Background on our fixed charge proposal

January 18, 2024
<table>
<thead>
<tr>
<th>Company</th>
<th>Avg Residential Rate ($ per kWh, Jan 2024)</th>
<th>10-Year Change</th>
<th>% of Customers Behind on Bills</th>
</tr>
</thead>
<tbody>
<tr>
<td>PG&amp;E</td>
<td>$0.396</td>
<td>↑ 127%</td>
<td>22%</td>
</tr>
<tr>
<td>Southern CA Edison</td>
<td>$0.334</td>
<td>↑ 91%</td>
<td>19%</td>
</tr>
<tr>
<td>SDGE</td>
<td>$0.362</td>
<td>↑ 72%</td>
<td>26%</td>
</tr>
</tbody>
</table>

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

- 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.

Source: CPUC SB 695 annual report (2023)
The graph represents customers that are not enrolled in a utility bill discount program (e.g., CARE or FERA).
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

Source: CPUC SB 695 annual report (2023)

The graph represents customers that are not enrolled in a utility bill discount program (e.g., CARE or FERA).
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.”

“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.”

# Summary of proposed rate reform options

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

Supporters: PG&E, Edison, SDGE, TURN, NRDC, The Public Advocates Office, California Solar + Storage Association, Clean Coalition
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.

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

Authorized Utility Costs = Collections from All Ratepayer Bills

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

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.

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

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:
  o Significantly increases the summer peak rate, harming customers without solar or with inflexible use patterns.

• Violates rate design principles:
  o 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:
  o Does not use actual California household income or energy use data.
## Proposed Fixed Charge by Utility

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

Our proposal prioritizes low-income households & electrification.

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

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

Electrification. Households will find electrification more cost-effective.
Lower rates will encourage electrification and maintain strong conservation incentives

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

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

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

<table>
<thead>
<tr>
<th>Years</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Solar Customer</strong></td>
<td><strong>No Fixed Charge</strong></td>
<td><strong>No Fixed Charge</strong></td>
<td><strong>With Fixed Charge</strong></td>
</tr>
<tr>
<td>Simple Payback</td>
<td>4.2</td>
<td>3.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Estimated Remaining Lifetime</td>
<td>9.0</td>
<td>8.3</td>
<td>7.9</td>
</tr>
</tbody>
</table>

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<tr>
<td><strong>New Solar Customer</strong></td>
<td><strong>No Fixed Charge</strong></td>
<td><strong>No Fixed Charge</strong></td>
<td><strong>With Fixed Charge</strong></td>
</tr>
</tbody>
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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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