




Background on our fixed charge proposal

January 18, 2024

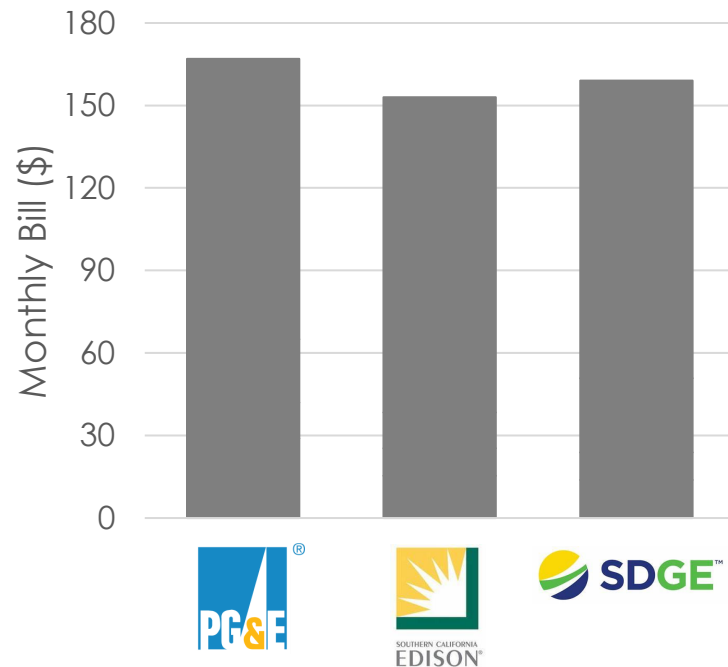
Problem: California's high electricity rates crisis

	Avg Residential Rate (\$ per kWh, Jan 2024)	10-Year Change Jan 2014 to Jan 2024	% of Customers Behind on Bills
	\$0.396	↑ 127%	22%
	\$0.334	↑ 91%	19%
	\$0.362	↑ 72%	26%

Sources: Rates (Public Advocates Office analysis of utility data for the residential average rate excluding the California Climate Credit); Customers Behind on Bills or "Arrearages": (November 2023 utility compliance filings in the CPUC's disconnection proceeding)

The current trajectory is untenable for households

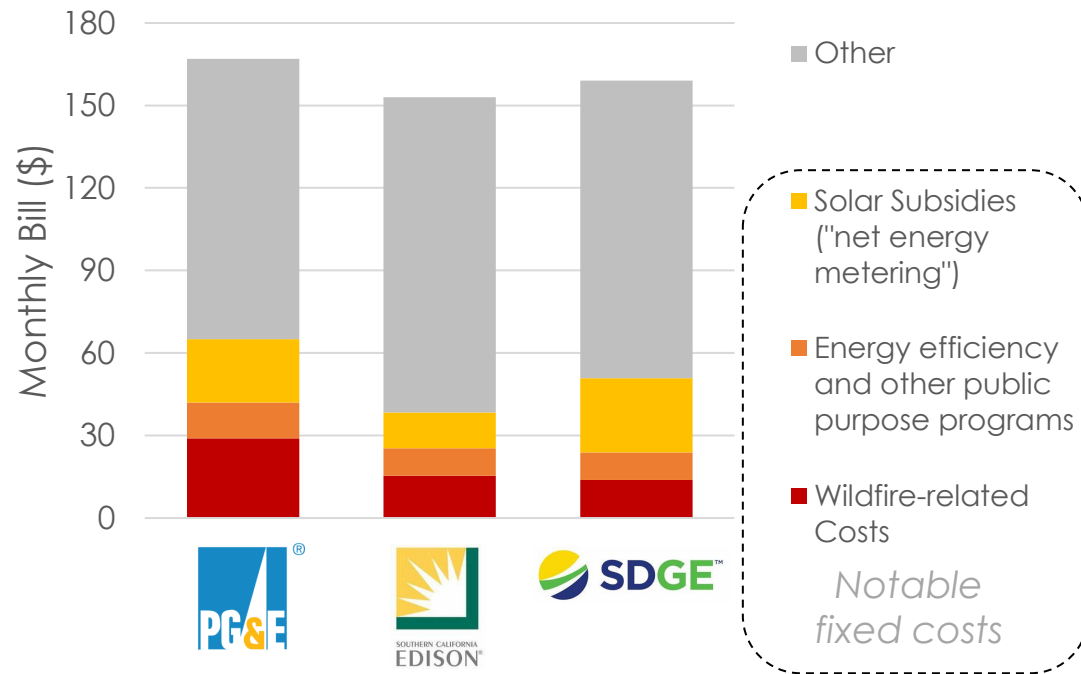
Average Customer Monthly Bill (2022)



- Electric rates increases have been driven by wildfire mitigation costs, transmission and distribution investments, & rooftop solar incentives.
- About **1 in every 5** customers are behind on their utility bills (and are disproportionately low-income customers).
- High electric rates strain the achievement of the state's electrification & climate goals.

