Clean Coalition

A high Fixed Charge disproportionately punishes low-income households, apartments, duplexes and small homes (and conservation/energy efficiency)

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Why is a high Fixed Charge a bad option?

A Fixed Charge is not the silver bullet solution that will solve the crisis of unaffordable electricity rates in California. Reducing rates is only a temporary respite if the utilities continue to request rate increases that outpace inflation.

- Prices are high and low-income customers are not the only ones struggling to make ends meet in California. There are millions of renters, historically disenfranchised groups, and residents located in disadvantaged communities that could see bill increases from a high Fixed Charge.
- A one-time rate reduction will not solve the underlying causes of increasing rates.
- PG&E raised rates by 9% earlier this year and could increase rates by as much as 32% by 2026.
- SDG&E is proposing an 8% rate increase for this year.
- Imposing a high Fixed Charge will have significant unintended consequences.

Other issues to consider that are related to rates include:

- *Energy consumption patterns*
- *Sustainable growth of Local Solar*
- *Electrification/Decarbonization*
- *GHG reduction and environmental justice*
- *Affordability*

Cost drivers leading to increases in electricity rates

- **Transmission:** $30 billion over 20-years and $9 billion for 2023-2024.
- **Wildfire Mitigation Costs:** PG&E was granted over $1 billion (for 2023).
- **Wildfire Victim Payouts:** So far for payouts to victims in 2015, 2017, and 2018 PG&E has paid $10 billion and is expected to pay a further $8 billion.
- **Wildfire Insurance Costs:** This cost is getting so high (>$1 billion/year) that SCE has chosen to self-insure.
- **Undergrounding:** *PG&E's cost to underground 10,000 miles will likely be* close to $25 billion.
- **Legacy Generation & Nuclear Decommissioning Costs**

Nominal costs

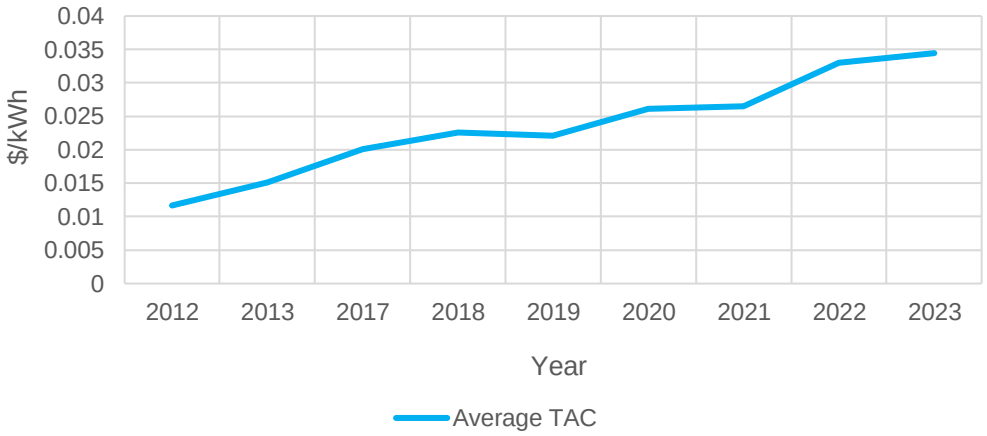
Asset value capital cost ($100 base)	$100
Return	$197
O&M	$631
Total nominal ratepayer cost per $100 investment (50 years)	**$928**

Real costs, discounted for inflation

Discount rate	2.19%
Asset value capital cost ($100 base)	$100
Return, discounted	$140
O&M, discounted	$296
Total discounted (real) ratepayer cost per $100 investment (50 years)	**$536**

In nominal dollars, total lifetime ratepayer cost is nearly 10x the initial capital cost; O&M accounts for 68% of this because it increases much faster than inflation. In real dollars (constant value dollars, accounting for inflation), the total lifetime cost is 5x the initial capital cost, and O&M accounts for 55% of this.

