

# **Equity in Rate Design**

## **Income Graduated Fixed Charges**

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*TURN • The Utility Reform Network*

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*Thanks to Matt Freedman for slides*

# **FIXED CHARGES**

## *HISTORICAL OPPOSITION, CHANGED CIRCUMSTANCES*

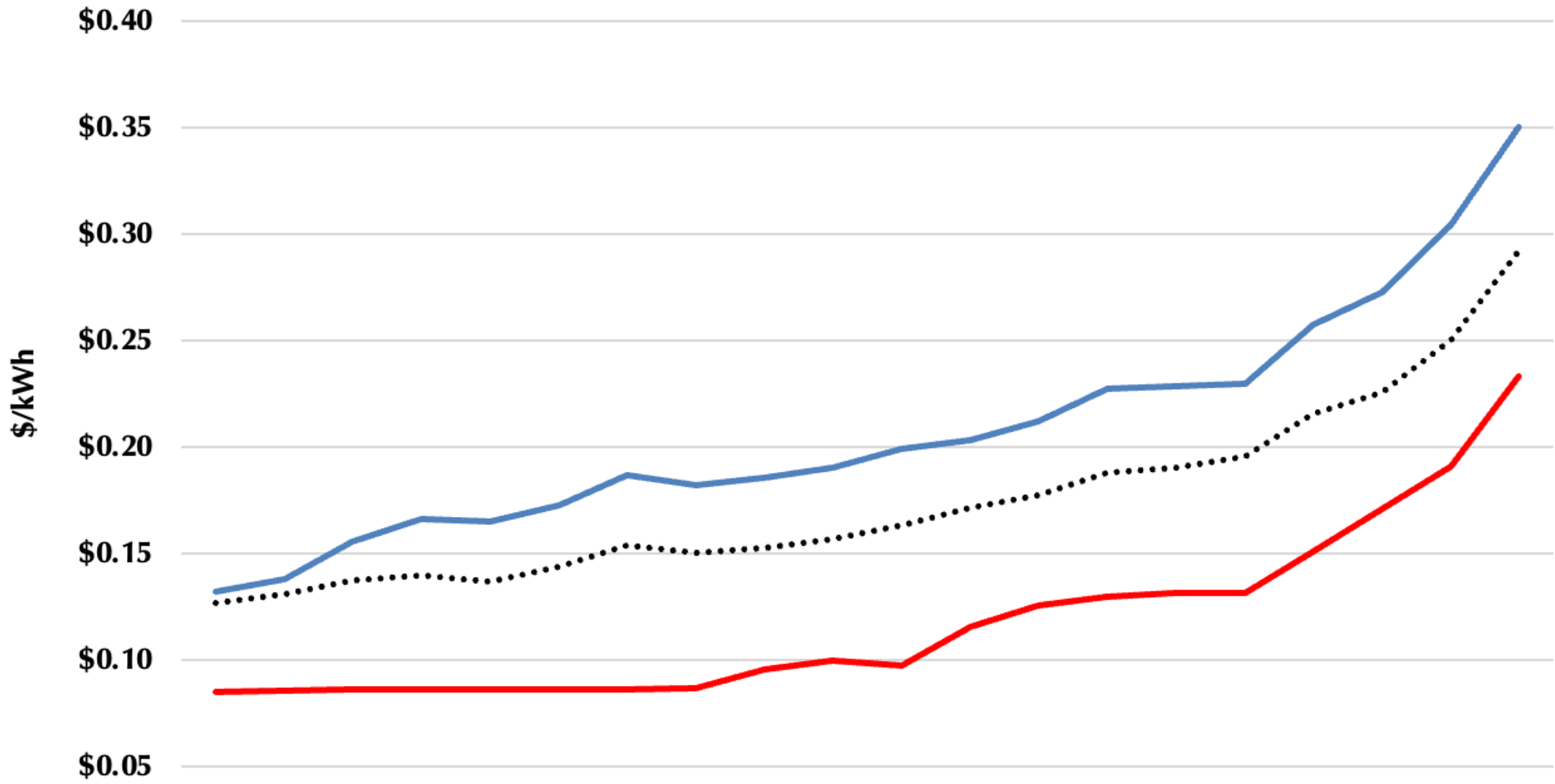
### **TURN has a long history of opposing residential fixed charges**

- Concerns about adverse impacts on energy efficiency/conservation
- Concerns about adverse impacts on low-income/usage customers

