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Exhibit Number	:	Cal Advocates -04
Commissioner	:	Alice Reynolds
Admin. Law Judge	:	Stephanie Wang
Public Advocates Office Project Mgr.	:	Nathan Chau
Witness	:	Alejandro Marquez

Public Advocates Office
California Public Utilities Commission

Rebuttal Testimony On Rulemaking to Advance Demand Flexibility Through Electric Rates – Income Verification Implementation

San Francisco, California
June 2, 2023

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CHAPTER 2. INCOME-GRADUATED FIXED CHARGE – INCOME VERIFICATION IMPLEMENTATION & DESIGN

(Witness – Alejandro Marquez)

I. SUMMARY AND RECOMMENDATIONS

This chapter provides the Public Advocates Office at the California Public Utilities Commission's (Cal Advocates) response to other parties' opening testimonies for Phase 1, Track A of the instant Demand Flexibility Rulemaking concerning income verification and implementation of the income-graduated fixed charge (IGFC). Cal Advocates responds to proposals from the Joint Investor-Owned Utilities (IOUs), Natural Resources Defense Council (NRDC)/The Utility Reform Network (TURN), and the California Environmental Justice Alliance's (CEJAs).[1]

In summary, Cal Advocates recommends that the Commission:

A. Reject the Joint IOUs' and NRDC/TURN's inaccurate assessments of Equifax's *TheWorkNumber*.

B. Reject CEJA's proposal to reference property tax information as a proxy for income verification and to use property tax information and self-certification for income bracket assignment because property tax assessments do not reflect income and CEJA's proposal would impose high implementation costs.

C. Reject the Joint IOUs' proposal for additional income verification for California Alternate Rates for Energy Program (CARE)/Family Electric Rate Assistance Program (FERA) low-income customers for bracket assignment as it would be burdensome for these customers.

D. Implement an IGFC as soon as possible and continue to make refinements post implementation.

E. Adopt party proposals[2] to have a third-party administrator (TPA) oversee income verification under the Commission.

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[1] Joint Investor-Owned Utilities or IOUs refers to Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

[2] PacifiCorp Opening Testimony, p. 22, at lines 11-13, NRDC/TURN Opening Testimony, p. 32, at lines 3-11, Liberty Utilities Opening Testimony, p. 5, Sec. E. (1), Joint IOU Opening Testimony, p. 78, at lines 5-17.

II. DISCUSSION OF CAL ADVOCATES' RECOMMENDATIONS

A. The Commission should reject the Joint IOUs' and NRDC/TURN's inaccurate assessment of Equifax's TheWorkNumber.

1. The Joint IOUs mistakenly characterize *TheWorkNumber* and misstate that it cannot be used for the IGFC.

The Joint IOUs incorrectly claim that Equifax's *TheWorkNumber* tool cannot be used as a complete tool for income verification. They state that *TheWorkNumber* is "not designed to be the sole source of data for decision making to determine income categorization."[3] The Joint IOUs go on to inaccurately state that *TheWorkNumber* was designed to "serve as a check against income information that has already been received from a potential customer."[4] Without any reference or documented support, the Joint IOUs claim that "contacted credit agencies relayed that this was not the intended use of their product, would violate the terms of use, and may be inconsistent with the Fair Credit Reporting Act [FCRA] and/or other credit laws."[5]

Cal Advocates' review in fact found evidence contradicting the Joint IOUs' claims. Through data requests to the Joint IOUs, Cal Advocates has reviewed the communications the Joint IOUs had with credit agencies in support of the Joint IOUs' contentions regarding *TheWorkNumber*. The Joint IOUs provided Cal Advocates with contact information for the credit agencies, informational booklets, and several email communications. A statement from one of the provided point of contacts contradicts the Joint IOUs' position regarding FCRA rules.[6] The Joint IOUs' point of contact with Equifax also provided email correspondence that clarified to the Joint IOUs that *TheWorkNumber* is FCRA compliant and applicable for an IGFC.[7]

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[3] Joint IOUs' Opening Testimony, pp. 65-66, lines 22-24 & 1.

[4] Joint IOUs' Opening Testimony, p. 66, lines 1-3.

[5] Joint IOUs' Opening Testimony, p. 66, lines 11-14.

[6] Appendix A.2: Equifax Correspondence Q.2.

[7] Appendix A.5: Joint IOU – Communication with Equifax.

The Joint IOUs also incorrectly state that income information needs to be received prior to using the *TheWorkNumber* to check and verify for accuracy.[8] Through e-mail, Equifax has confirmed that no income information is needed to income verify a customer through *TheWorkNumber;* all that is needed is name, address, date of birth and social security number (if applicable).[9]

Contrary to the Joint IOUs' contentions, Equifax's *TheWorkNumber* is designed for government use to determine financial responsibility or status when granting a benefit (i.e. lower IGFC assignment) and is fully compliant with FCRA rules.[10]

2. NRDC/TURN's proposal to use *Income 360* for initial placement of customers in income brackets, with subsequent opportunities to verify with *TheWorkNumber,* is not implementable.

NRDC/TURN's proposal to utilize Equifax's *Income 360* for the initial IGFC customer income bracket assignment is not implementable.[11] In acknowledging *Income 360*'s shortcoming NRDC/TURN suggest allowing subsequent appeal opportunities with *TheWorkNumber.*

By contrast, *TheWorkNumber* is a better approach because *TheWorkNumber* is designed and broadly used for income verification to determine eligibility for a government benefit.[12]

Income 360 is an Equifax product related to income and credit that is unsuitable for IGFC income verification for several reasons. First, the proposed use of *Income 360* for initial assignment of customers is disadvantageous because it relies on a product

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[8] Joint IOUs' Opening Testimony, p. 66, lines 1-3.

[9] Appendix A.2: Equifax Correspondence Q.1.

[10] Cal Advocate's Chapter 2 Opening Testimony, Appendix A.9.

[11] NRDC/TURN Opening Testimony, pp. 35-36, lines 14-16 & 1-3. "… the TPA may contract with a third-party income estimation service to identify potential low- and middle-income customers defaulted in the high tier. These services, such as Experian's Consumer View and Equifax's Income 360, use predictive modelling to estimate household income."

[12] 15 U.S.C. §1681b(a)(3)(d) – Credit bureau permissible purpose that permits the furnishing of information by credit bureaus if it's in connection with the determination of a benefit by a government instrumentality.

tailored to create income models not reflective of actual income.[13] Second, and relatedly, *Income 360* relies on "the relationship between verified income data and credit data" to create *estimates* of income, investments, and retirement funds.[14] Consequently, this prevents *Income 360* from making accurate assessments in a residence where individuals are not directly related.[15] Third, Equifax advertises *Income 360* as a product for marketers, built to profile customers and give marketers insight on potential customers for ad targeting.[16] Most importantly, Equifax states on its informational page that Income 360 was not developed for use in FCRA applications and is not reflective of actual income.[17] NRDC/TURN's initial assignment proposal is not implementable as *Income 360* is not FCRA compliant and cannot be utilized for IGFC.[18]

3. The Joint IOUs incorrectly state *TheWorkNumber* cannot provide ongoing verifications with a customer's initial consent.

The Joint IOUs state that Equifax's *TheWorkNumber* does not have a "refresh ability" for income assessments without additional permissions from customers.[19] Cal Advocates disputes this and refers to Appendix A.6, Question 7 of Cal Advocates' Opening Testimony, Chapter 2 noting that "If the approval language in the application allows for current and future eligibility determinations, then approval can be ongoing."[20] Re-certification of income will be fundamental for the success of an IGFC and Cal

[13] NRDC/TURN Opening Testimony, pp. 35-36, lines 14-16 & 1-3.

