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?

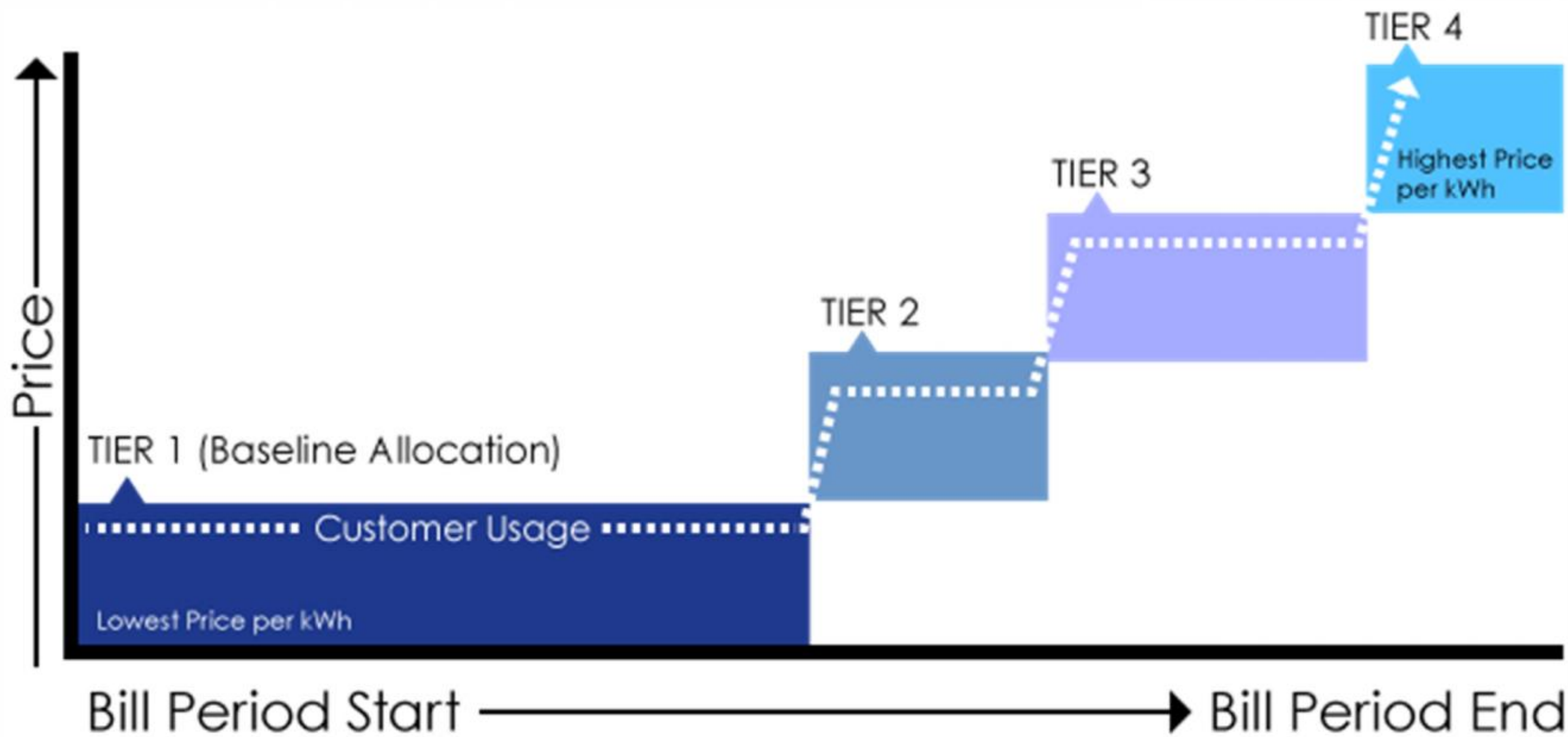
What is Residential Rate Reform?

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.

