Docket		A.24-09-014
Exhibit Number	:	
Commissioner	:	Alice Reynolds
Admin. Law Judge	:	Nilgun Atamturk/
	:	Rajan Mutialu
Public Advocates	:	Nathan Chau/
Project Mgr.		James Ka Ho Lau
Witness		Otto Nichols

PUBLIC ADVOCATES OFFICE

CALIFORNIA PUBLIC UTILITIES COMMISSION

PREPARED TESTIMONY ON RESIDENTIAL RATE DESIGN IN PACIFIC GAS & ELECTRIC COMPANY'S 2023 GENERAL RATE CASE PHASE 2

San Francisco, California
July 23, 2025

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CHAPTER 6 – RESIDENTIAL RATE DESIGN

(Witness: Otto Nichols)

I. SUMMARY AND RECOMMENDATIONS

This chapter presents the Public Advocates Office at the California Public Utilities Commission's (Cal Advocates) analysis and proposals regarding residential rate design in Pacific Gas and Electric's (PG&E) 2023 General Rate Case Phase 2 (GRC II) Application (A.) 24-09-014. This testimony responds to PG&E's proposals on adjustments to rate differentials for both residential tiered rates and Time-of-Use (TOU) rates.

The California Public Utilities Commission (Commission) should:

- Reject PG&E's proposal to reduce and freeze E-1 and E-TOU-C differentials between Tier 1 and Tier 2 rates to $0.06/kilowatt-hour (kWh); and
- Adopt PG&E's proposal to update TOU price differentials to better align TOU rates with the underlying marginal costs calculated in this GRC II.[1]

II. DISCUSSION OF CAL ADVOCATES' RECOMMENDATIONS

Electric rates are generally intended to guide customers' consumption behavior by providing price signals based on the costs they impose on the grid.[2] Customers are provided with lower electricity rates for consumption below a certain amount, known as Tier 1 rates, and/or during lower-cost periods, such as during off-peak TOU periods. Any rate design changes should carefully consider all impacts they will have on distinct customer groups, such as the bill impact comparison between low usage vs. high usage customers and consider effects on current and future bills as rates continue to change.

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[1] A.24.09-014, *Pacific Gas and Electric Company 2023 General Rate Case Phase II Errata to September 30, 2024 Prepared Testimony (PG&E-3) Revenue Allocation and Rate Design* (PG&E-3), April 18, 2025, at "Chapter 3 on Residential Rate Design, Tiered Rate Adjustments" (Chapter 3), at 3-14–3-16, at 3-17–3-23.

[2] Decision (D).23-04-040, *Decision Adopting Electric Rate Design Principles and Demand Flexibility Design Principles*, May 3, 2023, at 2 (following the updated Electric Rate Design Principles adopted in this decision).

PG&E's proposals differ with these considerations, since the proposal to lock in tiered rate differentials increases Tier 1 rates and harms lower usage customers while the proposal to move TOU differentials towards marginal cost aligns with the cost of service elements of the updated electric rate design principles.

A. The Commission Should Reject PG&E's Proposal to Reduce and Freeze the Cents-Per-kWh Difference Between Tiers in Residential Tiered Rates

PG&E proposes reducing differentials between Tier 1 and Tier 2 for the E-1 and E-TOU-C rates, from the current $0.10/kilowatt-hour (kWh) differential[3] to $0.06/kilowatt-hour (kWh).[4] PG&E proposes to retain these lower differentials until explicitly revisited in a future GRC II Rate Design Window (RDW), or other ratesetting proceeding.[5] Currently, PG&E's tiered rates are designed such that Tier 2 rates charged to usage above 100% of the baseline quantity is 25% higher than Tier 1 rates charged to usage below 100% of the baseline quantity. PG&E argues that there is no cost-of-service basis for the current 25% differential in tiered rates, and any level will likely be without strong basis.[6] PG&E therefore proposes moving to and freezing at a $0.06/kWh differential instead.[7] PG&E argues that this approach would balance providing a meaningful decrease to upper tier rates, while retaining an absolute $/kWh tier differential.[8] PG&E claims this absolute tier differential is approximately equal to the 1.25 ratio in place at the end of the glide path approved by Decision (D.) 15-07-001.[9] However, PG&E's interpretation of the Decision is incorrect, as the Decision only

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[3] Current as of PG&E's March 1, 2025, rate change, from Advice Letter 7516-E.

