ED Staff Responses to Feedback on Draft E3 Fixed Charge Tool

ED staff responses provided in **bold**.

# Feedback from PG&E (also on behalf of SCE and SDG&E)

1) CARE Discount on Fixed Charge Methodology: The CARE discount methodology embedded in the draft tool prejudges statutory interpretation; per our briefs the utilities interpret the changes to CARE to make the 30% to 35% discount apply only to non-exempt volumetric rate components, with the required discount on fixed charges instead controlled by the language that an average low income customer in each baseline territory have a reduced bill due to IGFC implementation (in practice, this is more than a 35% discount on fixed charges). Accordingly, our tentative proposal design treats CARE participation as synonymous with the low income IGFC category, which the current draft of the tool cannot directly model. To solve both the prejudgement issue and ensure the utilities can model their proposal with the "official" version of the tool we recommend that the customer charge weightings on the "Rate Design Dashboard" tab be made separated for CARE and non-CARE customers within a tranche. This would allow the utilities to directly model their proposal and allow the current embedded interpretation to be modelled by setting the CARE weights as a function of their non-CARE weights.

**We have addressed this concern by allowing the user to choose one of two methods for specifying the customer charge. The first option is the same as what was presented in the draft tool and discussed at the February 1st workshop.**

**The alternate option allows the user to specify the specific dollar/month fixed charge amount for CARE customers by income category (the user may specify the same dollar amount for all CARE customers at all income levels), and a ratio-based weighting for non-CARE customers similar to how it works for the first option (the weighting reflects the ratio of customer charge between income categories of non-CARE customers, not relative to CARE customers). This second option also requires the user to specify how much of the difference in customer charge between CARE and non-CARE customers is attributable to the CARE program. This additional input is necessary because the revenue source for the discount on the customer charge is different for the income-based discount vs. the CARE-based discount. CARE revenues are collected from res and non-res customers, whereas the income-based discount is fully collected from res customers. Please note that this option for specifying customer charge will require the user to ensure that their rate design complies with their interpretation of the AB 205 CARE discount requirements.**

2) CARE Discount Calculation Method regarding exempt NBC treatment: On current review it appears that the model is aligned with the utilities' interpretation of how the CARE discount interacts with NBC exemptions. Specifically, the % discount applies to the non-CARE volumetric charges from which CARE customers are not exempt. So if the Average non-CARE rate were $0.30/kWh, of which $0.02/kWh were CARE exempt charges, the 35% discount would apply to the $0.28/kWh of non-exempt charges for a CARE rate of $0.182/kWh. Based on review of briefs other parties may have alternative interpretations (e.g. that the 35% should still apply against the $0.30/kWh, and $0.02/kWh then be removed, for a $0.175/kWh CARE rate). If the tool is actually doing it the second way, then the first should be modeled as an option. If it is modeled as the utilities propose, but there is indeed dispute about the correct methodology, we do not oppose both being included as togglable methodologies.

**We’re not aware of any parties that interpreted the AB 205 requirements such that it would allow for the CARE discount to be applied to both the exempt and non-exempt charges, and we have not received feedback from any other parties seeking this option in the tool.**

3) Allow Equal Cents reduction in rates instead of equal percent: For rates that feature a distribution component that is seasonal/ToU differentiated, the impact of a distribution fixed charge is modeled as a equal percent reduction to rates (so peak summer rates decrease by more $/kWh than off peak winter rates). While a possible way of implementing a fixed charge, many of the distribution costs that would be collected through a fixed charge do not vary by time period. Accordingly, the fixed charge (in most cases) reduce volumetric distribution rates on an equal cents per kWh basis. The model should allow selection of which methodology is used, rather than only having the equal percent method.

**The tool has been modified to give users the option to choose between equal cents and equal percent (or constant ratio) discounting of the volumetric rate.**

4) Potential Formula error:

On tab ‘Heat Map Results’ cells G65:P87 are divided by 12 when they shouldn’t be.

**Thank you! This has been corrected.**

5) Ability to Hard Code Fixed Charge Levels; To improve useability, it would be helpful to have the ability to directly set fixed charge levels at specific integers as an alternative to having back into it via arbitrary % cost allocations and weighting factors.

**As discussed previously, the tool now allows users to specify dollar amounts for CARE customers’ fixed charges, though the weighting factors are still needed for non-CARE customers. The weighting factors are still needed for non-CARE customers because the tool needs to have the fixed charge levels tied to the user-provided revenue allocation inputs. Without this connection, it would not be clear how to adjust the volumetric rate in a way that reflects allocation of revenue requirement line items (distribution vs. other charges, as well as the correct allocation of CARE-exempt charges).**

# Feedback from TURN

(1) Please add additional line items to the “non-marginal generation” and “non-marginal distribution” for all individual cost categories comprising 10 percent or more of the cost category. Alternatively - Please add additional line items to the “non-marginal generation” and “non-marginal distribution” for additional individual cost categories, including the following:

(a) Wildfire costs excluding traditional utility compliance programs (vegetation management, equipment O&M). This includes undergrounding for wildfire risk, covered conductor, and enhanced vegetation management.