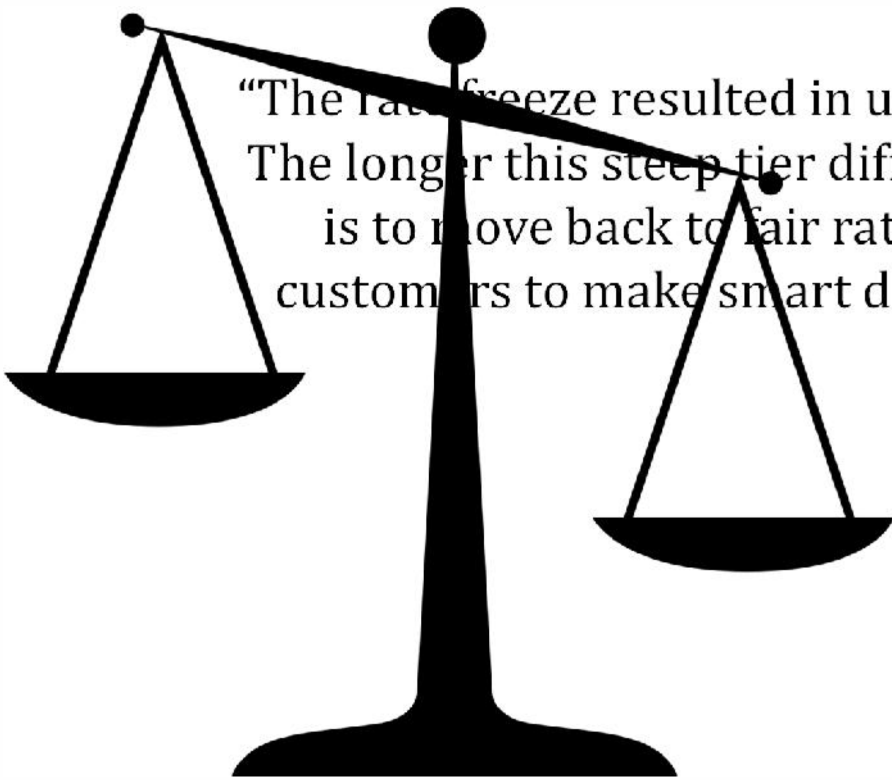
Tier 4: all usage over 200% of baseline.

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

Why are we changing residential electric rates? Why now?



"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

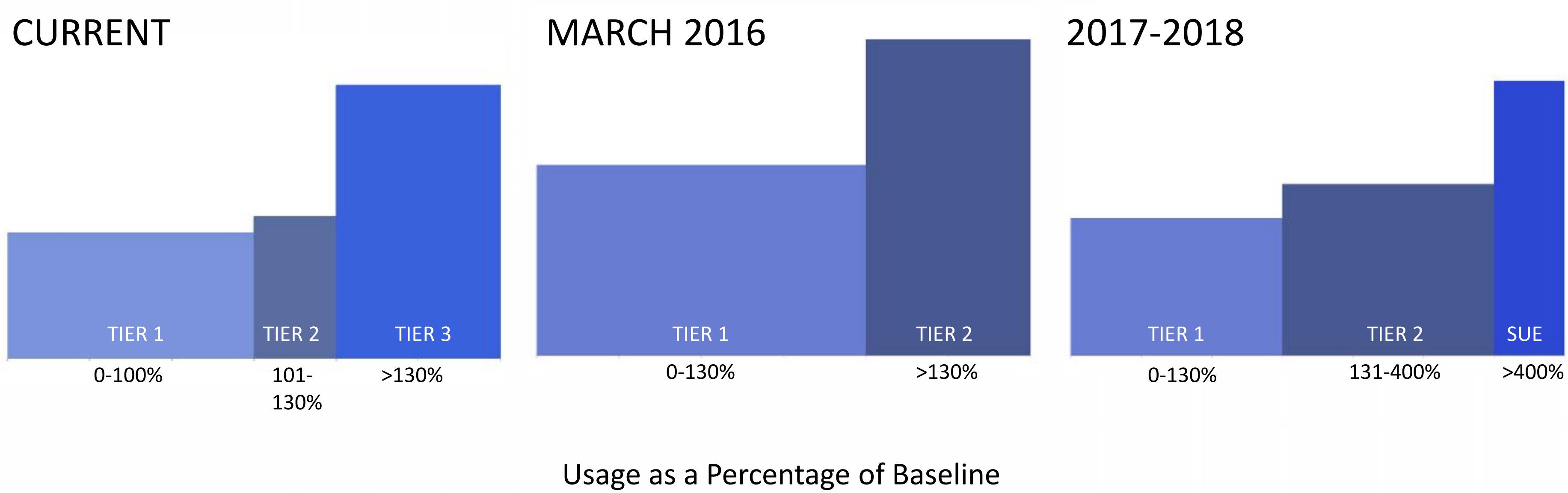
Date	Location	Attendance
9/16/14	San Diego	202
6/18/14	El Cajon	175
9/23/14	San Francisco	110
9/29/14	Fontana	105
9/30/14	Temple City	94
10/2/14	Palmdale	85
10/9/14	Chico	39
10/14/14	Fresno	60

What will 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



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 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 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

