**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates	Rulemaking 22-07-005 (Filed September 27, 2022)

CLEAN COALITION OPENING BRIEF ON INCOME GRADUATED FIXED CHARGES

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I. INTRODUCTION

Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") the Clean Coalition respectfully submits this opening brief in response to the *Administrative Law Judge's* ("ALJ") *Ruling Addressing the Track A Procedural Schedule, Opening Briefs Guidance, and Exhibits*, issued at the Commission on August 22, 2023. The Clean Coalition believes that the Commission should adopt the proposal in our Rebuttal Testimony (CLC-01), for an Income Graduated Fixed Charge ("Fixed Charge") with three tiers: a tier for California Alternate Rates for Energy ("CARE") customers, a tier for Family Electric Rate Assistance ("FERA") customers, and a tier for all other ratepayers. Our streamlined Fixed Charge contains only the truly fixed cost components within electric rates and is simple to implement. Since the existing billing system is designed to handle CARE and FERA customers, no third-party income-verification will be required, nor will a complete overhaul of the billing system, which cannot be said for proposals with four or more tiers. As explained in rebuttal testimony, the Clean Coalition believes that there are "four weighing mechanisms that the Commission should use to determine the viability of a proposal: the benefit to low-income customers, the effect on other ratepayers, the level of difficulty associated with implementation, and whether the change will increase the pace of electrification."[1] These four weighing mechanisms fit with the Electric Rate Design Principles 1, 2, 3, 4, 5, 6, 7, 8, and 10 that were adopted in D. 23-04-040. Proposals that do not meet the standard of all four weighing mechanisms, including the costs/implementation pathways for parties proposing multiple iterations of a Fixed Charge, should be rejected by the Commission. For example, any proposal for a high Fixed Charge that makes it significantly more financially advantageous to consume

[1] CLC-01, Rebuttal Testimony of Ben Schwartz on Behalf of the Clean Coalition, at p. 1.

more energy (and be less efficient) than to conserve energy, deploy energy efficiency measures, electrify, and shift energy usage to off peak hours would take the state in the wrong direction. Reducing, shaping, and shifting energy usage patterns is key to decreasing strain on the existing grid, minimizing grid costs for the future, and enabling demand flexibility.

The other consideration for the Commission is to determine what cost components are fixed compared to those that vary based on usage. Volumetric rates recover costs on a $/kWh basis and thus include few, if any, fixed cost categories beyond basic metering and billing. It is inappropriate to include the majority of distribution and all transmission and generation-related costs in a Fixed Charge; the record clearly reflects (consensus) justification that these cost categories are not fixed. Similarly, no generation-related costs, including the Power Charge Indifference Adjustment ("PCIA") are fixed since the cost and energy makeup changes throughout the day. A number of these cost categories are included in the proposals of other parties, leading to much higher Fixed Charges. On the other hand, while parties have opposed the Clean Coalition's position for policy reasons, no party is disputing that the cost components in our proposal are truly fixed costs.

Utility	CARE (<200% FPL)	FERA (200% to 250% FPL)	All Others (> 250% FPL)
PG&E	$0	$5	$12.77
SCE	$0	$5	$13.94
SDG&E	$0	$5	$18.51

Clean Coalition's streamlined Fixed Charge proposal (tiers based on Federal Poverty Level)

II. DESCRIPTION OF PARTY

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources ("DER") — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. COMMENTS

