**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 COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING ON IMPLEMENTATION BUDGET AND TIMING ISSUES (TRACK A)

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CLEAN COALITION REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING ON THE IMPLEMENTATION PATHWAY FOR INCOME-GRADUATED FIXED CHARGES

I. INTRODUCTION

Pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") the Clean Coalition respectfully submits these reply comments in response to the *Administrative Law Judge's* ("ALJ's") *Ruling Implementation Budget and Timing Issues (Track A),* issued at the Commission on December 18, 2023. The party comments about electrification are explained well in the context of double-digit utility rate increases that have become commonplace with regards to electricity. Pacific Gas & Electric ("PG&E") was approved for a rate increase that will result in 20% higher costs for bundled customers over the course of the year. Similar increases are expected over each of the next two years. Likewise, San Diego Gas & Electric ("SDG&E") will be increasing rates by double digits over each of the next three years. High rates, rising at an astronomical rate, threaten the possibility of achieving the state's electrification and decarbonization goals and preclude the ability to meet those goals in a way that does not leave median and low-income residents behind. However, the problem does not necessitate the authorization of a high income graduated fixed charge ("Fixed Charge") as a silver bullet solution; doing so will cause other issues, without fixing the underlying problem. Relying on a high Fixed Charge is like bailing water from a sinking ship rather than trying to first patch up the leaked. Without foundational change that reduces the **entire** utility bill, not just the volumetric rate, the Commission will continue to perpetuate the status quo, as it relates to overspending and massive annual rate increases. In addition, it is important to consider all electrification measures when developing incentives, new rates, and programs. Fuel substitution is part of electrification, as is the need for deployments of electric vehicles and local generation to offset installation costs and contribute to local reliability/resilience. Therefore, we recommend that the Commission:

- Modify volumetric rates to incentivize electrification by creating a greater price differential, lowering winter off-peak rates to match electrification demand profiles.
- Study the underlying cost drivers of increasing rates, namely transmission spending, wildfire costs (mitigation, insurance, victim payout funds), and undergrounding to determine where spending can be reined in.
- Consider the total system cost of new resource portfolios, including the cost of new infrastructure needed to deliver the energy to end-users.
- Reject any proposals for high Fixed Charges, now or in the future.

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

(4)(B.) What are the potential impacts on achieving state electrification goals if the Commission delays the implementation of the first income-graduated fixed charges for PG&E or all investor-owned utilities beyond year-end 2025?

When it comes to grid planning, there are substantial efforts associated with building new capacity to ensure that peak periods and increasing demand can be managed with renewable generation. The Clean Coalition agrees that it is important to deploy new resources but cautions that rate design should take into account where the actual change in demand associated with deploying electrification measures will occur. In our Rebuttal Testimony, the Flagstaff Research Report notes, "The most important insight is that winter off-peak is nearly 2/3 of increased usage for electrification. This is driven by winter off-peak being the hours of heaviest heat pump use for both space heating and water heating. Equally interesting, only 5% of the usage in electrification falls in the summer on-peak and mid-peak periods."[1] Thus, the use of rates to incentivize the installation of electrification measures will be most effective with a reduced winter off-peak price. As we and other parties, including the Solar Energy Industries Association ("SEIA") and the California Solar and Storage Association ("CALSSA"), have noted in comments, the most effective method of rate reform is to help transition customers to electrification rates with a higher price differential between peak and non-peak periods. Waiting two or more years to implement a Fixed Charge will give the Commission time to study and implement reforms to the volumetric component of rates in a way that provides an effective signal to consumers that electrification will provide savings.

During the same time period, the Commission should study the underlying cost drivers of electric rates and consider ways to rein them in. For example, transmission costs have significantly increased over the past decade and are continuing to skyrocket due to new supply side resources that are in the interconnection queue due to the need for new capacity associated with midterm reliability goals. A question still remains as to whether supply side resources are the most effective way to serve end users' electric loads, especially when the cost of the infrastructure being used to deliver the energy is taken into account. DER should be studied and better included in the system portfolio, especially in targeted deployments where value stacking is possible, such as DER deferral or resilience.

IV. CONCLUSION

The Clean Coalition respectfully submits these comments and urges the Commission to reject proposals for a high Fixed Charge over $20.

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[1] Rebuttal Testimony of Ben Schwartz on Behalf of the Clean Coalition, June 2, 2023, at p. 23.

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