CALIFORNIA

Efficiency + Demand Management

COUNCIL

Advancing Our Clean Economy

Monthly Member Readout

May 3, 2024

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Today's Agenda

Council News

- 2024 Council Filings - April
- California Policy and Regulatory Updates

Issues/Topics

- Legislative Update
- Joint CAISO policy proposals - modified Proxy Demand Resource - Update
- IGFC Update
- Spring Symposium

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2024 Council Filings - April

April 4 - April 19 – **Comments on Straw Proposal for Penalty Enhancements: Demand Response, Investigation, and Tolling**

April 19 – **R.20-05-012 (SGIP) Joint Parties Application for Rehearing**

April 5 – **P.24-03-013 (PAO Petition) California Efficiency + Demand Management Council Response to Petition**

California Policy & Regulatory Updates

Demand Flexibility (R.22-07-005)

Proposed Decision Addressing Assembly Bill (AB) 205 Requirements for Electric Utilities

Amidst growing controversy in the state legislature over high residential fixed charges, the CPUC released its proposed decision on the matter. It would establish a $24 per month fixed charge for customers that do not qualify for subsidized rates. The monthly charge would be mandatory for all residential ratepayers whether they use energy from the grid or not. $24 would be more than twice the national average and the Commission has indicated this would be only a starting point.

The charge would be the same for all residential rates for all three IOUs. It would not be additive to the monthly charges on the existing rates that are mandatory for NEM-3 customers. The fixed charges on those rates would increase from $14-$16 to $24, while the $24 charge would also be applied to other residential rates.

The CPUC declined to include components that would make the charge higher but expressed openness to considering them in the future. The utilities would be free to propose increases in each general rate case, which happen every four years.

No new income categories would be created. CARE customers would pay $6 per month, and FERA customers would pay $12. Everyone else would pay $24. These three categories would satisfy the income graduated portion of AB 205, the 2022 budget trailer that set in motion the unpopular high fixed charge effort by the investor owned utilities.

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California Policy & Regulatory Updates (Cont.)

Demand Flexibility (R.22-07-005) NEED TO UPDATE

Proposed Decision Addressing Assembly Bill (AB) 205 Requirements for Electric Utilities

Increased revenue from the fixed charge would be offset by a decrease in kWh rates of 4.7 c/kWh for PG&E, 4.6 c/kWh for SCE, and 6.8 c/kWh for SDG&E.

As highlighted last month, Initial analysis of this structure shows that non-CARE customers who don't use much electricity and therefore can't take advantage of the volumetric rate reduction, such as apartment tenants and those living in small or energy efficient homes, would see their bills increase $180-$220 per year. High usage customers would see annual bill reductions of $330-$470.

The fixed charge is scheduled to take effect in Q4 2025 for SCE and SDG&E, and in Q1 2026 for PG&E.

The proposed decision is scheduled for a CPUC vote on May 9. The details of the proposal could change significantly before the vote.

While AB 1999 has yet to be heard, the debate over fixed charges is far from over, and additional action in the legislature this year is possible.

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California Policy & Regulatory Updates (Cont.)

Demand Flexibility (R.22-07-005) NEED TO UPDATE

Proposed Decision Addressing Assembly Bill (AB) 205 Requirements for Electric Utilities

Parties continue to lobby the CPUC seeking modifications to the Proposed Decision. For example, the Joint IOUs latest Ex Parte filing with the Commissioners requested significant changes:

The Majority of Distribution Costs are Fixed

Marginal customer costs and non-marginal distribution costs do not vary based on usage and should be defined as fixed in the decision

- Non-marginal distribution costs are not driven by a customer's usage, and therefore should be deemed eligible fixed costs collected through the fixed charge
- Examples of non-marginal distribution costs include poles and wires, wildfire mitigation, vegetation management, reliability improvements, safety and risk management, ongoing distribution O&M, regulatory balancing accounts for approved and defined programs, and programs and policy mandates
- The record does include reference to the list, which can also be found in annual rate change filings e.g., SCE Advice Letter 5178-E (Tables 2 & 3), SDG&E 4366-E, PG&E 7116-E
- The PD should be revised to acknowledge that non-marginal distribution costs are fixed and could be included in future fixed charges, which should be explored further in Phase 2

Examples of Non-Marginal Distribution Costs

GRC Authorized Distribution (Poles + Wires)

Wildfire Hardening

Veg. Management

Balancing Accounts

Policy Mandates

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California Policy & Regulatory Updates (Cont.)

