Decision

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on California Advanced Electric Rate Design.	Rulemaking 26-04-009

DECISION AUTHORIZING FUNDING AND CONTRACT EXTENSION FOR CONSULTANT SERVICES

Summary

This decision authorizes an additional scope of work for up to $700,000 and contract extension for third-party consultant services to the Commission's Energy Division relating to supporting the development of rate design and bill impact analysis tools as well as Energy Division staff analysis of rate design issues in this proceeding.

1. Background

1.1. Public Tool Background

On July 14, 2022, the Commission opened Rulemaking (R.) 22-07-005 (Demand Flexibility Rulemaking) to establish demand flexibility policies and modify electric rates.

In Decision (D.) 23-04-008, the Commission authorized up to $425,000 for third-party consultant services to the Commission's Energy Division relating to income-graduated fixed charge proposals in Track A of Phase 1 of the Demand Flexibility Rulemaking. The decision authorized Energy and Environmental Economics (E3) to be the consultant to develop a spreadsheet tool (Public Tool) that could be used to design and assess the impact of rate designs that feature an income-graduated fixed charge (currently referred to as Base Services Charge).

In D.25-01-039, the Commission authorized an additional scope of work, contract extension, and budget of $650,000 for E3 to update the Public Tool.

1.2. Procedural Background

On April 9, 2026, the Commission opened R.26-04-009 with an Order Instituting Rulemaking (OIR) to establish advanced electric rate design with the following objectives: (a) enhance the reliability of California's electric system; (b) make electric bills more affordable and equitable; (c) address rate design issues remaining from the Demand Flexibility Rulemaking; (d) consider improvements to residential and non-residential rate structures including time-of-use energy charges, demand charges, non-residential customer charges, and residential base services charges; (e) consider streamlining marginal cost methodologies for more consistency across utilities and better reflect cost of service; (f) address the Assembly Bill 2109 exemption from nonbypassable or departing load charges for certain industrial customers that utilize process heat recovery technology; (g) consider rate design options that support electrification for large commercial and industrial customers; and (h) consider rate design options for data centers and other large load customers. The OIR included a proposal for consultant contract

extension and expanded scope of work with E3 for up to $700,000 (Service Extension Proposal). The scope of work included residential modeling and the development of a new public toolkit for large non-residential rate design.

On May 11, 2026, opening comments on the OIR were filed by Advanced Energy United (United); Ava Community Energy ; Bloom Energy Corporation (Bloom Energy); Building Decarbonization Coalition; California Community Choice Association (CalCCA); California Environmental Justice Alliance (CEJA); California Large Energy Consumers Association (CLECA); California Solar & Storage Association; Center for Accessible Technology; City Of Long Beach, California; Coalition Of California Utility Employees; Data Center Coalition; Dream Big LLC (Dream Big); Enchanted Rock, LLC (Enchanted Rock); Environmental Defense Fund (EDF); Fervo Energy Company; Natural Resources Defense Council (NRDC); Pacific Gas and Electric Company (PG&E); PacifiCorp d/b/a Pacific Power, Liberty Utilities (CalPeco Electric) LLC, and Bear Valley Electric Service, Inc, jointly small and multi-jurisdictional utilities (SMJUs); Public Advocates Office at the California Public Utilities Commission (Cal Advocates); San Diego Gas & Electric Company (SDG&E); Sierra Club; Small Business Utility Advocates (SBUA); Solar Energy Industries Association (SEIA); Southern California Edison Company (SCE); Tesla, Inc; The Center for Biological Diversity, GRID Alternatives, and Vote Solar, jointly Local Clean Energy Advocates; The Utility Reform Network (TURN); Utility Consumers' Action Network; and Vehicle-Grid Integration Council.

On May 21, 2026, reply comments on the OIR were filed by Bloom Energy; Cal Advocates; CalCCA; California Farm Bureau Federation; CEJA; CLECA; Enchanted Rock; NRDC; PG&E; SCE; SDG&E; SEIA; Sierra Club; and United.

On May 22, 2026, an Administrative Law Judge (ALJ) Ruling set a prehearing conference (PHC). The assigned ALJ held a PHC on June 18, 2026.

The assigned Commissioner issued a Scoping Memo and Ruling on September 22, 2026.

1.3. Submission Date

This matter was submitted on June 18, 2026, upon the completion of the PHC.

2. Issues Before the Commission

This decision addresses whether the Commission should authorize funding for third-party consultant services to support the development of rate design, bill impact analysis tools, and to support Energy Division staff analysis of rate design issues in this proceeding.

3. Service Extension Proposal

The Service Extension Proposal attached to the OIR included a scope of work for residential modeling and the development of a public toolkit for non-residential rate design with a budget of up to $700,000 with the existing third-party consultant, E3. Table 1 includes the proposed scope of work and budget.