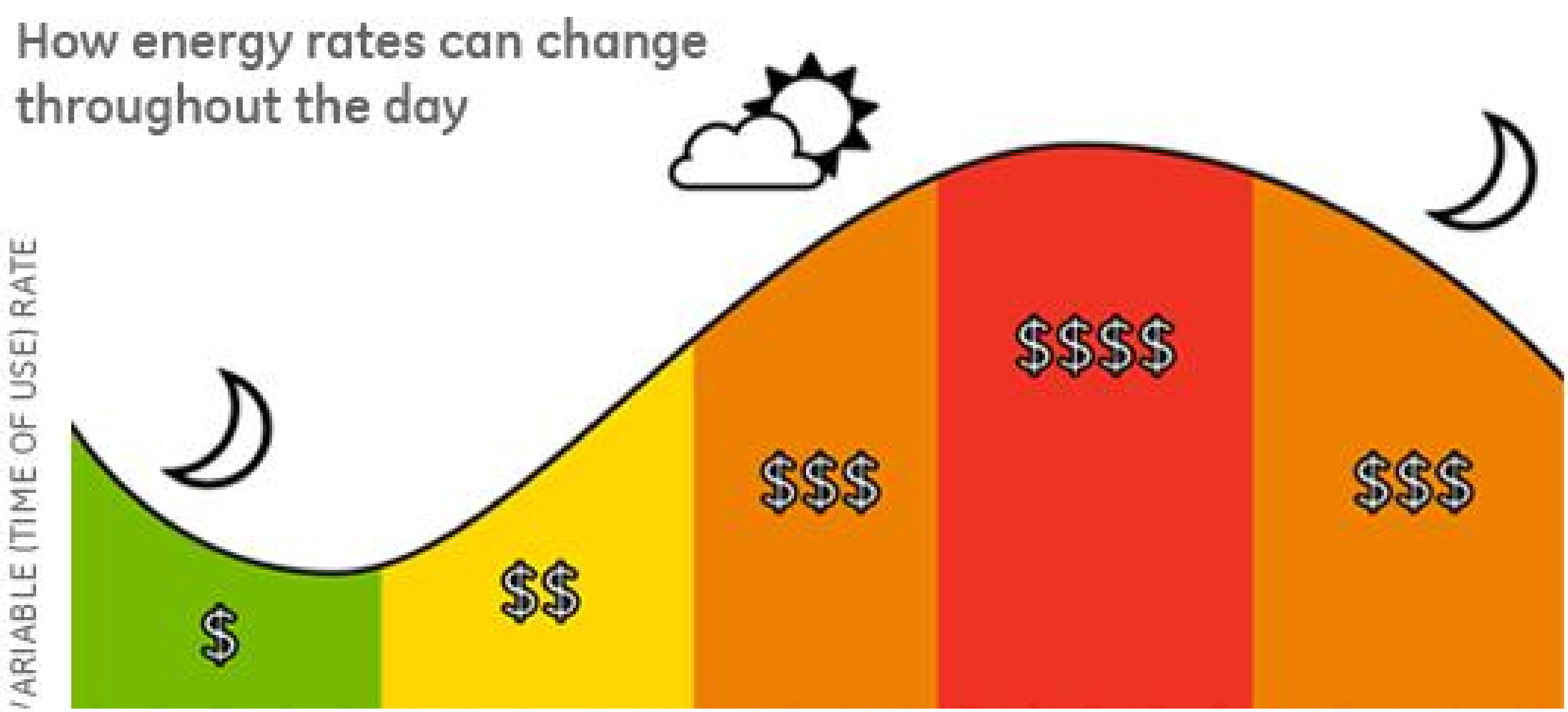
- In 2019, at the end of this process, all residential customers will be defaulted to time-of-use rates unless they actively choose a different rate.

- 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



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.

