



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

FILED

07/31/23

04:59 PM

R2207005

Order Instituting Rulemaking to Advance
Demand Flexibility Through Electric Rates.

R.22-07-005

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING ON THE
IMPLEMENTATION PATHWAY FOR INCOME-GRADUATED FIXED CHARGES**

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July 31, 2023

TABLE OF CONTENTS

I. INTRODUCTION2

II. THE COMMISSION SHOULD CLARIFY IN THE CONTEXT OF THE INCOME GRADUATED FIXED CHARGE THAT ANY VOLUMETRIC RATE REDUCTIONS DO NOT REFER TO GENERATION RATE REDUCTIONS3

 A. Question 1b: How should the Commission incentivize beneficial electrification and greenhouse gas emissions reductions during off-peak periods while meeting general conservation and efficiency goals? For example, should IGFC reductions from volumetric rates be applied to reduce rates during off-peak periods while maintaining existing peak period rates at the current level to continue to incentivize conservation and energy efficiency during peak periods?3

 B. Question 5: What types of fixed costs should be eligible to be included in any given IGFC (Eligible Fixed Costs)? Please explain why specific types of costs should (or should not) be categorized as Eligible Fixed Costs based on legal or policy justifications.....4

 C. Question 6: Are there certain Eligible Fixed Costs that should be excluded from recovery through the first version of IGFCs? Would it be reasonable to simply recover a portion of Eligible Fixed Costs through the first version of IGFCs without specifying which costs are recovered?4

III. THE COMMISSION SHOULD DIRECT THE IOUS TO BEGIN OUTREACH TO CUSTOMERS BEFORE THE INCOME GRADUATED FIXED CHARGE IS AUTHORIZED IN ORDER TO SUPPORT CUSTOMER ACCEPTANCE OF THE CHARGE5

 A. Question 8: How should the Commission apply the Electric Rate Design Principles to the design of the first version of IGFCs?.....5

IV. THE COMMISSION SHOULD REQUIRE THE IOUS TO PROVIDE THE OPPORTUNITY FOR CCAS TO PARTICIPATE IN WORKING GROUPS RELATED TO INCOME GRADUATED FIXED CHARGE IMPLEMENTATION AND MARKETING, EDUCATION & OUTREACH.....6

 A. Question 15b: Should the Commission establish a working group and authorize funding for a third-party contractor to develop an ME&O proposal for consideration in this proceeding? If so, what should be the scope of work for the working group and contractor? When should the proposal be due?6

Table of Contents continued

B. Question 15d: Should the Commission establish a working group to discuss IGFC implementation issues and recommend improvements?7

V. CONCLUSION.....7

SUMMARY OF RECOMMENDATIONS

- The California Public Utilities Commission (Commission) should clarify in the context of the Income-Graduated Fixed Charge (IGFC) that any volumetric rate reductions do not refer to generation rate reductions.
- The Commission should direct the investor-owned utilities (IOUs) to begin outreach to customers regarding the IGFC before the implementation phase of the first version of the IGFC.
- The Commission should require the IOUs to include community choice aggregators (CCAs) in working groups related to IGFC implementation and marketing, education, and outreach (ME&O).

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California Community Choice Association¹ (CalCCA) submits these comments in response to the *Administrative Law Judge's Ruling on The Implementation Pathway for Income-Graduated Fixed Charges*² (Ruling), dated June 19, 2023, and the *Email Ruling Granting Pacific Gas & Electric Company's and Southern California Edison Company's Joint Motion for Extension of Track A Deadlines*³ (Extension Ruling), dated July 18, 2023. The Ruling requests comments on the implementation pathway for Income-Graduated Fixed Charges (IGFC) and the Extension Ruling extends the date for filing comments on the Ruling until July 31, 2023, and for filing reply comments on the Ruling until August 21, 2023.

¹ California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

² R.22-07-005, *Administrative Law Judge's Ruling on The Implementation Pathway for Income-Graduated Fixed Charges* (June 19, 2023):

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M511/K720/511720058.PDF>.

³ R.22-07-005, *Email Ruling Granting Pacific Gas & Electric Company's and Southern California Edison Company's Joint Motion for Extension of Track A Deadlines* (July 18, 2023):

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M514/K216/514216810.PDF>.

I. INTRODUCTION

The California Public Utilities Commission (Commission) continues to address grid reliability, conservation, energy efficiency, beneficial electrification, greenhouse gas (GHG) emissions reduction, and affordability issues in California through this proceeding. A major component of the overall Demand Flexibility goals includes the implementation of IGFCs for default residential rates by July 1, 2024, as required by AB 205.⁴ The Ruling requests Comments on the IGFC implementation pathway. As the IGFC will apply to bundled and unbundled residential customers, careful and coordinated planning by the Commission, investor-owned utilities (IOUs), community choice aggregators (CCAs), and other stakeholders is essential to effectively manage the transition to this new residential rate structure. Income verification, timing of roll-out, and customer education are just a few of the important factors that stakeholders must consider during the planning and development process.

