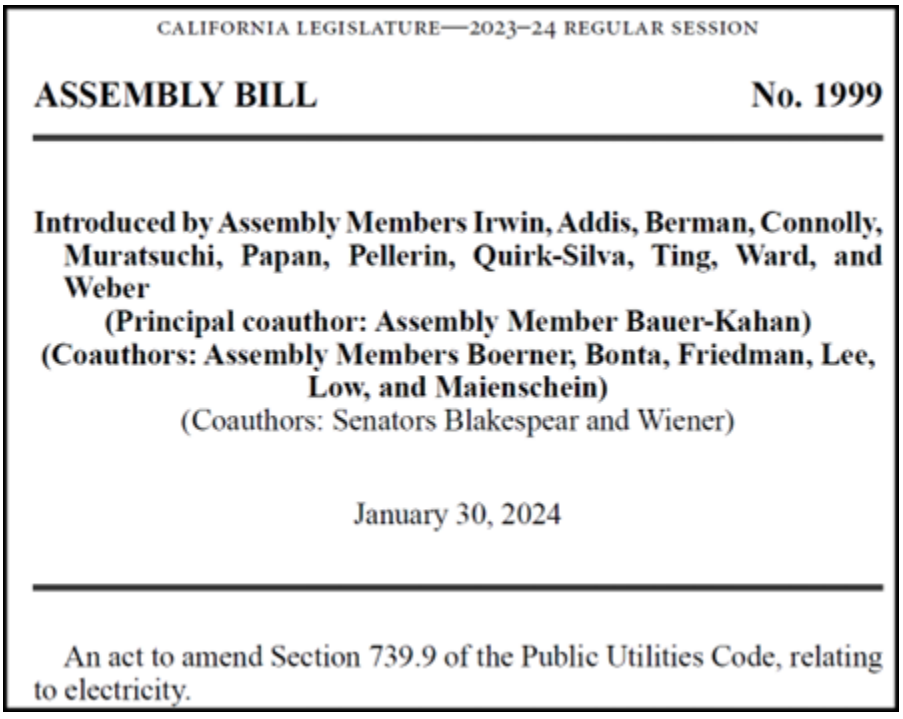
STATE POLICY WORKING GROUP MEETING
2/09/2024

Agenda

1. AB-1999 Introduced to Repeal the Income-Graduated Fixed Charge ("Utility Tax")
2. Chairmanship Changes in the Senate
3. AB-2205, Electricity: mandatory rate reduction
4. Deadline to Introduce Bills: February 16, 2024

Notes

AB-1999 Introduced to Repeal the Income-Graduated Fixed Charge ("Utility Tax")



CALIFORNIA LEGISLATURE—2023–24 REGULAR SESSION

ASSEMBLY BILL **No. 1999**

Introduced by Assembly Members Irwin, Addis, Berman, Connolly, Muratsuchi, Papan, Pellerin, Quirk-Silva, Ting, Ward, and Weber
(Principal coauthor: Assembly Member Bauer-Kahan)
(Coauthors: Assembly Members Boerner, Bonta, Friedman, Lee, Low, and Maienschein)
(Coauthors: Senators Blakespear and Wiener)

January 30, 2024

An act to amend Section 739.9 of the Public Utilities Code, relating to electricity.

On Tuesday, January 30, California Assemblymember Jacqui Irwin (D-Thousand Oaks) introduced AB-1999 Electricity: fixed charges (2023-2024) to repeal legislative language that existing law mandates that the CPUC initiate a fixed monthly charge, or tax, on utility customers and that it be based on an income-graduated scale.

Irwin's proposed legislation would roll back the "utility tax" and call for hearings to investigate why electricity costs are soaring under Gov. Gavin Newsom's handpicked California Public Utilities Commission.

The Income-Graduated Fixed Charge (IGFC) 'tax' provision was included in AB-805 (Sec. 9 and 10), the state's annual budget in June 2022, omnibus legislation known as a budget trailer bill. The controversial plan did not receive the normal vetting process with various committees, denying the legislature the opportunity to deliberate the merits of the proposed changes to existing legislative language.

The CPUC is now considering a charge of up to $70 a month – orders of magnitude more than any other state's for what's been labeled as a 'First Version' of the IGFC, with subsequent versions requiring income verification by all ratepayers.