[14] Appendix A.3: Equifax's *Income360* product sheet. Available at: https://assets.equifax.com/marketing/US/assets/income360_ps.pdf

[15] Equifax informed Cal Advocates that Income 360 is inefficient at modeling income estimates when a residence contains unrelated individuals.

[16] Appendix A.4: "Apply Income360 to your Business" available at: https://www.equifax.com/business/product/income360/.

[17] Appendix A.4: "Apply Income360 to your Business" available at: https://www.equifax.com/business/product/income360/.

[18] Appendix A.5: Joint IOU Data Request Response – Communication with Equifax.

[19] Joint IOUs' Opening Testimony, p. 68, lines 2-7.

[20] Cal Advocate's Opening Testimony, Chapter 2, Appendix A.6, Q.7.

Advocate's proposal to use *TheWorkNumber* ensures ongoing income assessments with the initial customer consent.

B. The Commission should reject CEJA's proposal to reference property assessment information as a proxy for income verification and to use property assessment information and self-certification for income bracket assignment because property tax assessments do not reflect income and implementation costs would be high.

1. Home property assessments are a poor proxy for income.

CEJA claims that property assessments or mortgage reflect the assessed value of a home and correlate to household income,[21] [22] so they can be used as proxies to verify a customer's self-attested income for determining IGFC bracket placement. CEJA proposes income brackets "based on even divisions of California's personal property tax liability."[23] CEJA assumes that higher property value assessments reflect higher incomes and proposes to place customers in income brackets based on those assessed values.[24] Evidence shows that CEJA's assumptions are incorrect.

Property tax assessments do not properly reflect the actual values of homes and are a poor proxy for income. Recently, an academic evaluation titled "An Evaluation of Property Tax Regressivity in Los Angeles County, California (Evaluation)," found that property tax assessments lead to inequitable taxation. The Evaluation finds that: "In many cities, however, property taxes are inequitable; low-value properties[25] face higher

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[21] CEJA's Opening Testimony, p. 26, lines 26-28.

[22] CEJA's Opening Testimony, p. 27, lines 11-18.

[23] CEJA's Opening Testimony, p. 3, lines 13-14.

[24] CEJA's Opening Testimony, p. 30, Table 11: San Diego residential property assessed values as a proxy for income bracket.

[25] "Low-value properties" are defined as having a sale price below the 5th decile, or average sales price for Los Angeles (LA) County.

tax assessments, relative to their actual sale price, than do high-value properties, resulting in regressive taxation that burdens low-income residents disproportionately".[26][27]

The Evaluation shows that low-value properties face higher effective tax rates. The Evaluation presents data by arranging properties in sale decile groups based on average sale value. The lowest decile of all homes sold within LA County had an average sale price of $275,633 with an average effective tax rate of 0.86%, and an average tax bill of $2,334.37. The top decile of all homes sold within the same period had an average sale price of $8,646,205 with an effective tax rate of 0.59%, and an average tax bill of $19,750.52. The highest decile has an average sale price that is just over 31 times higher than the lowest decile but an average tax bill only 8.5 times higher.[28]

The Evaluation's assessment of LA County property tax assessments paired with average home sales price demonstrates a clear underassessment that benefits more expensive homes. Property tax underassessments benefit homeowners with more expensive homes with higher discretionary income, discussed below, and obscures any potential correlation between tax assessments and income levels. Therefore, relying on a regressive property tax metric to levy progressive fixed charges is problematic.

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[26] The Evaluation contains local findings based upon an analysis of all homes sold in LA County from 2007-2019.

[27] Appendix A.1: Property Tax Project. Berry, Christopher. The Harris School of Public Policy at the University of Chicago. 2022. An Evaluation of Property Tax Regressivity in Los Angeles County, California. Policy Brief. The University of Chicago, Center for Municipal Finance. par. 1. www.propertytaxproject.uchicago.edu. Accessed May 1, 2023.

[28] Appendix A.1: Property Tax Project. Berry, Christopher. The Harris School of Public Policy at the University of Chicago. 2022. An Evaluation of Property Tax Regressivity in Los Angeles County, California. Policy Brief. The University of Chicago, Center for Municipal Finance. Sec 2. Par. 5. www.propertytaxproject.uchicago.edu. Accessed May 1, 2023.

CEJA also claims that the assessed valuation of a home reflects long-term and household income.[29] Based on CEJA's proposal for assignment of income brackets,[30] a customer who has a lower property tax assessment would be placed in a lower income bracket. However, American Community Survey (ACS) data shows that customers without mortgages tend to have lower property tax assessments and pay lower property taxes.[31] The data also shows that homeowners without mortgages have significantly lower housing cost burdens and can be interpreted as having long-term income necessary to have paid off their mortgage or purchased a home outright in cash.[32] So customers without mortgages could have lower property tax assessments but could actually be higher income customers.

The data suggests that California homeowners without mortgages pay less property taxes and have significantly lower housing burdens, which suggests more discretionary income. The California Legislative Analyst's Office (LAO) illustrates this relationship by highlighting that the difference between taxable value and actual value of a property is widened the longer a property is owned, pursuant to Proposition 13.[33] Proposition 13 limits changes in property assessments, where assessments can be

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[29] CEJA's Opening Testimony, p. 26, lines 24-28. "Third, the values of the properties more accurately represent long-term income instead of short-term income because residential properties require years of household income to make years of mortgage payments or rent payment. Fourth, because mortgage or rent payments frequently reflect household income, assessed value correlates with household income of IOU customers instead of just the person listed on the bill."

[30] CEJA's Opening Testimony, p. 30, Table 11: San Diego residential property assessed values as a proxy for income bracket.

[31] U.S. Census Bureau. 2016-2021 American Community Survey 5-year data. Mortgage Status by Real Estate Taxes Paid. Retrieved from: https://data.census.gov/table?q=california+property+taxes&t=Housing&tid=ACSDT5Y2021.B25102

Accessed May 6, 2023.

[32] U.S. Census Bureau. 2016-2021 American Community Survey 5-year data. Financial Characteristics for Housing Units with a Mortgage. Retrieved from: https://data.census.gov/table?q=housing+costs+california&tid=ACSST5Y2020.S2506

Accessed May 6, 2023.

[33] Taylor, M. (2017, October). *The property tax inheritance exclusion*. Legislative Analyst's Office. P. 2, par. 3. Available at: https://lao.ca.gov/reports/2017/3706/property-tax-inheritance-exclusion-100917.pdf Accessed May 1, 2023.

increased by only 2% of the prior years' assessment or the inflation rate, whichever is lower. This approach can create an assessed value for a property that is lower than the market price, with a low property tax rate that does not reflect a property's actual value.[34][35] According to the LAO, the majority of underassessments, or tax relief, largely benefits households earning over $120,000.[36] So customers with incomes over $120,000 (who could be considered high income) could be placed in a lower income bracket if assessed property values are used as a proxy for income. The ACS data and LAO analysis shows that residential property taxes do not accurately portray a customer's income level.