LR2

Timeline

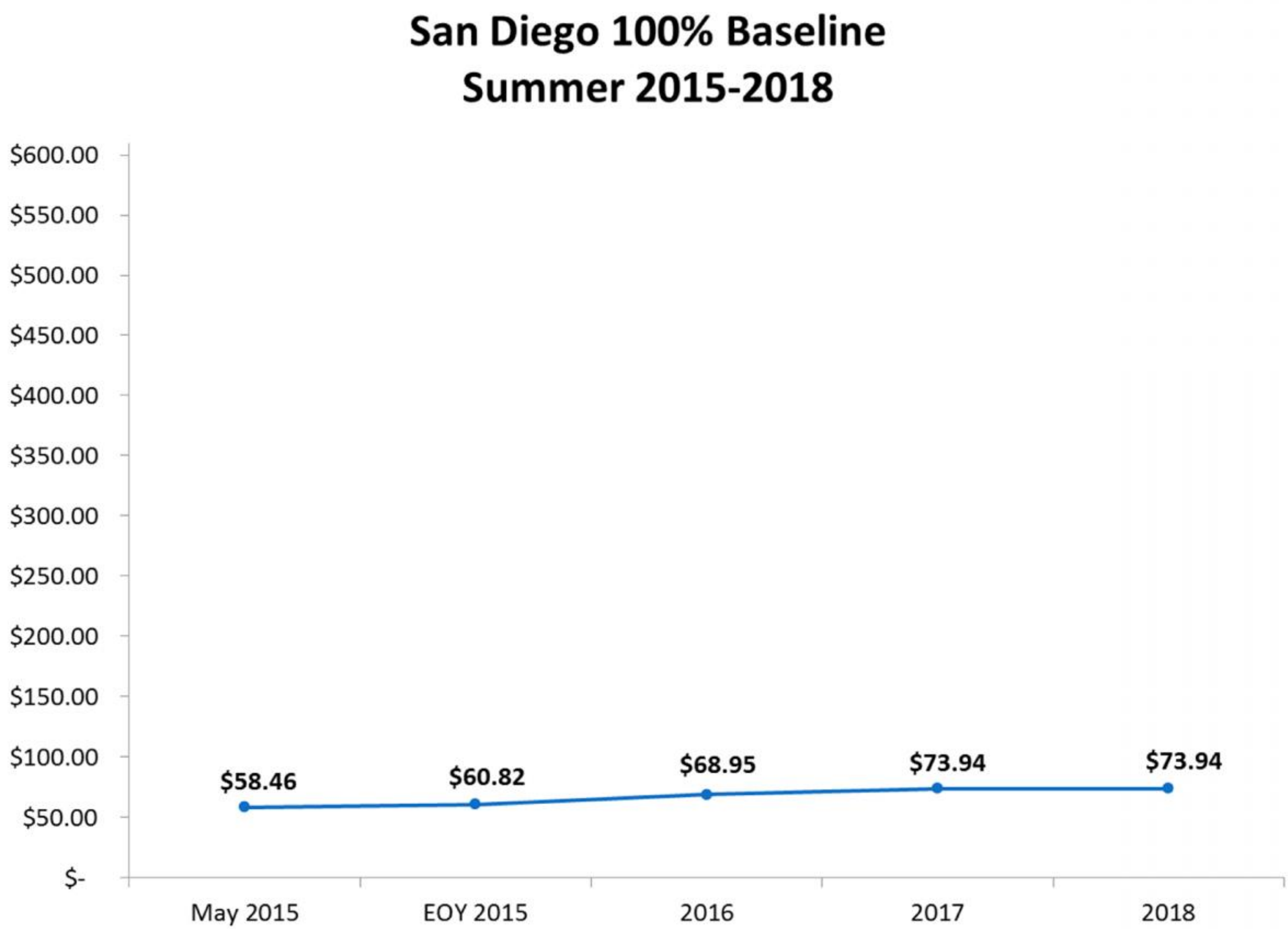
2015-2018
- Collapse from 4 to 2 tiers
- Low-cost/no-cost energy efficiency campaign

