California Public Utilities Commission
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CPUC REPORTS HIGHLIGHT TRENDS IN UTILITY COSTS AND RENEWABLE ENERGY GOALS

SAN FRANCISCO, May 8, 2019 - The California Public Utilities Commission (CPUC) has released three annual reports to the Governor and the Legislature that evaluate the trends in utility costs and rates during a period of extensive energy industry transformation that includes climate change, wildfire severity, and technology shifts that could affect California's clean energy policies. The reports provide a starting point for wildfire conversations, as well as important policy discussions to promote long-term affordability for consumers.

SB 695 Report: Actions to Limit Utility Cost and Rate Increases

The CPUC is required to publish this annual report with recommendations that can be undertaken over the succeeding 12 months to limit utility cost and rate increases. The report provides decision-makers and the public with a framework for assessing the incremental and cumulative costs of some of California's priority policy mandates and implementation decisions. Among the report's findings:

- The total System Average Rate of each of the three investor-owned utilities historically tracked close to inflation in a gradual upward trend until 2013. Since then, the annual percentage change has been generally trending above the annual inflation rate, with San Diego Gas & Electric's (SDG&E) total System Average Rate increasing at a markedly faster rate than inflation.
- Historically, while California's electricity rates have been higher than most of the nation, bills have been lower because usage in California is low compared to most of the U.S. However, low usage is no longer offsetting rate impacts in some areas of the state, which could lead to a growing trend of bills exceeding national averages.

- These rising rates and bills stem from declining utility sales, while revenue requirements continue growing to meet statutory mandates and operational needs. This means that fixed costs are paid for by fewer customers.
- Rate and bill impacts based on 2019 budgets for several programs have been estimated for the residential customers as a first step in developing a tracking tool that may be used by decision-makers to better evaluate programs mandated by statute.
- Rate and bill impacts based on proposed 2019 activities in the investor-owned utilities' Wildfire Mitigation Plans have been estimated for residential customers to illustrate potential cost impacts. The costs of proposed utility Wildfire Mitigation Plans could result in increases of up to seven percent in monthly bills for some customers.
- Rate and bill impacts from liability of past wildfires are still unknown, but if ratepayers are required to pay large portions of these costs, rates and bills could dramatically increase beyond the costs of existing programs and Wildfire Mitigation Plans.

Padilla Report: Cost and Cost Savings for the Renewables Portfolio Standard Program

The CPUC is required to publish this annual report on the Renewables Portfolio Standard (RPS) program procurement cost data. In 2018, investor-owned utilities either met or exceeded their RPS procurement obligations while also increasing their procurement of renewables. This increase in procurement of renewable resources is consistent with legislation, which has escalated RPS procurement goals. Among the report's findings:

- The large investor-owned utilities' total annual RPS procurement expenditures increased from $5.3 billion in 2017 to $5.6 billion in 2018 while total renewables generation increased 52,469 GWh to 52,936 GWh or 36 percent to 40 percent of total generation procurement, from 2017 to 2018.
- For the large investor-owned utilities, 37.8 percent of total generation was from renewable resources and expenditures on renewable generation was 41.8 percent of the utilities' total generation costs. This shows that RPS expenditures as a percent of total generation costs is about equal to the percent of total generation from renewable resources and that renewables are on par with non-renewables.
- The large investor-owned utilities' average cost of renewable energy was 10.6 cents per kilowatt-hour (kWh) and the average cost of non-RPS energy was 9 cents per kWh.

However, RPS expenditures are expected to decline over time due to expected decline in the cost of new RPS projects

- In 2018, wind and solar contracts continue to be the primary technologies with which utilities are executing contracts. The average price of contracts executed in 2018 was 3.81 cents per kWh compared to 4.70 cents per kWh in 2017.

AB 67 Report: Electric and Gas Utility Cost Report

The CPUC is required to publish this annual report on the costs of programs and activities conducted by the four major electric and gas companies regulated by the CPUC. This legislation was enacted in part to determine the effect of various legislative and administrative mandates, and also to provide more transparency into factors driving electric and natural gas rates. Among the report's findings:

- Compared to 2017, the CPUC-authorized annual revenue requirements for Southern California Edison and SDG&E increased by 1.2 percent and 2.4 percent, respectively. The annual revenue requirement for Pacific Gas and Electric Company decreased by 9.5 percent.
- For 2018, total natural gas utility costs decreased by 2.7 percent from 2017 compared to a 0.6 percent decrease for 2016-2017 and a 11.9 percent increase from 2015 to 2016.

By presenting the findings and recommendations in the reports, the CPUC continues to move forward with developing methodologies and tools to improve energy policies that ensure long-term affordability for customers.

The reports are available at www.cpuc.ca.gov/General.aspx?id=6442460031 under Energy.

The CPUC regulates services and utilities, safeguards the environment, and assures Californians' access to safe and reliable utility infrastructure and services. For more information on the CPUC, please visit www.cpuc.ca.gov.

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