AB-1999 would instead permit the Commission to authorize fixed charges that, as of January 1, 2015, do not exceed $5 per residential customer account per month for low-income customers enrolled in the California Alternate Rates for Energy (CARE) program and that do not exceed $10 per residential customer account per month for customers not enrolled in the CARE program. The bill would authorize these maximum allowable fixed charges to be adjusted by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year, beginning January 1, 2016.

Assemblymember Irwin made the AB-1999 announcement at a press conference, joined by 15 Legislators from the Assembly and Senate, many of whom spoke out against the

CPUC, the utility tax, and the Investor-Owned Utilities, including Senator Scott Wiener of San Francisco.

- **Irwin:** "Electricity rates have skyrocketed throughout the state.... Our constituents have had enough, and so have we. It's time to put some reasoning back into how we charge for electricity in California…An income graduated fee is impractical for a number of reasons. First, it would be nearly impossible to implement, given the many legal and privacy challenges that there would undoubtedly be to accurately determine every ratepayer's income…The administrative burden to implement such a policy is mind-boggling, and that is before considering the cost of such an exercise."
- **Wiener:** "Under the plan proposed by our investor-owned utilities, millions of Californians will pay as much as $830 dollars per year more for electricity than they do now. Not just wealthy people. Middle-class, working-class people, anyone who can't prove that they are low income, and all households that are not on the subsidized payments reserved only for the lowest income…The CPUC needs to withdraw this proposal. Come back with a proposal that actually works for California, that focuses our utilities on being safe, providing reliable electricity without continually jacking up rates.

Also, on the 30th, Sen. Weiner sent a letter signed by 11 Senators to CPUC President Alice Reynolds to "express our deep concerns regarding the California Public Utilities Commission's (CPUC) income graduated fixed charge regulatory proceeding (R.) 22-07-005, as directed by Assembly Bill 205 (Budget, Chapter 61, Statutes of 2022) which requires investor-owned utilities to implement fixed charges on customer's utility bills based on income.

- Link to: January 30, 2024 – Senate Letter to CPUC President Reynolds – IGFC Concerns
- Link to: October 27, 2023 – Assembly Letter to CPUC President Reynolds – IGFC Concerns
- Link to Press Conference

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0115

California Legislature

January 30, 2024

Alice Busching Reynolds, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco CA 94012

Re: Income Graduated Fixed Charge Proceeding

Dear President Reynolds,

We write to you to express our deep concerns regarding the California Public Utilities Commission's (CPUC) income graduated fixed charge regulatory proceeding (R.) 22-07-005, as directed by Assembly Bill 205 (Budget, Chapter 61, Statutes of 2022) which requires investor-owned utilities to implement fixed charges on customer's utility bills based on income.

We urge your Commission to adopt a fixed charge that does not drastically impact customers, including those who are already struggling to pay for their rising electricity bills. The fixed charges proposed by the utilities – currently ranging between $51 and $73 for non- CARE and FERA customers, depending on the IOU – would be the highest in the nation and would create an unacceptable burden for our constituents. Californians already pay some of the highest electricity bills in the country. We have numerous concerns with the utilities' proposals, including their negative impact to low- and moderate-income ratepayers, as well as California's conservation, electrification and clean energy goals.

First, we are concerned about the impact on low to moderate income ratepayers and working families who do not qualify for either the CARE or FERA programs – particularly the millions of Californians who live in apartments, condominiums and small homes that consume less energy but will see their bills **increase**.

Second, these fixed charges will unwind decades of California leadership in energy conservation. Under the fixed charge scheme, consuming more electricity becomes less expensive. A fixed charge that cannot be avoided reduces the price signal to customers to conserve and fails to communicate how ratepayers' behavior could benefit their pocketbook and the environment through bill savings or the adoption of new energy technologies. While we know a transition to electrification will result in more electricity use, we shouldn't undermine the value of conserving energy in the process, especially during period of peak demand. A high fixed charge will discourage conservation, penalize efficiency and frugality, and reward inefficiency and waste.

