JIM DESMOND

SUPERVISOR, FIFTH DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS

AGENDA ITEM

DATE: **December 5, 2023** **29**

TO: Board of Supervisors

SUBJECT
PROTECTING CALIFORNIA RATEPAYERS BY OPPOSING INCOME-GRADUATED FIXED ENERGY CHARGES (DISTRICTS: ALL)

OVERVIEW
San Diego County residents currently pay the highest electricity costs in the country, according to the U.S. Bureau of Labor Statistics. In 2022, the average San Diego Gas & Electric (SDG&E) ratepayer paid $171 a month in electricity costs. The California Public Advocates Office released data showing SDG&E electricity rates have more than doubled in the past decade, rising 105% between 2014 and 2023. In recent years, utility costs have soared in San Diego County, driving up the already high cost of living.

California ratepayers are keenly aware of the extraordinarily high costs and inadequate production. Many county residents have responded by reducing energy usage, especially during peak times, to lower their bills. Many Californians made long term investments, spending thousands of dollars, to conserve power and utilize renewable energy sources, such as rooftop solar. California residents and businesses have heavily invested in solar panels, leading the nation in solar installations in 2022, according to the Solar Energy Industries Association. San Diego County leads the state in solar megawatt capacity, with enough solar infrastructure to produce almost 15,000 megawatts a year.

Despite these efforts, energy rates continue to rise faster than inflation. With the passage of Assembly Bill (AB) 205 in 2022, the state's public utilities code was amended to allow an option for the California Public Utilities Commission (CPUC) to adopt income-graduated fixed charges for electricity bills. This fixed charge would be based on a household's income and would require a minimum of three income thresholds. The income-based billing structure would pool together to drive down, at least initially, the per kilowatt hour usage fees. The updated code stated that if a fixed rate charge were to be adopted, the CPUC would have to adopt it no later than July 1, 2024. In anticipation of this, on April 7, 2023, Southern California Edison, Pacific Gas & Electric, and SDG&E submitted a joint proposal to the CPUC that outlined their proposed fixed rates. The fixed rates are the following:

Income-Graduated Fixed Charge Proposals

Annual Income	San Diego Gas & Electric	Pacific Gas & Electric	Southern California Edison
$28,000 or less	$24	$15	$15
$28,000-69,000	$34	$30	$20
$69,000-180,000	$73	$51	$51
$180,000 or more	$128	$92	$85

Income brackets would be based off household income, allowing for working class households' income being combined to put them in a higher tier, ultimately charging them more for electricity. On top of the fixed rate, electricity customers will have to pay the per kilowatt hour cost. Currently, the average rate is $0.47 per kilowatt hour for SDG&E customers. This proposal will charge SDG&E customers an estimated $0.27 per kilowatt hour.

Ratepayers would pay the flat fee every month, even if they don't use any electricity. The CPUC has historically promoted electricity policy tied to volumetric usage and conservation-based models. The new model would decouple volumetric usage from rates, disincentivizing energy conservation. These proposals are an injustice to Californians who have invested thousands in solar to protect the environment and reduce their monthly bill.

California Public Utilities Code 739.9, amended by AB 205, led to the current fixed charge proposals. The code contains contradictory and confusing language. There are also several unanswered questions about the implementation of an income-graduated fixed charge that the code does not answer. The state legislature needs to repeal the code and find a better, and more affordable, usage-based solution for all San Diegans.

An income-graduated fixed rate structure should not be adopted by the CPUC because the new state law is unfair, unclear, and misguided. SDG&E's proposed change in methodology is bad for San Diegans, who are already overburdened by the cost of housing and other necessities. This would set a dangerous, income-based payment precedent.

Today's request is to protect California ratepayers by having the San Diego County Board of Supervisors take a position in opposition to income graduated fixed charges and to direct the Chief Administrative Officer to take appropriate actions to voice the concerns of the County.

RECOMMENDATION(S)
SUPERVISOR JIM DESMOND

1. Direct the Chief Administrative Officer to draft a letter for the Chair's signature, expressing the County of San Diego's opposition to income-graduated fixed charge proposals presented by Southern California Edison, Pacific Gas & Electric, and San Diego Gas & Electric for the California Public Utilities Commission, and to send the letter to the California Public Utilities Commission, State legislature, and Governor.

