



ENERGY DIVISION FACT SHEET

March 27, 2024 | Proceeding R.22-07-005 | www.cpuc.ca.gov/R2207005

Proposed Decision Would Cut the Price of Electricity Under New Billing Structure and Accelerate California’s Clean Energy Transition

As required by [Assembly Bill 205](#), the CPUC released a Proposed Decision (PD) that would cut the price of electricity for Californians, reduce electricity bills for lower income Californians and those living in parts of the state most impacted by extreme weather, and accelerate the state’s clean energy transition.

The proposal changes how large investor-owned utilities (IOUs) bill residential customers for infrastructure-related costs. All customers already pay the cost of building and maintaining the electric grid through the price you pay for the electricity you use. The proposal moves these existing fixed costs into a “flat rate” line item on bills. This change would shrink the price for a unit of electricity for all customers, making it more affordable to electrify homes and vehicles, regardless of income or where you live.

This billing structure does not impose any new fees—it simply reallocates how existing costs are shared among customers. It also aligns California with most other states. If approved, the new billing structure would go into effect late 2025 and early 2026.

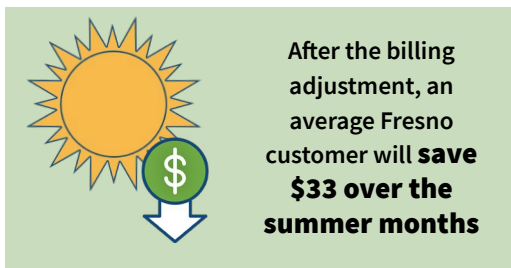
How it Works:

Cutting the Price of Electricity for All Residential Customers

Under the new billing structure, a residential customer bill would have two parts:

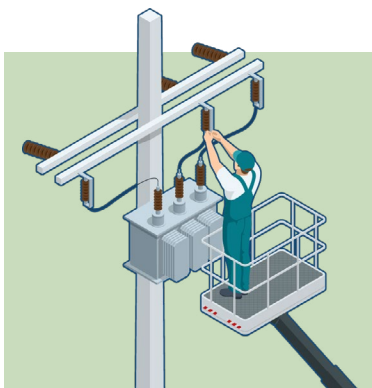
Usage Rate. The usage rate is the price you pay for a unit of electricity

- The proposal would cut the usage rate by 5 to 7 cents per kilowatt hour, making electricity cheaper.
- The usage rate will continue to vary throughout the day to encourage conservation.



Flat Rate

- The proposal moves some costs currently collected in the usage rate to a separate line item called a flat rate.
- The flat rate includes the cost of infrastructure that connects all customers to the grid, such as wires and transformers that send power to and from your house so everyone can get power whenever you need it.

