California Public Utilities Commission
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CPUC AUTHORIZES LIMITED RESIDENTIAL RATE RESTRUCTURING IN RESPONSE TO SB 695

SAN FRANCISCO, December 17, 2009 - The California Public Utilities Commission (CPUC) today authorized limited residential rate adjustments for Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas and Electric Company.

Senate Bill (SB) 695, which was supported by a broad coalition of industry stakeholders including the CPUC's Division of Ratepayer Advocates, The Utility Reform Network, and each of the State's major electric utilities, among others, was signed into law by Governor Schwarzenegger on October 11, 2009. SB 695, in part, removes the prohibition on Tier 1 and Tier 2 rate increases. As such, these rates are allowed to increase within specific limits.

Under SB 695, each of the utilities sought CPUC authorization to implement a 5 percent increase effective January 1, 2010, in Tier 1 and 2 rates. The CPUC declined to authorize the requested increase; instead authorizing the utilities to increase Tier 1 and 2 rates by 3 percent, while concurrently offsetting that increase with corresponding rate reductions for Tiers 3, 4, and 5.

The authorized rate adjustments will have no effect on the overall level of revenues collected by each of the utilities, but will result in either increases or decreases in the monthly bill to individual residential customers depending upon the amount of electricity they consume.

Residential electric rates are designed in a tiered structure based on a customer's quantity of electricity usage. Within prescribed usage tiers, the amount of electricity consumed is priced at increasing per-unit rates. Under current rate structures, lower levels of consumption (Tier 1 and 2) pay lower rates. Customers consuming larger amounts of electricity pay correspondingly higher rates for the additional usage (Tiers 3, 4, and 5). Today's decision does not alter that fundamental relationship, but it addresses an anomalous situation in which certain rates were constrained from adjustment irrespective of changes in costs of energy over time.

Since February 2001, retail electric residential rates for Tiers 1 and 2 have, in large part, remained capped under statutory restrictions. These restrictions were imposed in response to the energy crisis of 2000-2001, which led to extraordinary wholesale power cost increases. Since the Tier 1 and 2 rate cap has remained in effect since 2001, all subsequent revenue requirement increases assigned to residential customers have applied only to usage in Rate Tiers 3, 4, and 5 (which account for only about 30 percent of total residential usage). Consequently, the Tier 1 and 2 rate restrictions have resulted in an increasing disparity between rates paid by customers in Tier 1 and 2 and rates paid by higher usage customers in Tiers 3, 4, and 5.

These rate changes are in accordance with the provisions of SB 695, and are designed to begin to rectify the disparities that have accumulated between rates charged in Tier 1 and 2 versus rates charged in Tier 3, 4, and 5.

"One important aspect of this decision is that it does not increase the rates for residential CARE customers. This is particularly important given the difficulties experienced by retail customers, particularly residential customers, in paying their utility bills in this difficult economic climate," said CPUC President Michael R. Peevey.

The proposal voted on by the CPUC is available at: http://docs.cpuc.ca.gov/efile/PD/110849.pdf

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

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