



# California Public Utilities Commission

## Fact Sheet

### Residential Rate Reform

November 2015

#### What is residential rate reform?

Residential rate reform refers to a multi-year process of changing the way electricity rates are structured, and therefore, the way you are billed for electricity. This process will end in 2019 with the introduction of default time-of-use rates for all customers.

During the 2001 energy crisis, the California Legislature froze the bottom two of four electricity billing tiers. This meant that in the last 14 years, any increases in costs have gone to the upper two tiers (you move up billing tiers the more electricity you use). Practically, this meant that a person might use twice as much electricity as a neighbor but pay four times as much. Lower usage customers were paying less than it costs to serve them, and higher usage customers were paying more than it costs to serve them. Rate reform lowers the differentials between the tiers so that the price for lower usage increases and the price for higher usage decreases. The result is that in 2018 we will have only two tiers of usage, with the second tier costing 25 percent more than the first.

#### Will my bill go up or down?

It depends on your usage. **This change does not allow the utilities to collect more money.** It changes the way that it is collected. In Pacific Gas and Electric Company's (PG&E) service territory, customers who do not regularly go above Tier 2 in usage will see a bill \$2-\$6 a month higher by 2019. Customers in higher tiers will see more dramatic decreases of \$4-\$25 in their bills as there are fewer of these customers. These changes are gradual over the next few years.

#### What are time-of-use rates?

The CPUC has ordered PG&E, San Diego Gas & Electric, and Southern California Edison to introduce time-of-use (TOU) rates in 2019. This means the price of electricity will depend on the time of day you use energy. TOU rates charge customers more when the cost to generate electricity is high (late afternoon and early evening) and less when the cost is low (all other times). This is a system that is beneficial for the electricity grid and allows customers the most power to reduce their bills. You can choose to stay on two-tiered rates if you prefer.

#### What other changes are included in rate reform?

- The CARE discount for low income consumers will go from more than 40 percent to 35 percent by 2020.
- For those who zero out their bill, through solar power for example, the minimum amount will increase from \$4.50 to \$10 (\$5 for CARE customers).
- Starting in 2017, a "super user" electric surcharge will be introduced to penalize excessive energy use. This will apply to those who use 400 percent or greater of baseline, which is more than twice the average usage.

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