The Ruling poses questions for party comment regarding how to design the first version of IGFCs and to establish a pathway for implementing and improving IGFCs.⁵ CalCCA's comments below are limited to the Ruling questions regarding: (1) eligible costs for inclusion in the IGFC and the corresponding volumetric rate reductions; (2) the need for early customer outreach in connection with implementation; and (3) the formation of working groups to inform

⁴ Assembly Bill 205, Chapter 61 (2022) An act to add Article 13 (commencing with Section 16429.8) to Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, to amend Sections 25403.2 and 25806 of, to add Chapter 6.2 (commencing with Section 25545), Chapter 7.4 (commencing with Section 25640), and Chapter 8.9 (commencing with Section 25790) to Division 15 of, and to add and repeal Section 25216.8 of, the Public Resources Code, to amend Sections 381, 739.1, 739.9, and 2827.1 of the Public Utilities Code, to add and repeal Section 17131.20 of the Revenue and Taxation Code, and to add Division 29 (commencing with Section 80700) to the Water Code, relating to energy, and making an appropriation therefor, to take effect immediately, bill related to the budget. (AB 205): https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB205.

⁵ Ruling at 3.

implementation pathways. In response to these questions, CalCCA provides the following recommendations:

- The Commission should clarify in the context of the IGFC that any volumetric rate reductions do not refer to generation rate reductions;
- The Commission should direct the IOUs to begin IGFC outreach to customers before the implementation phase of the first version of the IGFC; and
- The Commission should provide the opportunity for community choice aggregators (CCA) to participate in working groups related to IGFC implementation and marketing, education, and outreach (ME&O).

II. THE COMMISSION SHOULD CLARIFY IN THE CONTEXT OF THE INCOME GRADUATED FIXED CHARGE THAT ANY VOLUMETRIC RATE REDUCTIONS DO NOT REFER TO GENERATION RATE REDUCTIONS

A. Question 1b: How should the Commission incentivize beneficial electrification and greenhouse gas emissions reductions during off-peak periods while meeting general conservation and efficiency goals? For example, should IGFC reductions from volumetric rates be applied to reduce rates during off-peak periods while maintaining existing peak period rates at the current level to continue to incentivize conservation and energy efficiency during peak periods?

The Commission should clarify that in the context of the IGFC, any volumetric rate reductions do not refer to generation rate reductions. AB 205 explicitly excludes generation charges from the IGFC.⁶ Additional clarity is critical for stakeholders and the public to interpret the IGFC rate design correctly. As CalCCA pointed out in Reply Testimony, some IGFC proposals include generation charges, which if adopted would violate AB 205.⁷ The volumetric rate reductions discussed in Question 1b of the Ruling apply to distribution-related costs that

⁶ AB 205 states that “[F]ixed charge” means any customer charge, basic service fee, demand differentiated basic service fee, demand charge, or other charge not based on the volume of electricity consumed.” AB 205, subsection (a), amending section 739.9 of the Public Utilities Code (emphasis added).

⁷ See Chapter 1, Section 2 of *Reply Testimony of Brian Dickman and Justin Kudo on Behalf of California Community Choice Association*, Rulemaking (R.) 22-07-005 (June 2, 2023) (CalCCA Reply Testimony), in which CalCCA argued against the inclusion of the Power Charge Indifference Amount (PCIA) and Competition Transition Charge in the IGFC: <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/R2207005/6133/510465634.pdf>.

IOUs have historically recovered volumetrically but are actually fixed costs. The Commission should ensure that stakeholders understand the requirements of AB 205 regarding the exclusion of generation charges from the IGFC.

B. Question 5: What types of fixed costs should be eligible to be included in any given IGFC (Eligible Fixed Costs)? Please explain why specific types of costs should (or should not) be categorized as Eligible Fixed Costs based on legal or policy justifications.

As CalCCA stated in its Opening Brief on Statutory Interpretation,⁸ as Witness Dickman stated in CalCCA's Reply Testimony,⁹ and as set forth in response to Question 1b, above, the Commission must exclude all generation charges from the IGFC to comply with AB 205. The Commission must not consider any energy or capacity costs as Eligible Fixed Costs.

C. Question 6: Are there certain Eligible Fixed Costs that should be excluded from recovery through the first version of IGFCs? Would it be reasonable to simply recover a portion of Eligible Fixed Costs through the first version of IGFCs without specifying which costs are recovered?

See response to Question 5. Generation costs should not be considered Eligible Fixed Costs at any point in the development or implementation of the IGFC. So long as there is clarity that Eligible Fixed Costs do not include generation costs, CalCCA does not take a position at this time on whether it would be reasonable to simply recover a portion of the Eligible Fixed Costs through the first version of IGFCs without specifying which costs are recovered.