### **Changed circumstances + AB 205 justify a new approach**

- Rates have skyrocketed in the past decade (PG&E non-CARE rates +84%, CARE rates +133%)
- Higher rates provide more than adequate incentives for energy efficiency/conservation
- Electrification (building/transportation) is a new policy priority
- Opportunity to income-differentiate fixed charge can protect (and benefit) lower income customers
- Greater portion of costs driving rate increases are unrelated to customer demand/usage (grid hardening, wildfire mitigation/liability)
- Dramatic growth in NEM participation shifts recovery of fixed costs to non-participants, has significant impacts on residential customer rates

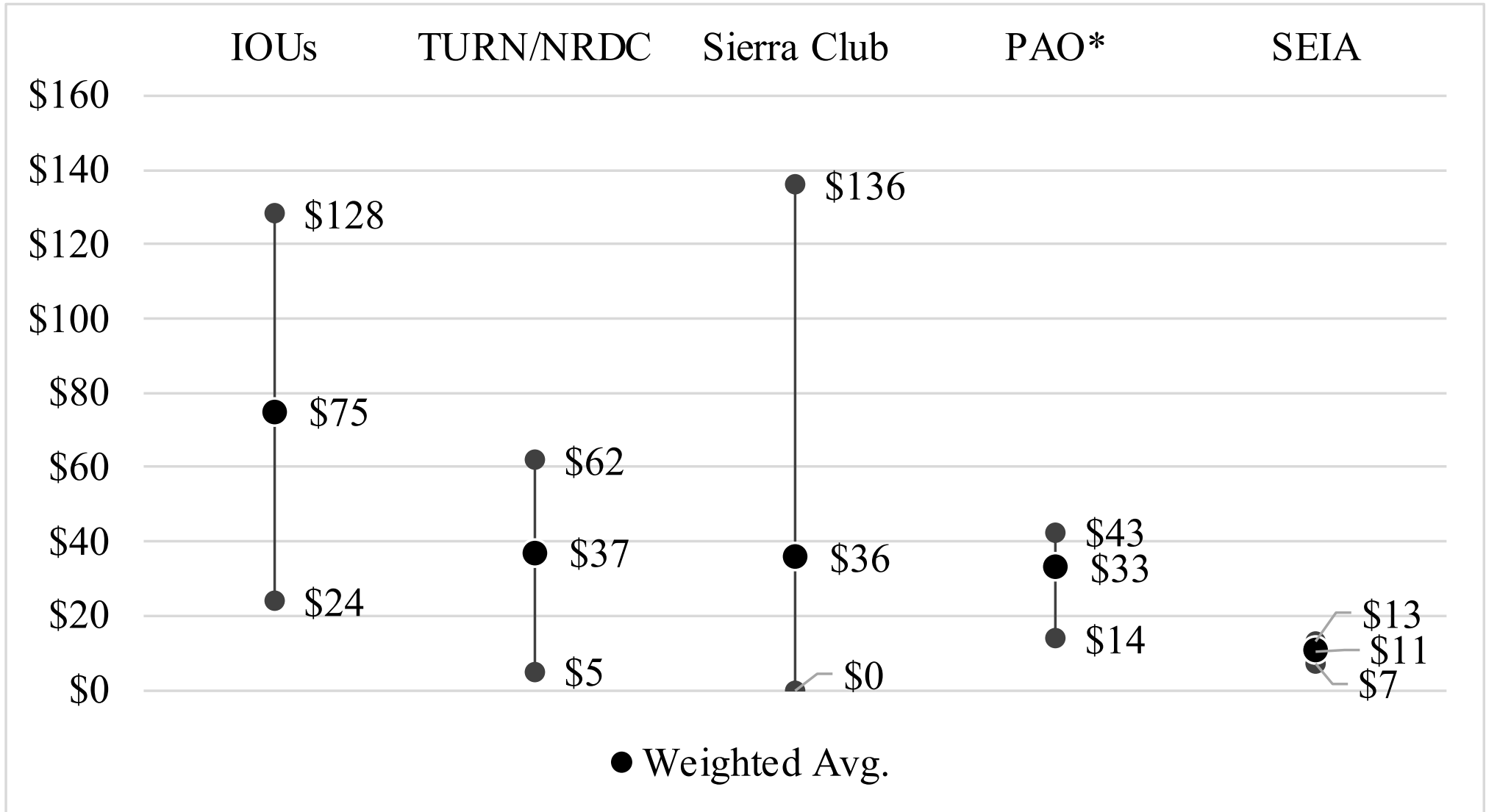
# PG&E Bundled Residential Retail rates



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential (non-CARE)	\$0.132	\$0.138	\$0.156	\$0.167	\$0.165	\$0.173	\$0.187	\$0.182	\$0.186	\$0.191	\$0.199	\$0.203	\$0.212	\$0.227	\$0.228	\$0.230	\$0.257	\$0.273	\$0.305	\$0.351
Residential (CARE)	\$0.085	\$0.086	\$0.086	\$0.086	\$0.087	\$0.087	\$0.087	\$0.087	\$0.096	\$0.100	\$0.097	\$0.115	\$0.126	\$0.130	\$0.131	\$0.132	\$0.151	\$0.171	\$0.191	\$0.233
System Avg	\$0.127	\$0.131	\$0.138	\$0.140	\$0.137	\$0.144	\$0.154	\$0.151	\$0.153	\$0.157	\$0.163	\$0.172	\$0.178	\$0.188	\$0.191	\$0.196	\$0.215	\$0.226	\$0.250	\$0.292

