

Fixed Charge Q&A

Original Date: 4/25/2023 (Updated: 2/7/2024)

Summary: As electricity rates continue to grow, new mechanisms are necessary to help ensure that (i) monthly bills are affordable, especially for low-income customers, and (ii) electrification remains cost-effective to drive the state's climate goals. The Public Advocates Office, consumer groups, environmental nonprofit organizations, and others generally agree that a fixed charge is critical to support these goals.

Why do we need this now?

- California has some of the [highest electricity rates](#) in the country and rates continue to outpace inflation. These high rates disproportionately burden low-income households and make clean electrification measures more expensive.
- Electricity is an essential service and higher bills inequitably impact households with lower incomes.

Why is this the right solution?

- A monthly fixed charge on customers' electricity bills will cover some or all of the electric grid's fixed costs (e.g., power line maintenance & wildfire prevention) that do not vary based on electricity usage.
- The fixed charge is intended to reduce power bills for lower-income customers and decrease electricity rates for all customers.
- The fixed charge will not change the amount utilities are authorized to collect from ratepayers.

How does our proposed fixed charge benefit customers and improve equity?

- Our proposal is designed to reduce bills for lower-income customers, as well as benefit households that phase out fossil fuel use and transition to electric cars, water heaters, and more.¹
- Income-qualifying customers will receive an estimated 85% discount on their fixed charge compared to higher-income customers.
- Our fixed charge proposal is one of many the California Public Utilities Commission (CPUC) is reviewing. Others include those from the main solar trade association, California environmental justice organizations, and investor-owned utilities.

How will this impact my utility bills if the Public Advocates Office proposal is implemented?

- Our [updated proposal](#) applies monthly fixed charges of \$4 to \$7 per month for income-qualifying customers (CARE and FERA), and approximately \$30 per month for all other customers, though the bill impact will be partially or fully offset by resulting reductions in average electricity rates.
- Household electricity bill impacts will vary based on income, baseline electricity use, and utility company.

¹ Update: In Summer 2023, the Commission directed parties to develop Phase 1 ("1st Version") fixed charge proposals exclusively based on enrolment in existing, income-qualifying utility bill discount programs. Therefore, our initial fixed charge proposal from Spring 2022 was updated accordingly.

ADDITIONAL INFORMATION

How are electric rates currently set?

- Ratepayers are collectively responsible for covering the costs of running the power grid and required state programs. The fixed costs of some of these programs do not vary regardless of electricity usage.
- Customers of California's investor-owned electric utilities currently pay their share of these costs based on their relevant electricity price (or "rate") and individual electricity use.

How will a fixed charge affect households with solar or those interested in going solar?

- Fixed charges would cover the fixed costs of operating and maintaining the electricity system and providing safe and reliable service.
- Fixed charges would apply evenly to all customers, regardless of whether they have solar.
- Customers with solar may realize smaller bill savings, as excess solar production and associated credits do not reduce fixed charges.
- The Public Advocates Office's fixed charge proposal is a relatively small portion of total bills, so customers will maintain the ability to significantly reduce their energy bills with solar investments.

What is the timeline for the CPUC to make a decision?

- Pursuant to AB 205 (2022), policymakers directed the CPUC to adopt an "income-graduated fixed charge" that benefits low-income customers by July 1, 2024.
- The CPUC is currently considering the merits of different policy design options in an active proceeding (R.22-07-005).

The Public Advocates Office represents utility customer interests before the California Public Utilities Commission and in other forums. We develop recommendations that advance the state's climate goals in the most affordable ways for ratepayers.

For any additional questions regarding Income-Graduated Fixed Charges, please contact Mary Flannelly at mary.flannelly@cpuc.ca.gov.