⁸ *California Community Choice Association's Opening Brief*, R.22-07-005 (Jan. 23, 2023): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M501/K533/501533429.PDF>.

⁹ *See supra*, n. 11.

III. THE COMMISSION SHOULD DIRECT THE IOUS TO BEGIN OUTREACH TO CUSTOMERS BEFORE THE INCOME GRADUATED FIXED CHARGE IS AUTHORIZED IN ORDER TO SUPPORT CUSTOMER ACCEPTANCE OF THE CHARGE

A. Question 8: How should the Commission apply the Electric Rate Design Principles to the design of the first version of IGFCs?

The Commission should direct the IOUs to begin IGFC customer outreach before the implementation phase of the first version of the IGFC. Electric Rate Design Principle #10 states that “transitions to new rate structures should (i) include customer education and outreach that enhances customer understanding and acceptance of new rates, and (ii) minimize or appropriately consider the bill impacts associated with such transitions.”¹⁰ To support the acceptance of the new rate structure, the Commission should not wait until the IGFC has already been authorized and is in the implementation stage to begin engaging with the public.

CCAs and their board members have already received numerous IGFC inquiries from customers. The content of these inquiries demonstrates that the implementation of IGFCs represents a significant, and potentially controversial and confusing, change for many customers because the requirement to link charges for electricity service to a customer’s income is an entirely new way to structure electric rates. Therefore, it is imperative for the IOUs to begin customer outreach and education efforts as early as possible. For example, IOUs can begin by including a notice in their existing digital communications with residential customers that links to an informational webpage on the IGFC. This webpage could include information about the origination of the IGFC with AB 205, the procedural process for determining and establishing the IGFC, information on any public hearings on the IGFC, as well as provide updates as the

¹⁰ D.23-04-040, *Decision Adopting Electric Rate Design Principles and Demand Flexibility Design Principles*, R.22-07-005 (Apr. 27, 2023), Ordering Paragraph 1: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M507/K837/507837776.PDF>.

proceeding continues. If customers are not engaged with the process that leads to the adoption of the IGFC, then it will be more difficult to gain their acceptance of the charge once it has already been adopted.

IV. THE COMMISSION SHOULD REQUIRE THE IOUS TO PROVIDE THE OPPORTUNITY FOR CCAS TO PARTICIPATE IN WORKING GROUPS RELATED TO INCOME GRADUATED FIXED CHARGE IMPLEMENTATION AND MARKETING, EDUCATION & OUTREACH

A. Question 15b: Should the Commission establish a working group and authorize funding for a third-party contractor to develop an ME&O proposal for consideration in this proceeding? If so, what should be the scope of work for the working group and contractor? When should the proposal be due?

The Commission should establish a working group that includes CCAs to develop an ME&O proposal for consideration in this proceeding. While IOUs will be implementing the IGFCs, implementation will have direct impacts to CCAs and their customers. CCAs frequently field customer inquiries related to the IOU side of the bill,¹¹ and the development process should involve CCAs for their awareness and input. CCAs have deep knowledge of the communities in their service area and serve as an important touch-point for customers, even for issues unrelated to CCA service. Local knowledge allows for effective customer outreach and education around changes to bills that will result from the IGFCs. However, due to the likely significant changes to customer bills resulting from the IGFC (whether increased or decreased bills), a working group compiled of stakeholders including LSEs serving retail customers (i.e., IOUS and CCAs) will contribute to timely, effective, and comprehensive ME&O strategies.

¹¹ See Chapter 2 of CalCCA Reply Testimony which establishes that most customer service interactions CCAs field are unrelated to CCA service, such as IOU rate transitions, Net Energy Metering true-ups, and expiration of California Alternative Rates for Energy (CARE)/Family Electric Rate Assistance (FERA) eligibility.

CCAs have no position on whether a third-party contractor should develop an ME&O proposal; however, CalCCA notes that the earlier the ME&O proposal is created with input from the working group, the better and more effective it will be.

B. Question 15d: Should the Commission establish a working group to discuss IGFC implementation issues and recommend improvements?

The Commission should also establish a working group that includes CCAs to discuss IGFC implementation issues and consider recommended improvements. For similar reasons outlined above in response to Question 15b, CCA understanding of IGFC implementation plans and mechanisms will support customer education and acceptance of the IGFC. In addition to consideration of critical features such as how income verification will work, other topics that the working group should discuss include: (1) streamlining of CARE/FERA and other income qualified program enrollment with income verification for the IGFC; (2) income bracket restructuring; (3) ensuring low-income customers realize savings as required by AB 205; (3) community engagement; and (4) consideration of input from equity experts and California community-based organizations.

V. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of the recommendations herein and looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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ASSOCIATION

July 31, 2023