2. Direct the Chief Administrative Officer to include in the Board's Legislative Program opposition for legislation that would generate income-graduated fixed charges for utility billings.

EQUITY IMPACT STATEMENT

San Diegans are struggling to pay their utility bills. Out of the 3.7 million San Diego Gas & Electric customers, a reported 25% (341,000) are at some level, behind on their bills. This shows that San Diegans need relief. Taking a stand against the fixed rate proposal would allow the County to advocate for rates that take into consideration the disproportionate hardship high energy costs have on low and middle-income homes. The County of San Diego is committed to advancing equity; it is our goal to support strong and equitable policies while improving the quality of life throughout the region by alleviating the financial burden of rising costs of basic needs, including power.

SUSTAINABILITY IMPACT STATEMENT

There are multiple cost drivers contributing to San Diego Gas & Electric's (SDG&E) high rates. State mandates for transportation electrification requires utility companies to invest in energy efficient technology and infrastructure. Wildfire mitigation and renewable energy construction are also major cost drivers. Both are important for San Diegans, however the billions of dollars spent on wildfire and energy improvements are directly passed on to the ratepayers. Advocating for the California Public Utilities Commission to reject SDG&E's fixed rate proposal would force SDG&E to provide a more affordable means for more sustainable future for San Diegans.

FISCAL IMPACT

There is no fiscal impact associated with this action. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

San Diego County residents currently pay the highest electricity costs in the country, according to the U.S. Bureau of Labor Statistics. In 2022, the average San Diego Gas & Electric (SDG&E) ratepayer paid $171 a month in electricity costs. The California Public Advocates Office released data showing SDG&E electricity rates have more than doubled in the past decade, rising 105% between 2014 and 2023. In recent years, utility costs have soared in San Diego County, driving up the already high cost of living.

California ratepayers are keenly aware of the extraordinarily high costs and inadequate production. Many county residents have responded by reducing energy usage, especially during peak times, to lower their bills. Many Californians made long term investments, spending thousands of dollars, to conserve power and utilize renewable energy sources, such as rooftop solar. California residents and businesses have heavily invested in solar panels, leading the nation in solar installations in 2022, according to the Solar Energy Industries Association. San Diego County leads the state in solar megawatt capacity, with enough solar infrastructure to produce almost 15,000 megawatts a year.

Despite these efforts, energy rates continue to rise faster than inflation. With the passage of Assembly Bill (AB) 205 in 2022, the state's public utilities code was amended to allow an option for the California Public Utilities Commission (CPUC) to adopt income-graduated fixed charges for electricity bills. This fixed charge would be based on a household's income and would require a minimum of three income thresholds. The income-based billing structure would pool together to drive down, at least initially, the per kilowatt hour usage fees. The updated code stated that if a fixed rate charge were to be adopted, the CPUC would have to adopt it no later than July 1, 2024. In anticipation of this, on April 7, 2023, Southern California Edison, Pacific Gas & Electric, and SDG&E submitted a joint proposal to the CPUC that outlined their proposed fixed rates. The fixed rates are the following:

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On top of the fixed rate, electricity customers will have to pay the per kilowatt hour cost. Currently, the average rate is $0.47 per kilowatt hour for SDG&E customers. This proposal will charge SDG&E customers an estimated $0.27 per kilowatt hour.

Ratepayers would pay the flat fee every month, even if they don't use any electricity. The CPUC has historically promoted electricity policy tied to volumetric usage and conservation-based models. The new model would decouple volumetric usage from rates, disincentivizing energy conservation. This new billing structure is designed to benefit the poorest of customers by shifting costs onto higher income brackets. However, customers will still be stuck with minimum fixed costs they have no control over. SDG&E's low-income customers, those making less than $69,000 a year, will be forced to pay $288-408 annually regardless of how much energy they use. These proposals are an injustice to Californians who have invested thousands in solar to protect the environment and reduce their monthly bill.

