

Figure E-3: AMI-defined Income Eligibility¹⁶⁴



¹⁶⁴ ACS 5-Year 2016-2020 Low- and Moderate-Income Summary Data. (n.d.). HUD Exchange.

<https://www.hudexchange.info/programs/acs-low-mod-summary-data/>;

LIHEAP IM2025-02 Federal Poverty Guidelines and State Median Income Estimates for Optional Use in Federal Fiscal Year 2025 and Mandatory Use in FY26. (2025, March 5). The Administration for Children and Families. <https://acf.gov/ocs/policy-guidance/liheap-im2025-02-federal-poverty-guidelines-and-state-median-income-estimates>;

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https://www.federalreserve.gov/consumerscommunities/cra_about.htm;

The above reviewed means-tested programs are need-based, providing discounts or services for those earning below a certain limit. As the base services charge aims to achieve a progressive rate structure, the Consultant Team also investigated other income limits used in tax applications, which are more traditionally progressive in structure. Tax applications are typically based on adjusted gross income and vary based on filing status. Table E-2 displays the identified income definitions in tax and federal applications.

Table E-2: Tax and Federal Applications¹⁶⁵

Program Name	Income Group	Description
<p>Earned Income Tax Credit (2025),</p> <p>California EITC</p>	<p>Low-Moderate</p>	<p>Certain single filers <\$66,819 in earnings & < \$11,600 in investments. Varies based on dependents.</p> <p>California offers a similar credit for income < \$31,950.</p>
<p>California State Income Tax Bracket (2024)</p>	<p>9 Brackets</p>	<p>The tax rates vary based on filing status and AGI. Tax rate varies from 1% - 12.3%</p>

Homeowner Assistance Fund Income Limits (HAF) | HUD USER. (n.d.).

<https://www.huduser.gov/portal/datasets/haf-il.html>;

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¹⁶⁵ Earned income and Earned Income Tax Credit (EITC) tables | Internal Revenue Service. (n.d.).

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Credits for new clean vehicles purchased in 2023 or after | Internal Revenue Service. (n.d.).

<https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after>;

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of The Treasury. <https://home.treasury.gov/policy-issues/coronavirus/about-the-cares-act>

Program Name	Income Group	Description
Federal Income Tax Brackets (2024)	7 Brackets	Defined by filing status and AGI. Brackets range from 10% - 37% and are prescribed considering policy goals, like economic growth, reducing tax burden, and need for revenue.
Federal EV Tax Credit (2023 and after)	Undefined*	To qualify, modified AGI must not exceed \$300,000 for married couples filing jointly, \$225,000 for heads of household, \$150,000 for all other filers.
CARES Act (First COVID-19 Stimulus Check)	Undefined*	Single filers up to \$75,000 AGI for full payment, and phased out at \$99,000. Married Jointly filing up to \$150,000 for full payment phasing out at \$198,000. Head of household up to \$112,500 for full payment and phased out at \$136,500. An additional \$500 for dependents up to age 17. The second and third stimulus checks had the same maximum AGI for full benefit with lower phase out points.

Appendix F. Consultant Team Analyses

The Consultant Team performed many analyses to assess the initial accuracy of various geographic assignment methods. To ensure the accuracy analysis included in Section 8 can be easily replicated, a simplified analysis was chosen for inclusion in this report. This analysis:

1. Downloads all California census tracts' income distributions using the ACS 2019-2023 5-year Table B19001 at and median incomes from ACS 2019-2023 5-Year Table S1901.¹⁶⁶
2. Missing median incomes are backfilled with income distributions where possible. Where all data is missing, census tracts are excluded from analysis.
3. For an apples-to-apples comparison, use 2023 FPL limits to classify moderate and high-income census tracts and estimate accuracy.¹⁶⁷
4. Census tracts are first assigned either a moderate- or high-income tier based on their median income. Then, the accuracy of this assignment is assessed by summing the portion of households in each tract that belong in their assigned tier, using the ACS income distributions.
5. Exclude "low" income households, earning below 250% FPL for a household of three, as defined by the ACS income distributions, from analysis. This is done to approximate the portion of customers enrolled in CARE and FERA without access to enrollment counts by census tract. Additionally, the near-term proposal does not include the creation of a low-income tier, so these customers are excluded. Census tracts with median income below 250% FPL for a household of three are classified as "moderate" as the proposal only describes a way to classify moderate and high income households.
6. When assessing the accuracy of the geographic classifications, the analysis the \$60,000 to \$74,999 bucket as the floor of moderate (\$62,150 in 2023) and the \$125,000 to \$149,999 bucket for the ceiling of moderate (\$149,160 in 2023).

The Consultant Team performed illustrative analysis to determine the amount of households living in high AMI counties (where 120% AMI is greater than 600% FPL for a household of three) and determine what portion of those customers earn a household income between 600% FPL and 120% AMI. Table F-1 illustrates how the household count was identified.