A. Background

Assembly Bill ("AB") 205 mandates that the Commission must authorize a residential Fixed Charge based on income — so lower-income customers realize greater savings without any change in energy usage by July 1, 2024 — and lifts the existing cap on Fixed Charges for residential customers. The Commission dedicated Track A in this proceeding ("R. 22-07-005") to the Fixed Charge question and received nine proposals in Opening Testimony.[2] Eight of the nine parties proposed a Fixed Charge at or above $25 for non-CARE customers and of these nine, five proposed a three-tiered Fixed Charge and the other four proposed a Fixed Charge with four or more tiers. Several of these proposals would result in the highest Fixed Charge in the nation. The Clean Coalition submitted a three-tiered Fixed Charge proposal in Rebuttal Testimony. Following the introduction of the Clean Coalition's proposal, the ALJ solicited another set of comments on implementation pathways for the Fixed Charge and modified proposals for a first version Fixed Charge based on the methodology used by the Clean Coalition and the Solar Energy Industries Association ("SEIA"). Of the parties that submitted an initial proposal, only the Joint Investor-Owned Utilities ("IOUs") proposed a new first version Fixed Charge. Participation in this proceeding by parties has been robust and there have been attempts to increase the amount of public participation. However, a motion made by the Joint Parties[3] requesting Public Participation Hearings was protested by the IOUs as premature and rejected by the ALJs as, "too late in this proceeding to hold Public Participation Hearings."[4] Despite the lack of Public Participation Hearings, there has been a large amount of public interest as well, with over 500 different organizations and/or citizens submitting a public comment to the docket. As far as the Clean Coalition can tell, **not a single public comment is supportive of a Fixed Charge, much less a high Fixed Charge.** The best word to describe the opposition to a Fixed Charge from the public—in both comments and media articles—is "vehement."

[2] Proposals were made by the Joint IOU, NRDC/TURN, SEIA, CEJA, Sierra Club, Pacificorp, Liberty Utilities, Bear Valley, and Cal Advocates.

[3] Solar Energy Industries Association, Center for Energy Efficiency and Renewable Technologies, Utility Consumers' Action Network, Clean Coalition, California Efficiency + Demand Management Council, California Solar & Storage Association

[4] Administrative Law Judge's Ruling Addressing Motion for Public Participation Hearings, at p. 3.

B. General Comments

The Fixed Charge debate is at the center of numerous issues that are crucial to achieving the transition to clean energy, including affordability, energy consumption patterns, greenhouse gas reduction, environmental justice, decarbonization, electricity rates, and the sustainable growth of local solar. The Fixed Charge that the Commission adopts will impact each of these areas, potentially resulting in punitive cost increases for individual Californians and the state as a whole. As explained in-depth by Flagstaff Research analysis in the Clean Coalition's rebuttal testimony, a high Fixed Charge — as proposed by the Joint IOUs, NRDC/TURN, and Cal Advocates — would result in bill increases for all moderate income (except high square footage, high usage) ratepayers. At a time when the state is desperately in need of more housing, especially affordable housing, **increasing the cost of living is akin to hollowing out the middle class**. The Clean Coalition strongly believes that a high Fixed Charge does not comply with the mandate in PUC § 451 for reasonable and just rates that promote the health of California's economy. Furthermore, a high Fixed Charge will increase the payback period for Net Billing Tariff customers and reduce the compensation for customers participating in the Green Access ("Community Solar") Programs, adding unnecessary confusion for ratepayers helping California to make the transition to clean energy. To adjoin the perspective of ratepayers not currently participating in any of these programs, "the California Energy Storage Alliance ("CESA") explains, 'High fixed charges that cannot be avoided or reduced when a customer installs storage and makes choices surrounding how to best utilize storage undermines their ability and incentive to invest in energy storage."'[5]

The Fixed Charge will also likely be a defining factor in how smoothly the transition to real time rates occurs. Passing a high Fixed Charge, for example, "will undoubtedly have a very disruptive effect on residential ratepayers, many of whom struggled to understand the shift to time-of-use ("TOU") rates."[6] Disrupting the rate transition, which is already rather confusing for ratepayers, by imposing an opaque Fixed Charge will lengthen the amount of time it takes to realize significant value from demand flexibility.

[5] CLC-03, at p. 1, and Opening Comments of CESA, at p. 4.
[6] *Ibid*, at p. 1.