(b) Transportation electrification not included in the PPP

(c) A&G;

(d) Cybersecurity;

(e) Physical security.

**We have made our best attempt to provide line-item details, while also maintaining as much consistency across IOUs as possible. Where it is available, we’ve also provided a further breakdown on some line items for parties’ information at the bottom of the cost allocation tabs. Given the time constraints, we will issue the tool with the level of detail that we currently have, but encourage parties to gather additional data to inform their inputs to the tool.**

(2) Please provide a further breakdown of public purpose programs by individual program.

**See response to previous comment.**

(3) Please identify in the glossary what charges, or percentage of listed charges, are non-bypassable (i.e. must be recovered from all customers including CARE, NEM, etc.).

**We identified the line items that are CARE-exempt in the cost allocation tab because they are relevant to the tool’s calculation of the CARE discount, but we did not do the same for NBCs. Due to time constraints, we have not been able to provide this additional detail. However, we encourage parties to request this additional information if it will inform their inputs to the tool and their proposals.**

# Feedback from Public Advocates Office

1. The tool should provide bill impacts by climate zone, CARE status, income bracket and usage levels.

Though the tool provides average impacts by customer subgroups, it does not provide details on the distribution of such bill impacts. Bill impact distributions are an important way to reveal data that could be obscured by sole reliance on average impacts for a representative “average” customer. An analysis of bill impact distributions is required to assess who, how many, and to what extent certain groups of customers would see bill increases or decreases due to an Income Graduated Fixed Charge (IGFC) proposal.

**Unfortunately, we are not aware of a readily available data source that would allow us to provide this level of detail on bill impacts for an income-based rate design. Our use of the Haas dataset allows us to get a breakdown of average bill impacts by subgroup, but we are not aware of any dataset that has customer-level details of usage and income level at the granularity required for this analysis.**

2. The tool should include an option to define income brackets to assess IGFC separately for CARE and non-CARE customers. Per the February 1, 2023 workshop, the draft tool currently does not include capabilities to define IGFCs separately for non-CARE and CARE customers. The draft tool only allows parties to define non-CARE fixed charge parameters, CARE fixed charges cannot be separately determined. Instead, they are calculated based on the non-CARE rate. T

**See the response PG&E’s first comment.**

3. The tool should allow parties to define income brackets defined by percentage of federal poverty guideline. This approach would allow users to define income brackets based on the federal poverty guideline. However, this would require household size data, which may not be available.

**As you note, this would require details on household size, which was not available in the Haas dataset. We do have the ability in the updated tool to specify fixed charges separately for CARE customers, who are supposed to earn 200% of FPL or less based on program requirements. Some more thoughts on this topic are offered in response to SEIA’s comments.**

4. Resulting rates should ensure CARE discounts are calibrated to be compliant with AB 205. It appears that the draft tool calculates CARE fixed charges by applying the CARE discount on the base rate. Cal Advocates understands that this base rate represents the average residential fixed charge level minus CARE exemptions. Thus, the residually calculated CARE fixed charges in the draft tool are likely lower than they should be, and the non-CARE fixed charges are likely higher than they should be. Indeed, the line-item discount today is applied to the non-CARE rate, not an average rate. Since the CARE discount is applied to the non-CARE rate, not the average residential rate, the approach should be changed accordingly.

**We discussed this comment with Public Advocates Office and resolved that the draft tool was correctly applying the CARE discount to the customer charge based on PAO’s interpretation of the AB 205 requirements.**

5. Assessing fixed charge impacts on electrification. Cal Advocates recommends that if the tool includes analysis of the impacts on electrification, it should include scenarios that evaluate electrification with predefined load profiles based on the most up to date available dispatch patterns of various electrification technologies. The tool should also provide flexibility for users to modify the load shape and the predefined load profiles should list sources along with instructions on where and how such profiles may be modified.

**The tool includes a simple electrification analysis that we were able to include without delaying release.**

6. The tool should also provide a revenue neutrality check.

The tool should also provide a revenue neutrality check or test to ensure that proposed fixed charges collect all fixed charge revenues and provide an option to correct lingering revenue shortfalls and overcollections. If users hardcode their own fixed charge amounts instead of using the fixed charge “weights” to develop fixed charges, this check will help minimize errors. This check could show the user what erroneous total revenue shortfall or overcollection amounts there are, if any. From there, the user could apply necessary adjustments to their custom, hardcoded fixed charge inputs to ensure revenue neutrality.