2017
- Super-user energy surcharge begins

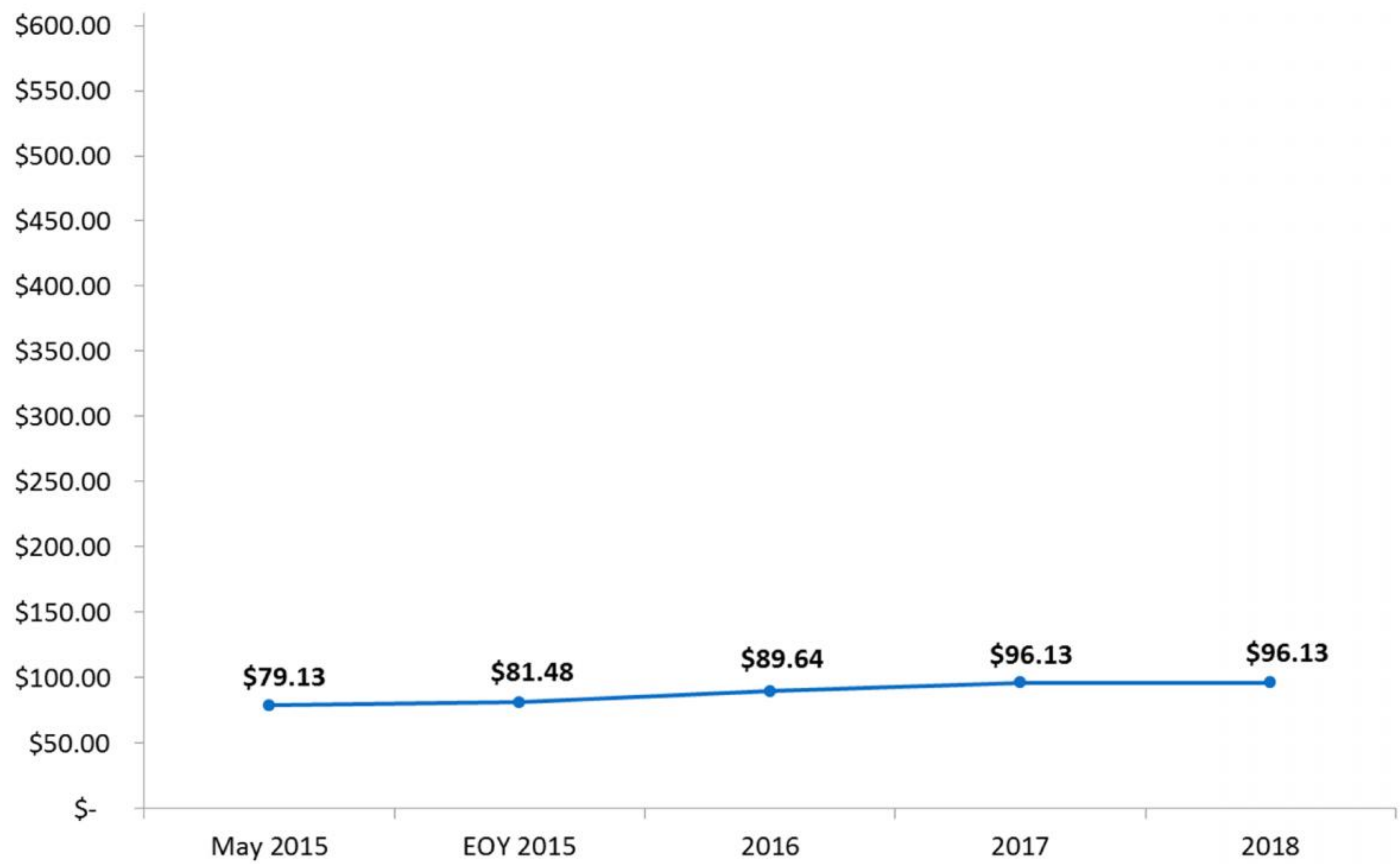
2019
- Default Time-of-use rates

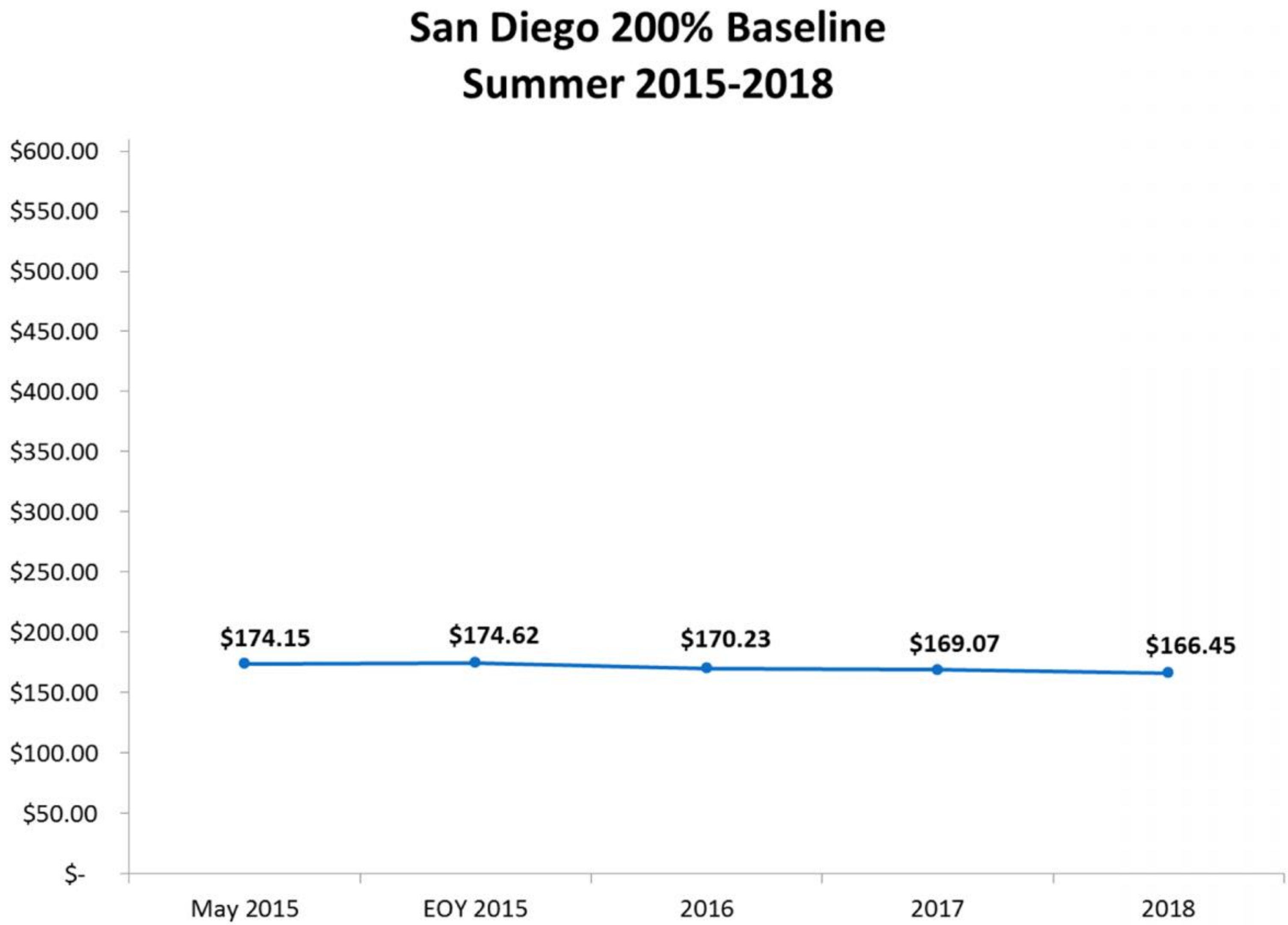
LR2 Add time block for 2016-2017 pilots???
Levin, Robert, 10/22/2015