Thus, the Clean Coalition cautions that a Fixed Charge cannot be a silver bullet solution that solves the crisis of unaffordable electricity rates in California. Long-term rate reform and lasting savings will only be achieved once the underlying cost drivers, (i.e., spending on transmission, wildfire mitigation, wildfire insurance, wildfire payouts, nuclear decommissioning, legacy contracts, etc....) are reigned in and rate increases that far outpace inflation come to an end. Our proposal (see below) does not risk the same clear consequences of the higher Fixed Charges and achieves the goals of AB 205 in a practical manner.

Utility	CARE (<200% FPL)	FERA (200% to 250% FPL)	All Others (> 250% FPL)
PG&E	$0	$5	$12.77
SCE	$0	$5	$13.94
SDG&E	$0	$5	$18.51

Clean Coalition's streamlined Fixed Charge proposal (tiers based on Federal Poverty Level)

i. The Commission should prioritize increasing the on-peak off-peak price differential.

The research presented in the Clean Coalition's rebuttal testimony and by other parties[7] demonstrates that the key to adjusting customer behavior in a manner that reduces strain on the grid is to implement rates with a greater on-peak off-peak price differential to send a clearer price signal to ratepayers. Under electrification scenarios, 2/3 of the increased usage is during winter off-peak and only 5% is in the summer on-peak and mid-peak periods.[8] Therefore, an electrification rate design that takes this load distribution into account along with the expected strain on the grid will yield the best results. Flagstaff Research designed such an illustrative rate schedule using PG&E's E-ELEC rate. The existing winter off-peak rate is reduced from 0.279 $/kWh to 0.080 $/kWh and the summer on-peak rate is increased from 0.546 $/kWh to 0.874 $/kWh, yielding a blended rate of 0.273 $/kWh.

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[7] SEIA and CALSSA

[8] CLC-01, at p. 25.

Table: Bill Impacts of Electrification Under Modified TOU

		Existing		Modified		
Pre-Electrification Baseline						
		Total	Price	Total	Price	Pct of Usage
Summer	On-Peak	$ 593	$ 0.546	$ 949	$ 0.874	17%
	Mid-Peak	$ 214	$ 0.385	$ 342	$ 0.615	9%
	Off-Peak	$ 305	$ 0.328	$ 427	$ 0.459	15%
Winter	On-Peak	$ 343	$ 0.315	$ 257	$ 0.236	17%
	Mid-Peak	$ 205	$ 0.293	$ 72	$ 0.103	11%
	Off-Peak	$ 544	$ 0.279	$ 156	$ 0.080	31%
	Total	$ 2,204	$ 0.349	$ 2,203	$ 0.349	
Additional Load from Electrification						
		Total	Price	Total	Price	Pct of Usage
Summer	On-Peak	$ 59	$ 0.546	$ 95	$ 0.874	3%
	Mid-Peak	$ 31	$ 0.385	$ 50	$ 0.615	2%
	Off-Peak	$ 96	$ 0.328	$ 135	$ 0.459	7%
Winter	On-Peak	$ 178	$ 0.315	$ 134	$ 0.236	13%
	Mid-Peak	$ 159	$ 0.293	$ 56	$ 0.103	13%
	Off-Peak	$ 741	$ 0.279	$ 213	$ 0.080	63%
	Total	$ 1,265	$ 0.298	$ 681	$ 0.160	
Total Load with Electrification						
		Total	Price	Total	Price	Pct of Usage
Summer	On-Peak	$ 652	$ 0.546	$ 1,044	$ 0.874	11%
	Mid-Peak	$ 245	$ 0.385	$ 391	$ 0.615	6%
	Off-Peak	$ 401	$ 0.328	$ 562	$ 0.459	12%
Winter	On-Peak	$ 522	$ 0.315	$ 391	$ 0.236	16%
	Mid-Peak	$ 364	$ 0.293	$ 127	$ 0.103	12%
	Off-Peak	$ 1,286	$ 0.279	$ 369	$ 0.080	44%
	Total	$ 3,469	$ 0.329	$ 2,884	$ 0.273	