¹⁶⁶ U.S. Census Bureau. (n.d.). *Explore Census data: Table B19001 Household Income*.

[https://data.census.gov/table/ACSDT5Y2023.B19001?q=B19001&g=040XX00US06,06\\$1400000](https://data.census.gov/table/ACSDT5Y2023.B19001?q=B19001&g=040XX00US06,06$1400000)

¹⁶⁷ U.S. Department of Health and Human Services. (2023). *2023 Poverty Guidelines: 48 Contiguous States (all states except Alaska and Hawaii)*.

<https://aspe.hhs.gov/sites/default/files/documents/1c92a9207f3ed5915ca020d58fe77696/detailed-guidelines-2023.pdf>

Table F-1: Estimated California Households earning less than 120% AMI and More than 600% FPL (Both values for a household of three)

600% FPL for Household of 3 ¹⁶⁸	County Name	120% AMI for a Household of three ¹⁶⁹	Total Households ¹⁷⁰	% \$150,000 - \$199,999 ¹⁷⁰	% \$200,000+ ¹⁷⁰	Estimated % Between 600% FPL and 120% AMI	Estimated Households Eligible for AMI Appeal
\$159,900	Contra Costa County	\$172,600	416,172	13.6%	27.6%	8.8%	36,790
	Santa Clara County	\$210,850	665,549	12.0%	39.5%	14.8%	98,168
	Marin County	\$201,500	101,608	10.0%	36.7%	10.8%	11,009
	San Francisco County	\$201,500	327,027	10.5%	33.7%	11.1%	36,414
	San Mateo County	\$201,500	265,124	12.3%	38.3%	13.0%	34,426
	Alameda County	\$172,600	608,534	11.7%	29.1%	7.6%	46,279
Total							263,087

¹⁶⁸ U.S. Department of Health and Human Services. (2025). *2025 Poverty Guidelines: 48 Contiguous States (all states except Alaska and Hawaii)*.

<https://aspe.hhs.gov/sites/default/files/documents/1c92a9207f3ed5915ca020d58fe77696/detailed-guidelines-2023.pdf>

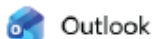
¹⁶⁹ California Department of Housing and Community Development. (2025). *2025 State Income Limits*. <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2025.pdf>

¹⁷⁰ U.S. Census Bureau. (n.d.-b). *Explore Census data: Table ACS-2023-S1901*.

<https://data.census.gov/table/ACSST1Y2023.S1901?q=household+income&g=050XX00US06041,06075,06081,06085>

Appendix G. Eli Technologies Cost References

The following are email communication screenshots, included with the permission of Jeff Coleman, providing estimated costs for various income verification services based on the current understanding of scale and services desired.



Re: CPUC income qualification

From Jeff Coleman [REDACTED]**Date** Thu 8/28/2025 5:33 PM**To** Anna Elise Smith [REDACTED]

This message is from an external sender.

Hey Anna-Elise,

Thank you for the opportunity to provide additional detail on cost estimates! We understand that the working group is balancing comprehensiveness, accuracy, and affordability, and our goal is to provide transparent benchmarks for comparison. That said, our pricing model is heavily dependent on volume based discounts as up front volume commitments/minimum contract values. In other words, the cost is much much higher if you just want to pay as you go and make no total cost commitment. I don't expect a program like this would work that way, so the estimates I've included here assume some level of up front commitment or minimum contract value to lock in this pricing.

Per Verification Cost Estimates

Below are our current estimated per-verification costs by method. These reflect both technology costs and anticipated operational/processing overhead.

- **Self-Attestation:** \$0.25 per verification
- **Document Upload (paystubs, W-2s, etc.):** ~\$8 per verification
- **Categorical Eligibility (e.g., SNAP, LIHEAP, Medicaid match):** ~\$8 per verification
- **Tax Transcript Pull (via IRS APIs):** ~\$14 per verification

Ongoing Administrative Support Costs

We recognize that support needs will vary depending on the level of customer service and coordination required with IOUs. To frame the range:

- **Low Support** (primarily automated workflows, FAQs, limited customer service handholding): ~\$246,000/year
- **Medium Support** (standard customer helpdesk, moderate case review, utility/agency coordination): ~\$358,500/year
- **High Support** (robust call center capacity, extensive case management, multilingual support, proactive troubleshooting with utilities): ~\$620,000



Re: CPUC income qualification

From Jeff Coleman [REDACTED]
 Date Wed 5/28/2025 3:03 PM
 To Anna-Elise Smith [REDACTED]

This message is from an external sender.

Oh shoot - I'm so sorry, got my time zones mixed up. I am free the rest of the afternoon, or tomorrow between 11am-1pm MT, or we could even just chat briefly right before the call Friday?