[4] PG&E-3, Chapter 3, at 3-14.

[5] PG&E-3, Chapter 3, at 3-15.

[6] PG&E-3, Chapter 3, at 3-14–3-16.

[7] PG&E-3, Chapter 3, at 3-16.

[8] PG&E-3, Chapter 3, at 3-16.

[9] PG&E-3, Chapter 3, at 3-16.

adopted a ratio and did not lock in a fixed differential.[10] A fixed differential and a ratio are two fundamentally different mechanisms since the former doesn't scale rates proportionally while the latter does and maintains consistent usage incentives.

The Commission should reject PG&E's proposal because it will negatively impact low usage customers. PG&E's proposal will cause harm through larger percentage bill increases over time for low usage customers relative to higher usage customers as PG&E raises Tier 1 rates to meet a fixed cents-per-kWh difference between Tier 1 and Tier 2 rates. This relative difference in impact is because any cents-per-kWh change equates to a larger percentage increase to lower tier rates than higher tier rates. If PG&E's residential rates continue to increase,[11] the negative impacts could be compounded for low-usage customers as they are billed on the increasing Tier 1 rate. PG&E purports that this proposal will help incentivize beneficial electrification[12], but customers looking to conserve should not be punished as a tradeoff. Therefore, given the harmful impacts to low usage customers the Commission should reject PG&E's proposal.

B. The Commission Should Adopt PG&E's Proposal to Move the TOU Differentials of Residential TOU Rates Towards Marginal Cost-Based Differentials

PG&E proposes to update TOU price differentials to better align TOU rates with the underlying marginal costs calculated in this GRC II.[13] PG&E proposes to gradually move the TOU differentials of the default rate (E-TOU-C) towards marginal cost-based differentials, and to immediately move all optional rates' differentials to marginal cost.[14] For the E-TOU-C rate, PG&E proposes to implement a three-step transition to increase

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[10] D.15-07-001, *Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates*, July 13, 2015, at 277.

[11] See Appendix B, Attachment 6-A (ALs 7516-E at 19 and 6408-E-B at 23 (excerpt)). PG&E's bundled residential average rates have increased by 41% over the last three years, comparing rates from January 2022 to March 2025, retrieved from PG&E's advice letters.

[12] PG&E-3, Chapter 3, at 3-15.

[13] PG&E-3, Chapter 3, at 3-14–3-16, 3-17–3-23.

[14] PG&E-3, Chapter 3, at 3-17.

summer TOU differentials from $0.103/kWh to $0.24/kWh and winter TOU differentials from $0.030/kWh to $0.033/kWh by 2029, starting in 2027.[15]

PG&E's proposal to increase TOU price differentials of the default rate should be adopted because it moves rates closer to cost-based pricing in a manner that does not produce unreasonable bill impacts, as discussed in further detail below. Additionally, the resulting differentials of the default rate are still sufficiently different from those in PG&E's optional TOU rates (E-TOU-D, E-ELEC, and EV2) to provide customers a fairly diverse menu of rate options to choose from.

PG&E's proposal to move the TOU differentials of residential TOU rates towards marginal cost-based differentials results in mild estimated bill impacts. As shown in the residential bill comparisons PG&E provided,[16] over 40% of default TOU California Alternate Rates for Energy (CARE) customers will see bill savings. Of the remaining CARE customers that will see bill increases, 66.8% will at most see bill increases in the 0-2.5% range. Furthermore, the weighted average of all bills increasing is a minimal increase of $1.85 per month.