# AVERAGE MONTHLY FIXED CHARGES

## VARIOUS PARTY PROPOSALS - SDG&E



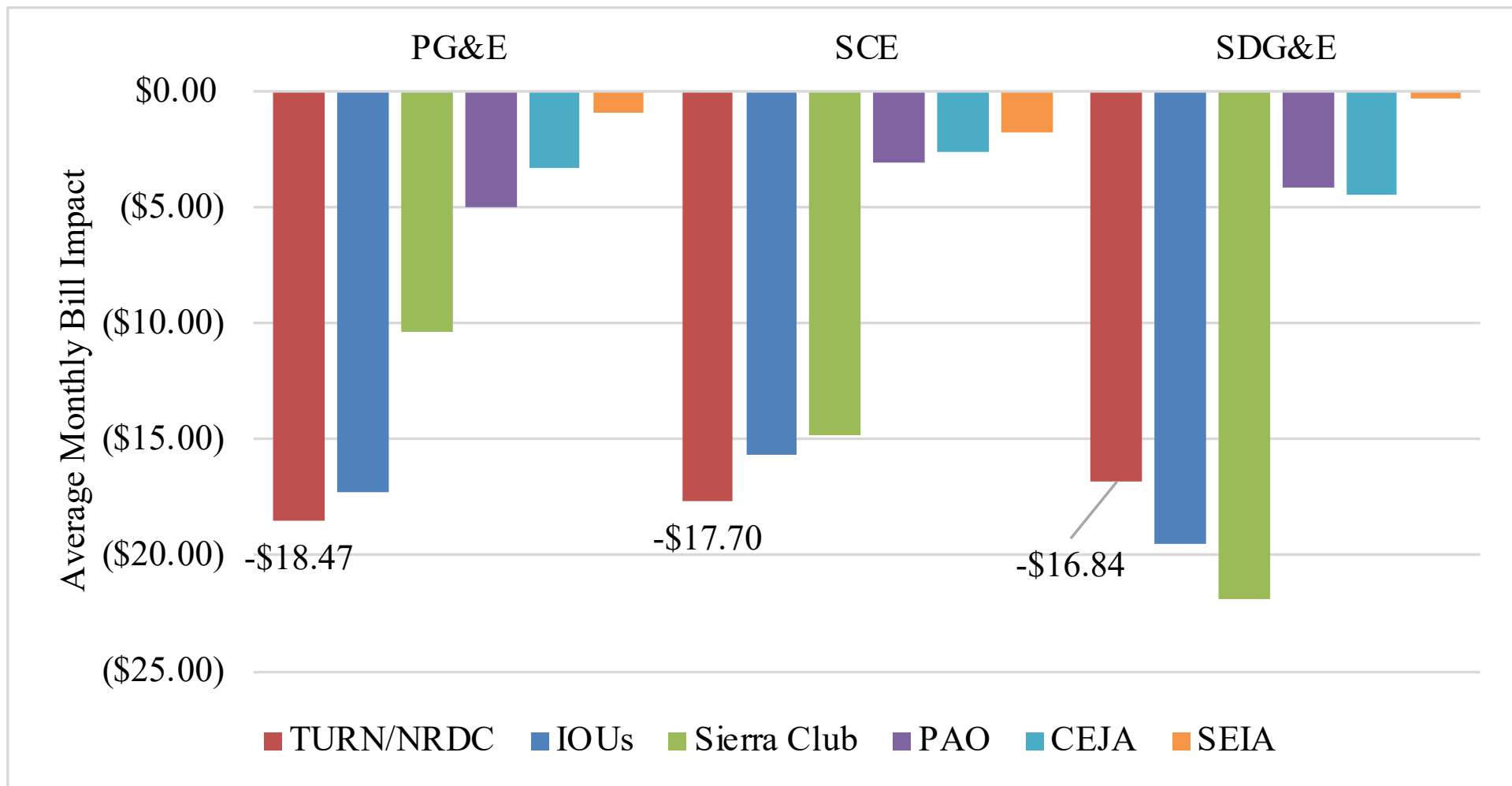
# PG&E BILL IMPACTS

## TURN/NRDC VS. PG&E PROPOSALS

			Customer Average Bill Impact (\$/mo)					
			TURN/NRDC			PG&E proposal		
Income Bracket	Bill Discount		PG&E	T	W	PG&E	T	W
\$0 - \$25,000	None	1	\$ 4.20	\$ 14.32	\$ (14.20)	\$ (3.62)	\$ 8.28	\$ (25.14)
\$25,000 - \$50,000	None	2	\$ (1.49)	\$ 14.46	\$ (14.68)	\$ (10.30)	\$ 8.45	\$ (25.73)
\$50,000 - \$75,000	None	3	\$ (2.01)	\$ 14.61	\$ (12.66)	\$ (10.88)	\$ 8.63	\$ (23.28)
\$75,000 - \$100,000	None	4	\$ (0.76)	\$ 14.72	\$ (9.76)	\$ (9.37)	\$ 8.77	\$ (19.76)
\$100,00 - \$150,000	None	5	\$ 0.80	\$ 14.84	\$ (6.30)	\$ (7.51)	\$ 8.92	\$ (15.57)
\$150,000 - \$200,000	None	6	\$ 27.93	\$ 40.15	\$ 22.80	\$ 35.50	\$ 49.77	\$ 29.88
\$200,000+	None	7	\$ 30.56	\$ 40.36	\$ 27.33	\$ 38.62	\$ 50.03	\$ 35.38
\$0 - \$25,000	CARE	1	\$ (16.79)	\$ (5.60)	\$ (23.75)	\$ (25.06)	\$ (10.98)	\$ (33.78)
\$25,000 - \$50,000	CARE	2	\$ (17.41)	\$ (5.53)	\$ (22.76)	\$ (10.83)	\$ 4.11	\$ (17.51)
\$50,000 - \$75,000	CARE	3	\$ (16.42)	\$ (5.48)	\$ (21.61)	\$ (9.58)	\$ 4.17	\$ (16.05)
\$75,000 - \$100,000	CARE	4	\$ (16.04)	\$ (5.42)	\$ (20.55)	\$ (9.10)	\$ 4.25	\$ (14.70)
\$100,00 - \$150,000	CARE	5	\$ (15.46)	\$ (5.39)	\$ (19.92)	\$ (8.36)	\$ 4.29	\$ (13.89)