Other parties claiming that a lower variable rate (and a Fixed Charge) is necessary to enable electrification are missing out on a few fundamental considerations. The first is that electrification cannot result in higher utility bills and must result in some level of savings to be financially feasible. Yet, under the [high Fixed Charge] proposals from the Joint IOUs, Cal Advocates, and NRDC/TURN, non-CARE customers transitioning from high-efficiency modern gas appliances see no savings. CARE customers see small returns when transitioning from low-efficiency gas appliances because the baseline bills are lowered by subsidies and no savings when transitioning away from high-efficiency gas appliances. Second, the cost of deploying electrification measures matters when considering the benefits of a Fixed Charge. Under the IOU and NRDC/TURN proposals, "Assuming a maximum 10-year simple payback for residential consumers to be willing to adopt, the turnkey cost (equipment plus installation) for whole home electrification would need to be less than $2,170, post all incentives, to break even. For existing homes, actual installed costs for the modeled electric appliances are likely to be in excess of

$20,000."[9] Therefore, the Commission should not find any argument about a high Fixed Charge being necessary to enable electrification to be persuasive. Rather, the finding in the Flagstaff Research analysis, "that a highly differentiated TOU rate structure would do a better job of encouraging electrification than the modeled fixed charge proposals, while avoiding the inequity that is inherent in the fixed charge proposals of having small homes subsidize larger homes," should inform the Commission's decision.[10]

ii. The Clean Coalition's proposal

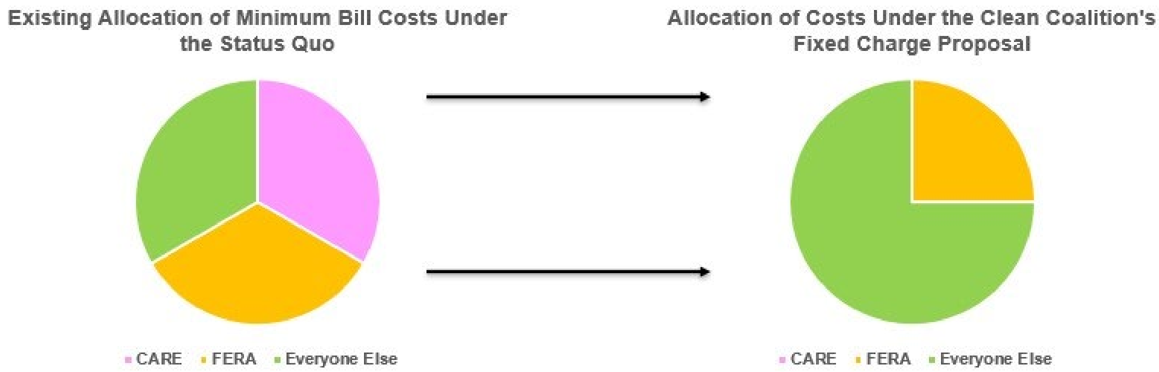
The Clean Coalition's proposal reduces the cost burden for CARE customers to $0 per month and allocates an affordable $5 per month charge for FERA customers. All low-medium income ("LMI") customers, up to 250% of the Federal Poverty Limit ("FPL", will save money without adding significant costs to the bills of the rest of the rate base under our proposal.[11]

Utility	CARE (<200% FPL)	FERA (200% to 250% FPL)	All Others (> 250% FPL)
PG&E	$0	$5	$12.77
SCE	$0	$5	$13.94
SDG&E	$0	$5	$18.51

Clean Coalition's streamlined Fixed Charge proposal (tiers based on FPL)

Our proposal takes the existing minimum bill, which is around $10 for NEM customers, and redistributes the costs to guarantee LMI customers savings. This is visualized below, with the percentage of the pie that the "everyone else" group is assessed, without increasing the total size of the pie.

[9] *Ibid*, at p. 25.
[10] *Ibid*, at p. 13.
[11] CLC-01, at p. 6.