I started putting together answers to the questions you sent over, but can elaborate more on the call:

Brief: Eli Technologies Income Verification Platform

1. Programs Eli Has Been Used For

Eli's income verification platform has been deployed in numerous statewide and utility-administered programs, including:

- TECH HEEHRA (CEC - IRA-funded statewide rebates in CA)
- DAC-SASH (Grid Alternatives - CA statewide low-income solar)
- Access Clean California (CARB)
 - Clean Cars for All (Bay Area, SMAQD, San Diego)
 - Driving Clean Assistance Program
 - Empower EV
 - Replace Your Ride
 - Our Community Car Share
 - CVRP Equity
- Energy for All
- Energy Smart (CO)
- Mass Save (in MA)
- Xcel Energy Heat Pump Rebates (CO)
- SGIP RSSE (Sunrun, other installers)

2. Income Verification Process (Start to Finish)

- User initiates process on program or utility website
- Eli collects minimal required personal information (name, SSN, DOB, address)
- Consent is obtained digitally
- Verification is performed through one or more methods specified by customer:
 - IRS Tax Transcript API pull (e.g., 4506-C, 8321)
 - Secure Document upload (W-2s, 1040, pay stubs)
 - Categorical eligibility (e.g., SNAP, Medicaid)
 - Self-attestation with randomized audits
- A determination is returned instantly or within 1–3 business days depending on method.
- All applicant PII is kept secure, only status updates and determinations are passed between Eli and the Program
- Eli's API "Events Emitter" pushes real-time updates to applicant status and determinations to program IT systems, websites, to trigger automated emails, etc.

3. Income Data Provided

- Eli can support any documentation the customer specifies as acceptable. The customer provides Eli with the list of acceptable documents, then Eli configures ar
 - IRS tax transcripts (1040, W-2, 1099, etc.)
 - Uploaded paystubs and income documentation
 - Public benefit program participation records, determination letters, etc.

4. Handling Joint Filers / Multi-Adult Households

- Eli is purpose-built to handle all of these situations in accordance with each program or customers' rules and preferences. In other words, you decide how you w
- For example, if you want to require that all income earners provide documentation of their income, Eli's interface guides the applicant through each household m

- If multiple adults are unrelated or file separately, EII can accommodate multi-source Income aggregation via document upload or self-attestation flows

5. Error Correction & Appeals

- EII maintains a robust support system (live chat, email, phone) for applicants seeking corrections or appeals, depending on agreed upon SLAs.
- Or, EII can provide a portal to Program Admin staff to manage that process if desired.

6. Decision-Making Responsibility

- EII provides full eligibility verification services and outputs, including complex multi-tiered determinations etc. EII can even qualify a single applicant for many diff
- EII maintains up to date Income tables for both AMI and FPL, and you can provide custom tables and other bespoke eligibility rules as well.

7. Website Integration

- EII offers embeddable widgets and a well-documented API.
- Platform is white-labelable and can be deeply integrated into utility or state websites for a seamless user experience

8. Customer Willingness to Consent

- High consent rates (>90%) have been observed in programs where customers receive direct benefits.
- Simplicity and transparency of the process are key to applicant buy-in

9. Required Info to Query a Customer

- Full name
- Date of birth
- SSN or ITIN
- Residential address

10. Non-Match/Error Issues

- Rare, due to multiple verification pathways.
- Most non-matches occur due to name mismatches or recent address changes; EII provides real-time correction

11. Query Duration

- Depends on the SLA and review types required, but can be as fast as several minutes, up to ~3 business days for complex cases.

12. Data Update Frequency

- IRS data is pulled real-time (based on available transcripts)
- Uploaded documents are verified immediately upon submission

13. Consent Process

- Digital consent collected via web or mobile
- Consent language complies with IRS and DOE regulations
- No written (paper) consent required

14. Customer Review of Results

- Optional: programs can enable a review-and-approve step.
- In most cases, results are displayed to customer with eligibility/tier status.

15. Consent Duration

- EII can accommodate both one-time and ongoing (revocable) access consents.
- Programs can configure policy—e.g., annual refresh, rolling access, etc. EII Technologies_Income....

16. Start-Up Costs

- Custom integration: \$50-\$100k depending on complexity
- Includes white-labeling, staff training, API integration EII - NE Accelerator.

11/10/25, 12:58 PM

Inbox - Anna-Elise Smith - Outlook

17. Per-Customer Cost

- \$6–\$20 per verified household, depending on method (API, document review, self-attestation) and volumeEII Income Verification....

18. Economies of Scale

- Yes. Lower per-customer rates apply for programs with higher monthly volumes.
- Volume-based pricing tiers already in use across multiple programsEII Income Verification....

19. Cost for Abandonments

- No charge if user does not complete verification.
- Charges only occur upon final eligibility determinationEII - NE Accelerator.

20. Data Use Agreement Process

- EII offers standard terms compatible with utilities and public agencies.
- Custom provisions for data sharing, confidentiality, and audit can be addedEII Technologies_Income....

21. Integration Timeline

- Typical integration: 6–8 weeks
- Expedited rollout possible for urgent timelines; minimal IT lift due to API-first architecture