\$150,000 - \$200,000	CARE	6	\$ (14.46)	\$ (5.41)	\$ (18.38)	\$ (7.11)	\$ 4.26	\$ (11.92)
\$200,000+	CARE	7	\$ (12.99)	\$ (5.40)	\$ (17.73)	\$ (5.26)	\$ 4.28	\$ (11.10)

# AVERAGE MONTHLY BILL IMPACTS

## CARE CUSTOMERS



# **FIXED CHARGE INCOME VERIFICATION**

## **Third Party Administration (TPA) of income-verification**

- Goal of using a non-profit entity or government agency for this role, selected by CPUC
- Use of third-party credit/income services (e.g. Equifax Work Number) with long-term goal of relying on Franchise Tax Board data

## **CARE/FERA customer fixed charge tied to existing enrollment**

- No changes proposed to income verification for CARE/FERA
- Third-party administrator identifies households not currently on CARE/FERA that may be eligible, conducts outreach to these customers.

## **Process for all other residential customers**

- Notified of likely eligibility for middle or high tier based on TPA analysis.
- Customers eligible for middle-income tier can request a finding of eligibility based on third-party income service or through submission of household income data for verification.
- Customers that do not respond are defaulted into high fixed charge tier ( $\geq$ \$150k household income)
- Goal of streamlining process to reduce implementation costs