California Public Utilities Commission

Residential Rate Reform Through 2019

California Public Utilities Commission
Energy Division
Outline

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?

Residential Rate Reform does NOT allow the utilities to collect more money.
What is Residential Rate Reform?

Residential Rate Reform DOES make electric rates more fair.
What do residential electric rates currently look like?
What do residential electric rates currently look like?

Electric rates in California are “tiered”, meaning that different levels of electricity usage are billed at different rates.

**Tier 1:** usage up to the *baseline*, which is set between 50% and 60% of average residential consumption in a climate zone.

**Baseline power is the lowest cost tier** and results from 1970s legislation to ensure low cost power for basic use.

**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 We Got Here

- In 2001, market manipulation led to the energy crisis, which caused rolling blackouts across California.

- In response, the state passed legislation that froze residential electric rates for tier 1 and tier 2 usage at their February 2001 levels.

- In the last 15 years, this meant that almost all utility cost increases have been paid for by customers in tier 3 and tier 4.

In practice, this means that a customer in the previous tier 4 was using twice the amount of electricity as a customer in tier 1, but paying almost 3 times as much for that electricity.
The 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)

- Some people pay too much, some people pay too little.
- Senate Bill 695 in 2009 and Assembly Bill 327 in 2013 gave the CPUC authority to change rates.
The Decision Making Process

- The CPUC has worked with the utilities, consumer groups, clean energy, energy efficiency advocates and other stakeholders over the last 3 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 Commission received more than 12,000 letters and emails from IOU customers and community groups.
# Public Participation Hearings Held on Rate Reform

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Attendance</th>
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</thead>
<tbody>
<tr>
<td>9/16/14</td>
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<td>9/29/14</td>
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<td>10/2/14</td>
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<td>10/9/14</td>
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<td>10/14/14</td>
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What will 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. By March 2016, there will only be two tiers.

- In 2018, 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.

- The CARE discount will gradually be reduced to 35%.
Illustration of Changes

Residential Electric Rate Structure

CURRENT

MARCH 2016

2017-2018

Usage as a Percentage of Baseline
How will these changes impact you?

- Customers currently in Tier 1 and Tier 2 may see monthly bill increases of $2-9 each year. By 2018 monthly bills may be $15-17 greater than they were in 2014.

- Customers currently in Tier 3 will see their bills stay about the same or decrease.

- The minimum bill amount increased from about $5 to $10 (it stayed at $5 for CARE customers). It only applies to delivery charges. You pay for generation charges separately, and there is no minimum charge for generation.

- This only affects customers with very low usage or net energy metered customers who zero out their usage for the month. This contributes to paying for the infrastructure of electric system (such as poles and wires).

- The utilities are 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 35% discount on electric bills and a 20% discount on natural gas bills
  - Eligibility depends on household size
    - A household of four qualifies if income is less 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 less than $60,625

- **Energy Savings Assistance Program (ESAP)**
  - Provides no-cost weatherization services to CARE qualified 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. In SDG&E’s territory, this increased from about $5 to $10. This comes to $120 each year.

- All utility 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 NEM True-Up.

- A small number of customers, with a NEM 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.
Preventing Energy Waste

- Beginning in 2017, a “super-user” surcharge will be collected from very high electricity users.

- This applies to customers who use more than 400% of baseline, which is twice the average electricity usage.

- This was included to ensure that those customers who are truly using much more than is necessary are penalized.

- The super-user surcharge will be an extra $0.20 per kWh.

- If your monthly electric bill does not currently exceed $450, you are most likely not affected by the surcharge.

- This will affect fewer than 10% of customers.
Time-of-Use Rates

- In 2019, at the end of this process, 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 all commercial and industrial customers in California.

- Many customers already understand the concept of time-of-use rates through the Flex Your Power campaigns, SDG&E’s Reduce Your Use program, and other programs that encourage conservation during hot summer afternoons when demand is highest.
Illustration of Time-of-Use Rates

How energy rates can change throughout the day

Source: GE
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 it’s climate goals.

- Customers can always choose to go back to the two tiered rate, or any other available rates.
Next Steps

- Currently, the CPUC, the 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 try different time-of-use rate designs between now and 2019 to find the most optimal, customer-friendly and easy to understand time-of-use rate.
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
Add time block for 2016-2017 pilots???
Levin, Robert, 10/22/2015
Questions?
San Diego 100% Baseline
Summer 2015-2018

$58.46 (May 2015)
$60.82 (EOY 2015)
$68.95 (2016)
$73.94 (2017)
$73.94 (2018)
San Diego 130% Baseline
Summer 2015-2018

$79.13  $81.48  $89.64  $96.13  $96.13
May 2015  EOY 2015  2016  2017  2018
San Diego 200% Baseline
Summer 2015-2018

$-  $50.00  $100.00  $150.00  $200.00  $250.00  $300.00  $350.00  $400.00  $450.00  $500.00  $550.00  $600.00

May 2015  EOY 2015  2016  2017  2018

$174.15  $174.62  $170.23  $169.07  $166.45
San Diego 300% Baseline
Summer 2015-2018

May 2015: $316.61
EOY 2015: $307.68
2016: $285.36
2017: $273.28
2018: $266.92
San Diego 400% Baseline
Summer 2015-2018

May 2015: $459.08
EOY 2015: $440.73
2016: $400.48
2017: $377.49
2018: $367.38
Super User Energy (SUE) Surcharge

San Diego 500% Baseline
Summer 2015-2018

- May 2015: $601.54
- EOY 2015: $573.79
- 2016: $515.61
- 2017: $498.86
- 2018: $508.40
## CARE/ESAP Eligibility

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<th>Income</th>
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<tr>
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<td>8</td>
<td>$81,780</td>
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<td>Each Additional Person</td>
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# FERA Eligibility

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<td>$102,225</td>
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<tr>
<td>Each Additional Person</td>
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Each Additional Person: $10,400