



California Public Utilities Commission

Residential Rate Reform Through 2019

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Outline

What is residential rate reform?

What do residential electric rates currently look like?

Why are we changing residential electric rates? Why now?

What will residential electric rates look like in the future?

How will these changes impact you?





What is Residential Rate Reform?

- ❖ Rate Reform attempts to align the cost paid by a customer with the cost to serve that customer.
- ❖ This is achieved by narrowing the difference in price paid by low users and high users of electricity.





What is Residential Rate Reform?

- ❖ Rate Reform does not allow PG&E to collect more money overall.
- ❖ Customer choice is a key concept: Rate Reform will lead to greater choices amongst a variety of rate plans.



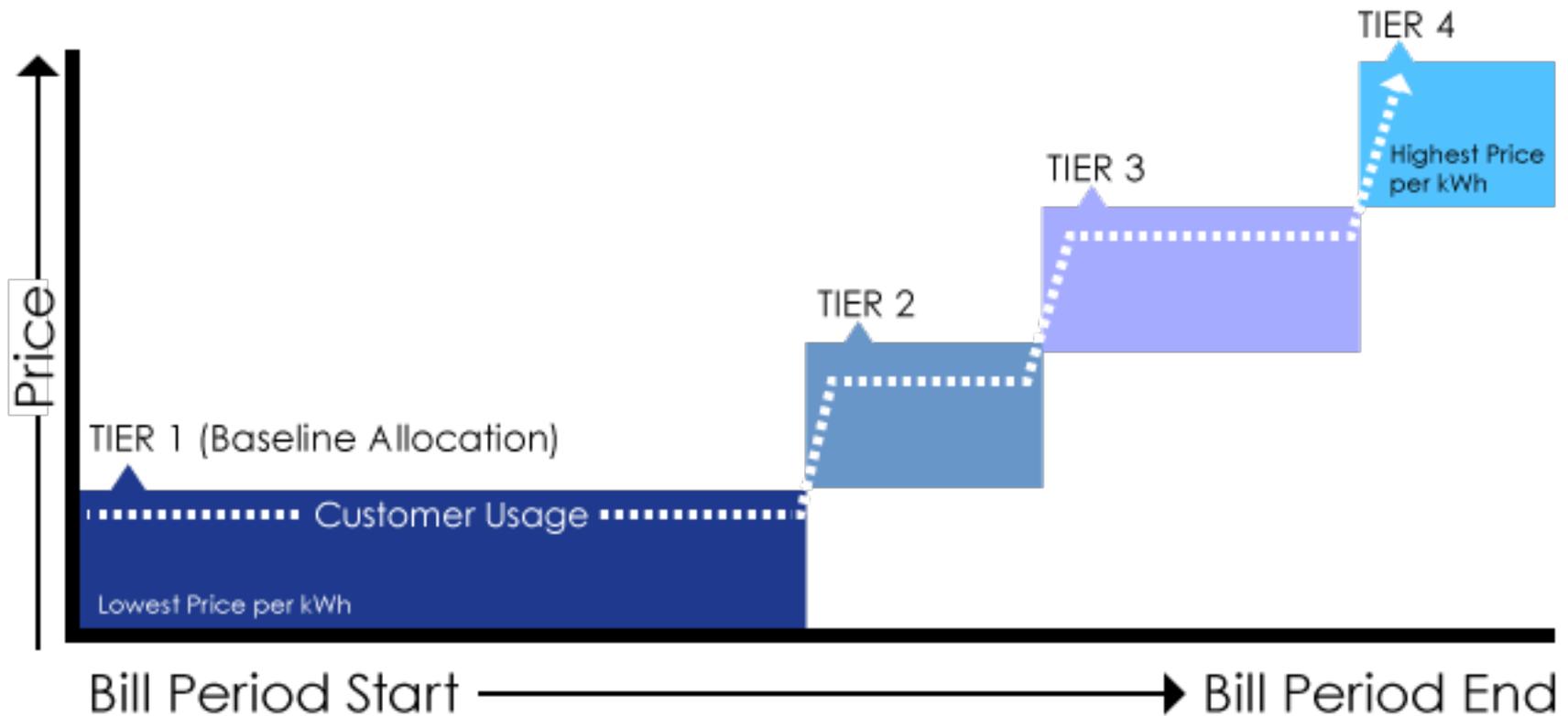


What do PG&E's residential electric rates currently look like?