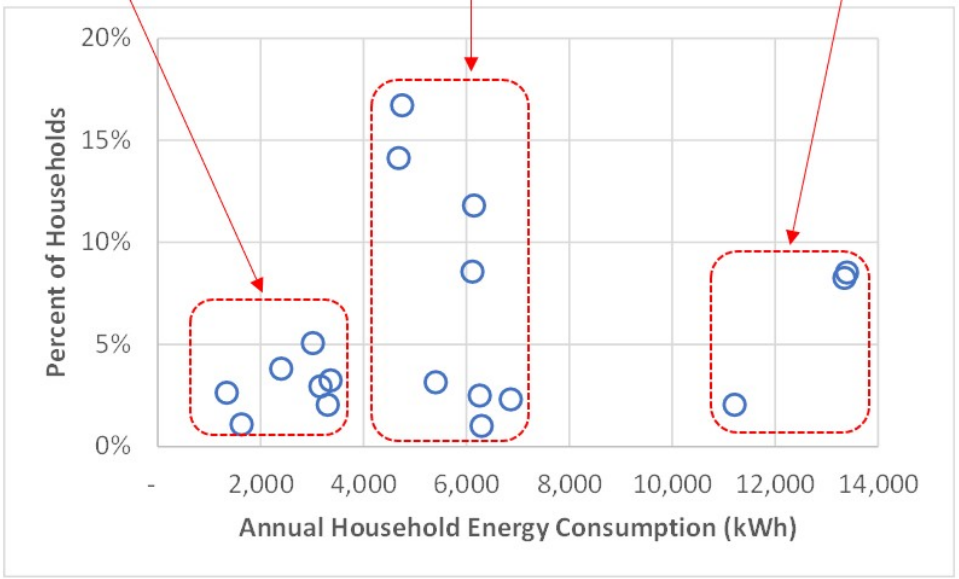
Average Rate of Transmission Access Charges (TAC) over the last 11-years)



Summary of modeling done by Flagstaff Research

DoE EnergyPlus Baseline Home Assumptions

	Low Use	Normal Use	High Use
Construction			
Home size (sq ft.)	**1250**	**2500**	**3750**
Bedroom/Bath	2/1.5	3/2	4/3
Wall Insulation	R-13	R-13	R-7
Ceiling Insulation	R-30	R-30	R-13
Window U-Value	0.49	0.49	0.76
Leakage	6 ACH50	6 ACH50	10 ACH50
Ventillation	ASHRAE 2013 Exhaust	ASHRAE 2013 Exhaust	None
Ducts	R-8, 10% Leakage	R-8, 10% Leakage	R-4, 15% Leakage
Appliances/Fixtures			
Air Conditioner	SEER 13	SEER 13	SEER 13
Furnace	80% AFUE	80% AFUE	80% AFUE
Water Heater	0.59 EF Gas	0.59 EF Gas	0.59 EF Gas
Lighting	100% LED	80% LED	80% LED
Refrigerator	18 sq. ft. 21.9 EF	18 sq. ft. 17.6 EF	25 sq. ft. 19.6 EF
Washer	EnergyStar (80% usage)	EnergyStar	EnergyStar (120% usage)
Misc loads (kWh/year)	1365	2351	4314



Modeling completed by: Josh Plaisted, Principal at Flagstaff Research

CEC 2019 RASS Survey

Annual Energy Consumption by dwelling type, profile, and representation in population