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California Policy & Regulatory Updates (Cont.)

Demand Flexibility (R.22-07-005)

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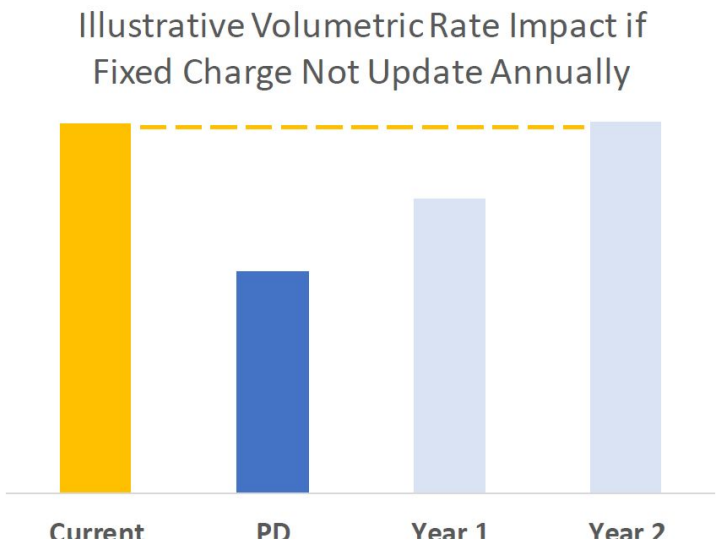
Parties continue to lobby the CPUC seeking modifications to the Proposed Decision. For example, the Joint IOUs latest Ex Parte filing with the Commissioners requested significant changes:

The Fixed Charge Must be Adjusted Annually

Not updating the fixed charge annually will erode volumetric rate reductions achieved in this decision hindering affordability and electrification

- Per the Proposed Decision, the fixed charge can potentially be revised every four years in GRC Phase 2 proceedings
- The PD should be revised to allow for annual updates as fixed charge revenue requirements increase or decrease
- Alternatively, the fixed charge can have an annual escalation mechanism similar to SMUD
- The PD should be also be revised to allow fixed charge updates in Rate Design Windows along with GRC Phase 2 proceedings



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California Policy & Regulatory Updates (Cont.)

Demand Flexibility (R.22-07-005)

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SMUD's Historical and Future Fixed Charge Changes

1) https://www.smud.org/-/media/Documents/Corporate/About-Us/Company-Information/Reports-and-Documents/GM-Reports/2023-GM-Rate-Report-Vol-1.ashx

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California Policy & Regulatory Updates (Cont.)

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Other Issues

In addition to correctly defining fixed costs and allowing for future adjustments, the following should be adopted:

Electrification Rates

At minimum, the Electrification rates should maintain existing distribution revenue collections; TURN/NRDC proposal for these rates to have $10 higher fixed charges also reasonable and should be adopted.

IOU Opening Comments pgs. 5-6, Reply Comments p. 5, TURN/NRDC Opening Comments pgs. 7-8

Deed Restricted Housing Discount Eligibility

Inclusion of some deed restricted housing residents in the $12 fixed charge bracket is not as straightforward to implement as described by the PD and should continue to be explored in Phase 2 of the proceeding.

IOU Opening Comments pgs. 7-9

Tier 3 Advice Letter Timing

IOUs request CPUC approval of the Tier 3 Advice Letter by December 2024 to ensure timely implementation and ME&O.

IOU Opening Comments p. 6

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California Policy & Regulatory Updates (Cont.)