These concerns are supported by leading rate design expert and economists' troubling analysis regarding the impacts of a fixed fee in the range of $30 (significantly less than that proposed by the investor-owned utilities).[1] Data shows that families in smaller homes with low energy usage, who make as little as $40k a year, will see their **bills increase annually by as much as $360**. These extra costs will come with no discernable benefits, and ratepayers will have no options to lower their bill through conservation. Conversely, large homes with high energy usage (for example in PG&E territory) will see their **bills decrease by as much as $824 dollars a year**.[2]

Third, it is not clear that a fixed charge will enable higher rates of electrification. No other state has implemented this rate design scheme and **there is no empirical evidence or proof that it will increase customer investment in electrification measures**. The hypothesis, that lowering volumetric charges by raising fixed charges will promote electrification, is unproven. In fact, it is well known that customers respond to the total bill.[3] For those customers who do see a bill reduction as a result of the implementation of a fixed charge, the money saved will not be sufficient to pay for the cost of replacing gas fired furnaces, water heaters, induction stoves or purchasing an electric vehicle. For renters, whose landlords are often the one making decisions on electrification upgrades, a fixed charge will do nothing to increase adoption of these technologies.

The Legislature directed the CPUC in AB 205 to ensure that any fixed charges "not unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emission reductions." The current trajectory of the proceeding does not meet this statutory directive and puts at risk the progress we have made collectively as a state.

The CPUC's refusal to conduct public participation hearings is deeply troubling and we call for greater transparency throughout this proceeding. More public process is both reasonable and necessary given the implications of this proceeding. Our constituents have grave concerns and reservations about the affordability of the high fixed charge proposals. We know that stakeholder testimony submitted as part of this proceeding is extensive and includes a broad scope of parties representing ratepayers, economists, and environmental interests. Clearly customers should be advised of, and have the opportunity, to respond to these prospective changes. **We ask the Commission to order and hold public participation hearings in each IOU's service territories as well as Northern and Southern California locations.**

In summary, we view the proposals as unreasonable and excessive. The fixed charges proposed by the investor-owned utilities are four to six times the national median of $12 adopted by 173 investor-owned utilities. We urge the Commission to implement a reasonable fixed charge that does not harm our constituents and work to find real solutions to address our affordability crisis and electrification needs in a way that does not undo decades of energy conservation work in California.

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[1] Exparte communication Rulemaking 22-07-005, 05/30/23, signed by 15 highly experienced energy experts, submitted by Ahmad Faruqui, Ph.D.

[2] Assessment of Fixed Charge Proposal, Flagstaff research, JR Plaisted.

[3] Koichiro Ito, "Do Consumers Respond to Marginal or Average Price? Evidence from Nonlinear Electricity Pricing," *American Economic Review*, 104:2, February 2014, pp 537-563.

2. Chairmanship Changes in the Senate

Senator Bradford will remain as Chair of the Senate U, E, & C committee. The only change in the committee is the removal of Pro Tem McGuire and the addition of Senator Limon, who supports and understands our positioning on fixed charges.

Senator Becker remains Chair of the Budget Subcommittee #2 Resources, Environmental Protection, and Energy. McGuire was removed from the Committee and Senators Allen and Blakespear were added, increasing the Committee makeup.

Senate Leader Mike McGuire Announces Senate Democratic Leadership Team, Committee Membership for the 2024 Legislative Year (February 8, 2024)

Senate President pro Tempore, Mike McGuire (D-North Coast), announced the Senate Democratic Leadership Team and committee membership assignments for the 2024 Legislative year. The Senate Rules Committee will ratify the committee memberships on Wednesday, February 14, 2024.

Senate Democratic Leadership

- **Senator Lena A. Gonzalez (D-Long Beach), Majority Leader**
- Senator Angelique V. Ashby (D-Sacramento), Assistant Majority Leader
- Senator Aisha Wahab (D-Hayward), Assistant Majority Leader
- Senator Monique Limón (D-Santa Barbara), Democratic Caucus Chair
- Senator Dave Cortese (D- San Jose), Majority Whip

- Senator María Elena Durazo (D-Los Angeles), Assistant Majority Whip
- Senator Steve Padilla (D-San Diego), Assistant Majority Whip

Appropriations

- Senator Anna M. Caballero (D-Merced), Chair
- Senator Brian W. Jones (R-San Diego), Vice-Chair
- Senator Angelique V. Ashby (D-Sacramento)
- Senator Josh Becker (D-Menlo Park)
- Senator Steven Bradford (D-Gardena)
- Senator Kelly Seyarto (R-Murrieta)
- Senator Aisha Wahab (D-Hayward)

  *Note: Senator Anna M. Caballero will assume the post on March 11, 2024.