Monthly bill impacts from high Fixed Charge proposals

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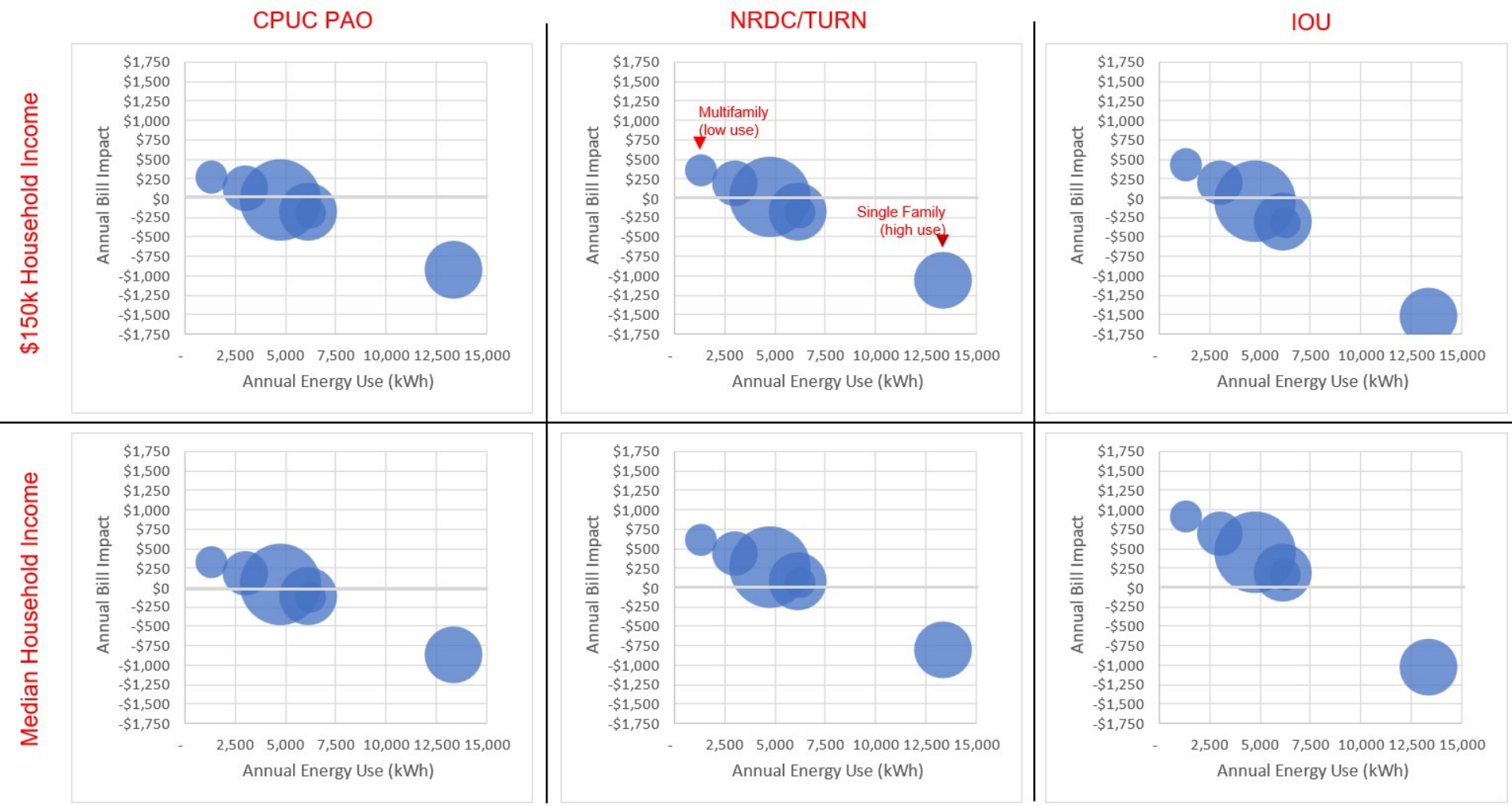
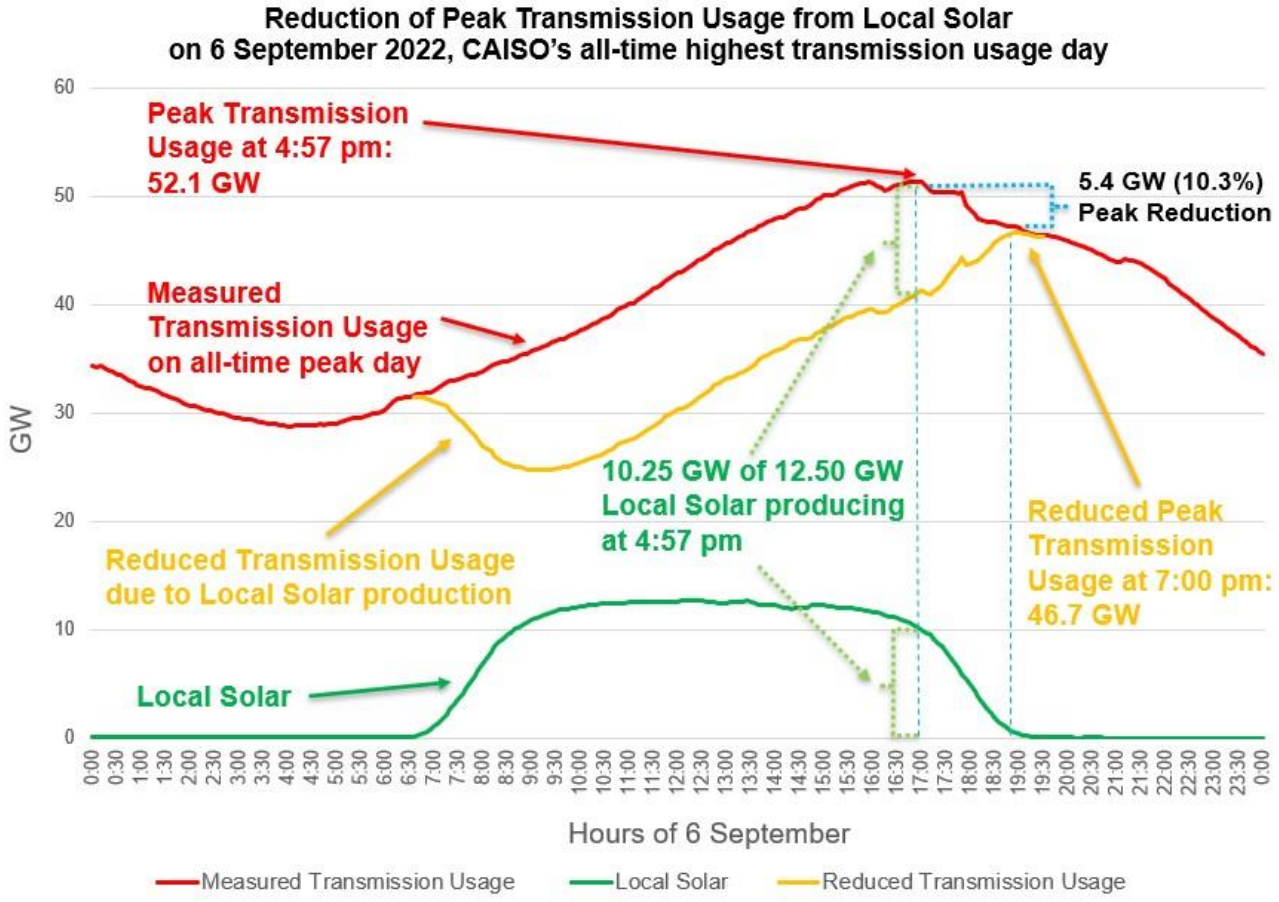