2. CEJA's proposal to employ self-certification of income with property tax assessments has high implementation costs.

Cal Advocates disputes CEJA's assessment that its proposed self-certification methos is "a low-cost way to obtain some customer income information."[37] CEJA did not provide cost estimates for implementing its proposal. CEJA proposes to require property tax assessments in addition to self-certification[38] so its proposal would likely cost more than the Joint IOUs estimate of $9.40 per income verification.[39] The

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[34] Mechanisms are available to allow for ongoing low property value assessments. For example, transfer of property assessments is possible and permits homeowners with very low property value assessments to sell their home and purchase another within the state and carry over low assessments in what is called a "Base Year Value Transfer," with eligible Californians (aged 55+ or disabled) permitted to do so up to three times. See: State Board of Equalization, Comparison Charts, Base Year Value Transfer. Available at: https://www.boe.ca.gov/prop19/#Charts. Accessed May 24, 2023.

[35] A low property value assessment can also be claimed by recipients of property. Over 650,000 homes passed to beneficiaries in the past 10 years who were allowed to claim the lowered property assessments provided to their parents or grandparents. See: Taylor, M. (2017, October). *The property tax inheritance exclusion*. Legislative Analyst's Office. P. 3, par. 2. Available at: https://lao.ca.gov/reports/2017/3706/property-tax-inheritance-exclusion-100917.pdf Accessed May 1, 2023.

[36] Taylor, M. (2017, October). *The property tax inheritance exclusion*. Legislative Analyst's Office. P. 9, par. 4. Available at: https://lao.ca.gov/reports/2017/3706/property-tax-inheritance-exclusion-100917.pdf Accessed May 1, 2023.

[37] CEJA's Opening Testimony, p. 25, lines 4-7.

[38] CEJA's Opening Testimony, pp. 2 & 3, lines 15-17 & 13-14.

[39] Joint IOUs' Opening Testimony, p. 92, Table III-13, "Difference from IGFC."

additional property tax verification process would add to the administrative burden of income verification. The Commission should reject CEJA's overall proposal to use property taxes and self-certifications for income verification as it is both inefficient at quantifying income and expensive to implement.

C. The Joint IOUs' proposal for additional income verification for all CARE/FERA customers for income bracket assignment would be burdensome.

The Joint IOUs propose two lower income brackets for CARE/FERA customers and state they would use the third-party income verification data method adopted in this IGFC proceeding to assign the appropriate income brackets.[40] To provide access to third-party data, such as Equifax's *TheWorkNumber* or FTB data, customers might be required to provide permission and go through additional processes. The Joint IOUs currently collect income data from some customers for enrollment into income qualified programs, including CARE/FERA.[41] For CARE/FERA, SCE and SDG&E record stated income whereas PG&E records income ranges, with the Joint IOUs having income data for at least 40% of participants.[42] [43] The Joint IOUs should reference all recorded available income data for IGFC bracket placement of CARE/FERA customers prior to requiring additional income verification.

The Joint IOUs propose an additional CARE/FERA customer income verification requirement to determine income bracket assignment.[44] This Joint IOU proposal for an additional requirement runs counter to the Joint IOUs' testimony that CARE customers struggle with income verification under existing processes.[45] The Joint IOUs report that

[40] Joint IOUs' Opening Testimony, p. 84, lines 25-26.

[41] The Joint IOUs collect income data from customers for those not enrolling onto CARE through program eligibility, or proof of participation in a public assistance program. See: Joint IOU's Opening Testimony, pp. 61-62, lines 22 & 1.

[42] Joint IOUs' Opening Testimony, p. 69, lines 1-5.

[43] Joint IOUs' Opening Testimony, p. 69, lines 3-7.

[44] Joint IOUs' Opening Testimony, p. 84, lines 25-26.

[45] Joint IOUs' Opening Testimony, p. 70, lines 11-25.

CARE post-enrollment verification, which requires customers to actively engage and mail proof of income, has a large drop off rate.[46] The Joint IOUs state only 31% of customers are retained in the CARE program.[47] The Commission's Low Income Needs Assessment verifies the Joint IOUs' information, stating two thirds of customers reported issues with meeting income verification requirements, but that 54% of customers reported they were still income eligible for CARE.[48] Burdening CARE and FERA customers with an *additional* income verification requirements would likely result in greater attrition in these programs.

Cal Advocates' opening testimony outlines the importance of reducing active engagement by CARE customers and Access to Functional Needs (AFN) households[49] CARE customers that rent their residence are largely comprised of seniors (26%) and non-English primary 10 households (56%), also called AFN customers. AFN households would be particularly burdened by complex application requirements. The Commission's Environmental & Social Justice (ESJ) Action Plan Action Item 2.3.3 states the Commission should "leverage…CARE… programs to cross-refer to other CPUC initiatives."[50] The ESJ Action Plan also identifies AFN customers as in need of consideration in the Commission's regulatory policy.[51] This Order Instituting Rulemaking (OIR) instructed that the Commission's ESJ Action Plan be referenced to better support ESJ communities.[52] The Commission should not create new burdens for

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[46] Joint IOUs' Opening Testimony, p. 72, lines 22-25.

[47] Joint IOUs' Opening Testimony, p. 72, lines 22-25.

[48] 2019 CPUC Low Income Needs Assessment, Executive Summary, Informing CARE Program Post-Enrollment (PE) Processes, p. 3. Published December 13, 2019 & available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energyefficiency/iqap/2019linavol1.pdf.

[49] Cal Advocate's Opening Testimony, Chapter 2, p. 2-5.

[50] CPUC Environmental & Social Justice Action Plan v2.0, Appendix A: Action Plan Items, 2.3.3, p. 33.

[51] CPUC Environmental & Social Justice Action Plan v2.0, Appendix A: Action Plan Items, 5.4.1, p. 45.

[52] Order Instituting Rulemaking, Sec. 2 Purpose of Proceeding, pp 6-7. "First, this rulemaking will adopt updated rate design principles and guidance principles for advancing demand flexibility through rates while advancing the Commission's ESJ Action Plan goals."

all CARE and FERA customers and instead only require it where internally referenceable income data is not available to the IOUs.

D. The Commission should implement an IGFC as soon as possible and continue to make refinements post implementation.

1. There are barriers to address before Department of Social Services (DSS) or Franchise Tax Board (FTB) data is available for IGFC use.

The Joint IOUs recommend the Commission adopt an income verification model that utilizes DSS and FTB data for implementation of the IGFC.[53] This recommendation is modelled after the Commission's LifeLine program and the existing data-sharing agreement in place between the Commission and DSS.[54] This data-sharing agreement is limited as it only provides yes/no values from DSS to the Commission in response to the question that asks whether an applicant is receiving benefits through the CalFresh Confirm Hub.[55] No income values are provided to the Commission. Moreover, existing agreements between DSS and Equifax prohibit the sharing of income verifications completed for other state agencies, which effectively bars use of DSS data.[56]

While the Joint IOUs' proposal would be an effective and streamlined means to conducting income verification, at present, the sharing of FTB data is restricted by State law and cannot be considered as an immediately implementable solution for income verification in this proceeding.[57] Amendments to the tax code that permit sharing of data exist for other state agencies.[58] Future action by the legislature that permits the sharing of FTB data could expand the data sources available to the Commission.[59]

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[53] Joint IOUs' Opening Testimony, p. 81, Figure III-7.

[54] Cal Advocate's Chapter 2 Opening Testimony, Appendix A.12.

[55] Cal Advocate's Opening Testimony, Chapter 2, p. 2-19, Figure 3.

[56] Appendix A.2: Equifax Data Request, Q.3.