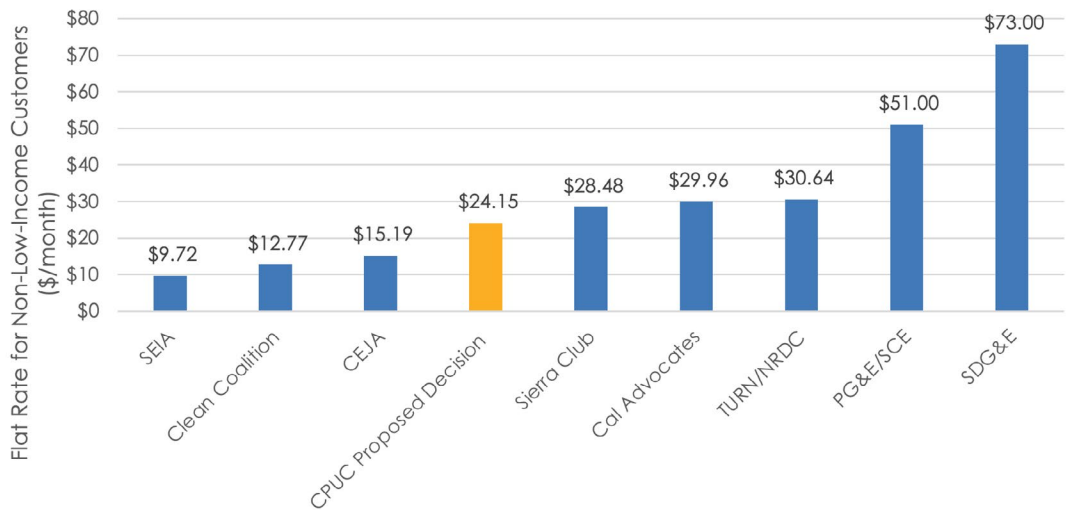




CPUC Recommends Setting the Flat Rate at the Lower End of Stakeholder Proposals

- CPUC reviewed proposals from a dozen stakeholders, including flat rate proposals up to \$73 per month.
- In the CPUC proposal, the CPUC recommends a flat rate of \$24.15 per month, which would reduce the price of a unit of electricity by 5 to 7 cents per kilowatt hour.

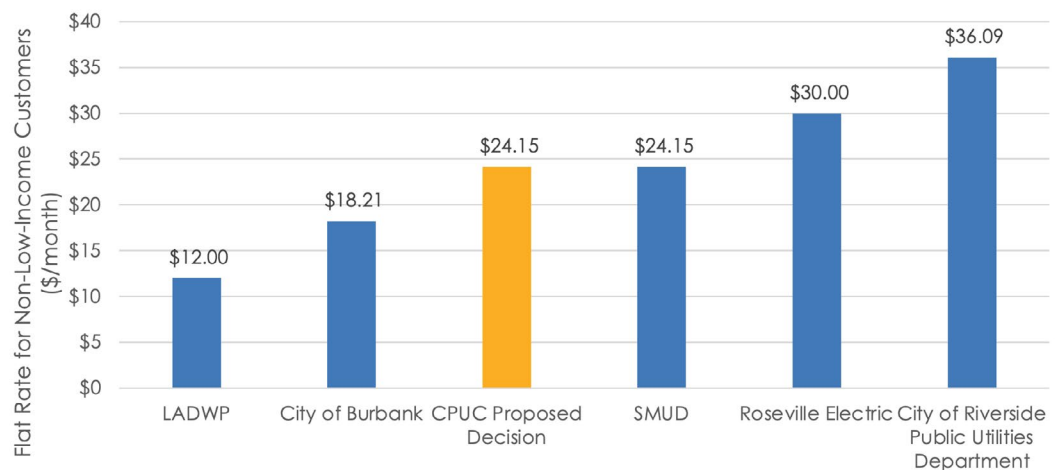
Comparison of Proposed Flat Rates



CPUC Proposal Brings California Utilities in Line with State and National Trends

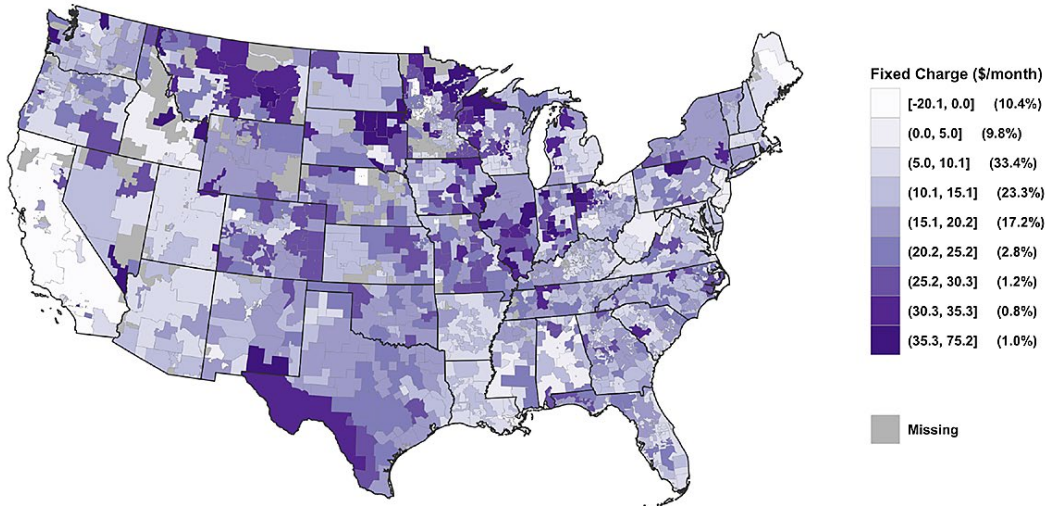
- California is one of the only states where investor-owned utilities do not have flat rates for infrastructure and maintenance costs. For example, some utilities in Texas have flat rates up to \$39 per month.
- Almost all publicly-owned utilities in California have flat rates.
- At \$24.15, the proposed flat rate is the same amount as [SMUD's flat rate](#).

