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 REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGES RULING ON IMPLEMENTATION BUDGET AND TIMING ISSUES (TRACK A)

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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 party comments on the *Administrative Law Judges* ("ALJ'") *Ruling Implementation Budget and Timing Issues (Track A),* issued at the Commission on December 18, 2023. Party comments demonstrate that any question about the relationship between implementing the Fixed Charge and electrification should be broken down into three more targeted questions. First, will implementing a Fixed Charge impact the pace of electrification in a beneficial manner? Second, do the purported benefits of a Fixed Charge outweigh the negative consequences? Third, are there benefits to pushing the implementation of a Fixed Charge beyond end-year 2025? In addition to the Clean Coalition, multiple parties noted that the record does not include evidence proving that a Fixed Charge, let alone a high Fixed Charge, will increase the pace of electrification.[1] In fact, evidence from the Clean Coalition's rebuttal testimony and comments from other parties prove that a Fixed Charge based on income will not reduce rates to the breakeven level needed to effectively incentivize electrification. Past comments explaining how a Fixed Charge punishes middle class families, renters, reduces incentives for conservation and energy efficiency, and rewards wealthy households with high consumption patterns raise the clear issue of significant system altering negative consequences that must be properly weighed. For example, Advanced Energy United explains, "IGFC[s] may have negative impacts on 'electrification, energy efficiency and other advanced energy adoption, electric system costs, and on the broad political support and social license for clean energy policy.'"[2] Thus, if the

[1] Comments of Utility Consumers Action Network ("UCAN"), at p. 3, and comments of California Efficiency+Demand Management Council, at p. 4.
[2] Comments of Advanced Energy United, at p. 3.

Commission can adopt other rate reforms and reduce the underlying cost drivers leading to rising rates in the next year (or two), waiting to deploy a Fixed Charge will be far more beneficial to the adoption rate of electrification measures than immediately implementing a Fixed Charge.

- **PG&E is incorrect to suggest that a Fixed Charge is needed to increase the deployment of electric vehicles ("EVs") for low-income customers.**
- **Other rate reform options will be more effective than a high Fixed Charge.**
- **The public has not reacted favorably to the concept of a Fixed Charge.**

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. PG&E is incorrect to suggest that a Fixed Charge is needed to increase the deployment of electric vehicles ("EVs") for low-income customers.

PG&E astutely notes that the state needs to increase the pace of EV adoption to meet the goals mandated by Governor Brown's 2018 executive order. However, the conclusion PG&E makes ignores the broader context of what draws individuals to make the shift to an EV in the first place. PG&E states that, "Delaying the lower operating costs that are achieved through implementation of the fixed charge may result in only a subset of wealthier individuals adopting new electrification technologies."[3] Wealthier consumers are always early adopters of new technologies and help bring the cost of a product down before it is more widely adopted by the

[3] PG&E's Opening Comments, at p. 5.

masses. Thus, the question is whether high electric rates are the main factor leading to slower-than-anticipated rates of EV adoption. Given sustained high gasoline prices, the Clean Coalition would argue that while electric rates may be a periphery issue, it is in no way the most important consideration. We identify the high capital cost associated with EV adoption and challenges with EV charging infrastructure ("EVCI") as far more pertinent concerns. The majority of EV have a capital cost of at least $50,000, with a select few models coming in at between $35,000 and $48,000.[4] The Clean Coalition is not aware of a readily available EV priced at $25,000 or below. High initial investments along with a substantial timeframe for achieving a reasonable payback period are both deterrents to lower-income ratepayers, especially when many are living paycheck-to-paycheck and choose to retain basic necessities, given the high cost of living in California, prior to making a forward-looking investment like EV adoption.

The Commission should not find arguments about the need for a high Fixed Charge based on EV adoption rates to be persuasive. The argument is a red herring; a Fixed Charge is a temporary reduction in the volumetric rate and does not stop annual double digit rate increases, which will **still** lead to higher rates than ever before. For example, a high Fixed Charge that reduces the volumetric rate to 2022-level prices will still result in the same the same problem occurring in another two years. The answer at that point cannot be to double the Fixed Charge and keep setting rates back by another two years; a permanent solution is required. Moreover, if the customer's total bill increases despite the implementation of a Fixed Charge, a reduction in the volumetric rate is no more likely to incentivize EV deployment than the status quo.[5] Thus, a high Fixed Charge is a temporary solution that cannot be adopted on the guise of permanent benefits such as significantly increasing the pace of electrification.

B. Other rate reform options will be more effective than a high Fixed Charge.

As we explained in opening comments, other options like creating a higher on-peak off-peak price differential will incentivize savings from the deployment of electrification measures than the deployment of a Fixed Charge. As the Flagstaff Research presented in the Clean Coalition's rebuttal testimony shows, even the highest Fixed Charge scenario does not

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[4] https://www.truecar.com/best-cars-trucks/fuel-electric/price-40000-50000/

[5] See the comments of 350 Bay Area, at p. 2. "Bill reductions for lower income customers will be quickly be negated by increasing revenue demands and rising rates overall. IGFC not only does nothing to reduce grid costs, but will drive them higher by reducing financial incentives for EE and load modification."

effectively incentivize fuel switching, especially not at the levels needed to achieve state climate and energy goals.[6] Many of the comments about the need for a Fixed Charge to increase the pace of electrification focus on reducing operating costs for existing appliances, despite the fact that the majority of increased electricity usage associated with electrification comes from new appliances rather than existing ones.[7] Electrification rates with lower-off-peaks already exist and as SEIA explains:

> In addition, the existing electrification rates have high on-peak rates, and thus will not stimulate the peak period usage that threatens reliability and drives long-run infrastructure costs. In contrast, high IGFCs will result in across the board reductions in the volumetric rates in all TOU periods – the lower off-peak rates are already available, and the lower on-peak rates will only encourage additional on peak usage that is difficult, expensive, and dirty to serve.[8]

We urge the Commission to focus on broader rate reform and transitioning ratepayers to electrification rates to increase the pace of electrification, rather than focusing on a Fixed Charge as a silver bullet solution.

C. The public has not reacted favorably to the concept of a Fixed Charge.

Critical to the successful implementation of a Fixed Charge is the way that the change is perceived by the ratepayers. Both UCAN and the Solar Energy Industries Association ("SEIA") note that both the conclusion from PG&E's focus groups and public comments have been viscerally opposed to a Fixed Charge.[9] In addition to the implementation of a Fixed Charge potentially requiring income verification, the confusion surrounding the question of how, when, and if a second version of the Fixed Charge will be adopted is increasing the public outcry on this issue. Other additional complications, such as how the Fixed Charge is rolled out for different rate schedules will lead to more chaos, if proper ME&O is not conducted well in advance.

[6] *Ibid*, at p. 3.
[7] Comments of Advanced Energy United, at p. 5, and Comments of SEIA, at p. 4.
[8] *Ibid*, at p. 4.
[9] Comments of UCAN at p. 2, and Comments of SEIA, at p. 2.

IV. CONCLUSION

The Clean Coalition respectfully submits these reply comments and urges the Commission to reject statements about increasing the pace of electrification as justification for a Fixed Charge. We also advocate that the Commission should adopt a low Fixed Charge, such as the one proposed by the Clean Coalition.

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