[57] Cal. Rev. & Tax. Code §19552.

[58] Cal. Rev.& Tax. Code §19555.

[59] Cal Advocate's agrees with the Joint IOUs statement that a hierarchical order referencing more than one income verification method be incorporated under a third-party administrator. See: Joint IOU's Opening Testimony, p. 77, line 17.

2, The Joint IOUs' proposal to rely on action by the legislature should not prevent the Commission from adopting an immediately implementable income verification method.

The Joint IOUs state that a minimum of 32 months is needed post-decision for implementation of an IGFC onto customer bills.[60] This timeframe requires action by the State Legislature, where the Joint IOUs state "they anticipate that any necessary legislation could still occur in the 2023 legislative session."[61] The Joint IOUs estimate 32 months to implement an IGFC, after legislative amendment to FTB law, with the IGFC introduced on to customer bills on July 1, 2026, at earliest. This extended timeframe undermines this proceeding's objective of making electric bills more affordable and equitable.[62]

The Joint IOUs' timeframe for implementation is extended due to their failure to propose an income verification method for the IGFC that does not rely on FTB data. SDG&E has stated that implementation of an IGFC onto its billing system can be completed within 10 months, after a robust income verification method is made available.[63] The Commission should reject the Joint IOUs' extended implementation timeframe as excessive. Cal Advocate's proposal to verify income utilizing *TheWorkNumber* can be rapidly implemented in three to four months post-signing of an agreement between Equifax and the Commission after which it can be made available to the IOUs.[64] Cal Advocate's rapidly implementable income verification proposal and SDG&E's shorter, 10-month implementation timeframe would more quickly provide rate relief to customers.[65]

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[60] Joint IOUs' Opening Testimony, p. 100, lines 7-13.

[61] Joint IOUs' Opening Testimony, p. 94, lines 17-19.

[62] Order Instituting Rulemaking R.22-07-005, Sec 2, p. 6, line 27.

[63] SDG&E Opening Testimony, Chapter 2 (SCE-02), p. NK-3, lines 3-9.

[64] Cal Advocate's Opening Testimony, Chapter 2, p. 2-8, lines 7-12.

[65] Cal Advocate's Opening Testimony, Chapter 1, Sec. D, p. 17.

E. The Commission should adopt party proposals to have a TPA[66] oversee income verification under the Commission.

Cal Advocates agrees with Bear Valley Electrical, Liberty Utilities, NRDC/TURN, and the Joint IOUs in supporting a TPA administer model authorized by the Commission to conduct income verification.[67] The LifeLine program provides proof of a TPA concept that the Commission has authorized, and would allow the IOUs to avoid handling personally identifiable information. If the Commission authorized a TPA, it would likely allow for easier implementation of FTB data in the future, if it becomes available. The Commission should adopt the broadly supported TPA proposal.

III. CONCLUSION

This testimony makes several recommendations. First, the Commission should reject the Joint IOUs' and NRDC/TURN's incorrect assessment of Equifax's *TheWorkNumber* product. Second, the Commission should reject CEJA's proposed IGFC income verification mechanism relying on property tax assessments because it is costly and ineffective. Third, the Commission should not adopt additional income verification requirements or CARE/FERA customers for bracket assignment. Lastly, the Commission should implement an IGFC under a Commission-backed TPA as soon as possible with future opportunities to make refinements.

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[66] A TPA process is discussed in Cal Advocate's Opening Testimony, Chapter 2, p. 2-18, lines 10-16.

[67] PacifiCorp Opening Testimony, p. 22, at lines 11-13, NRDC/TURN Opening Testimony, p. 32, at lines 3-11, Liberty Utilities Opening Testimony, p. 5, Sec. E. (1), Joint IOU Opening Testimony, p. 78, at lines 5-17.

APPENDIX A

Supporting Documents

APPENDIX A.1
“An Evaluation of Property Tax Regressivity in Los Angeles County, California. Center for Municipal Finance, University of Chicago Harris School of Public Policy.”

An Evaluation of Property Tax Regressivity in Los Angeles County, California

Center for Municipal Finance

1 Introduction

The property tax is the single largest source of revenue for American local governments. Cities, counties, school districts, and special districts raise roughly $500 billion per year in property taxes, accounting for 72% of local taxes and 47% of locally raised revenue (U.S. Census Bureau 2016). Whether residents rent or own, property taxes directly or indirectly impact almost everyone.

In many cities, however, property taxes are inequitable; low-value properties face higher tax assessments, relative to their actual sale price, than do high-value properties, resulting in regressive taxation that burdens low-income residents disproportionately.

The standard approach for evaluating the quality and fairness of assessments is through a sales ratio study (International Association of Assessing Officers 2013). A property's sales ratio is defined as the assessed value divided by the sale price. A sales ratio study evaluates the extent of regressivity in a jurisdiction, along with other aspects of assessment performance, by studying sales ratios for properties that sold within a specific time period. A system in which less expensive homes are systematically assessed at higher sales ratios than more expensive homes is *regressive*.

This report presents a basic sales ratio study for Los Angeles County, California, based on data from CoreLogic (https://www.corelogic.com/). CoreLogic collects property data from assessors (and other sources) across the country. We use data for residential properties that sold between 2007 and 2019 (the most recent year available for this jurisdiction) and are classified as arm's-length transactions by CoreLogic. For each home that sold, we compute the sales ratio as the assessed value in place on January 1 of the sale year divided by the sale price. For more details, see the Appendix.

2 Sales Ratio Analysis

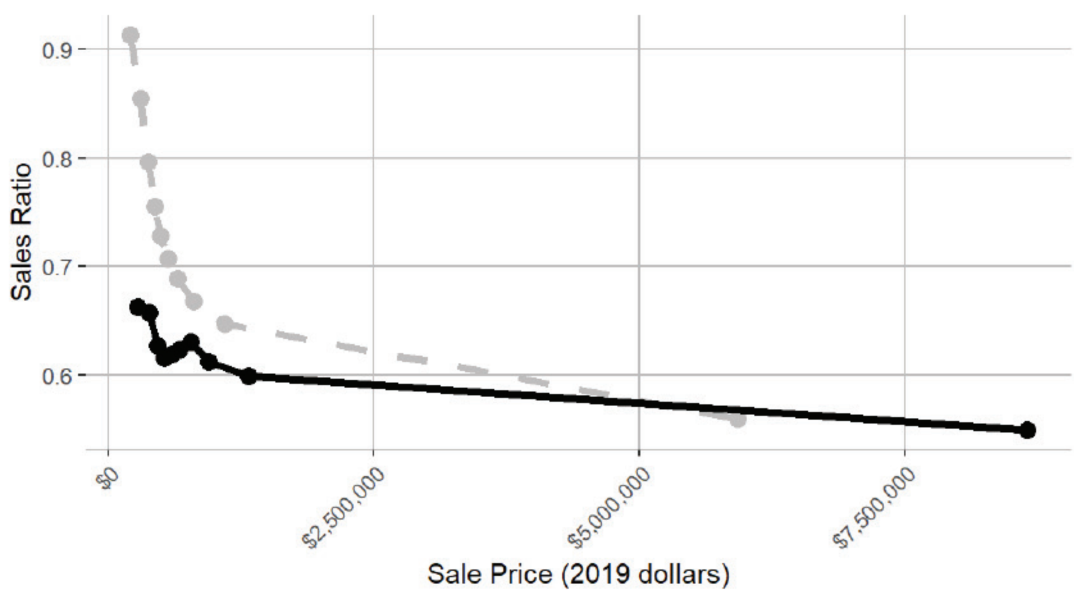
The relationship between assessments and sale prices is regressive if less valuable homes are assessed at higher rates (relative to the value of the home) than more valuable homes. To evaluate regressivity in assessments, Figure 2.1 presents a binned scatter plot of sales ratios against sale prices.