Budget and Fiscal Review

- Senator Scott D. Wiener (D-San Francisco), Chair
- Senator Roger W. Niello (R-Fair Oaks), Vice-Chair
- Senator Nancy Skinner (D-Berkeley), Chair Emeritus
- Senator Benjamin Allen (D-Santa Monica)
- Senator Josh Becker (D-Menlo Park)
- Senator Catherine Blakespear (D-Encinitas)
- Senator Brian Dahle (R-Bieber)
- Senator María Elena Durazo (D-Los Angeles)
- Senator Susan Talamantes Eggman (D-Stockton)
- Senator Shannon Grove (R-Bakersfield)
- Senator John Laird (D-Santa Cruz)
- Senator Caroline Menjivar (D-San Fernando Valley)
- Senator Dave Min (D-Irvine)

- Senator Josh Newman (D-Fullerton)
- Senator Steve Padilla (D-San Diego)
- Senator Richard D. Roth (D-Riverside)
- Senator Kelly Seyarto (R-Murrieta)
- Senator Lola Smallwood-Cuevas (D-Los Angeles)
- Senator Aisha Wahab (D-Hayward)
- Senator Scott Wilk (R-Santa Clarita)

Energy, Utilities and Communications

- Senator Steven Bradford (D-Gardena), Chair
- Senator Brian Dahle (R-Bieber), Vice-Chair
- Senator Angelique V. Ashby (D-Sacramento)
- Senator Josh Becker (D-Menlo Park)
- Senator Anna M. Caballero (D-Merced)
- Senator Bill Dodd (D-Napa)
- Senator María Elena Durazo (D-Los Angeles)
- Senator Susan Talamantes Eggman (D-Stockton)
- Senator Lena A. Gonzalez (D-Long Beach)
- Senator Shannon Grove (R-Bakersfield)
- Senator Monique Limón (D-Santa Barbara)
- Senator Dave Min (D-Irvine)
- Senator Josh Newman (D-Fullerton)
- Senator Susan Rubio (D-Baldwin Park)
- Senator Kelly Seyarto (R-Murrieta)
- Senator Nancy Skinner (D-Berkeley)
- Senator Henry I. Stern (D-Los Angeles)
- Senator Scott Wilk (R-Santa Clarita)

Budget Subcommittee #2 on Resources, Environmental Protection and Energy

- Senator Josh Becker (D-Menlo Park), Chair
- Senator Benjamin Allen (D-Santa Monica)
- Senator Catherine Blakespear (D-Encinitas)
- Senator Brian Dahle (R-Bieber)

Joint Legislative Committee on Climate Change Policies

- Senator Henry I. Stern (D-Los Angeles), Chair
- Senator Catherine Blakespear (D-Encinitas)
- Senator Melissa Hurtado (D-Bakersfield)
- Senator Steve Padilla (D-San Diego)

Joint Legislative Budget Committee

- Senator Scott D. Wiener (D-San Francisco), Chair
- Senator Josh Becker (D-Menlo Park)
- Senator Brian Dahle (R-Bieber)
- Senator María Elena Durazo (D-Los Angeles)
- Senator Susan Talamantes Eggman (D-Stockton)
- Senator Roger W. Niello (R-Fair Oaks)
- Senator Steve Padilla (D-San Diego)
- Senator Richard D. Roth (D-Riverside)

3. AB 2205, as introduced, Joe Patterson. Electricity: mandatory rate reduction.

Existing law vests the Public Utilities Commission with regulatory authority over public utilities, including electrical corporations. Existing law authorizes the commission to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable.

This bill would require the commission to reduce the kilowatt-per-hour rate for electricity charged to ratepayers by not less than 30%.

DIGEST KEY

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

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BILL TEXT

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 739.14 is added to the Public Utilities Code, to read:

739.14. The commission shall reduce the kilowatt-per-hour rate for electricity charged to ratepayers by not less than 30 percent.

Next Meeting

Our next State Policy WG meeting is scheduled for Friday, March 8th

Zoom link

Call-in: +13092053325,,82500501190#
Passcode: cedmc