



Staff Report

File #: 23-0690

REQUEST FOR CITY COUNCIL ACTION

DATE: 09/06/2023

TO: Honorable Mayor and City Council Members

FROM: City Manager's Office

SUBJECT:

REVIEW OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION'S PROCEEDING REGARDING IMPLEMENTATION OF AN INCOME-GRADUATED FIXED CHARGE FOR RESIDENTIAL CUSTOMERS

EXECUTIVE SUMMARY:

This staff report provides the City Council information about the California Public Utilities Commission's (CPUC) proceeding on implementing an Income-Graduated Fixed Charge (IGFC) for residential customers of all investor-owned electric utilities. If desired, the City Council may choose to either submit a public comment to the proceeding on behalf of the City and/or become a party in the proceeding.

RECOMMENDED ACTION:

That the City Council discuss the CPUC's proceeding on the implementation of an IGFC and use discretion with regards to staff direction.

BACKGROUND & HISTORY:

On June 30, 2022, Assembly Bill 205 ("AB 205") was signed into law by Governor Newsom. AB 205 contains a variety of energy measures that provide debt relief for utility customers (California Arrearage Payment Program), allocations for long-duration energy storage projects, new certification process for clean energy generation and storage facilities, initial investment intended to support California's energy supply and avoid outages (Strategic Reliability Reserve), among other investments and requirements.

A major component of AB 205 tasks the CPUC to use fixed charges for residential customers on an income-graduated basis with progressively higher charges for customers with higher incomes. The intention is to distribute electricity costs in a way that is more equitable, increases bill affordability, and encourages residential customers to adopt electrification measures. This requirement must take

effect by July 1, 2024.

After AB 205 was signed into law, the CPUC opened a [proceeding](#) to do this work, called an Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates (R2207005). This proceeding, among other things, considers how the CPUC should design and implement fixed charges. The outcome of this proceeding will mostly impact Southern California Edison customers in the region.

On August 10, 2023, Councilmember Wes Speake submitted a Future Agenda Request Form, asking staff to provide an overview of the California Public Utilities Commission's (CPUC) proceeding regarding IGFC. Additionally, Councilmember Wes Speake asks staff to explore how to submit a comment, submit a letter of opposition, and/or become a party.

ANALYSIS:

A CPUC proceeding, led by a CPUC Commissioner and Administrative Law Judge (ALJ), is a legal process where the commission holds a variety of hearings and meetings such as evidentiary hearings, public forums, full panel hearings, and workshops to gather information before making a final decision. All proceeding information is open to the public. All proceedings have an informal designated space for public comments.

Additionally, entities are allowed to become formal "parties" granting them rights and responsibilities during the proceeding. An entity can become a party when they file a motion to become a party, file an application, petition, or complaint, become a defendant, file a protest, or enter an appearance at a pre-hearing or hearing. When an entity motions for party status the entity must fully disclose the persons or entities in whose behalf the filing, appearance or motion is made, and the interest of such person or entities in the proceeding. Additionally, the entity must state its factual and legal contentions and show that the contentions will be reasonably pertinent to the issues already presented. The ALJ may grant or deny party status or may limit the degree to which a party may participate. A party has a right to present evidence and witnesses to strengthen their position, obtain information from other parties, and file relevant motions, petitions, objections, and briefs.

The ALJ assigned to the proceeding regarding flexibility in electric rates has granted 73 entities with party status. Some of these entities with party status include:

- Western Manufactured Housing Communities Associations
- Tesla, Incorporated
- Prologis, Incorporated
- Clean Coalition
- Fuelcell Energy, Incorporated
- Central Coast Community Energy
- California Environmental Justice Alliance
- The Utility Reform Network

The proceeding is organized into 2 tracks on differing timelines. Track A will focus on establishing an Income Graduated Fixed Charge (IGFCs) for residential customers for all investor-owned electric utilities. Although electric bills will still be based on usage, the other portion, in this case a fixed

charge, will be based on income in accordance with AB 205. Track B will focus on streamlining and adopting demand flexibility rates for large investor-owned electric utilities. Demand flexibility is the practice of adjusting energy usage to match the supply of electricity. The CPUC is attempting to standardize demand flexibility for all large investor-owned electric utilities.

The ALJ requested parties submit their opening proposals for Track A addressing the procedural pathway and resources needed for developing IGFCs.

The Government Relations Manager from Southern California Edison (SoCal Edison) shared SoCal Edison’s proposal with staff and staff has included it below. The original proposal on the left was presented by SoCal Edison early in the proceeding and the second proposal on the right was an updated proposal sent recently.

Original Proposal (Future Version)

Standard Level 2	Non-CARE/Non-FERA > \$161,590/yr. > 650% Federal Poverty Guidelines 3-person household	\$85
Standard Level 1	Non-CARE/Non-FERA < \$161,590/yr. < 650% Federal Poverty Guidelines 3-person household	\$51
CARE/FERA Level 2	CARE- or FERA-enrolled \$24,861 - \$62,150/yr. 250% Federal Poverty Guidelines 3-person household	\$20
CARE/FERA Level 1	CARE-enrolled ≤ \$24,860/yr. ≤ 100% Federal Poverty Guidelines 3-person household	\$15

Most Recent SCE Proposal (First Version)

Standard	Non-CARE/Non-FERA ≥ \$62,150/yr. ≥ 250% Federal Poverty Guidelines	\$51
CARE/FERA Level 2	CARE- or FERA-enrolled \$24,861 - \$62,150/yr. 250% Federal Poverty Guidelines 3-person household	\$15
CARE/FERA Level 1	CARE-enrolled ≤ \$24,860/yr. 100% Federal Poverty Guidelines 3-person household	\$10

The ALJ assigned to the proceeding regarding flexibility in electric rates is expected to release a proposed decision by March or April of 2024. The final proposed decision is anticipated to consider reforming fixed charges and demand charges among other objectives. The proposed decision would be issued for at least 30 days for public comment before the CPUC Commissioners vote to approve or reject the decision.

The procedural timeline, workshops, working group materials, and testimonies can be found at this [website](#).

Based on this overview, Staff has identified that the City Council can participate in the proceeding in the following ways:

1. Submit a public comment and/or opposition letter to the proceeding on behalf of the City.
2. Become a party in the proceeding.
3. Submit a letter to a Legislative Representative and/or Governor.
4. Take no action.

Option 1 grants the City Council an opportunity to take a position in the proceeding to voice their concerns to the proceeding, however, comments are not considered evidence nor are they included in the formal record. Option 2 grants the City Council an opportunity to take a formal position and an

active role in the proceeding, however, this option comes with added roles and responsibilities. Option 3 grants the City Council an opportunity to share their position outside of the proceeding, however, this option will not directly influence the proceeding. Option 4 will mean no further action on this item; however, the position of the City Council will not be heard.

FINANCIAL IMPACT:

There is no financial impact associated with this action.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action seeks direction from Council regarding their position on the CPUC proceeding regarding the flexibility of electric rates and there is no possibility that the direction provided will have a significant effect on the environment.

PREPARED BY: CARMEN ZAMBRANO, CITY MANAGEMENT FELLOW

REVIEWED BY: BRETT CHANNING, ASSISTANT CITY MANAGER

Attachments:

1. Exhibit 1 - Council Member Future Agenda Item Request Form