Utility costs are growing because of costs unrelated to consumption

Average Customer Monthly Bill by Component (2022)



Notable costs that do not vary with electric usage

- Wildfire mitigation
- Public purpose programs
- Solar subsidies ("net energy metering")
- Neighborhood power line upkeep
- Household meters & connections

The current way of calculating bills based on usage is **inequitable**

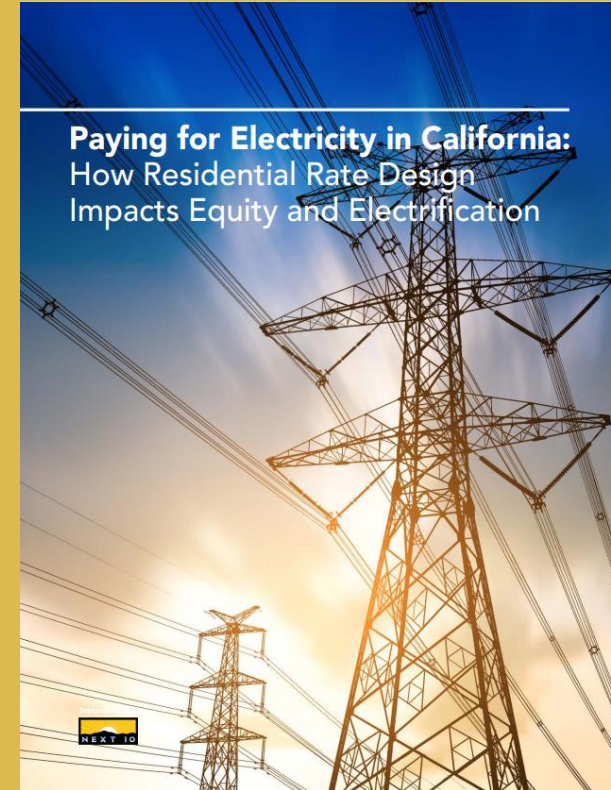
Households that use more electricity pay for a disproportionate share of state priorities (e.g., wildfire mitigation).

Penalizes households that tend to:

- Live in a hotter region
- Have more residents under one roof
- Electrify (vehicles, heating, etc.)

Further, a UC Berkeley study found that the current process discourages electrification.

- “...this could be **reducing electric adoption by** somewhere between **13 and 33 percent.**”











Berkeley
UNIVERSITY OF CALIFORNIA

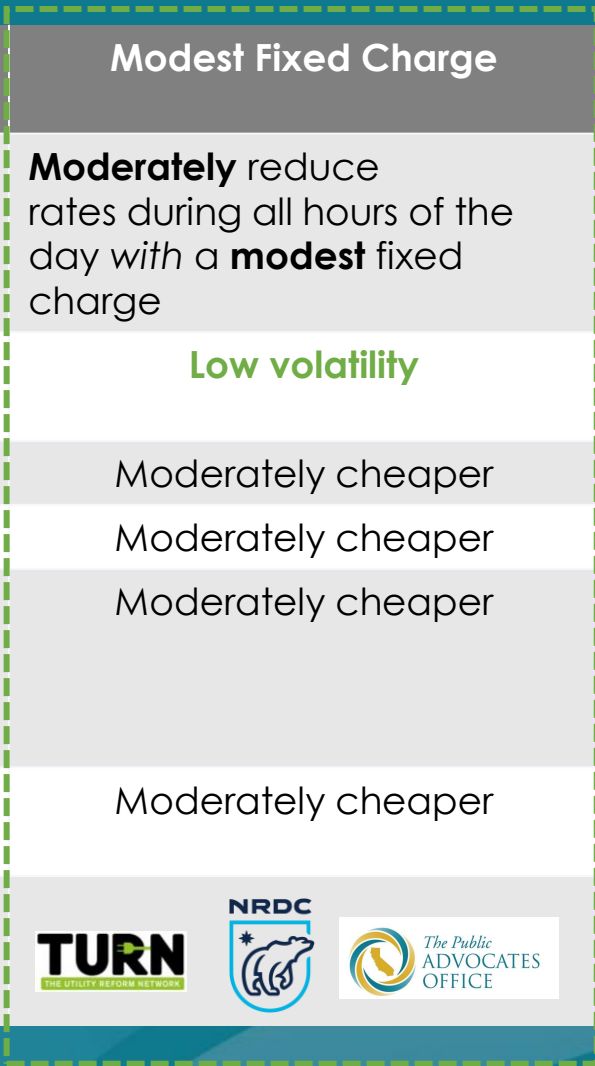


“California has ambitious goals to fight climate change while also ensuring that energy is affordable for all of its residents. Unfortunately, **the current structure** of residential electricity prices in the state **make achieving these goals much harder.**”

Source: Borenstein, et al. *Paying for Electricity in California: How Residential Rate Design Impacts Equity and Electrification*. September 2022.

