Income-Graduated Fixed Charge Q&A

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Goal: 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 nonprofits, and others generally agree that an income-graduated fixed charge (IGFC) 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, energy efficiency programs, and wildfire prevention) and will not vary based on electricity usage.
- An income-graduated fixed charge (IGFC) will reduce power bills for lower-income customers and reduce barriers for all California households to phase out fossil fuel use and benefit from electric cars, water heaters, and more.

How does the Public Advocates Office proposed IGFC benefit customers and improve equity?
- We have developed a detailed IGFC proposal that includes recommendations for income brackets, relevant fixed charges, and implementation details.
- The IGFC should be eliminated for the lowest-income tier of customers using Cap and Trade funds. This approach would ensure that vulnerable customers would see immediate benefits of implementing an IGFC.
- 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?
- Household electricity bill impacts will vary based on income, baseline electricity use, and utility company.
- We anticipate the vast majority of low-income customers ($50,000 or less per year) will have their monthly bills decrease by $10 or more, and a small proportion of the highest income earners ($100,000+ per year) will see their monthly bills rise by $10 or more.
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 an IGFC 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.