BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates.	Rulemaking 22-07-005

PUBLIC ADVOCATES OFFICE
NOTICE OF EX PARTE MEETING

Pursuant to Rule 8.4(a) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) provides notice of an ex parte meeting initiated by Cal Advocates. The purpose of this meeting was to discuss the Base Services Charge (BSC) and suggestions for the future, associated rulemaking. The BSC, formerly known as the income-graduated fixed charge (IGFC), was an issue before the Commission during Track A of this proceeding. Track A is already resolved, so Cal Advocates notices this meeting as a courtesy.

The meeting was with Andrew Klutey and Amin Younes, Advisors to Commissioner John Reynolds. The meeting occurred via WebEx on October 31, 2025, from approximately 2:31 PM to 2:54 PM PDT. Shelly Lyser, Program Manager; Cindy Li, Project & Program Supervisor; Christopher Hogan, Analyst; Nathan Chau, Analyst; and Megan Delaporta, Attorney, attended on behalf of Cal Advocates.

During the meeting, Cal Advocates expressed its support for the BSC and provided background information on the BSC and its intended benefits. Cal Advocates also advised that the rulemaking for the next iteration of the BSC be opened as soon as possible, as there are already issues that should be addressed. These issues include: additional fixed costs eligible for inclusion in the next BSC, updated moderate and high income tier definitions, income verification for those tiers, and rate design to address the Commission's designated BSC for each tier.

Cal Advocates explained that the BSC as approved in D.24-05-028 does not adequately reduce volumetric rates. This is largely because electric utilities' rates have increased significantly since 2022, when the Demand Flexibility Rulemaking (R.)22-07-005 was opened. As an example, Cal Advocates pointed out that PG&E and SCE's rates increased by over 30% since 2022, yet the BSC approved in D.24-05-028 was estimated to reduce volumetric rates for PG&E and SCE by eight to thirteen percent. Therefore, while a goal of the BSC was to reduce volumetric rates, the net result is that customers still see an increase in volumetric rates, and that the increase is simply reduced by the BSC. Cal Advocates emphasized that without efforts to increase the BSC to further decrease the volumetric rate, the state risks not meeting its equity and electrification goals.

Cal Advocates also pointed out that, in order to increase the fixed charge to provide additional volumetric rate reduction, the Commission will need to designate more fixed costs, such as non-marginal distribution costs, as eligible for inclusion in the BSC. To demonstrate, Cal Advocates noted that SDG&E includes almost all eligible fixed costs in its BSC, so the Commission would need to designate additional fixed costs as eligible to provide increased volumetric rate reduction. Cal Advocates also noted that the eligible fixed costs PG&E can include in its BSC make up only around 12% of its total revenue requirement, but this could be expanded to around 31.5% were the Commission to allow non-marginal distribution costs to be included. Cal Advocates clarified that the 31.5% of the revenue requirement would be eligible for inclusion but does not have to be included in the BSC. As a point of comparison, Sacramento Municipal Utility District (SMUD) recovers approximately 23% of its revenue requirement through its fixed charge.

In addition, Cal Advocates explained that the Commission should also determine new moderate- and high-income tiers that more accurately reflect income graduation. Cal Advocates explained that the Income Verification Working Group has discussed different options on how to determine income tiers for future versions of the BSC, such as specific household income level, federal poverty level, area median income, and

geographic proxy information. Cal Advocates also pointed out that utilizing geographic proxy information to sort customers into tiers could result in higher income customers being categorized as moderate income. Cal Advocates conveyed support for utilization of adjustment mechanisms to allow the Commission more flexibility to target accuracy and customer distributions should the proxy information method be used. Cal Advocates also emphasized the importance of accurate placement of customers into income tiers to enhance equity.

The slides presented at this meeting are provided here as Attachment A.

Respectfully submitted,

/s/ MEGAN DELAPORTA
Megan Delaporta
Attorney

Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-1319
E-mail: megan.delaporta@cpuc.ca.gov

November 5, 2025

ATTACHMENT A

The Public ADVOCATES OFFICE

Base Services Charge

October 2025

Overview

Benefits of Base Services Charge (BSC):

- Address affordability by reducing bills for low-income customers ***including non-CARE customers*.**
- Achieve greater alignment between rates and cost of service.
  - Ensure behind the meter solar customers pay for fixed costs too
- Encourage electrification adoption by reducing volumetric rate.