- ❖ Electric rates in California are “tiered”, meaning that electricity usage is billed at different rates depending on how much power one has used since the beginning of the month.
- ❖ **Tier 1:** usage up to the *baseline*, which is set between 50% and 60% of average residential consumption in a climate zone. **Tier 1 is the lowest cost tier** and results from 1970s legislation to ensure low cost power for basic uses.
- ❖ **Tier 2:** usage between 100% and 130% of baseline.
- ❖ **Tier 3:** usage between 130% and 200% of baseline.
- ❖ **Tier 4:** all usage over 200% of baseline.



How are PG&E's residential electric rates currently structured?





What do PG&E's residential electric rates currently look like for customers in Chico?

| Default Residential Rate (E-1) for a basic Chico electric customer in the summer | \$/kWh |
|--|-----------|
| Tier 1 (the first 414kWh used in a month) | \$0.18212 |
| Tier 2 (kWh 415 – 538) | \$0.22481 |
| Tier 3 (kWh 539 – 828) | \$0.28578 |
| Tier 4 (kWh 829 and above) | \$0.36389 |





Which zones apply?

Different baseline quantities apply to different zones and seasons.

| Zone | Summer BQ | Winter BQ |
|------|-----------|-----------|
| S | 414kWh | 336kWh |
| R | 468kWh | 330kWh |
| P | 414kWh | 369kWh |
| Y | 318kWh | 378kWh |
| Z | 186kWh | 270kWh |





How We Got Here

- ❖ In 2001 California was faced with an energy crisis that included rolling blackouts across the state.
- ❖ In response, the legislature passed laws that froze PG&E's residential electric rates for tier 1 and tier 2 usage at their February 2001 levels. This ensured that basic amounts of electricity would be protected from large price increases.
- ❖ For the last 15 years, this meant that almost all residential cost increases have been paid for by customers in tier 3 and tier 4.
- ❖ This led to wide disparities between PG&E's lower tier prices and higher tier prices: today tier 4 costs twice as much as tier 1.





Why are we changing residential electric rates? Why now?

- ❖ Recent legislative action allows for the prices of lower tiers and higher tiers to come closer together.
- ❖ Senate Bill 695 in 2009 and Assembly Bill 327 in 2013 gave the CPUC authority to change the rate structure.
- ❖ In its decision last July, the CPUC said that “[t]he rate freeze resulted in unfair prices for many customers. The longer this steep tier differential continues, the harder it is to move back to fair rates that reflect cost and allow customers to make smart decisions.” (D.15-07-001 at p. 3)





The Decision-Making Process

- ❖ The CPUC worked with the utilities, consumer groups, energy efficiency advocates as well as other stakeholders over the last three years to ensure that this process is gradual and does not unduly burden Tier 1 and Tier 2 customers.
- ❖ In 2014, 16 Public Participation Hearings were held in the communities of San Diego, El Cajon, San Francisco, Fontana, Temple City, Palmdale, Chico, and Fresno. At least 370 people provided public comment.
- ❖ The CPUC received more than 12,000 letters and emails from utility customers and community groups.





Public Participation Hearings Held on Rate Reform

| Date | Location | Attendance |
|----------|---------------|------------|
| 9/16/14 | San Diego | 202 |
| 9/18/14 | El Cajon | 175 |
| 9/23/14 | San Francisco | 110 |
| 9/29/14 | Fontana | 105 |
| 9/30/14 | Temple City | 94 |
| 10/2/14 | Palmdale | 85 |
| 10/9/14 | Chico | 39 |
| 10/14/14 | Fresno | 60 |





What will PG&E's residential electric rates look like in the future?