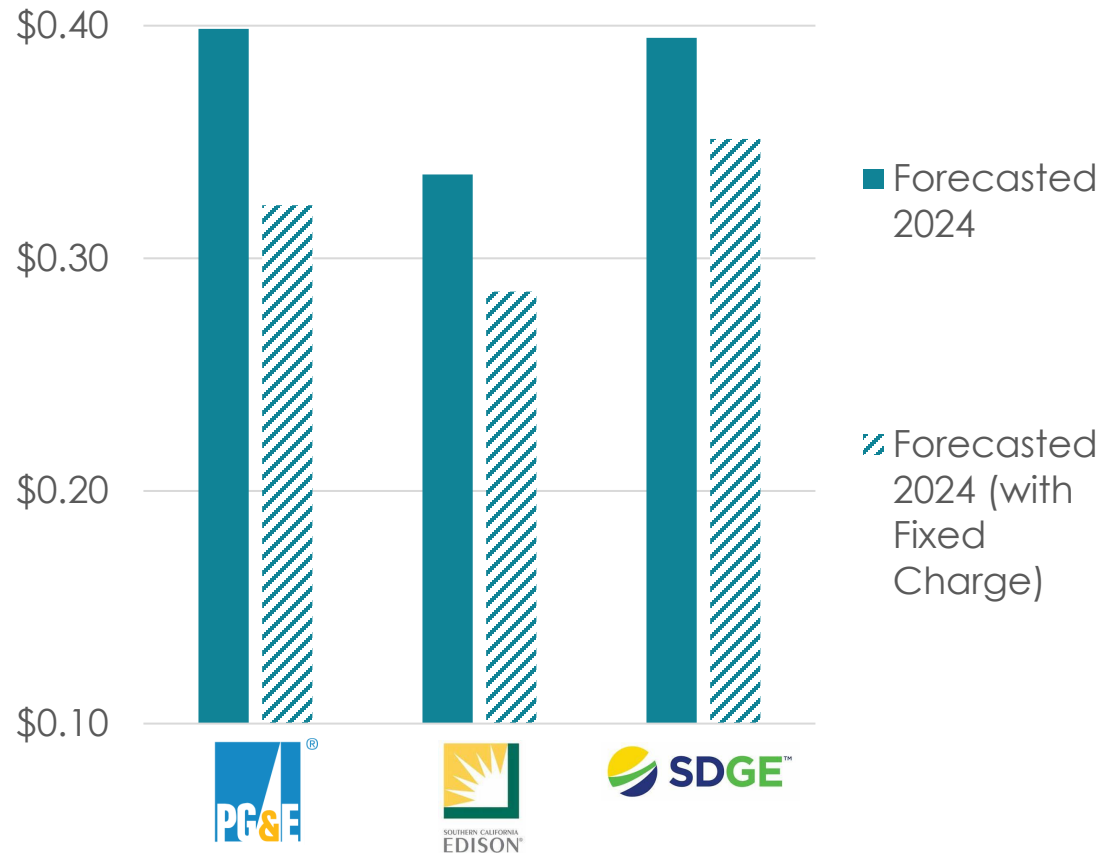
Summary of proposed rate reform options

	High Fixed Charge	Modest Fixed Charge	Small Fixed Charge + Extreme Time of Use Rates
Description	Significantly reduce rates during all hours of the day with a large fixed charge	Moderately reduce rates during all hours of the day with a modest fixed charge	Significantly increase rates during summer days and reduce rates during other periods, and a low fixed charge
Monthly bill impacts	High risk of bill shock (based on overall use)	Low volatility	High risk of bill shock (based on time of use)
Air conditioning costs	Much cheaper	Moderately cheaper	Much more expensive
Electric heating costs	Much cheaper	Moderately cheaper	Inequitably increases bills
Refrigeration, electric cooking, other appliances costs	Much cheaper	Moderately cheaper	Extremely variable
Electric vehicle charging costs	Much cheaper	Moderately cheaper	Extremely variable
Supporters	  	  	 