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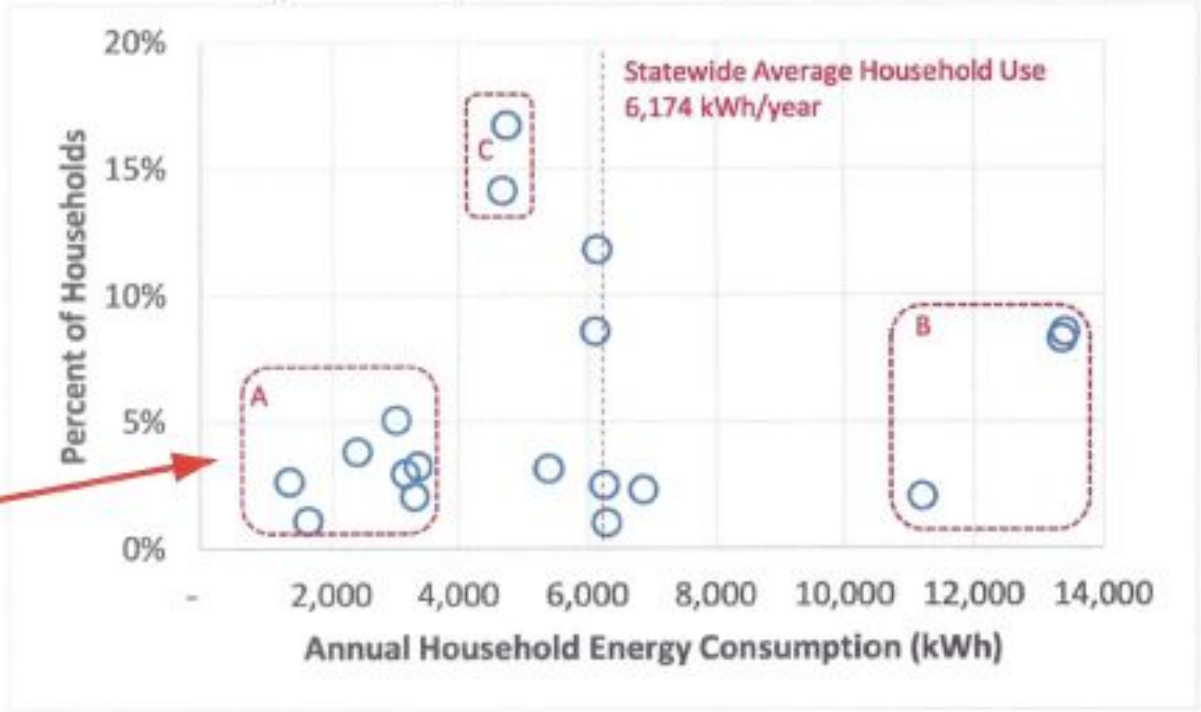
Demand Flexibility (R.22-07-005)

Key thing to understand: not everyone lives in the middle

Utility Tax proponents are only talking about an average-sized house when they say their proposal won't raise utility bills. But millions of people live in homes below the average size.

1 in 5 households live in a multi-family home that uses less electricity than the statewide average. These people will see their bills go up.



Source:
Clean Coalition, Rebuttal Testimony, Flagstaff Research Appendix, 6/2/23, pp.4-5

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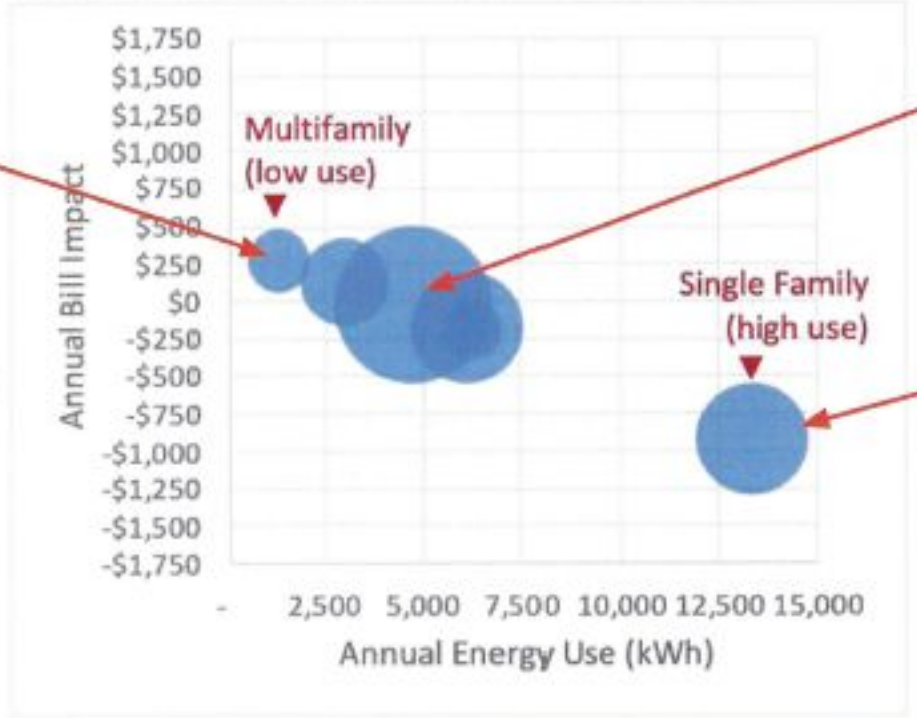
California Policy & Regulatory Updates (Cont.)