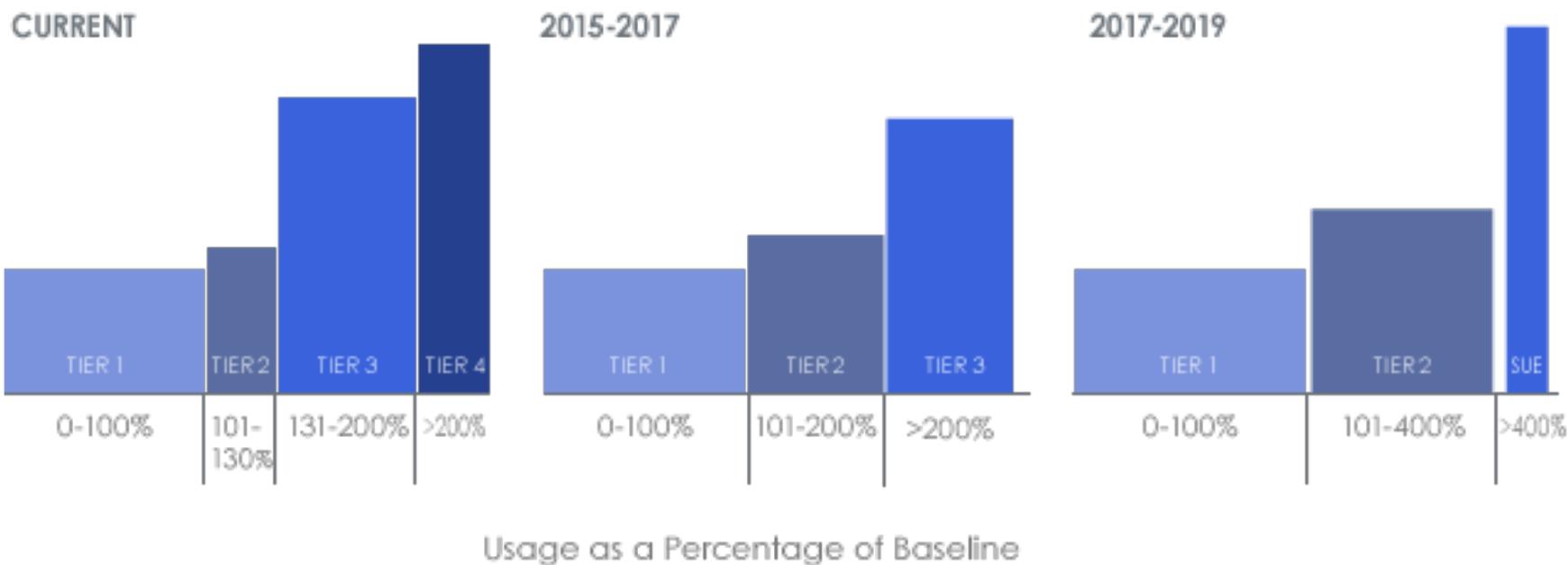
- ❖ Tier 1 and Tier 2 rates will gradually increase, and Tier 3 and Tier 4 rates will gradually decrease.
- ❖ In 2017 there will only be two tiers, but higher tier energy will still cost more than lower tier energy.
- ❖ In 2019, the second tier of usage will cost 25% more than the first tier of usage.
- ❖ Beginning in 2017, a “super-user” surcharge will be collected from very high energy users.
- ❖ In 2019, residential customers will be switched to time-of-use rates although they can choose to remain on tiered rates.





Illustration of Changes

Residential Electric Rate Structure





How will these changes impact you?

- ❖ PG&E customers currently in Tier 1 and Tier 2 may see monthly bill increases of \$1-5 each year as a result of Rate Reform. By 2018 monthly bills for these customers may be \$9-12 greater than they were in 2014 as a result of Rate Reform.
- ❖ Many customers currently in Tier 3 and Tier 4 will see their bills decrease by a similar amount as a result of Rate Reform.
- ❖ The PG&E minimum bill amount increased from ~ \$5/month to \$10/month (~ \$2.50/month to \$5/month for CARE customers). This **only** affects customers with very low usage or net energy metered customers who zero out their usage for the month.
- ❖ PG&E is required to promote low-cost/no-cost energy saving programs and tools to customers anticipated to have the highest bill increases.