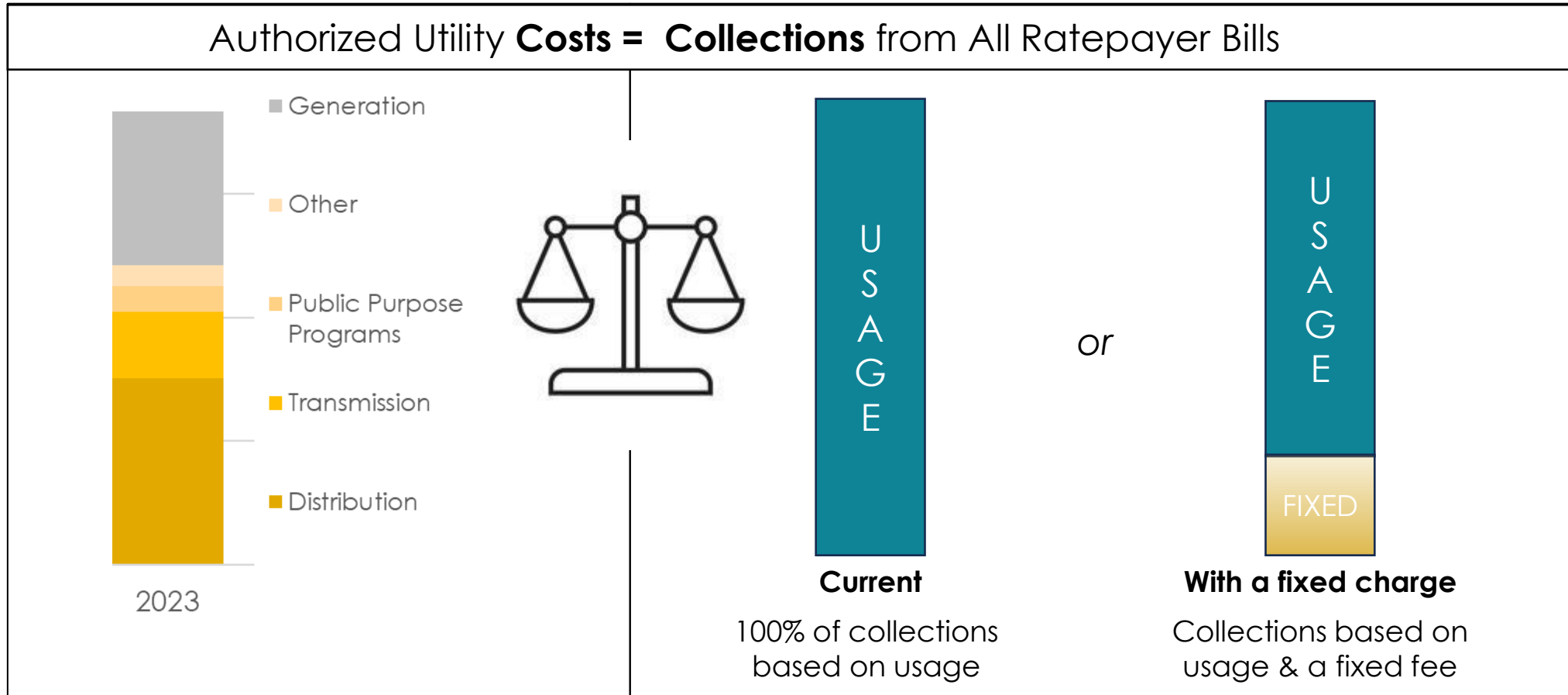
Public Advocates Office's October 2023 Fixed Charge Proposal

The fixed charge can help reduce rates for all and provide more benefits for low-income customers



- Help solve the climate and electric affordability crises by reducing electric rates for all Californians.
- Does not increase utility collections from ratepayers.
- Provide additional discounts for income-qualifying customers of existing utility bill discount programs.

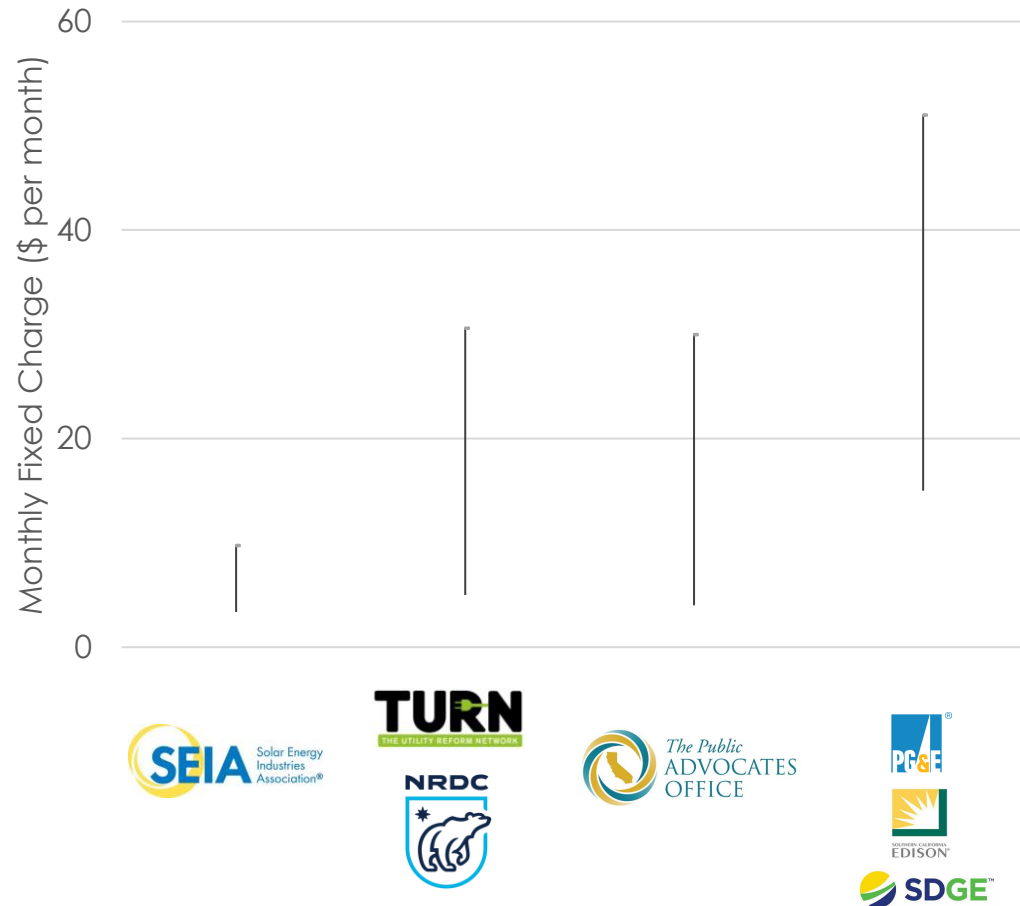
A fixed charge **will not** increase how much utilities can collect from customers