The expanded residential scope of work and budget were for the consultant to support Energy Division staff with residential rate modeling, get stakeholder feedback on the tools, and make appropriate revisions.

The non-residential scope of work and budget were for the consultant to create a public tool to support non-residential rate design. This tool was intended

to focus on modeling rate and bill impacts for non-residential customers, especially large users, under different rate design changes. The scope was not prescriptive to allow necessary rate design changes, e.g., line item charges, wildfire costs, demand charges, transmission rates, new time of-use periods, and other changes to large user rates. The Service Extension Proposal indicated that the consultant would gather data through utility data requests and other data sources to provide a consistent dataset for parties to use in the proceeding. Additionally, the consultant would be available to support development and analysis of improved marginal cost assessment methodologies for rate design for all customer classes. To support stakeholders in using these modeling tools, the consultant would be required to provide written materials, a public workshop, and one-on-one support. The expectation was also that the consultant would respond to stakeholder feedback on the tool and make model updates based on proposed features or concerns from parties as supported by Energy Division staff. Finally, the consultant would support Energy Division staff on non-residential rate design in the proceeding.

Table 1.

	Residential	**Non-Residential**

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

4. Parties Input

The Service Extension Proposal was generally supported in comments to the OIR by Ava, Dream Big, Cal Advocates, CalCCA, CEJA, SBUA, SCE, Sierra Club, and TURN. No parties opposed the Service Extension Proposal.

Some parties commented on the contractor selection and timing. EDF and Dream Big suggested a third-party selection process.[1] TURN highlighted the significant value of the Public Tool[2] developed by E3. In comments to the OIR and in the PHC, parties mentioned an urgency to get rate design underway.

On the additional residential scope of work, PG&E, SCE, SDG&E, and TURN expressed support. PG&E argued for more details on the residential scope of work.

Parties provided additional input on the non-residential work. PG&E questioned the use of third-party consultants for portions of the non-residential issues in this proceeding. PG&E further argued that the approach by the

[1] Opening comments of Dream Big at 10 and EDF at 7.

[2] TURN Opening Comments at 11.

consultants may not adequately address marginal cost methodologies due to the differing costs across the investor-owned utilities (IOUs).

More broadly, Sierra Club requested additional specificity for modeling tool capabilities.

Parties also commented on items not explicitly in Service Extension Proposal. Parties suggested addressing transmission/coincident demand, seasonal and heat pump end-use modeling,[3] small commercial bill impact and cost allocation tools,[4] and Distributed Energy Resources distributional/avoided cost and data center cost-shift analyses.[5] CEJA proposed dedicating a portion of the budget to low-income.[6] Cal Advocates opposed the inclusion of marginal cost work being performed in GRC 2 proceedings.[7] SMJUs were neutral if the costs were distributed across the large electric IOU ratepayers.

SBUA and Cal Advocates requested the opportunity for additional stakeholder input on the scope, with Cal Advocates suggesting a pre-development workshop.

5. Discussion

In order to implement the additional scope of work in this decision a consultant will require experience and expertise with the design and development of the Public Tool. E3 has demonstrated the necessary technical

[3] Sierra Club Opening Comments at 14-15.

[4] SBUA Opening Comments at 8.

[5] Dream Big Opening Comments at 10-11.

[6] CEJA Opening Comments at 10.

[7] Cal Advocates Opening Comments at 8-9.

capabilities and experience for the scope of work proposed in the Service Extension Proposal based on the work the contractor completed as authorized in D.23-04-008 and D.25-01-039. We agree with TURN that the Public Tool developed by E3 is effective. Additionally, we agree with parties about the urgency to address rate design issues in this proceeding. While a third-party selection process can be useful in identifying qualified contractors, it tends to be a lengthy process. We are sensitive about the timely development of a Public Tool to support Energy Division staff's rate design analysis in this proceeding. We find that the Public Tool developed by E3 for residential rate design was effective and that it is reasonable to extend this contract to support timely rate design. We authorize the extension of the contract with E3.

We appreciate the input provided by parties on the scope of work for the Public Tool. We find that it is reasonable to use the broad scope of work as outlined in the Service Extension Proposal to support the residential and nonresidential rate design in this proceeding. We view the scope of work as broad enough to support early activities. We agree with Cal Advocates and SBUA about the benefit of providing an opportunity for early stakeholder feedback on the extended scope of work for the Public Tool approved in this decision. While we appreciate CEJA recommendation to apportion budget for low-income matters, this is an issue that we will be considering in the proceeding and does not require separate funding. PG&E indicated that some proposed nonresidential issues in the scope of work may not be necessary. SBUA flagged further consideration of small businesses in the scope. While there was an emphasis in the Service Extension Proposal on large nonresidential rates, we

clarify that the scope of work is intended to broadly consider nonresidential rates, which includes large nonresidential rates. Based on party feedback, we understand that certain rate design issues in the scope of work may require adjustment over the course of the contract and rate design in this proceeding. In management of this E3 contract, Energy Division is authorized to adjust the scope of work and budget allocation for the necessary purposes of this proceeding, provided that the scope of work will remain limited to providing analysis and support for this proceeding.