Assistance for Low-Income Customers

- ❖ California Alternate Rates for Energy (CARE)
 - Provides a discount of ~ 35% on electric and natural gas bills
 - Eligibility depends on household size
 - A household of four qualifies if income is equal to or less than than \$48,500
- ❖ Family Electric Rate Assistance (FERA)
 - Provides a 12% discount on your electric bill
 - Eligibility depends on household size
 - A household of four qualifies if income is between \$48,501 and \$60,625
- ❖ Energy Savings Assistance Program (ESAP)
 - Provides no-cost weatherization services to CARE customers
- ❖ Medical Baseline
 - Larger baseline quantity for customers who rely on medical-related equipment





Solar and Residential Rate Reform

- ❖ Net energy metered customers are most likely to be affected by the minimum bill change.
- ❖ All PG&E customers – including solar customers – are now required to pay a \$10 minimum delivery charge each month. For solar customers, these charges will be credited to any delivery charges on your True-Up.
- ❖ A small number of solar customers, with a True-Up less than \$120, will see a higher True-Up. For these customers, the largest possible increase would be \$60.
- ❖ As upper tier rates decrease and lower tier rates increase, this may change the economics of solar adoption, making solar more attractive for new customer segments.





The “super user” surcharge

- ❖ Beginning in 2017, a “super user” surcharge will be collected from very high electricity users.
- ❖ This will apply to PG&E customers who use 400% of baseline or more, which is twice the average electricity usage.
- ❖ The super-user surcharge will be an extra \$0.20 per kWh.





Time-of-Use Rates

- ❖ In 2019, all residential customers will be defaulted to time-of-use rates unless they actively choose a different rate.
- ❖ Under time-of-use rates, electricity costs less when demand is low, and costs more when demand is high.
- ❖ Mandatory time-of-use rates are already in place for almost all commercial and industrial customers in California.
- ❖ Many customers already understand the concept of time-of-use rates through the PG&E's SmartRate program and other programs that encourage conservation during hot summer afternoons when demand is highest.





Time-of-Use Rates

- ❖ This rate structure gives customers the most power to control their bills. Time-of-use rates will feature the lowest prices when energy is the most abundant and the highest prices when energy is the scarcest.
- ❖ By using high consuming devices, such as dishwashers, air conditioners and washing machines, at low-cost times customers may be able to cut their bills.
- ❖ This will reduce the need to use the most inefficient, expensive, and carbon-intensive forms of power generation during peak demand times and help California meet its climate goals.
- ❖ Customers can always choose to go back to the two tiered rate, or any other available rates.





Next Steps

- ❖ The CPUC, utilities and other stakeholders such as consumer advocates, environmental groups and solar industry groups are developing marketing and outreach plans to help customers understand the upcoming rate changes.
- ❖ There is also a collaborative process to experiment with different time-of-use rate designs to inform the decision about which rate(s) to default residential customers to in 2019.