State law (AB 205, 2022) directed the California Public Utilities Commission to authorize a fixed charge program for residential customers of the state's main investor-owned utilities.

Significant design differences among October 2023 proposals

Range of fixed charges by intervenor proposal in PG&E's service territory



- The CPUC requested proposals with discounts for customers enrolled in existing income-qualifying bill discount programs (“CARE” & “FERA”).
- Our October 2023 [proposal](#) is very similar to a joint [proposal](#) from The Utility Reform Network and the Natural Resources Defence Council.

Source: Public Advocates Office analysis

Note: the four proposals listed above represent a subset of proposals filed with the CPUC. TURN and NRDC support a higher fixed charge and larger corresponding rate reductions for customers enrolled on electrification tariffs (not shown above).

The solar industry's proposal has multiple issues

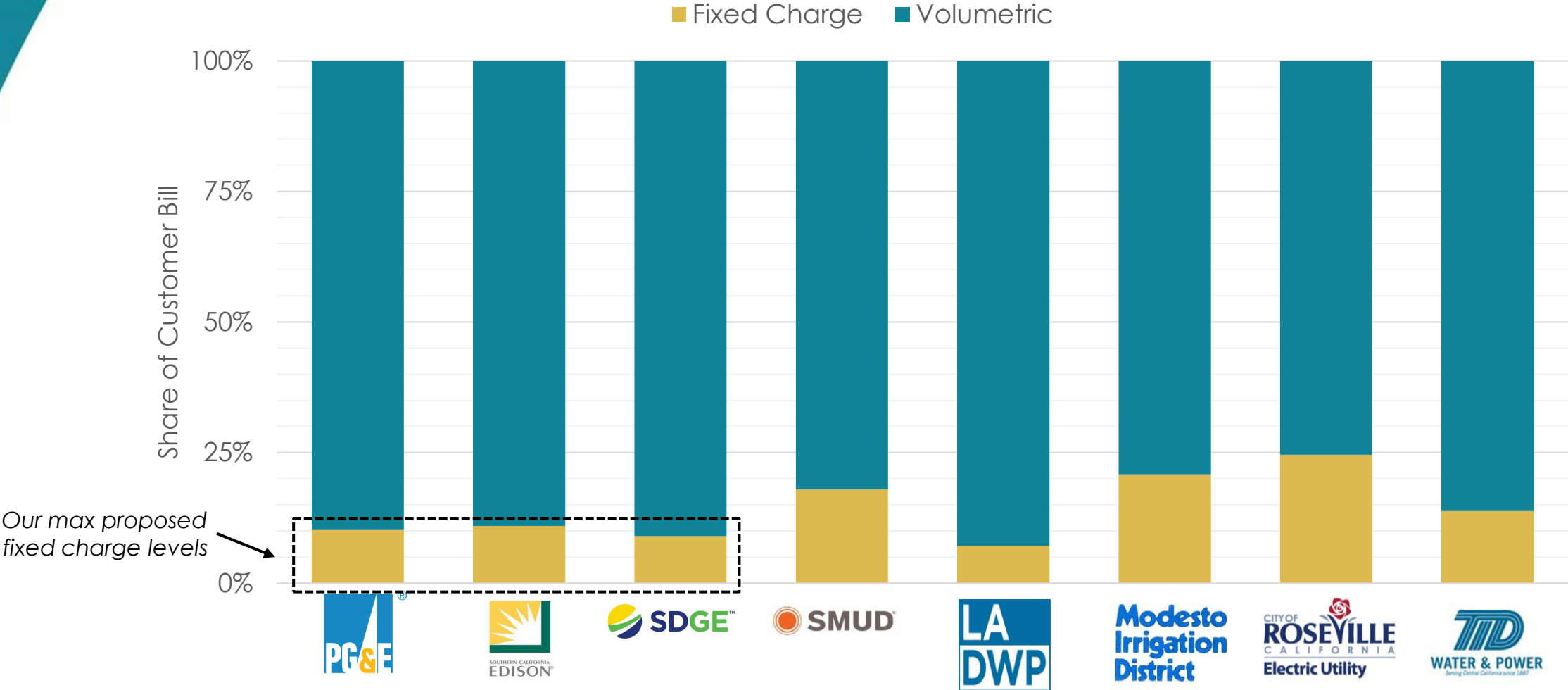
- Creates bill shocks for customers:
 - Significantly increases the summer peak rate, harming customers without solar or with inflexible use patterns.
- Violates rate design principles:
 - Does not account for all necessary charges and leads to rates that are 12 to 20 times higher than marginal costs.
source: NRDC & TURN analysis
- Based on poor modeling:
 - Does not use actual California household income or energy use data.

