



California Public Utilities Commission

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PRESS RELEASE

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CPUC CREATES NEW ELECTRICITY RATE DESIGN STRUCTURE THAT REFLECTS ACTUAL COSTS AND SUPPORTS RENEWABLES

SAN FRANCISCO, July 3, 2015 - The California Public Utilities Commission (CPUC), after a three year public process, today transitioned the state's residential customer electricity rates to a more effective and cost-based structure, empowering consumers with more opportunities to conserve, and promoting resource optimization and grid reliability.

As part of its process to implement Assembly Bill 327 (Perea, 2013), the CPUC unanimously approved a proposal put forth by Administrative Law Judges and CPUC President Michael Picker. Today's decision establishes customer default time of use rates on January 1, 2019, moves rates from four to two tiers, postpones a monthly fixed charge, and requires the utilities to create a special outreach program to educate lower tier customers on no-cost and low-cost conservation measures.

"Rate reform is necessary to move us into a future where consumers have the tools they need to manage their own energy use, and can install new, clean technologies such as storage and renewables," said President Picker. "The world has changed since 2001, when rates were frozen by the Legislature. Over time, with the lower tier rates being frozen, the five-tiered rate structure departed increasingly from any cost basis and imposed ever greater inequities on large-family households that were pushed into higher tiers in hot climate zones. Our decision helps align rates with the actual cost of service. It also builds a more nimble rate structure to allow us to add more and more renewables to the grid, and to encourage customers to use energy when we have excess renewables and to cut back during peak periods."

Highlights of today's decision include the following:



Time Of Use Rates

Residential customers will default to time of use rates on January 1, 2019, but can opt to remain on the tiered rate structure. Time of use rates reflect predictable daily changes in the cost of electricity service, and enable customers to reduce usage during peak hours when electricity prices are higher. Time of use rates will help California meet its climate goals by giving customers incentives to use energy in ways that better integrate renewable generation, and to invest in their own solar and storage resources that will help green the grid. Proposals for default time of use rates will be considered in the utilities' 2018 Rate Design Window applications. Workshops and reports on utility rate reform progress will be conducted by the CPUC.

Tier Flattening Glidepath and New Rate Structure

The rate structure moves from four to two tiers with a 25 percent differential by January 1, 2019, and with a Super User Electric (SUE) surcharge introduced in 2017. The SUE surcharge will apply to usage over 400 percent of baseline starting in 2017 (roughly equivalent to the top 2-10 percent of customers). The SUE surcharge is set at a moderate amount in 2017 and will increase to 219 percent of the Tier 1 rate by 2019. Today's decision approves a glidepath to a California Alternate Rates for Energy (CARE) average discount of 30-35 percent in 2020 (low income customers that are enrolled in the CARE program receive a discount on their electric and natural gas bills). Regarding rates, the decision does not adopt specific rates; instead, it adopts a set of rate structures that all of the utilities must follow. Some high usage customers currently paying above the cost of service will experience bill reductions, while some lower usage customers paying below the cost of service will experience bill increases. Very high users will experience increases in their rates starting in 2017. Specific rates will be adopted as the utilities incorporate any changes to total rates that may occur as a result of other CPUC decisions, such as future rate cases.

Fixed Charges/Minimum Bill

The proposals of the utilities for a fixed charge that each customer would pay every month regardless of how much electricity they use was rejected in its current form. Any further consideration of fixed charges cannot happen before 2018, and time of use rates must be implemented before a fixed charge will be considered. The utilities must implement a minimum bill beginning in 2015 of \$10 for non-



CARE customers and \$5 for CARE customers.

Customer Education and Outreach

The utilities must institute a special outreach program to educate lower tier customers on no-cost and low-cost conservation measures. Further, utilities must promptly begin the process of improving rate comparison tools and educational materials so that all customers can more readily understand their energy bills. The CPUC will hold an annual conference to discuss and evaluate utility summaries of rate impacts on consumers and the effectiveness of consumer protections and marketing, education, and outreach.

“Today’s decision represents a compromise between the two earlier proposals that all five Commissioners can live with. No party is likely to be 100 percent happy with the result, but that is how compromises are made for the greater good,” said Commissioner Mike Florio. “I am pleased that the end result protects consumers from a fixed charge, and that a Super User Electric surcharge will apply to those who use the most electricity. We must continue to send price signals that reward conservation and discourage wasteful usage.”

“Our decision today paves the way for all customers to conserve energy and help reduce demand on the electric system and decrease the production of greenhouse gasses. The Super User Electric surcharge sends the signal to conserve specifically to all high energy users,” said Commissioner Catherine J.K. Sandoval. “We expect utilities to promote further energy conservation and identify solutions to perceived barriers to conservation, energy efficiency, and low income program participation.”

Said Commissioner Carla J. Peterman, “These rate reform measures, coupled with California’s pioneering programs for energy efficiency, solar, and low income assistance, will enable consumers to better understand and manage their energy consumption and bills. These measures will result in fairer prices for the power we use, but the transition may be challenging for a lot of consumers. A crucial next step in this reform process is to ensure that consumers are aware of the programs that are available to them.”



“Our unanimous decision strikes the right balance in structuring electricity rates in California going forward. The simpler tiers will better reflect the cost of service and the Super User Electric surcharge will ensure that heaviest users pay their way and are encouraged to conserve,” said Commissioner Liane M. Randolph. “The CPUC will work hard in the coming months and years to implement this decision, move toward a new time of use rate structure to allow pricing to reflect the realities of today’s grid, and ensure that the utilities devote adequate resources to consumer education and outreach.”

The proposal voted on is available at:

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M153/K024/153024891.PDF>.

For more information about the CPUC, please visit www.cpuc.ca.gov.

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