Similar to the CARE customers, over 40% of default TOU Non-CARE customers will see bill savings.[17] PG&E's residential bill comparisons show that over 91% of default TOU Non-CARE customers are expected to see estimated bill impacts within a +/- 5% change in monthly bills. Only 1.6% of these Non-CARE customers are expected to see bill impacts above a 20% increase, for an average monthly bill increase of $12.50. However, the estimated average total monthly bill of these customers would be only $46.50. These bill impacts are reasonable, therefore the Commission should adopt PG&E's proposal to move the TOU differentials of residential TOU rates towards marginal cost-based differentials.

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[15] PG&E-3, Chapter 3, at 3-19.

[16] A.24.09-014, *Pacific Gas and Electric Company 2023 General Rate Case Phase II Errata to September 30, 2024 Prepared Testimony (PG&E-4) Appendices* (PG&E-4), April 18, 2025, at Appendix D Section 1 (Residential Bill Comparisons), at AppD-3–AppD-14.

[17] PG&E-4, Appendix D at AppD-7–AppD-8.

III. CONCLUSION

The Commission should reject PG&E's proposal to reduce and freeze tiered rate differentials and adopt PG&E's proposal to move TOU differentials closer to marginal cost.

LIST OF ATTACHMENTS FOR CHAPTER 6
(See Appendix B)

#	Attachment	Description
1	6-A	Excerpts of PG&E Advice Letters 7516-E and 6408-E-B

APPENDIX A

Qualifications of Witness

QUALIFICATIONS AND PREPARED TESTIMONY
OF
OTTO NICHOLS

Q.1 Please state your name and address.

A.1 My name is Otto Nichols and my business address is 505 Van Ness Avenue, San Francisco, CA 94102.

Q.2 By whom are you employed and what is your job title?

A.2 I work in the Electricity Pricing and Customer Programs Branch of Cal Advocates as a Regulatory Analyst.

Q.3 Please describe your educational and professional experience.

A.3 I graduated from the University of San Francisco with a Master of Science degree in Energy Systems Management and hold a Bachelor of Science degree in Business Management and Economics from DePaul University in Chicago, Illinois. I joined the Electricity Pricing section of Cal Advocates in October 2021 as a Public Utilities Regulatory Analyst and my work is focused on utility electric rate design. I have experience conducting analyses related to rate design, sales forecasting, and affordability issues. My previous professional experience includes a decarbonization analyst position for the renewable energy consulting firm, Apala Group.

Q.4 What is your area of responsibility in this proceeding?

A.4 I am responsible for Chapter 6 on Residential Rate Design in Cal Advocates' Prepared Testimony in this proceeding.

Q.5 Does that complete your prepared testimony?

A.5 Yes, it does.

APPENDIX B

SUPPORTING ATTACHMENTS

LIST OF ATTACHMENTS FOR CHAPTER 6

#	Attachment	Description
1	6-A	Excerpts of PG&E Advice Letters 7516-E and 6408-E-B

Attachment 6-A:
Excerpts of PG&E Advice Letters 7516-E and 6408-E-B

Pacific Gas & Electric Company
March 1, 2025 Rate Change
Saturday, March 1, 2025

Revenue and Average Rate Summary without GHG Revenue Return

BDLD RESULTS

Class/Schedule	Total Proposed Rates
RESIDENTIAL	
Non-CARE	$0.45334
CARE	$0.27313
TOTAL RES	$0.38625

Pacific Gas & Electric Company
2022 AET Supplemental - Advice Letter 6408-E-B
Saturday, January 1, 2022

BDLD RESULTS

Class/Schedule	Total Proposed Rates	Excluding Climate Credit ->	Climate Credit & EITE Rates
RESIDENTIAL			
E-1	$0.30870		-$0.00604
D-CARE	$0.19363		-$0.00565
TOTAL RES	$0.26815		-$0.00590