We authorize the scope of work and budget for E3 as identified in this decision. We require E3, in coordination with Energy Division, to notice and host a workshop to get input on the expanded scope of work for the Public Tool in the first quarter of 2027.

The Commission established both the memorandum accounts to track costs and the apportioning of incremental contractor costs and related administrative costs across SCE, SDG&E, and PG&E (Large Electric Utilities) in D.23-04-008. Based on this contract extension of the Public Tool, we find it reasonable for the Large Electric Utilities to continue to track costs in the same memorandum accounts and in equal proportion as previously required. We direct the Large Electric Utilities to share no more than $700,000 in incremental contractor costs authorized in this decision proportionally as follows: 40 percent PG&E, 40 percent SCE, and 20 percent SDG&E. The Large Electric Utilities shall track costs in the prescribed memorandum accounts: SCE's in Income-Graduated Fixed Charge Consultant Services Memorandum Account, SDG&E in Demand Flexibility Memorandum Account, and PG&E in subaccount of Dynamic and

Real-Time Pricing Memorandum Account. We direct SCE to continue to serve as the contracting agent and contract administrator for this contract extension with E3 and to track and seek recovery for reasonable contract administration costs.

6. Summary of Public Comment

Rule 1.18 of the Rules of Practice and Procedure (Rules) allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(a) requires that all written public comment submitted prior to the submission of the proceeding are part of the administrative record of the proceeding. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

No relevant public comments were submitted using the Public Comment tab of the online Docket Card of this proceeding on the Commission's website.

7. Comments on Proposed Decision

The proposed decision of ALJ Joanna Perez-Green in this matter was mailed to the parties in accordance with Public Utilities Code Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. No comments were filed on the proposed decision.

8. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Joanna Perez-Green is the assigned ALJ in this proceeding.

Findings of Fact

1. E3 has the necessary technical capabilities and experience for residential modeling and develop a new public toolkit for non-residential rate design.

2. The increased E3 consulting costs are incremental to costs authorized in other Commission decisions.

3. The Public Tool developed by E3 for residential rate design was effective.

4. It is reasonable to extend the E3 contract as proposed to support timely consideration of rate design issues in this proceeding.

Conclusions of Law

1. It is reasonable to extend the contract with E3 for consultant services related to supporting the development of rate design and bill impact analysis tools as well as Energy Division staff analysis of rate design issues in this proceeding.

2. It is reasonable to authorize cost recovery by the IOUs for up to $700,000 for incremental third-party consulting services provided by E3.

3. It is reasonable to authorize Energy Division to adjust the scope of work and budget allocation for the necessary purposes of this proceeding.

4. It is reasonable to authorize the extended scope of E3's work and the associated contractor budget in Table 1 with an effective date of this decision.

5. It is reasonable to direct SCE to continue to serve as contracting agent and contract administrator for this contract extension with E3.

6. It is reasonable for SCE to continue tracking and seek recovery for reasonable contract administration costs.

7. It is reasonable for SCE, SDG&E, and PG&E to continue to track costs for the Public Tool through SCE's existing Income-Graduated Fixed Charge Consultant Services Memorandum Account, SDG&E's Demand Flexibility

Memorandum Account, and PG&E's new subaccount of its existing Dynamic and Real-Time Pricing Memorandum Account.

8. The Large Electric Utilities should continue to share the E3 consultant services costs proportionally as follows: 40 percent PG&E, 40 percent SCE, and 20 percent SDG&E.

9. The Commission's Energy Division should have supervision authority over E3 for the consulting services project.

10. The Commission's staff should work with E3 to determine project deliverables and deadlines, approve the scope of work for the contract extension, ensure that E3 meets the project milestones, and approve major revisions as needed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall share no more than $700,000 in incremental contractor costs and related administrative costs authorized in this decision proportionally as follows: 40 percent PG&E, 40 percent SCE, and 20 percent SDG&E.

2. Southern California Edison Company (SCE) shall extend the contract with Energy+Environmental Economics, Incorporated (E3) for residential modeling and develop a new public toolkit for non-residential rate design. SCE shall file a Tier 1 advice letter within 30 days of the issuance of this decision to notify the Commission that E3's contract has been extended.

3. Rulemaking 26-04-009 remains open.

This order is effective today.

Dated _____, at Sacramento, California