Questions?


San Diego 100% Baseline
Summer 2015-2018
$600.00
$550.00
$500.00
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$-
$58.46
$60.82
$68.95
$73.94
$73.94
May 2015
EOY 2015
2016
2017
2018

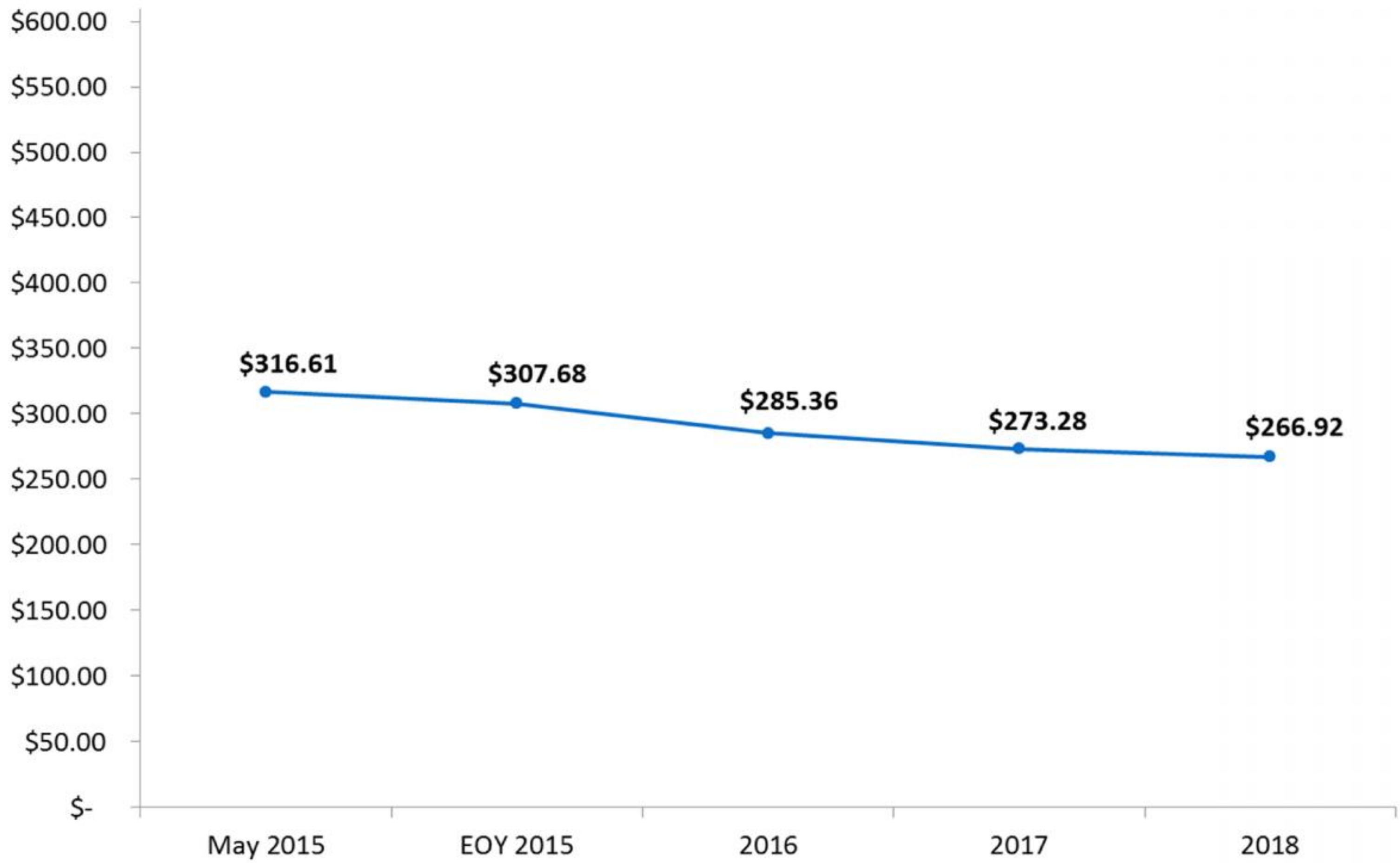
San Diego 130% Baseline
Summer 2015-2018