Timeline

2015-2018

- Collapse from 4 to 2 tiers
- Low-cost/no-cost energy efficiency campaign

2017

- Super-user energy surcharge begins

2019

- Default Time-of-use rates

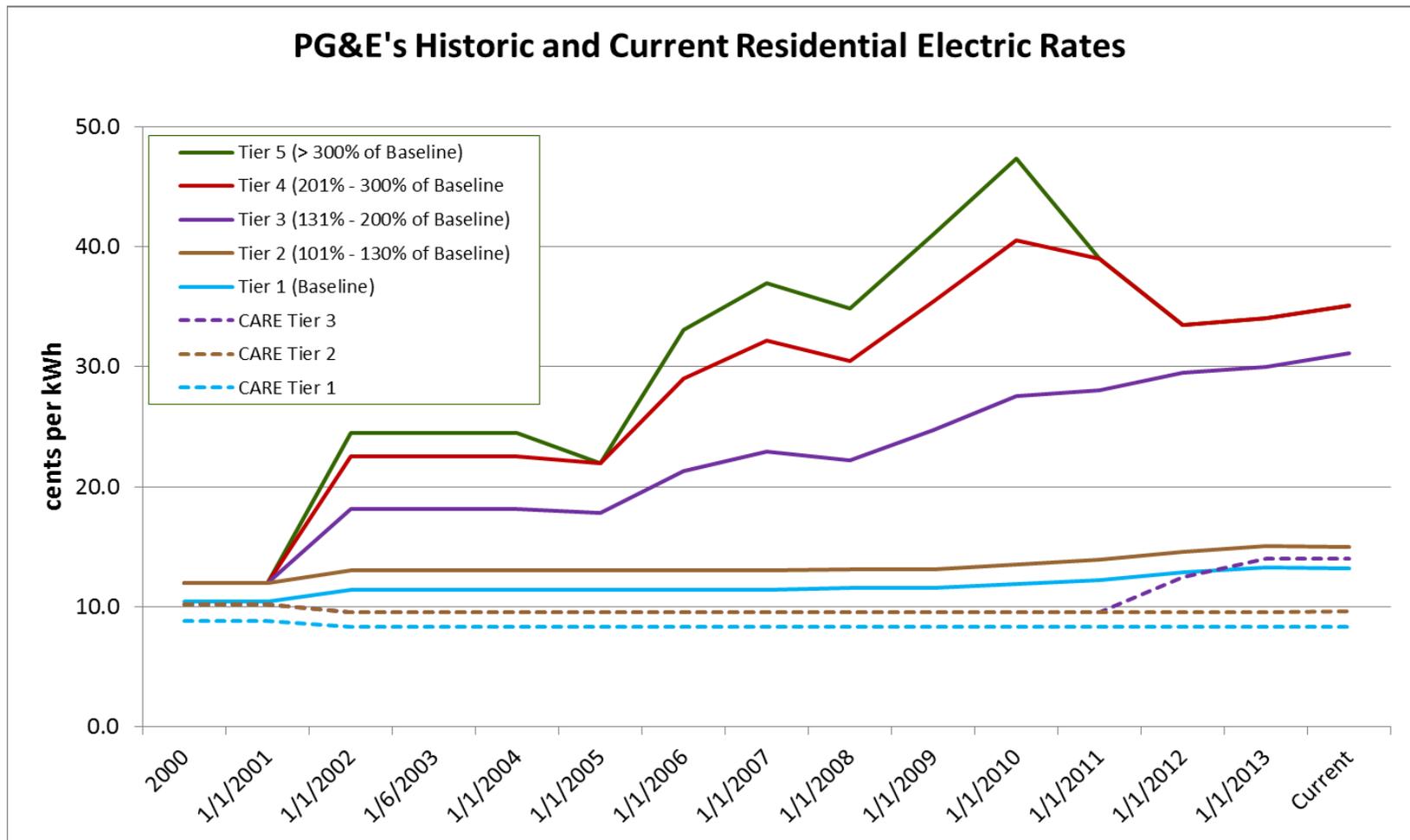




Questions?



PG&E Residential Rates: 2000-2014





CARE/ESAP Eligibility

| Household Size | Income |
|------------------------|----------|
| 1-2 | \$31,860 |
| 3 | \$40,180 |
| 4 | \$48,500 |
| 5 | \$56,820 |
| 6 | \$65,140 |
| 7 | \$73,460 |
| 8 | \$81,780 |
| Each Additional Person | \$8,320 |





FERA Eligibility

| Household Size | Income |
|------------------------|-----------|
| 3 | \$50,225 |
| 4 | \$60,625 |
| 5 | \$71,025 |
| 6 | 81,425 |
| 7 | \$91,825 |
| 8 | \$102,225 |
| Each Additional Person | \$10,400 |