CPUC Proposed Flat Rate Compared to California Publicly-Owned Utilities






California is Currently Not Aligned with the Rest of the Nation



Source: Borenstein and Bushnell, National Bureau of Economic Research, “Do Two Electricity Pricing Wrongs Make a Right? Cost Recovery, Externalities, and Efficiency” (Rev. Sept. 2018) *Fixed charge is another term for flat rate.*

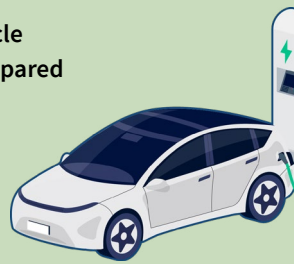
Encouraging Electrification: Going Electric Is More Affordable for All

- The proposal reduces the price PG&E, SCE, and SDG&E customers pay for each unit of electricity.
- Under the proposal, all customers, regardless of income or location, will be better off financially if they choose to electrify their homes and/or vehicles under the proposed billing structure compared to today’s rates.
- The proposal will accelerate the state’s transition to 100% clean electricity.



A customer that electrifies their home and vehicle will **save on average \$28-44 a month** compared to under today’s rates.

For example, a San Francisco customer that electrifies will be roughly \$32 better off each month.



Improving Affordability: Discounts for Low-Income and Affordable Housing Customers

- As directed by AB 205, on average all low-income customers will save on their monthly bills under the proposal.
- Customers enrolled in the [California Alternate Rates for Energy \(CARE\)](#) low-income assistance program will benefit from a **discounted flat rate of \$6 per month**.
 - » Approximately 30 percent of IOU customers currently participate in CARE.
- Additionally, customers enrolled in the next level up of income qualified program, the [Family Electricity Rate Assistance \(FERA\)](#), as well as those residing in deed-restricted affordable housing with incomes at or below 80% of the area median income, will qualify for a **discounted flat rate of \$12 per month**.



Other Key Elements of Proposal

- **No Income Verification Required.** The proposal does not require any customer to verify their income. Existing programs like CARE and FERA already establish income eligibility through enrollment in programs like MediCal and SNAP or through a voluntary income self-attestation process followed by audits.
- **All Customers Included.** All residential customers, including those with rooftop solar, will transition to flat rates. Rooftop solar customers consistently rely on grid infrastructure. They draw electricity from the grid and send electricity back to the grid throughout the day to balance their usage with intermittent solar production. Additionally, they need grid support to meet energy needs during nighttime or when solar panels are not generating power.
- **No Profit Increase for IOUs.** The proposal ensures that utilities cannot increase the costs they collect or make any profit. Instead, it redistributes costs associated with running the electrical grid in a more equitable manner on customer bills.
- **Approval for Other Utilities.** The proposal also approves a flat rate settlement for Bear Valley, PacifiCorp, and Liberty utilities. This settlement, agreed upon by the ratepayer advocacy group California Public Advocates, would range from \$23.40 to \$33.98 for residential customers.