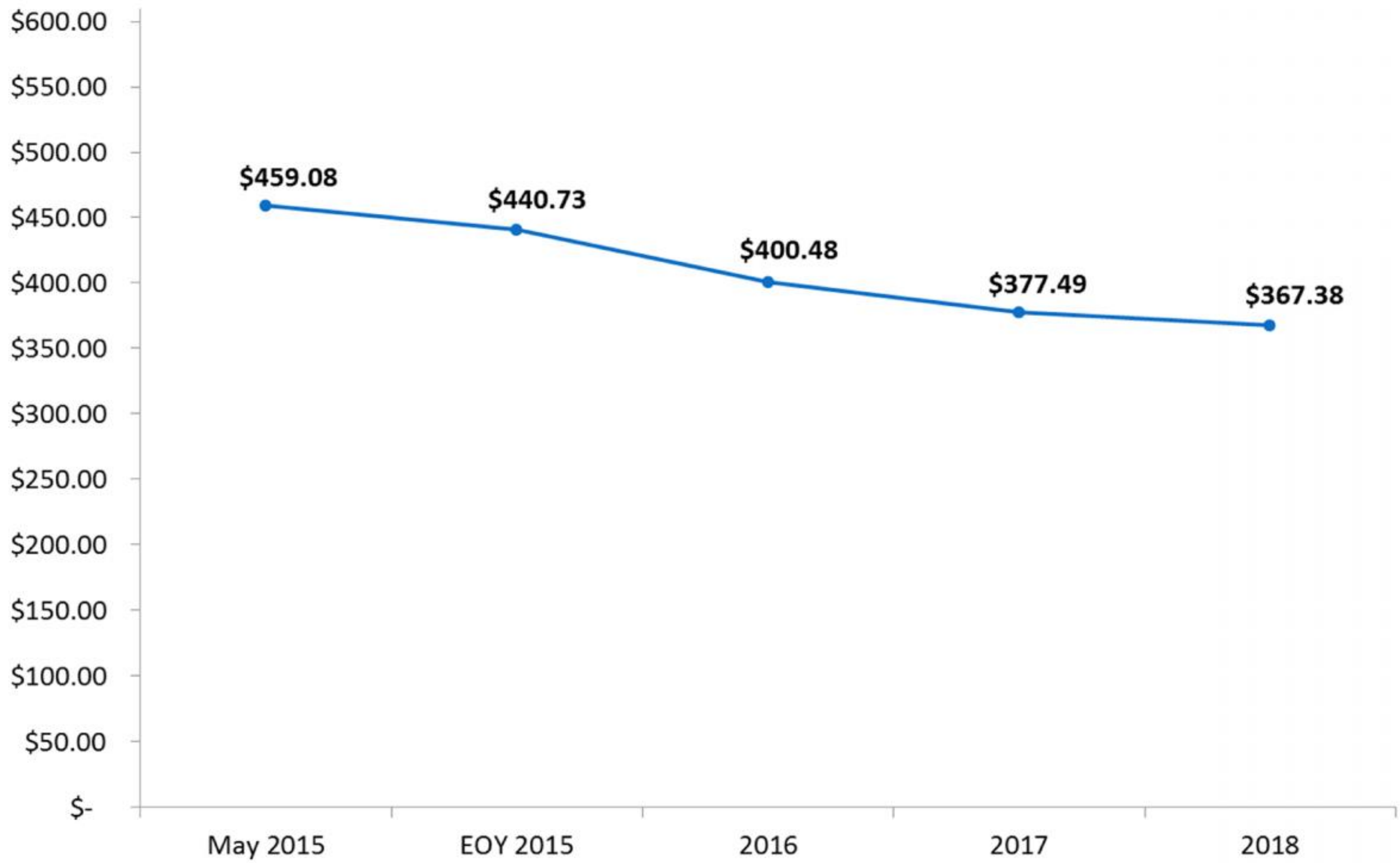


San Diego 200% Baseline
Summer 2015-2018
$600.00
$550.00
$500.00
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$-
$174.15
$174.62
$170.23
$169.07
$166.45
May 2015
EOY 2015
2016
2017
2018