For this graph, property sales have been sorted into deciles (10 bins of equal size based on sale price), each representing 10% of all properties sold. Each dot represents the average sale price and average sales ratio for each respective decile of properties. This graph compares the most recent values for 2019 (solid line) with the average across all years of observation from 2007 to 2019 (dashed line). All values were adjusted for inflation to 2019 dollars to facilitate comparisons.

If sale prices are a fair indication of market value and if assessments were fair and accurate, Figure 2.1 would be a flat line indicating that sales ratios do not vary systematically according to sale price. A downward sloping line indicates that less expensive homes are over-assessed compared to more expensive homes and is evidence of regressivity.

In 2019, the most expensive homes (the top decile) were assessed at 54.9% of their value and the least expensive homes (the bottom decile) were assessed at 66.3%. In other words, the least expensive homes were assessed at **1.21 times** the rate applied to the most expensive homes. Across our sample from 2007 to 2019, the most expensive homes were assessed at 56.0% of their value and the least expensive homes were assessed at 91.3%, which is **1.63 times** the rate applied to the most expensive homes.

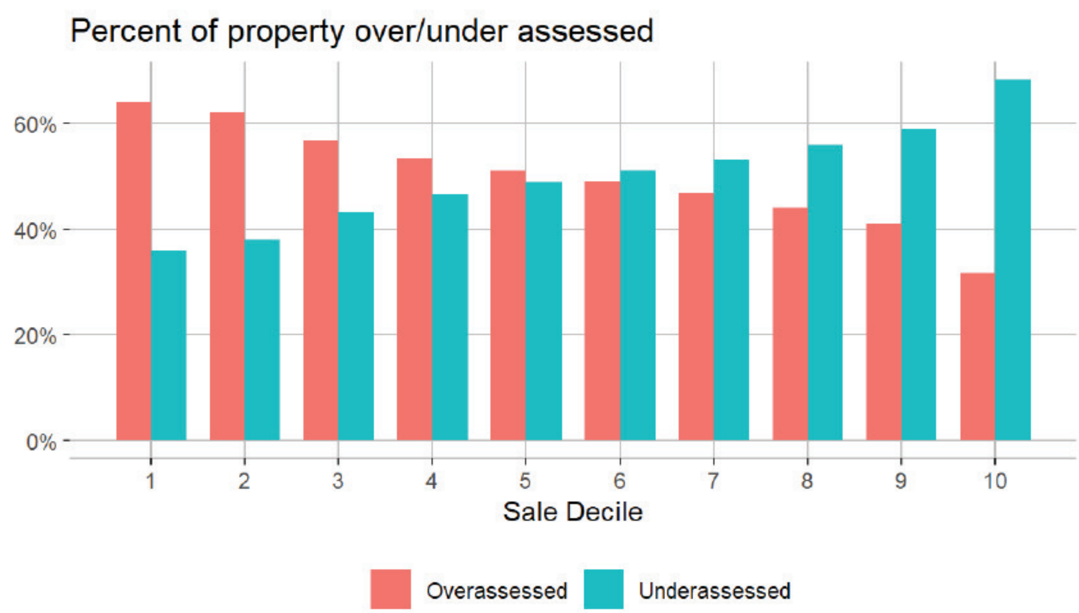
Figure 2.1



2019 (solid). Full sample average (dashed).

Figure 2.2 shows the share of properties in each decile that were overassessed or underassessed. relative to the median rate of assessment. That is, a property is classified as overassessed if its sales ratio is above the median sales ratio for the jurisdiction, and classified as underassessed if its sales ratio is below the median. If errors were made randomly, each decile would have 50% of properties overassessed and 50% underassessed. When lower value homes are more likely to be overassessed than higher value homes, it is evidence of regressivity. In Los Angeles County, California, **64%** of the lowest value homes are overassessed and **32%** of the highest value homes are overassessed.

Figure 2.2



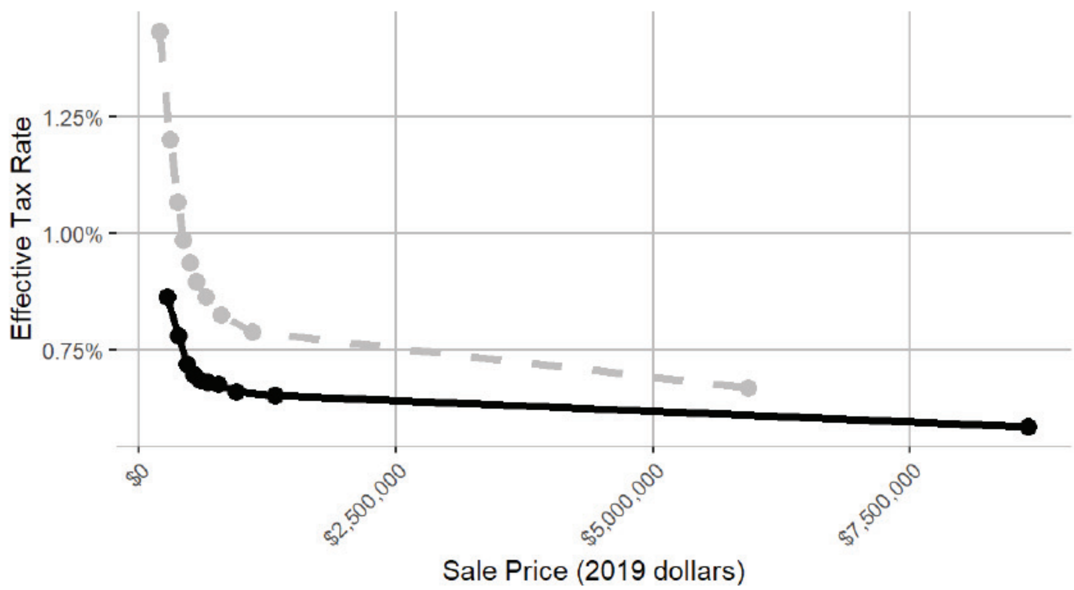
3 Effective Tax Rates

Assessed values are the basis on which taxes are calculated, meaning that inequities in assessments will be transmitted into inequities in tax rates. In this section, we evaluate effective tax rates – a property's tax bill divided by its sale price – according to sale price.

Importantly, the effective tax rate is the actual tax rate paid inclusive of exemptions or other tax breaks. Often, because exemptions are more likely to target low-valued properties, they may offset some of the increased taxation resulting from over-assessment. In other words, tax rates will often be somewhat less regressive than assessments. Tax rates also will vary widely based on municipal and school district boundaries. This section analyzes tax rates across the entire county. A brief analysis by school district, which roughly approximates a single taxing district, is also presented in the Appendix.

Consistent with Figure 2.1, in 2019, the most expensive homes (the top decile) had an effective tax rate of 0.59%, while the rate for the least expensive homes (bottom decile) was 0.86%, which is **1.47 times** the rate applied to the most expensive homes. Across our sample from 2007 to 2019, the most expensive homes had an effective tax rate of 0.67% of their value and the least expensive homes had an effective tax rate of 1.43%, which is **2.14 times** the rate applied to the most expensive homes.