This structure achieves the main goal of AB 205: providing low-income customers with a temporary respite from unaffordable rates, without significantly burdening the rest of the rate base. Moreover, because existing subsidy groups are used (CARE and FERA), implementation will be easier than with other proposals.

IV. RESPONSE TO QUESTIONS

1. *What directions should the Commission provide for the development of an ME&O plan for the first IGFCs?*

   a. *What topics should residential customers receive ME&O about before IGFCs are implemented?*

The Clean Coalition supports transparency and believes that the ratepayers should be informed of exactly what the change will be and what the implications will be. ME&O should include the exact cost categories that will be included in the Fixed Charge and the likely impact on the customer's bill. Information on the different level charge for each income tier should also be included, along with a suggestion to verify eligibility for CARE or FERA.

   b. *Should the Commission direct investor-owned utilities (IOUs) to develop a single, statewide ME&O plan or individual ME&O plans for each utility?*

This depends on the Fixed Charge that the Commission adopts. If the Clean Coalition's proposal is selected, a single unified ME&O plan will suffice since the Fixed Charge will be the same for each utility. Such a plan would undoubtedly be less complicated than a plan for a first version Fixed Charge that contains details about the schedule for a second version Fixed Charge. On the other hand, the Joint IOU's have different cost components for each utility, resulting in three different priced Fixed Charges based on slightly different cost categories. In this instance, while the general themes of the customer alert should be similar, the details will differ.

c. *If the Commission directs IOUs to develop individual ME&O plans, should the IOUs develop consistent messages about IGFCs or custom messages and materials that differ for each utility?*

See the answer to question 1(c) above. The Commission should promote a similar message for all three IOUs unless the proposals differ for each utility (which only the IOUs are proposing).

d. *If the Commission authorizes an ME&O working group, what should be the scope of work for this working group (e.g., should it include ME&O for small and multijurisdictional utilities (SMJUs), development of messages about IGFCs, and/or propose ME&O budgets)? When should the working group proposal be due?*

No answer at this time.

e. *If the Commission authorizes the hiring of a consultant to assist an ME&O working group, what should be the consultant's scope of work (e.g. facilitation, research, drafting), criteria for selection, and budget? What would be the proportional cost share of each IOU for the consultant?*

No answer at this time.

2. *What reporting requirements and directions for developing an evaluation plan should the Commission approve for the first IGFCs?*
    a. *What reporting metrics should we establish for the first IGFCs?*
    b. *How often should reports for the first IGFC be distributed, and how should the reports be distributed?*
    c. *Should we require an independent evaluator for the first IGFCs? If so, what should be the scope of work, criteria for selection, and budget for the independent evaluator?*

d. *Which questions should the evaluation of the first IGFCs address? e. What implementation period should the first evaluation report consider (e.g., first 12 or 18 months of implementing the first IGFCs)?*

3. *What are the estimated implementation costs of the first version of IGFCs, and how should these costs be tracked and recovered?*

There is not sufficient evidence on the record for parties to fully comment on this issue. However, the Clean Coalition believes that the structure of our proposal has the lowest associated implementation costs (as does the proposal by SEIA with a similar methodology) than any other proposal. While the Joint IOUs have a first version Fixed Charge, the total cost of implementing the first version and the second version is **far greater** than the costs to implement the Clean Coalition's proposal. The IOU proposal also has a different Fixed Charge (with non-uniform cost categories included), adding further complexity. For the Joint IOU's (second version) and other parties proposing income verification, there will be a huge cost associated with ingratiating a process in the IOU billing system or hiring a third-party firm that must be considered in the Commission's decision making process.

a. *What are the estimated costs of modifying each IOU's billing systems for the first IGFCs if the Commission authorizes three tiers for IGFCs?*

See the answer above.

b. *Other than billing system changes, and ME&O, are there other estimated costs for implementing the first IGFCs? Provide a break-down of implementation costs by category.*

No answer at this time.

c. *How should the implementation costs of the first IGFCs be recovered?*

No comment at this time.

