

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.

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.

Honorable Alice Reynolds

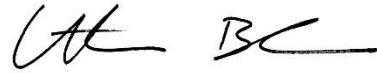
January 30, 2024

Page 3

Thank you for your time and consideration.



Scott Wiener
Senator, 11th District



Catherine Blakespear
Senator, 38th District



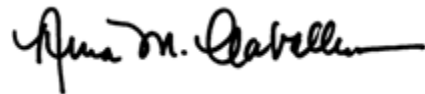
Bill Dodd
Senator, 3rd District



Richard Roth
Senator, 31st District



Ben Allen
Senator, 24th District



Anna M. Caballero
Senator, 14th District



Monique Limón
Senator, 19th District



Marie Alvarado-Gil
Senator, 4th District



Aisha Wahab
Senator, 10th District



Dave Cortese
Senator, 15th District