Figure 3.1



2019 (solid). Full sample average (dashed).

Table 3.1

Table 3.1 presents a simple analysis of effective tax rate by sale decile (where sale decile 1 consists of the most inexpensive homes in this jurisdiction and 10 the most expensive). A property's "fair" tax bill is the bill that would have been charged if the property was taxed at the average rate, and the "shift" is the difference between the fair bill and the actual bill. In 2019, the average effective tax rate in Los Angeles County, California was 0.70%.

Tax Rate by Sale Decile

Tax Year	Sale Decile	Effective Tax Rate	Average Sale	Average Tax Bill	Fair Tax Bill	Average Shift
2019	1	0.86%	$275,633	$2,334.37	$1,931.80	$402.56
2019	2	0.78%	$389,315	$3,038.23	$2,728.55	$309.68
2019	3	0.72%	$467,030	$3,358.62	$3,273.23	$85.39
2019	4	0.70%	$532,354	$3,709.01	$3,731.06	-$22.05
2019	5	0.69%	$596,706	$4,093.62	$4,182.08	-$88.46
2019	6	0.68%	$672,488	$4,586.12	$4,713.20	-$127.08
2019	7	0.68%	$777,644	$5,267.24	$5,450.20	-$182.96
2019	8	0.66%	$948,830	$6,268.69	$6,649.97	-$381.28
2019	9	0.65%	$1,322,434	$8,630.77	$9,268.41	-$637.64
2019	10	0.59%	$8,646,205	$19,750.52	$60,597.80	-$40,847.28

For example, in 2019, the average property in the bottom decile sold for a price of $275,633 and had a tax bill of $2,334.37. If this property was taxed at the average rate of all other properties, its fair bill would be $1,931.80, meaning that the homeowner **overpaid by $402.56, or 20.8% above** the fair tax. Correspondingly, the average property in the top decile sold for $8,646,205 and had a tax bill of $19,750.52. If this property was taxed at the average rate of all other property, its fair bill would be $60,597.80, meaning that the homeowner **underpaid by $40,847.28, or 67.4% below** the fair tax.

APPENDIX A.2
Equifax Correspondence

From:	Rick Keene
To:	Marquez, Alejandro "Alex"
Subject:	[EXTERNAL] Re: [IE] TheWorkNumber Implementation Questions
Date:	Thursday, June 1, 2023 4:38:05 PM
Attachments:	image001.png

Hello Alex,

Here are the questions you posed followed by my answers:

Q.1 Can you confirm that TheWorkNumber is FCRA compliant for the purposes of instituting an income graduated fixed charge (IGFC)? Can you also confirm that TheWorkNumber contains actual income data that the California Public Utilities Commission (CPUC) can reference for an IGFC?

Answer to Question 1:

The Work Number is FCRA compliant and under the FCRA can be used to determine the eligibility for a government benefit (Section 604(a)(3)(D)). It can also be used where there has been instructions by the consumer in writing to use this data, such as is often granted in an application for a benefit. (Section 604(a)(2).

Based on what I understand, the IGFC is a result of a government action (legislation) requiring that the CPUC institute an income graduated fixed charge on ratepayers based on their income.

If, to accomplish the income graduated charge it would be assumed that all ratepayers would be initially charged at the highest IGFC tier, the reduction of that legislatively mandated charge would therefore be a government "benefit".

How this is to be appropriately evidenced would be up to the CPUC, but there is no statutory preclusion from using this data as a sole source for making an income eligibility determination.

Q.2 Can you confirm that no stated income information is needed from a customer prior to being able to income verify through TheWorkNumber? All that is needed is name, address, date of birth and social security number (if applicable)?

Although in some government programs, this system is used to validate someone's previously stated income and providing stated income is sometimes required by the state or federal benefit program themselves, it is not required by the FCRA, nor is it necessary for a Work Number search. If they choose, the CPUC would decide whether stated income would be needed for this program.

Most often, to search for income, the only information needed is a name and social security number to make a TWN search. In cases where an applicant's social security number is not available, name, address and date of birth is an alternative Work Number search method. Again, stated income is not a necessary predicate for a search.

Q.3 Can you confirm that Equifax's agreements with other state agencies forbids the sharing of income data? As a hypothetical, would the Department of Social Services be allowed to share income information they have with the CPUC for an IGFC?

Each contracting state or federal agency is only allowed a limited use of The Work Number for their specific contracted program purposes.

As an example, DSS contracts for The Work Number for use for CalWORKS and CalFresh eligibility determinations. The Federal CMS provides California access to The Work Number data for MediCal and Covered California eligibility determination purposes.

Even though the same eligibility workers make income eligibility determinations for some of these same programs, they cannot use the same system for another program's eligibility determinations. The DSS contract only allows searches for CalWORKS and CalFresh, and the CMS Hub contract connection can only be used for MediCal and Covered California income searches.

Please let me know if I may be of further assistance.

Rick Keene
Account Executive - Public Sector
California State and Local Government
Equifax Workforce Solutions
(530)354-5711

On Thu, Jun 1, 2023 at 9:26 AM Marquez, Alejandro "Alex"

<Alejandro.Marquez@cpuc.ca.gov> wrote:

Hi Rick,

I'm reaching out to see if you can provide a few clarifying comments on statements made by other parties in testimony for the income graduated fixed charge. If you could respond to each question for me to submit as supporting evidence, I would greatly appreciate it below I would appreciate it.

Q.1 Can you confirm that TheWorkNumber is FCRA compliant for the purposes of instituting an income graduated fixed charge (IGFC)? Can you also confirm that TheWorkNumber contains actual income data that the California Public Utilities Commission (CPUC) can reference for an IGFC?

Q.2 Can you confirm that no stated income information is needed from a customer prior to being able to income verify through TheWorkNumber? All that is needed is name, address, date of birth and social security number (if applicable)?

Q.3 Can you confirm that Equifax's agreements with other state agencies forbids the sharing of income data? As a hypothetical, would the Department of Social Services be allowed to share income information they have with the CPUC for an IGFC?

Thank you,

Alejandro "Alex" Marquez

Public Utilities Regulatory Analyst

Electricity Pricing - Public Advocates Office

California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

Alejandro.Marquez@Cpuc.ca.gov | publicadvocates.cpuc.ca.gov

The Public
ADVOCATES
OFFICE

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APPENDIX A.3
Equifax – Income 360 Product Booklet

EQUIFAX®

Income360

Powerful income measure up to $2.0 million

Today's standard income measures often present a limited view of household income and tend to lose accuracy at higher income ranges. That's why Income360® presents a household-level income estimate that provides dollar values of total estimated income up to $2.0 million, rather than an income range.

Income360 is unique: not only does it include both estimated income from wages and investments, it also includes estimated income from businesses and retirement funds. Income360 provides a powerful and more complete estimate of your prospects' and customers' total household income.

Powered and validated by proprietary inputs

Income360 is based on multiple models, validated and benchmarked by numerous data sources, allowing for a more precise, accurate estimate of total household income.

Unlike other available income measures, only Income360 is built on Equifax proprietary financial data that measures income generated from assets. Income360 also incorporates modeled wage and salary data, validated by an Equifax proprietary database of payroll records. Plus, non-salary income models (including small business, investment, and retirement income) incorporate a truth set of and are benchmarked by aggregate IRS and other government sources. Personally Identifiable Information (PII) is not used in any part of Income360.