4. *What timeline and procedural pathway should the Commission adopt for implementing the first version of IGFCs and developing and adopting the second version of IGFCs?*

The signals that the Commission sends in the Decision authorizing the Fixed Charge are key to public sentiment and what the transition process will look like. Currently, the lack of details surrounding implementation timelines/costs, income verification, and the certainty that a second Fixed Charge will be required is creating additional ambiguity makes answering this question in a straightforward manner difficult. The logical assumption contained within the question is that there should be future iterations of the Fixed Charge; yet the Clean Coalition does not agree that a second Fixed Charge is necessary, and we do not believe that the record supports that conclusion either. Our proposal (and the broader record) demonstrates that very few electric rate cost categories are truly fixed in nature and can be included in a single moderate Fixed Charge. Public Purpose Program and other nonbypassable charges are instituted via policy and should continue to be collected strictly on a $/kWh basis to ensure transparency. Moreover, if the focus was on these cost categories, the Legislature could remove them from electric rates entirely and collect the revenue in another way.

The majority of distribution costs are dependent on usage and all transmission costs are assessed on a volumetric basis. All generation-related charges, including the Power Charge Indifference Adjustment ("PCIA"), are also time dependent. Of the generation charges, the PCIA would be the most difficult to implement because each customer has a different vintage based on the month and year when service was transferred to a Community Choice Aggregator. If the Commission agrees with the Clean Coalition's assessment about the number of fixed cost categories and/or approves our Fixed Charge proposal, there would be no reason for a future version of a Fixed Charge (especially in the near future).

a. *Should the Commission provide enough direction for the first IGFCs in the upcoming Track A decision for utilities to file advice letters to implement the first IGFCs rather than file rate design window applications?*

The Clean Coalition does not support implementation of something as consequential as the Fixed Charge to the Advice Letter process. The timeline for the transition and cost implications should be clear for each rate schedule. In addition, the Advice Letter process does not provide the necessary transparency for the public to get involved and/or learn about the changes prior to their monthly bills changing. As mentioned in the background section, the Motion for Public Participation Hearings made by the Joint Parties was denied in this proceeding, which is makes it even more important to hold ratemaking windows, where Public Participation Hearings are more common, and citizens can make their voices heard in real time.

b. *If the Commission authorizes utilities to file advice letters to implement the first IGFCs after the upcoming Track A decision, when should the advice letters be filed? When should the first IGFCs be applied to customer bills?*

See the answer above.

c. *Should the Commission authorize a working group to develop a proposal for income verification and tiers for the second version of IGFCs? If so, (i) what should be the scope of work for the working group, (ii) how much time should the working group be given to develop a proposal?*

No, the Clean Coalition does not support authorizing a working group to study income verification and create a second version Fixed Charge. We do not believe that the record supports the creation of a second version Fixed Charge. However, any amendment to the first Fixed Charge will need to be precluded with an explicit delineation of what has changed (e.g., any "new" fixed categories or underlying pricing shift), which makes a continuation of this proceeding the proper way to move forward rather than an informal working group.

d. *Should the Commission authorize hiring a consultant to advise Energy Division staff or a working group on income verification for the second version of IGFCs? If so, what should be the scope of work and budget for the consultant? What should be the criteria for selecting a consultant (e.g., experience as a third-party administrator of income verification processes)? What should be the proportional cost share of each IOU for the consultant?*

No comment at this time.

e. *When should the Commission consider the design of the second version of IGFCs? Should the timing depend on reviewing a certain number of months of implementation data for the first IGFCs, and/or consideration of a working group proposal for income verification and tiers for the second version of IGFCs?*

See the answers above.

f. Should the timeline or procedural pathway for SMJUs' IGFCs differ from the implementation pathway for large IOUs? If so, please explain why it should differ and specify how it should differ.

No comment at this time.

V. CONCLUSION

The Clean Coalition respectfully submits this opening brief and urges the Commission to adopt our streamlined, modest Fixed Charge proposal.

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