Our proposal prioritizes low-income households & electrification

		Proposed Fixed Charge by Utility		
Customer Type	Criteria	PG&E Fixed Charge (\$/month)	SCE Fixed Charge (\$/month)	SDG&E Fixed Charge (\$/month)
<i>Qualifying CARE customers</i>	Enrolled customers below the federal poverty line (e.g., family of 4 making less than \$30,000)	\$4	\$4	\$4
<i>FERA (and other CARE) customers</i>	Enrolled customers (e.g., family of 4 making less than \$75,000)	\$7	\$7	\$7
<i>All other customers</i>	Customers not enrolled in income-qualifying programs	\$29.96	\$31.15	\$32.15
	Average Fixed Charge	\$23.25	\$24.52	\$25.62

Monthly fixed charges are currently administered by non-investor-owned utilities across California, including: SMUD (\$23.50), Alameda Municipal Power, and LADWP (\$12)

Our proposed fixed charges are in line with others across the state

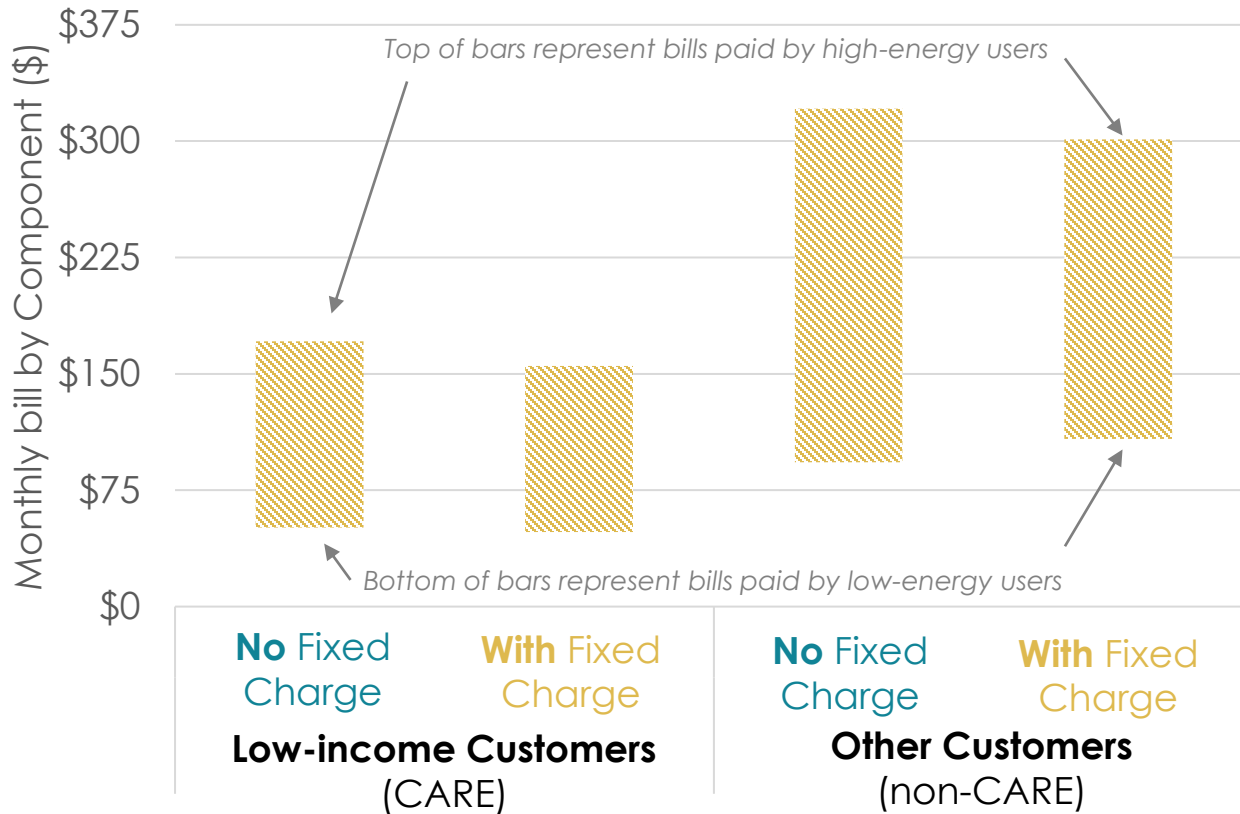


Our max proposed fixed charge levels

Source: CPUC analysis
 Each bar represents a customer using 750 kWh as of September 2023.