CALIFORNIA Efficiency + Demand Management COUNCIL

Demand Flexibility (R.22-07-005)

A $30/mo Utility Tax will increase bills by $250+/year on millions who live in apartments and small homes

1) The Public Advocate's $30/mo Utility Tax would increase utility bills on these households—millions of people who live in apartments, condos, and small homes. Same with NRDC and TURN's proposal.



2) Utility Tax proponents are only telling you about these households – the average. This obscures the impact on millions of low energy users.

3) Meanwhile, these large energy users—who tend to be wealthier than average—will see bill decreases close to $1,000 / year.

Source:
Clean Coalition, Rebuttal Testimony, Flagstaff Research Appendix, 6/2/23, p. 18

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Analysis of CPUC's Proposed Residential Fixed Charge on Annual Utility Bills

NON CARE/FERA $24/month	PG&E		SCE		SDG&E	
Multifamily	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)
Low Usage	1,334	+225.30	2,397	+177.74	1,623	+177.64
Medium Usage	3,009	+146.58	3,353	+133.76	3,296	+63.87
High Usage	6,254	-5.94	6,853	-27.24	6,291	-139.79
Single Family	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)
Low Usage	4,747	+64.89	4,676	+72.90)	3,160	+73.12
Medium Usage	6,112	+0.74	6,142	+5.47	5,398	-79.06
High Usage	13,337	-338.84	13,391	-327.99	11,205	-473.94

CARE $6/month	PG&E		SCE		SDG&E	
Multifamily	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)
Low Usage	1,334	+31.25)	2,397	-2.43	1,623	+0.26
Medium Usage	3,009	-19.92	3,353	-32.11	3,296	-73.68
High Usage	6,254	-119.06	6,853	-140.79	6,291	-206.06
Single Family	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)
Low Usage	4,747	-73.02	4,676	-73.19	3,160	-67.67
Medium Usage	6,112	-114.72	6,142	-118.71	5,398	-166.59
High Usage	13,337	-335.45	13,391	-343.79	11,205	-423.26

FERA $12/month	PG&E		SCE		SDG&E	
Multifamily	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)
Low Usage	1,334	+81.30	2,397	+33.74	1,623	+33.64
Medium Usage	3,009	+2.58	3,353	-10.24	3,296	-80.13
High Usage	6,254	-149.94	6,853	-171.24	6,291	-283.79
Single Family	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)	Usage (kWh) (1)	Bill impact ($) (2)
Low Usage	4,747	-79.11	4,676	-71.10	3,160	-70.88
Medium Usage	6,112	-143.26	6,142	-138.53	5,398	-223.06
High Usage	13,337	-482.84	13,391	-471.99	11,205	-617.94

(1) Usage data based on the CEC Residential Appliance Saturation Study that identifies typical low/mid/high usage for multifamily + single family households.

(2) Bill impact results based on CPUC Proposed Decision

FLAGSTAFF RESEARCH

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Low energy users, such as renters and those living in small homes, will see their bills increase under the CPUC's proposed Fixed Charge. Even some CARE and FERA households will see their bills go up. Meanwhile, the biggest bill reductions will be enjoyed by those living in larger homes with high energy usage.