PG&E Results Visually Expanded for All Dwelling Types

Local Solar is extremely valuable to the grid



1. Local Solar reduces Peak Transmission Usage by close to 50% of the installed capacity. The effect is amplified by energy storage.
2. Bringing down the peak with distributed generation and demand flexibility will reduce transmission investments, saving ratepayers hundreds of billions of dollars over the next two decades.
3. Reducing the Peak Transmission Usage by around 10% is enough to prevent most major outages.

Key Takeaways

- *High Fixed Charges don't help the people that proponents say that* they do.
  - They reduce the transparency of rates, making it easier for the IOUs to raise rates or request a higher Fixed Charge in the future.
  - Monthly electricity bills will become even less affordable for a majority of Californians, without any change in energy consumption patterns
- Reallocating costs is not the same as permanently lowering rates by addressing the main cost drivers (transmission costs).
- The best way to increase affordability is by deploying Distributed Energy Resources (DER), like Local Solar.
  - DER have the potential to save the ratepayers hundreds of billions of dollars in avoided costs over the next few decades.
  - The benefits from DER accrue locally: 50% of the installed cost of a resource return to the community through direct/indirect benefits.
  - DER have a variety of benefits, including environmental, economic, and resilience benefits when utilized properly (e.g., a microgrid).
  - DER are essential to removing polluting peaker plants sited within communities. Reducing DER compensation further perpetuates existing inequities.

Backup Slides

Links and extra information

Utility	CARE (<200% FPL)	FERA (200% to 250% FPL)	All Others (> 250% FPL)
PG&E	$0	$5	$12.77
SCE	$0	$5	$13.94
SDG&E	$0	$5	$18.51

Clean Coalition's streamlined Fixed Charge proposal

1. *Blog Post on the Clean Coalition's proposal and methodology:* https://clean-coalition.org/news/clean-coalitions-streamlined-fixed-charge-proposal-satisfies-legal-requirements-while-preempting-another-attack-by-the-utilities-on-local-solar
2. Clean Coalition webinar on our streamlined proposal: https://clean-coalition.org/news/webinar-a-fixed-charge-solution-that-satisfies-legal-requirements-while-preempting-another-attack-by-the-utilities-on-local-solar-tuesday-15-august-2023/
3. *Clean Coalition's Rebuttal Testimony and Flagstaff Research* Report: https://clean-coalition.org/wp-content/uploads/2023/06/R.-22-07-005-Clean-Coalition-Rebuttal-Testimony.pdf