Our proposal prioritizes low-income households & electrification

Forecasted monthly bill ranges for representative SCE customers (with and without a fixed charge)



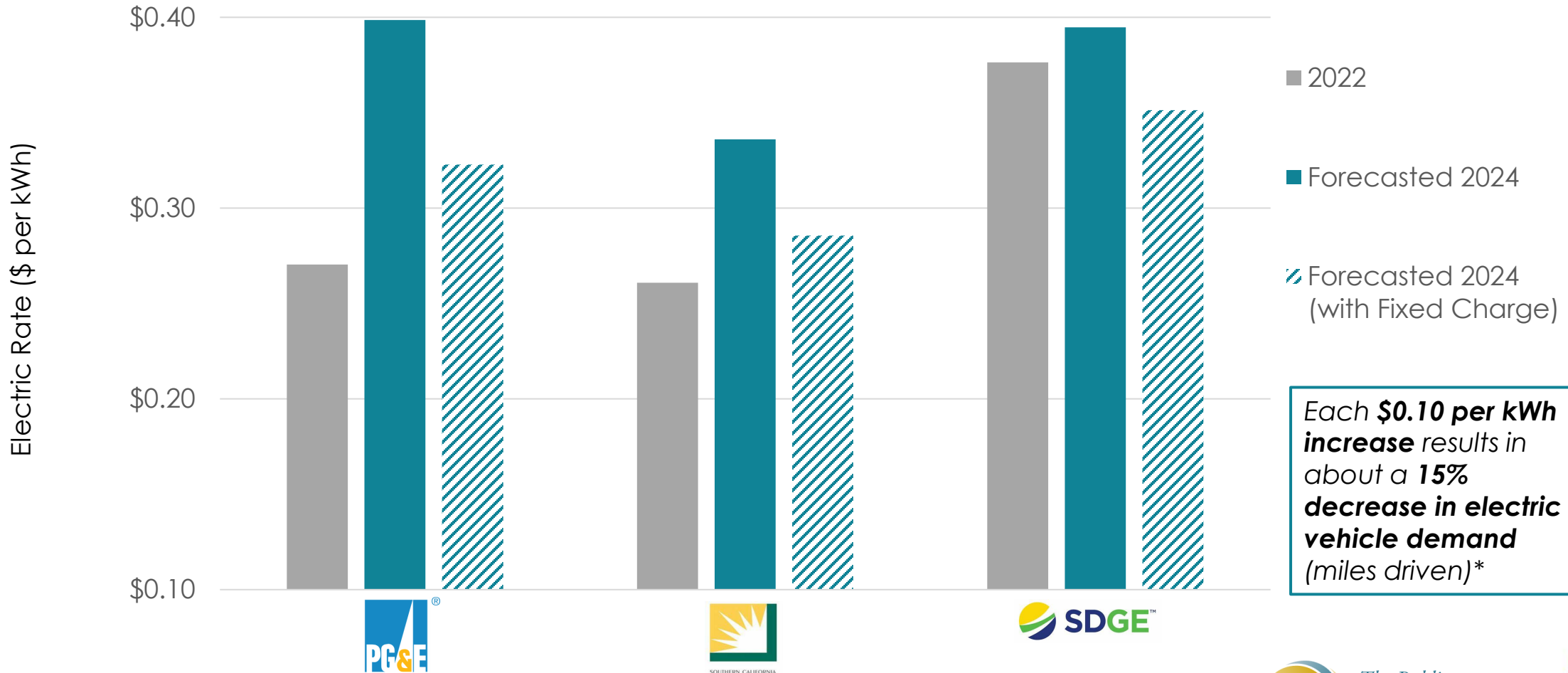
Low-income. Income-qualifying customers have an estimated 85% discount on their fixed charge.

Electrification. Households will find electrification more cost-effective.

Note: Projected rates in the graph with a fixed charge are shown for illustrative purposes with Q4 2023 rates based on the Public Advocates Office proposal. The CPUC anticipates fixed charge implementation will require several years.

Lower rates will encourage electrification and maintain strong conservation incentives

Average household electric rates by service territory (forecasted vs. with our proposal)



Each **\$0.10 per kWh increase** results in about a **15% decrease in electric vehicle demand (miles driven)***

Graph Source: Public Advocates Office analysis
 Rates represent schedules PG&E (E-1), SCE (D), SDG&E (DR). Forecasted 2024 bars are for illustrative purposes based on the Public Advocates Office proposal. Actual fixed charge implementation will require more time.