High fixed charges create a direct cross subsidization from low energy users to high energy users, eroding years of progressive energy policy that covers costs based on electricity usage thereby encouraging efficiency and conservation and protecting those living in apartments and small homes.

https://www.stoptheutilitytax.org

Issues/Topics

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- **Issues/Topics**
  - AB 1999 Status
  - AB 2329 California Affordable Decarbonization Authority
  - Scoping ruling for transportation electrification rulemaking
  - Council response to PAO petition for new rulemaking
  - Application for rehearing of SGIP decision

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Scoping ruling for transportation electrification rulemaking

- On 4/12, CPUC issued the scoping ruling for the transportation electrification (TE) rulemaking
- Initially focusing on ZEV freight infrastructure b/c of expected significant load growth for medium and heavy-duty charging and its impact on electric infrastructure
- Scoping issues
  - Develop a Proactive TE Planning Framework
    - Develop and refine key inputs and planning assumptions, e.g., EV adoption forecasts, electricity demand, charger types, charging behavior, load profiles, and charger attributes
    - Prioritization criteria to inform analysis for future TE planning needs like air quality impacts, cost, and transportation needs
    - Priorities for further study and subsequent action

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Scoping ruling for transportation electrification rulemaking (cont.)

- Scoping issues (cont.)
  - Refocus ratepayer support in the TE framework: Pause the TE Rebate Program and reassess near-term ratepayer support for the program in light of affordability issues, energization delays on EV charging equipment, and substantial state and federal funding for BTM TE infrastructure over next four years
  - Vehicle-Grid Integration: Identify barriers and potential solutions for VGI deployment
  - Low Carbon Fuel Standard: Address any necessary changes related to implementation of CARB's LCFS administrative procedures
- Schedule: No detail but sets a 36-month deadline
- Next steps: TBD

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Council response to PAO petition for new rulemaking

- On 4/5, the Council filed a response to the Public Advocates Office (PAO) petition for a new rulemaking to align demand-side program budgets w/ electrification, decarbonization, equity, and reliability goals
- Key points
  - PAO's premise for the petition is unsupported; no good reason for upending the long-standing EE cost-effectiveness guidelines and demand-side program funding is already stable
  - Oppose the PAO claim that demand-side programs "compete" w/ rate affordability, electrification, and decarbonization
  - Programs w/ cost-effectiveness requirement should not be considered next to equity programs
  - Equity issues should be addressed through the CAEECC
- Parties submitted replies to responses on 4/15
- An ALJ has been assigned; Next steps: TBD

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Application for rehearing of SGIP decision

- On 4/19, Leap, CPower, Nostromo, CEERT, Renew Home, Qcells, Voltus, and the Council filed an application for rehearing (AfR) of D.24-03-071
- The decision adopted a DR participation requirement for SGIP incentives and approved a list of eligible programs that excludes third-party bilateral Resource Adequacy contracts and CCA programs
- Key arguments made including:
  - The approved programs are unsupported, especially the notion that 3P and CCA DR programs are “more complex” to enroll in
  - The approved programs are a sub-set of those approved in the 2024-2027 DR program decision which were supposed to apply to all non-DR programs
  - Contrary to past CPUC decision, this puts IOU and POU programs at an advantage vis a vis DRPs and CCAs
  - Arbitrarily limits customer choice
  - Forces current participants in 3P and CCA programs to unenroll in order to qualify for an SGIP incentive
- Next steps: Waiting for parties to file responses

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TOPICS

Energy Affordability – The Next Energy Crisis?

Policies for a Flexible Future

Community Choice Aggregators – Delivering Program Results: Lessons Learned and New Initiatives

Decarbonizing California: Progress Updates and Upcoming Opportunities

Solicitation & Contracting – Updated Survey Results; Recommendations for Potential Reform

The Value of Demand Flexibility in a Rapidly Changing Environment

https://cedmc.org/events/spring-symposium/

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Date: Thursday, May 16, 2024
Time: 9:30 am – 5:00 pm, with reception following until 6:30 pm
Registration opens at 9:00 am
Location: In-Person at the Westin San Diego Bayview (In Person Only)

The Spring Symposium is the Council's one-day professional education conference, focused on practical approaches that can be taken to more effectively deploy efficiency and demand management resources to achieve California needed to combat climate change. Topics include a combination of technical and policy issues.

Discussion & Q&A

Thank You!

Please contact us if you have any questions.

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www.cedmc.org

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