California State policy for decades has incentivized private homeowners and businesses alike to install solar through tax incentives and rebates to reduce their bills and energy usage. Private homeowners have been able to heavily reduce or eliminate their electricity bills entirely by investing thousands of dollars into solar technology. Some even contribute excess solar energy to the energy grid, supplying utility companies with more electricity. These efforts have heavily contributed towards the state's energy and environmental goals. However, the new proposals will work against current state policy and deter further solar installation and use. Solar users that have reduced or eliminated their energy importation from a utility company will still be charged a fixed rate under this proposal, negating any benefits to the installation of solar. For example, a homeowner who makes at least $180,000 or more in San Diego County that produces most or all their household electricity from solar will still face a $128 fee a month from SDG&E, despite that the fact they were supplied with little to no electricity by SDG&E. The fixed rate proposals will create less incentives for people to install solar to benefit from a lower monthly electricity bill. Solar users will then feel inclined to use more electricity as they will be charged for it regardless. These fixed rate charges will have a detrimental effect on solar installation and energy conservation as they punish the Californians who have made tremendous financial investments in solar technology.

The updated public utilities code contains contradictory and confusing language. There are also several unanswered question about the implementation of an income-graduated fixed charge that the code does not answer. The updated State Public Utilities Code 739.9 states the following:

739.9. (a) "Fixed charge" means any fixed customer charge, basic service fee, demand differentiated basic service fee, demand charge, or other charge not based on the volume of electricity consumed.

(b) Increases to electrical rates and charges in rate design proceedings, including any reduction in the California Alternate Rates for Energy (CARE) discount, shall be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect before January 1, 2014.

(c) Consistent with the requirements of Section 739, the commission may modify the seasonal definitions and applicable percentage of average consumption for one or more climatic zones.

(d) The commission may adopt new, or expand existing, fixed charges for the purpose of collecting a reasonable portion of the fixed costs of providing electrical service to residential customers. The commission shall ensure that any approved charges do all of the following:

(1) Reasonably reflect an appropriate portion of the different costs of serving small and large customers.
(2) Not unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction.
(3) Are set at levels that do not overburden low-income customers.

(e) (1) For the purposes of this section and Section 739.1, the commission may authorize fixed charges for any rate schedule applicable to a residential customer account. The fixed charge shall be established on an income-graduated basis with no fewer than three income thresholds so that a low-income ratepayer in each baseline territory would realize a lower average monthly bill without making any changes in usage. The commission shall, no later than July 1, 2024, authorize a fixed charge for default residential rates.
*(2) For purposes of this subdivision, "income-graduated" means that low-*income customers *pay a smaller fixed charge than high-income customers.*

(f) Notwithstanding the requirements of subdivision (d) of Section 739 and Section 739.7, the

commission shall not apply the composite tier method to the treatment of any revenues resulting from any fixed charge adopted pursuant to this section.

This code states twice that the CPUC "may" adopt/authorize a fixed rate, first in 739.9 (d), "The commission may adopt new, or expand existing, fixed charges…" and again in 739.9 (e)(1), "…the commission may authorize fixed charges for any rate schedule applicable to a residential customer account." However, it also states in 739.9 (e)(1) that "The commission shall, no later than July 1, 2024, authorize a fixed charge for default residential rates." These statements in the same code contradict each other on whether Public Utilities Code 739.9 mandates or allows for the choice of the CPUC to adopt fixed rate charges.

The fixed charge proposals made by Southern California Edison, Pacific Gas and Electric, and SDG&E directly violate state Public Utilities Code 739.9 (d), which states "The commission may adopt new, or expand existing, fixed charges for the purpose of collecting a reasonable portion of the fixed costs of providing electrical service to residential customers. The commission shall ensure that any approved charges do all of the following: (2) Not unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction.", as significant fixed charges disincentivize energy conservation, and residential electrification though solar. The proposals lie in direct confrontation to the law they are supposed to conform to.

State Public Utilities Code 739.9 also does not clarify how incomes for residential households are to be documented and verified. The joint proposal states that income verification is under the jurisdiction of the CPUC, and that they believe a third-party should be responsible for verifying annual incomes to determine what tier each household will qualify for. This lack of clarity brings up glaring privacy issues for household's income levels. Income brackets would be based off household income, allowing for working class households' income being combined to put them in a higher tier, ultimately charging them more for electricity.

Overall, there are several issues present with State Public Utilities Code 739.9 in terms of clarity and how an income-graduated fixed charge should be implemented. The state legislature needs to repeal the code and find a better, and more affordable, usage-based solution for all San Diegans.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed actions support the Sustainability and Empower strategic initiatives of the County of San Diego's 2023 – 2028 Strategic Plan by promoting environment friendly policies and transparency in government.

Respectfully submitted,

JIM DESMOND
Supervisor, Fifth District

ATTACHMENT(S)
N/A