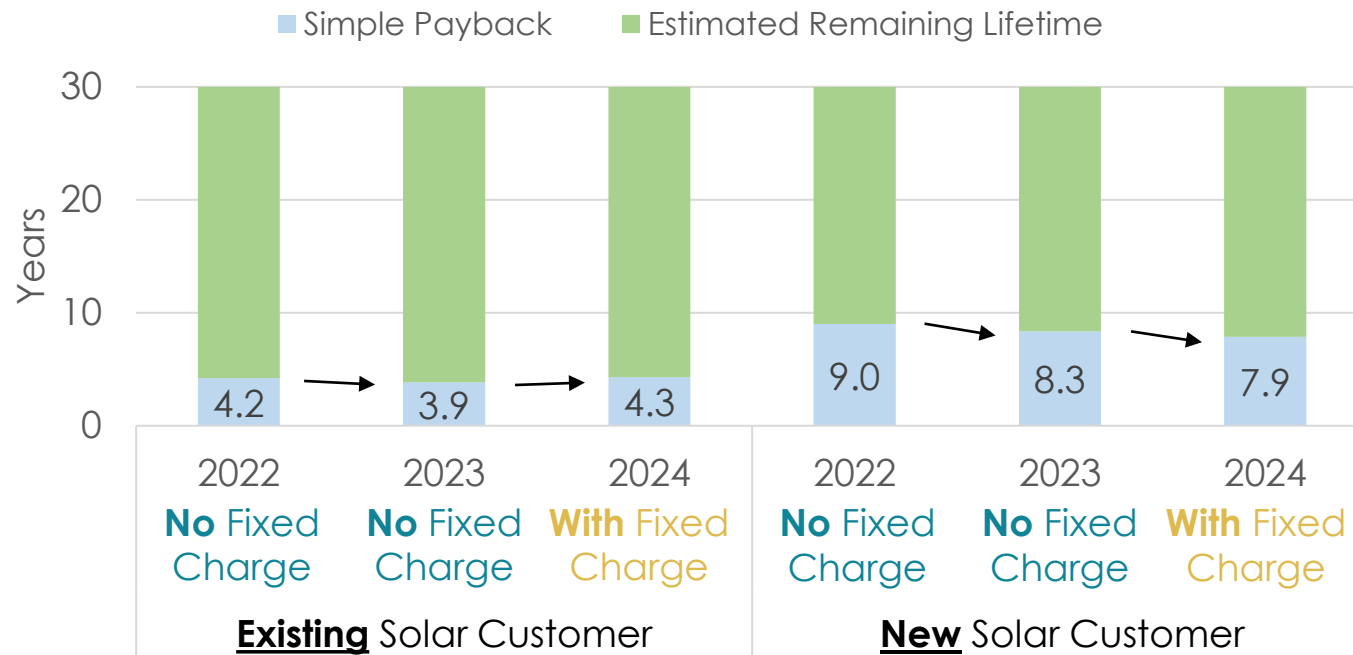
*Electric Vehicle Demand Price Elasticity Source: David Rapson, Director of the Davis Energy Economic Program

Rooftop solar will remain a compelling investment opportunity



“...we are on track for strong year-over-year growth in California.” – Mary Powell, SunRun CEO (August 2023)

Solar Payback Periods Relative to System Lifetime (PG&E customers)



Rate increases improve solar economics and payback periods

Due to a PG&E rate increase that takes effect in 2024:

- The average PG&E customer that installs solar in 2024 with a fixed charge would have better returns than in 2022 without one.
- The average existing PG&E customer with solar in 2022 would see similar returns.
- Significant rate increases anticipated for SDG&E (2024) & SCE (2025).

Graph Source: Based on Public Advocates Office analysis. New Solar Customer: based on a representative Net Billing Tariff customer using 2022 rates (without a fixed charge) vs. 2024 rates (with our recommended fixed charge). Existing Solar Customer: based on a representative a Net Energy Metering 2.0 customer using 2022 rates (Without a fixed charge) vs. 2024 rates (with our recommended fixed charge).

Quote Source: SunRun Q2 2023 Earnings Call



Next Steps

- **Q1 2024.** CPUC expected to release a proposal with detailed policy design specifics as part of the [Demand Flexibility](#) proceeding (R.22-07-005).
- **Q2 2024.** CPUC to authorize an fixed charge by July 1, 2024.
- **Beyond.** Investor-owned utilities integrate program into customer bills no sooner than 2025. PG&E anticipates it cannot implement a fixed charge into its billing systems until 2028.



More information

We are a State entity charged with helping ensure Californians are represented at the California Public Utilities Commission and in other forums. We develop recommendations that advance the state's energy and climate goals in the most affordable ways for ratepayers.

Visit our website at www.publicadvocates.cpuc.gov

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