Improve segmentation and modeling performance

You're likely using some form of income in the majority of your marketing, data segmentation, and risk applications. Imagine the impact of a household income estimate that is uncapped up to $2.0 million. It could dramatically improve your model performance and uncover opportunities you never knew existed among your current clients and in your existing prospect database.

Key benefits

Takes into account that **salary does not always equal income:** Income360 includes estimated income from wages and investments, as well as estimated income generated from businesses and retirement funds

Provides a continuous dollar value of income without ranges up to $2.0 million per household

Based on multiple validated and benchmarked models and does not include the use of Personally Identifiable Information (PII)

Derived from a foundation of **anonymous, measured invested assets**

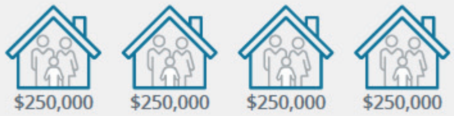
Can be applied to **any customer or prospect file** with name and address

Developed **for use in non-FCRA applications** across the customer lifecycle

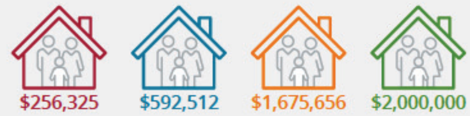
Income360 Digital is also available for use in online applications such as ad targeting and landing page optimization.

Are any of your customers making more than $125,000 per year?

Using the ranges provided by most standard income measures, these four households look the same:



Only Income360 can show you the estimated total income for these same households:



- Using standard income measures, the nearly 8% of U.S. households who make more than $250,000 are all treated the same. But we know that households that earn $500,000 behave differently than households that earn $250,000. That's why you need more accurate income estimates that differentiate households up to $2.0 million.
- Standard income estimates typically provide only a dozen or so income ranges — and that's on the high end. If you have models that target incomes between, say $50,000-$99,999, you're probably using only 1 or 2 income ranges. Envision how your models would perform using household-level income values.

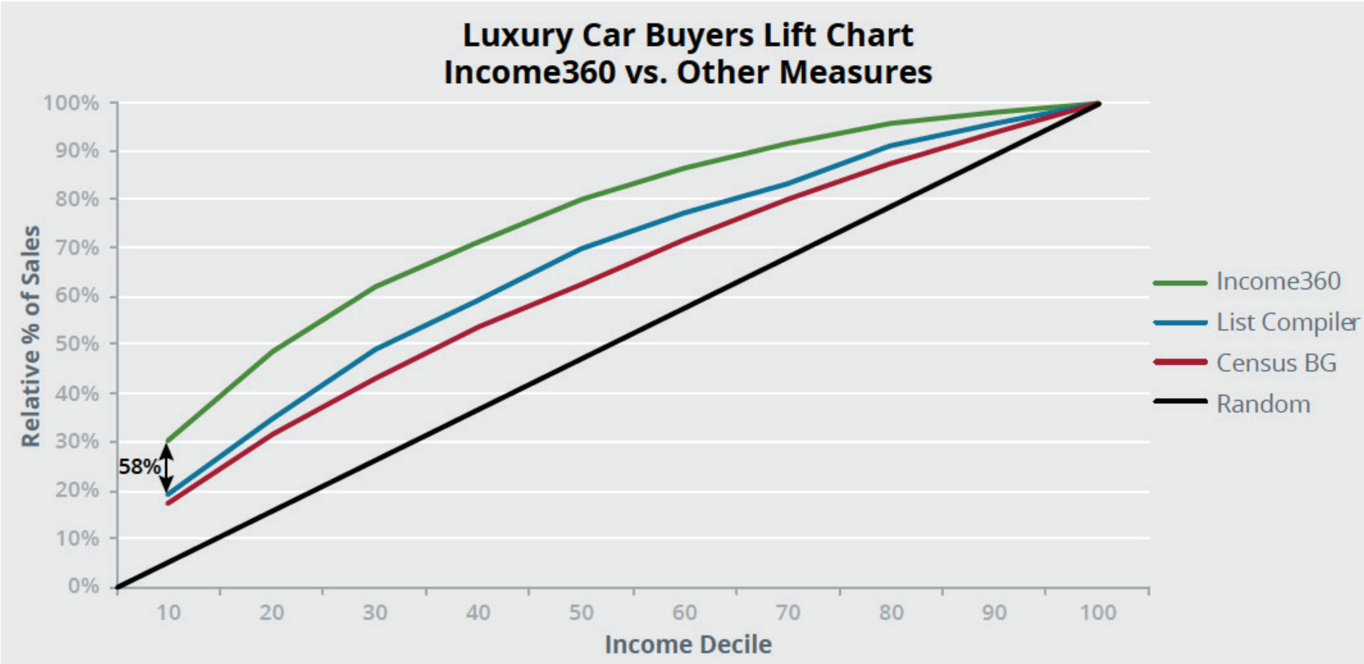
Applying Income360 to your business

Income360 can dramatically improve your targeting efforts and model performance and uncover hidden opportunities among your current customers and prospect database. Use Income360 to:

- Profile existing customers for a more accurate predictive measure of how they will interact with you
- Prospect for new customers by better identifying households with appropriate incomes for your products and services
- Conduct market analyses, size markets for key target segments, and identify growth opportunities
- Determine effective product positioning and match offers with appropriate customers
- Identify optimal cross-sell/up-sell opportunities within your customer base based on the likely financial capacity of customers
- Improve targeting and management of CRM and loyalty efforts
- Execute more efficiently and minimize compliance review time by using an estimated income measure that does not include PII

Income360 applications

- **Mortgage:** Evaluate mortgage holders' estimated ability to pay given rate fluctuations
- **Credit:** Supplement existing measures for enhanced ITA and other applications
- **Insurance:** Identify consumers that may need premium coverage or multiple insurance investment products
- **Banking:** Identify clients with potential to increase deposits and/or who require additional services
- **Securities:** Enhance models that contain traditional income measures
- **Retail, travel, and telco:** Identify customers and prospects likely to have the ability to purchase premium goods and services



For Luxury Car Buyers, Income360 provides 58% lift over the next best alternative, as shown by the black arrow.

30% of luxury car buyers are captured in the top Income360 decile, whereas a List Compiler that ranks households by a standard income measure captured only 19% of luxury car buyers in the top decile, and the Census Block Group income measure captured just 17%.

Income360 combined with other measures helps maximize performance

Income360 can be combined with our other financial measures to help maximize performance. For example:

Income and spending: Income360 combined with DS$™ (Discretionary Spending Dollars™) offers a view of the estimated dollars both coming in and out of a household. DS$ presents estimated household-level spending up to $1.2 million.

Contact us to find out how Income360 can provide your company with powerful new insights about your customers' and prospects' total income.

800.210.4323 • info.ddm@equifax.com • equifax.com/DDM

APPENDIX A.4
Equifax Website – Income 360
See: Apply Income 360 to Your Business

Product

Income360

Enhance targeting with a total household income estimate, including income from assets

Contact Us

Better Understand Consumer Behaviors

Marketers and analysts can get a more complete estimate of household income to improve performance for both direct marketing and online targeting campaigns with Income360®. With continuous household-based dollar estimate of income uncapped up to $2 million - overcoming the limitations of standard income measures that tend to lose accuracy at higher income ranges- includes both estimated income from wages and investments, plus estimated income from businesses and retirement funds.