Approved BSC

Income Bracket	Criteria	PG&E IGFC ($/month)	SCE IGFC ($/month)	SDG&E IGFC ($/month)
1	CARE	~$6	~$6	~$6
2	FERA/Affordable Housing	~$12	~$12	~$12
3	All Remaining	$24.15	$24.15	$24.15
Estimated Impact on Volumetric Rates from D.24-05-028		-4.7 cents (-9% to -13%)	-4.6 cents (-8% to -13%)	-6.8 cents (-8% to -18%)

SDG&E AL 4701-E implemented BSC Oct. 1 with an equal cents per kWh reduction of $0.06446/kWh to volumetric rates for all residential rate schedules that are eligible to receive the BSC.

Approved Eligibility Status for Recovery of Costs

Costs the Decision includes as Eligible to Recover through BSC	Costs the Decision Deferred to Include
Marginal Customer Access Costs (MCAC)	Transmission or reliability services
Public Purpose Program non-bypassable charges (PPP)	Competition Transition Charge (CTC)
New System Generation or Local Generation charges	Wildfire Fund and/or Wildfire Hardening non-bypassable charges
Nuclear Decommissioning non-bypassable charges	Recovery Bond charge
	Non-Marginal Distribution Costs

Current Costs Included in BSC

SDG&E Loading Order Revenue Requirement Categories

Revenue Category	Eligible Revenues	% Utilization	Utilized Revenues
MCAC	~$191M	100%	~$191M
LGC	~$46M	100%	~$46M
PPP	~$139M	63%	~$88M
ND	~$0.1M	0%	$0
Total	~$376M	86%	~$325M

In SDG&E AL 4701-E, SDG&E implement BSCs of $6 for CARE customers, 12.08 for FERA/Affordable Housing customers and 24.15 for all other customers with the revenue categories above.

Potential Changes to BSC

BSC Fixed Cost Components - PG&E			
	Cost Category	**Revenue**	**Cumulative Percentage of Total Residential Revenue Requirement**
Approved Costs for Inclusion in BSC	Marginal Customer Access	$454,792,861	4.81%
	PPP-SGIP	$58,854,252	5.44%
	Residential CARE Contribution	$267,215,782	8.26%
	PPP - Not CARE Exempt	$230,732,710	10.71%
	Nuclear Decommissioning	$37,938,712	11.11%
	New System Generation Charge	$96,956,158	12.13%
Potential Addition	Non-Marginal Distribution	$1,833,578,625	31.54%

Options for New Moderate and Higher Income Tiers ($2023)

	Low Income Tiers	Moderate Income Tier	High Income Tier
Specific household income level	Status Quo - CARE/FERA	< $125K	$125K+
Federal Poverty Level	Status Quo - CARE/FERA or <250% FPL HH Size 2	250% - 650% FPL HH Size 2 ($49.3K -$128.18K)	650% FPL+; HH Size 2 ($128.18K+)
Area Median Income	Status Quo - CARE/FERA or <80% AMI	80% AMI - 200% AMI	200% AMI +
Working Group Consultant's Report Proposal	Status Quo - CARE/FERA	< 600% FPL HH 3 (<$149,160)	600% FPL+ HH 3 ($149,160+)

If proxy information is used to sort customers into tiers, as proposed by the consultant, adjustment mechanisms can be used to allow the Commission more flexibility in targeting accuracy and customer distributions into tiers.

Current Working Groups

Two working groups continue to address issues on BSC:

1. Implementation Working Group
   a. Address ME&O
   b. IOU reporting of metrics leading to a Commission evaluation report
2. Income Verification Process Working Group
   a. Consultant preparing report evaluating existing income verification processes and recommending income verification processes and alternatives that will be served to the ALJ

Future Rulemaking

The Commission should open a new Rulemaking as soon as possible to begin working on the next iteration of the BSC. The proceeding will resolve various issues that do not all rely on the working groups to provide reports. Focus the new Rulemaking on the BSC to ensure a timely resolution.

Items to be addressed:

- Additional costs that should be eligible for inclusion in as BSC
- Defining moderate and high income tiers and income verification to support assignment of customers
- Rate design to address level of BSC for each tier