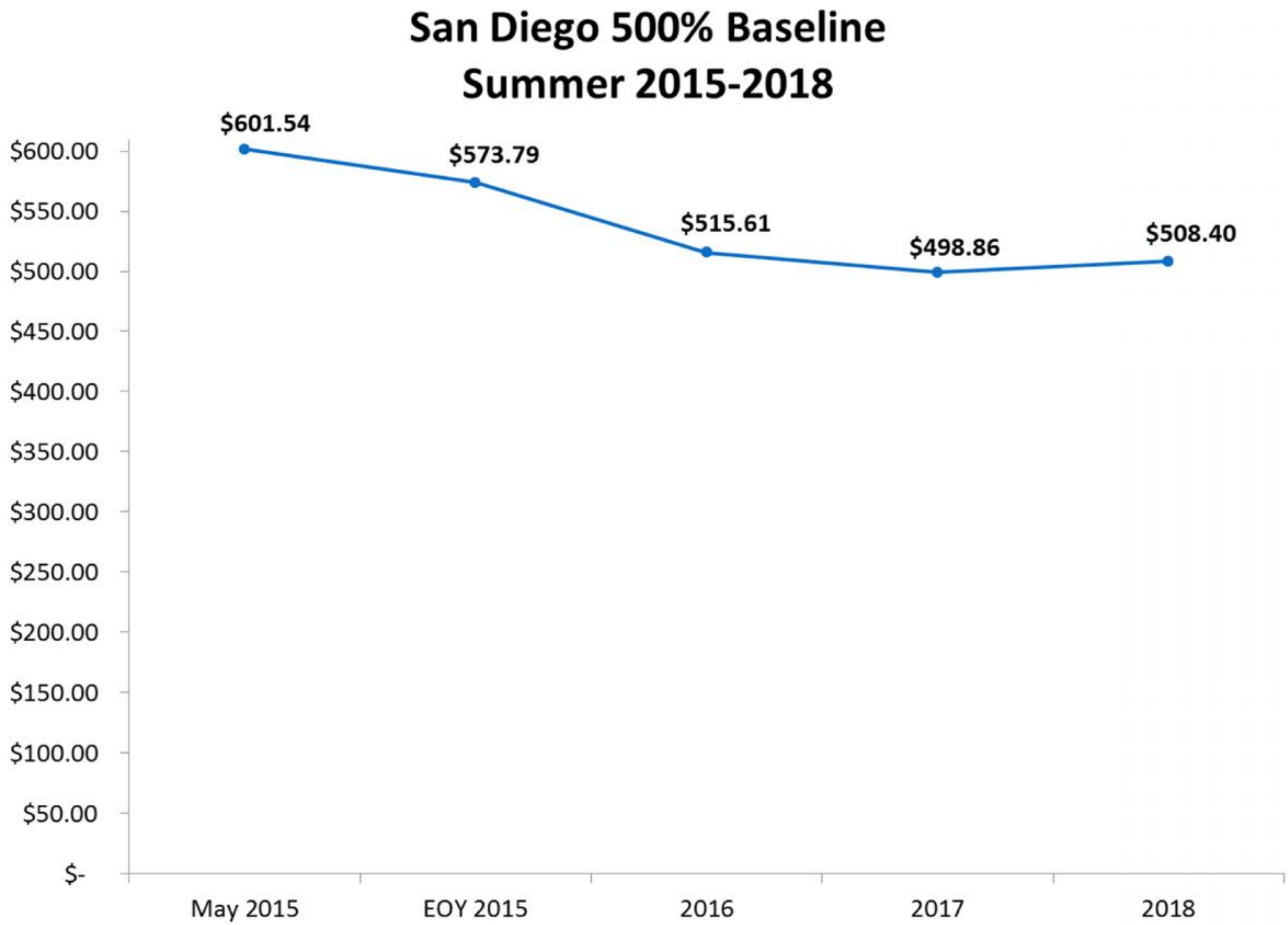
San Diego 300% Baseline
Summer 2015-2018



San Diego 400% Baseline Summer 2015-2018



Super User Energy (SUE) Surcharge



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