**The tool does a rev neutrality check as the last step of the rate design.**

# Feedback from Crossborder Energy, Consultant to the Solar Energy Industries Association (SEIA)

SEIA's primary comment is that we would like to use the current CARE eligibility requirements (which consider both household income and the size of the household) as the basis for the fixed charge tiers. We believe that consideration of household size is an important metric -- we expect that you appreciate that a single-person household with a $100k income is in a much different economic position than a family of six with the same $100k income. We also expect that parties will want to use the existing CARE eligibility requirements with which customers are familiar and for which there is an existing verification system. Finally, there is significant potential for customer confusion if there are different sets of eligibility requirements and verification procedures for CARE and the tiered fixed charges.

Thus, for example, a simple three-tier income-based fixed charge could have the following tiers:

1. CARE customers

2. Non-CARE customers with incomes up to 150% of the CARE eligibility limits by both household size and income

3. All other Non-CARE customers

Thus, this simple example would separate Non-CARE customers into two tiers by income and household size.

We recognize that the Haas data set does not include information on household size. This is a significant shortcoming, and we ask E3 and Energy Division to consider work-arounds that will allow the use of the CARE eligibility criteria -- such as providing the average number of persons per household for CARE-eligible customers, so that we know into what income tier the "average" CARE household falls. Making available the distribution of household size across the CARE population could be another useful set of data.

**As mentioned in response to PG&E’s first comment, we have updated the tool to allow for separate customer charges for CARE vs. non-CARE customers. However, as you note, we do not have household size data in the Haas dataset, which limits the ability to specify customer charges for non-CARE customers based on CARE eligibility limits (essentially, based on FPL).**

**We will do some brainstorming about what information can be provided to parties to allow them to approximate proposals that feature FPL-based income thresholds. We are making plans to hold an informal workshop with parties on this topic, which we will provide more details on once the final tool is issued.**

# Feedback from Sierra Club

1. Summary of Recommendations

As explained further below, Sierra Club makes the following recommendations for the Fixed Charge Tool:

a. Create a CARE/FERA combined tier, in addition to the current income tiers;

b. Include an income threshold of 80 percent of the area median income (AMI);

c. Provide a breakdown of EV ownership by income level;

d. Provide load shape differentiations;

e. Supplement the line items on the Cost Allocation tab to include the CEC Fee, the Reliability Services Charge, and the PUC Reimbursement Fee Charge.

f. Include as a model output a metric indicating the CARE discount relative to non-CARE customer rates after all steps in the rate design process have been applied.

**Item a) is addressed with the response to the next comment. Items b) through d) were not possible either because of data limitations or insufficient time to gather this information (we will explore the EV ownership data suggested below, and parties are welcome to use this sort of supplementary data to guide their inputs to the tool). Item e) was not gathered from the IOUs, but parties are welcome to request this information if it would help inform their proposals. Item f) can be calculated by the user by comparing the CARE and non-CARE rate components on the Rate Design Dashboard tab.**

2. Specifying Customer Charge by CARE/Non-CARE

Sierra Club requests that CARE/FERA customers be identified as a tier in addition to income tiers:

[CARE/FERA]

[0,25]

[25,50]

[50,75]

[75,100]

[100,150]

[150,200]

[200+]

Sierra Club does not believe that the estimated income breakdown of CARE customers is of material benefit. If there are, in fact, over 100,000 CARE customers with incomes over $100k, then it is unlikely that those customers would verify their income at levels above $100k while simultaneously maintaining qualification for CARE/FERA. Furthermore, since household size is taken into consideration in establishing CARE eligibility, subdividing CARE households by income level would impose a higher fixed charge on households with more members, which is contrary to the intent of CARE.

Sierra Club also recommends that E3 include an income threshold such as 80 percent of the area median income (“AMI”). Since AB 205 needs to have “low-income ratepayer” defined and applied in the rate design process, using an AMI-related benchmark would be most consistent with the practice of defining persons or households as “low-income.” If any required data are not available (e.g., household size data), the tool should use reasonable assumptions to provide this information, and allow users to turn this feature “off” if they do not consider the assumptions useful.