Key Benefits

- Because salary does not always equal income, it includes estimated income from wages, investments, businesses and retirement funds
- Uses multiple validated and benchmarked models and does not include the use of PII
- Built from anonymous, direct-measured invested assets
- Appended to customer/prospect files or used for online targeting
- Developed for use in non-FCRA applications across the customer lifecycle
- Use it alone or incorporate it into models that include traditional income measures

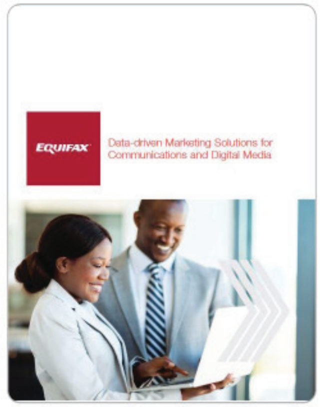
Related Resources

Case Study

[Optimize your acquisition efforts - Auto case study]

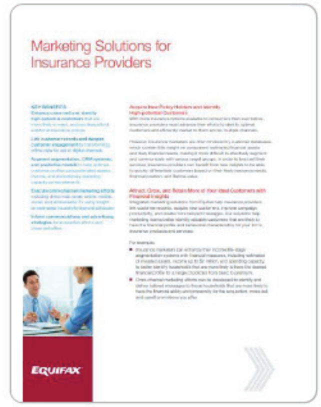
Product Sheet

[Marketing Solutions for Retail]



Product Sheet

[Marketing Solutions for the Communications Industry]



Product Sheet

[Marketing Solutions for Insurance Providers]

View All Resources (10)

Apply Income360 to Your Business:

- Profile existing customers for a more predictive measure of how they will interact
- Find prospects by identifying households with appropriate incomes
- Conduct market analyses, size markets for key target segments, and identify growth opportunities
- Determine effective product positioning and match offers with appropriate customers
- Identify optimal cross-sell and up-sell opportunities within your customers based on their likely financial capacity
- Use in ad targeting and landing page optimization

Income360 Digital is also available for use in online applications such as ad targeting and landing page optimization.

Contact Us

Connect with our sales team and discover how this product can meet your business needs.

APPENDIX A.5
Equifax Correspondence with Joint IOUs

From:	Rick Keene
To:	Marquez, Alejandro "Alex"; Gruen, Darryl
Subject:	[EXTERNAL] Fwd: [IE] Equifax Income 360
Date:	Friday, June 2, 2023 2:01:15 PM
Attachments:	image001.png

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hello,

Please find the below correspondence I had with Southern California Edison.

As far as we are concerned this is not and was not a confidential communication.

Thank you!

Rick Keene
Account Executive - Public Sector
California State and Local Government
Equifax Workforce Solutions
(530)354-5711

---------- Forwarded message ---------
From: **Rick Keene** <rick.keene@equifax.com>
Date: Tue, Mar 21, 2023 at 1:21 PM
Subject: Re: [IE] Equifax Income 360
To: Brandon Sanders <Brandon.Sanders@sce.com>

Hello Brandon,

Income 360 is a commercial modeled income product used by businesses for estimating the general income of target populations for marketing goods and services by identifying a person's credit worthiness using many different factors. As a modeled product, Income 360 is not FCRA compliant, so therefore cannot be used for the determination of eligibility for a government benefit, which we believe since created by statute, this would be.

Under the FCRA, permission from the specific applicant for determining eligibility for a state benefit is required.

The Work Number on the other hand is actual income and employment data provided by employers as paychecks are issued in near real time. It is not produced by an algorithm, extrapolated or modeled data. It contains the actual records of income, and as such, access to this data is highly regulated.

It is currently used in California for determinations of the income eligibility for CalFresh and CalWorks benefits, eligibility for MediCal and Covered California, and for determinations of the income for determining Child Support obligations.

Although I haven't seen anything formal, my latest understanding of the proposal under consideration at the CPUC is that a rate payer would be placed at a default tier, unless they applied for inclusion in a lower income tier.

In that application, like our other benefit programs, permission would be given by the applicant in the application itself to search our Work Number database for income verification to determine potential eligibility for a lower tier.

The income results of that search would be funneled to a decision juncture, which would convert this income to the specific tier this individual falls into under the CPUC parameters. The raw income determination data would be provided to the CPUC.

From here, the flow sequence hasn't been completely specified to us, but that tier determination result would be forwarded to the CPUC, to the utility, and by some course, to the applicant.

If a rate payer would like to contest this determination, if other appeal processes or sequences are not adopted in lieu or in addition, they would follow our current appeal process for contesting the accuracy of the reported data used to make the tier assignment.

I hope this helps.

Rick Keene
Account Executive - Public Sector
California State and Local Government
Equifax Workforce Solutions
(530)354-5711

On Tue, Mar 21, 2023 at 10:51 AM Brandon Sanders <Brandon.Sanders@sce.com> wrote:

> Hi Rick,
>
> During a call last week a colleague of mine on the "Income Graduated Fixed Charge" issue received information from two other parties regarding an Equifax product called "Income 360" (see attached). These parties claim that this product is FCRA compliant, and that we could use it to place customers into income buckets and would not need a customer's permission to do so. Is this correct? It is my current understanding that your products, including The Work Number, can only be used as a tool to help confirm a customer's income upon customer application for a lower fixed charge, but that we couldn't use either product to assign customers to "low" "mid" and "high" charges en masse. Our opening testimony in this case is almost due and this would be a big change in our testimony so an expedient response would be helpful. Thank you in advance!
>
> SCE Use Case
>
> 1. SCE delineates income buckets (ex- 0-200% Federal Poverty Level, 201-400% Federal Poverty Level, etc.)
> 2. SCE will work with a third party (ex. Equifax) to tie predictive income model to SCE customer account information using Name, Address (or previous address) SSN and Date of Birth
> 3. SCE or will identify income bucket assignment based on individual, household income and household size
> 4. Customers are notified of their income bucket placement and have opportunity to appeal placement results and be placed in an alternative bucket by providing verified income and household data
> 5. Customers electric rates are revised to reflect income bucket placement (ie- if they are

higher earners, fixed charge will be larger)

Brandon C Sanders

Senior Project Manager, Pricing Implementation

Revenue Services Organization

T. 626-302-0949

1515 Walnut Grove Ave, Rosemead, CA 91770

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APPENDIX B

Witness Statements of Qualifications

PREPARED TESTIMONY AND QUALIFICATIONS
OF
ALEJANDRO MARQUEZ

Q1. Please state your name, business address, and position with the Public Advocates Office.

A1. My name is Alejandro Marquez, and my business address is 505 Van Ness Avenue, San Francisco, CA 94102. I work in Cal Advocates' Electricity Pricing and Customer Programs Branch as a Regulatory Analyst.

Q2. Please summarize your educational background and professional experience.

A2. I graduated in 2021 with a BA in Public Policy and Service from the University of California, Davis with an emphasis on local and state policy. As a regulatory analyst I've worked on rate design applications for Southern California Edison and San Diego Gas & Electric. I previously worked with Sacramento ACT providing expert analysis and policy proposals for use of CRRSAA/CARES COVID grant funding. My employment prior to joining Cal Advocates was with the Department of Industrial Relations assisting injured workers at the Workers' Compensation Appeal Board in Oakland, California.

Q3. What is your responsibility in this proceeding?

A3. I am responsible for testimony in Chapter 2, Income Graduated Fixed Charge - Income Verification Implementation & Design

Q4. Does this conclude your prepared direct testimony?

A4. Yes, it does.