Rate Trends
2009-2019

Elizabeth Echols, Director
Matthew Karle
Nathan Chau
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Key Themes

• Electric rates for most CPUC jurisdictional residential customers are increasing more quickly than inflation.
• The preponderance of that increase is impacting low usage residential customers.
Factors Influencing Rate Increases

- Revenue requirements are rising. These are the capital costs and expenses authorized to be collected through rates.
- Residential sales are falling.
- Ongoing tier closure magnifies these effects, resulting in disproportionate increases to the Tier 1 rate.
Disproportionate Rate Impacts

• The rate impacts of these trends are magnified for more granular customer groupings.

System Average Rates
↓
Residential Average Rates
↓
Baseline Rates
SCE System Revenue Requirement % Change Since 2009
2009-2019
PG&E System Revenue Requirement % Change Since 2009

2009-2019
SDG&E System Revenue Requirement % Change Since 2009
2009-2019

SDG&E 29.35%
Stagnant & Decreasing Sales

• Prior to 2009, sales increases generally acted to offset increasing revenue requirements, resulting in less severe rate impacts despite growing revenue requirements.

• However due to energy efficiency and distributed generation, sales have been stagnant or decreasing statewide for the past several years. Sales decreases are expected to continue unless state Electrification policy takes root and reverts the trend in a sustainable manner.

• With lower sales, the same revenue requirement is collected over fewer kilowatt hours, resulting in higher per kWh rates.
SCE Revenue Requirement vs. Sales
2009-2019

Revenue, 3.16%
Sales, 2.01%

SONGS Settlement

% Change Since 2009
PG&E Revenue Requirement vs. Sales
2009-2019

Revenue, 4.13%
Sales, -4.33%
SDG&E’s revenues have increased faster than PG&E and SCE despite showing the greatest drop in sales.
Impact on System Average Rates

• In light of declining sales, even small increases in revenue requirements can have a substantial impact on customer rates and bills.

• System average rates are increasing more quickly than revenue requirements.
System Average Rates Increasing Faster Than Inflation for PG&E and SDG&E 2009-2019

SCE appears to track inflation for now.
System Average Rates Increasing Faster Than Inflation for PG&E and SDG&E 2009-2019
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IOUs' average rates seem to track at or below inflation until 2014.
System Average Rates Increasing Faster Than Inflation for PG&E and SDG&E 2009-2019

But with the sales decline, system bundled average rates have risen more quickly than revenue requirements
Impact on Residential Rates

• Not all customer classes are symmetrically impacted by these changes.

• Residential rates are generally higher than system average rates, and are rising more quickly than inflation.

• CPUC jurisdictional residential rates are growing faster than statewide residential rates.
Not All Residential Rates Are Tracking Inflation
2009-2019

Since 2009, the Energy Information Agency (EIA) CA residential average rate metric has increased faster than inflation.

EIA residential average rate divides the total residential sales statewide in kWh by total residential class revenues.

Use of a statewide metric obscures rate impacts at the IOU level.
Not All Residential Rates Are Tracking Inflation 2009-2019

Since 2009, SCE's residential average rate appears to keep pace with inflation.
Not All Residential Rates Are Tracking Inflation 2009-2019

PG&E's residential average rate has increased more than SCE's.
Not All Residential Rates Are Tracking Inflation
2009-2019
Effects on Baseline Rates are Substantial

• The baseline allowance is intended “to supply a significant portion of the reasonable energy needs of the average residential customer.” (PU Code §739.2b)

• This quantity is billed at the lowest rate and is intended to ensure affordability for essential usage.

• Baseline rates have increased at a pace far beyond inflation. The effects of revenue increase and falling sales are multiplied on baseline rates after enactment of residential rate reform. About a quarter to a third residential customers never exceed their baseline usage.
Baseline Rates Have Increased at an Alarming Rate
2009-2019
Baseline Rates Have Increased at an Alarming Rate 2009-2019

SB 695
Baseline rates allowed to increase at a rate indexed to inflation.

Rate Reform
D.15-07-001

SCE, 48%

CPI, 19%
Baseline Rates Have Increased at an Alarming Rate
2009-2019

**SB 695**
Baseline rates allowed to increase at a rate indexed to inflation.

PG&E, 85%
Rate Reform D.15-07-001
CPI, 19%
Baseline Rates Have Increased at an Alarming Rate
2009-2019

SB 695
Baseline rates allowed to increase at a rate indexed to inflation.

CPI, 19%

SDG&E, 106%

SDG&E GRC 2
D.17-08-030

Rate Reform
D.15-07-001
Baseline Rates Have Increased at an Alarming Rate 2009-2019

Low usage customers have been particularly burdened. Between 20%-30% of customers' usage do not exceed their baseline allowance. Thus, their annual bills have risen by the amount illustrated.
Recap: Seemingly minor revenue increases can amount to large rate increases to some customers.

<table>
<thead>
<tr>
<th></th>
<th>Revenue % Change</th>
<th>System Average Rate % Change</th>
<th>Residential Rate % Change</th>
<th>Baseline Residential Rate % Change</th>
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</thead>
<tbody>
<tr>
<td><strong>SCE</strong></td>
<td>3.2%</td>
<td>12%</td>
<td>18%</td>
<td>48%</td>
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<tr>
<td><strong>PG&amp;E</strong></td>
<td>4.1%</td>
<td>37%</td>
<td>31%</td>
<td>85%</td>
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<tr>
<td><strong>SDG&amp;E</strong></td>
<td>29.4%</td>
<td>45%</td>
<td>51%</td>
<td>106%</td>
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Forecasting Across Proceedings

• The Commission needs better tools to identify the trade-offs involved in approving new IOU spending across various proceedings.

• How does each application/request affect:
  – Total Revenue Requirement
  – Average rates:
    • system average rate
    • residential average rate
  – Average customer bill:
    • by customer class, climate zone, CARE/non-CARE, and at residential baseline usage level
## Data Needs

<table>
<thead>
<tr>
<th>Status</th>
<th>Proceeding</th>
<th>Description of Filing</th>
<th>Recovery Mechanism (e.g. Distribution, Generation, PPP)</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
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<th>Year 10</th>
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**Filing Date:** 1/1/2019  
**Filing Year:** 2019  

**Annual Revenue Requirements (End of Year):**

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<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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## Data Needs

<table>
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<th>Residential Average Rate</th>
<th>Rate Impacts in ¢/kWh</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
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<td>Total Cumulative Impact of all proceedings</td>
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</table>

| System Average Rate     |                        |        |        |        |        |        |        |        |        |        |
| Application/Filing A    |                        |        |        |        |        |        |        |        |        |        |
| Application/Filing B    |                        |        |        |        |        |        |        |        |        |        |
| Total Cumulative Impact of all proceedings | |        |        |        |        |        |        |        |        |        |