**As noted in response to PG&E’s first comment, the updated tool will now allow users to specify customer charges for CARE customers separately. If parties desire the same customer charge for CARE customers of all income levels, that is possible. However, because the Haas dataset did not include information about FERA status, we were not able to add FERA customers to this category. Customer counts for FERA customers are included in the tool, so parties can approximate a proposal that treats FERA customers as a separate group by using this information.**

**With regards to the AMI-based income threshold, as you note this data is not currently available. We welcome parties to offer ideas on how to approximate this threshold using data that is available in the tool. This is another topic that we will discuss at an informal workshop that we are planning and will provide more details on once the final tool is issued.**

3. Other Model Input Suggestions

During the workshop, at least one party indicated an interest in a breakdown of EV ownership by income level. Sierra Club agrees that this information could be helpful. While Energy Division indicated that E3 does not have EV ownership by income level data, we suggest that the data developed by UC Davis could be used if needed:

https://ncst.ucdavis.edu/research-product/dataset-sociodemographic-data-battery-electric-vehicle-owning-households

Sierra Club agrees with parties that raised questions about the tool providing specific load shapes, such as by customer class. The more specific load shape differentiation that can be provided in the model, the less severe the discrepancy between future actual revenue collection and the projections provided by the tool. We encourage E3 to work with the utilities (PG&E volunteered availability of data) to enhance the model.

The line items on the Cost Allocation Tab should be enhanced to also include the CEC Fee, the Reliability Services Charge, and the PUC Reimbursement Fee Charge.

4. Model Output Suggestions

Sierra Club requests that the model output display the CARE discount relative to non-CARE customer rates after all steps in the rate design process have been applied. This metric should be available in each of the output tabs (e.g., Heat Map Results). This will help clarify the impact of the compounding effect of multiple provisions affecting CARE customers.

Sierra Club supports Cal Advocates’ proposed approach to providing bill impacts by climate zone, CARE status, income bracket, and usage levels. See Cal Advocates, Comments for Consulting Services Relating to Fixed Charge Proposals at 3, R.22-07-005 (Feb. 3, 2023).

# Feedback from SDG&E

SDG&E provides it recommendations below on the fixed charge tool.

SDG&E also supports the recommendations submitted by PG&E on CARE discount methodology and calculations, potential formula errors, and ability to hard code fixed charge levels. Additionally, SDG&E supports Cal Advocates filed recommendations on CARE/non-CARE fixed charge designs and discount calculations, income brackets defined by percentage of federal poverty level, and analysis on revenue neutrality and the impacts of electrification.

SDG&E Feedback:

1. It would be helpful to see additional options for income level thresholds, both splitting up in other increments such as along X% of Federal Poverty Guidelines, and for incomes over $200k. Also clarification around how household income levels are determined. Is there a base amount for an individual and an additional dollar amount per additional person in the household? For example, $50,000/person + $10,000 for each additional person in the household to determine qualifying income levels.

**The income levels provided in the tool are driven by what data was available in the Haas dataset, which in turn was driven by data that was available from Census data. For this reason, we do not have additional breakdowns for income levels above $200k. If parties have more granular details on customer counts and usage levels for customers in this income category, they are welcome to use it to supplement/modify the outputs from the tool, so long as these assumptions are described in party proposals.**

**See prior responses regarding the ability to define income thresholds by household size.**

2. Schedule TOU-A, which is currently listed on the “Electric Rate Baseline” tab in the tool, is a small commercial rate schedule and should be removed from the tool.

**This has been removed.**

3. SDG&E cautions that Schedule EV-TOU-5 is not a good rate to compare bill impacts against because it has an embedded subsidy in the rate to incentivize transportation electrification: the transmission rate in the super off-peak period is $0.00000/kWh and the distribution rate is $0.01496/kWh. SDG&E suggests using its “electrification rate” TOU-ELEC rate as a point of comparison, as there is no embedded subsidy in the rate.

**We have also included TOU-ELEC in the tool.**

4. It would be helpful to have an identifier or mechanism to click through all input cells in the model so none are missed. Since there are input cells across several tabs it could be easy to overlook some of the options.

**We agree, but we are unable to build this feature into the tool due to time constraints.**

# Feedback from TURN, NRDC, and Synapse

1. Cost allocation tab: please add additional cost categories to the “non-marginal generation” and “non-marginal distribution” for additional individual cost categories ((i.e. individual program revenue requirement under this cost category), both according to user specification (i.e. blank lines), and the following where data is available from the utilities:

Wildfire costs (please define in the glossary tab);

Transportation electrification not included in the PPP

A&G;

Cybersecurity;

Physical security.

**See prior responses regarding additional line-item details in the cost allocation tab.**

2. Cost allocation tab: please provide a further breakdown of public purpose programs by individual program (i.e. individual program revenue requirement under this cost category).

**See prior responses regarding additional line-item details in the cost allocation tab.**

3. Glossary tab: Please provide a list of the primary cost categories included in “non-marginal generation” and “non-marginal distribution.”

**We are unable to provide additional details on this line item. Please consult with the IOUs to get more information on these cost categories.**

4. Rate design dashboard tab: Please allow for the flexibility for a user to input additional income tiers above the $200k+ line item.

**See response to SDG&E’s first comment.**