



ENVIRONMENTAL QUALITY POLICY COMMITTEE
Friday, March 22, 2024
10:00 a.m.- 2:00 p.m

Marriott Burbank Airport Hotel
2500 N. Hollywood Way, Burbank

General Briefing

10:00 a.m.

Upon adjournment, individual policy committee meetings will begin.

AGENDA

- I. Welcome and Introductions**
Speakers: Chair Illece Buckley Weber, Mayor, Agoura Hills
Vice Chair Max Perrey, Councilmember, Mill Valley
- II. Public Comment**
- III. Long-Term Urban Water Conservation Rulemaking** *Informational*
Speaker: Tia Flemming, Executive Director with the California Water Efficiency Partnership
- IV. California Public Utilities Commission Electricity Fixed Charge Proceeding** *Informational*
Speaker: Shelly Lyser, Program Manager of Electricity Pricing and Customers Programs with the Public Advocates Office at the California Public Utilities Commission
- V. Legislative Agenda (Attachment A)** *Action*
Speaker: Melissa Sparks-Kranz, Legislative Representative, Cal Cities AB 1999 (Irwin): Electricity: Fixed Charges
- VI. Legislative Update – Overview of current legislative and other regulatory developments** *Informational*
Speaker: Melissa Sparks-Kranz, Legislative Representative, Cal Cities
- VII. Closing Remarks and Adjourn**
Speakers: Chair Illece Buckley Weber, Mayor, Agoura Hills
Vice Chair Max Perrey, Councilmember, Mill Valley

Next Virtual Meeting: Friday, June 21, 9:30 a.m.-12:30 p.m.

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:

1) Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or

2) A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.

A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.



**ENVIRONMENTAL QUALITY POLICY COMMITTEE
Legislative Agenda**

Staff: Melissa Sparks-Kranz, Legislative Affairs Lobbyist
Zack Cefalu, Legislative Affairs and Policy Analyst

1. [AB 1999](#) (Irwin) Electricity: Fixed Charge.

Bill Summary:

This bill would repeal the California Public Utilities Commission (CPUC) authority to develop an income graduated fixed charge. The bill would instead permit the commission to authorize fixed charges that, as of January 1, 2015, do not exceed \$5 per residential customer account per month for low-income customers enrolled in the California Alternate Rates for Energy (CARE) program and that do not exceed \$10 per residential customer account per month for customers not enrolled in the CARE program. The bill would authorize these maximum allowable fixed charges to be adjusted by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year, beginning January 1, 2016.

Bill Description:

Under current law, the CPUC holds the power to oversee investor-owned utilities, including electrical corporations, and is able to establish charges for residential customers to cover a fair portion of the fixed costs associated with providing electrical service.

The bill would repeal the CPUC's authority to develop an income-graduated fixed charge which was required to have no fewer than three income-graduated thresholds.

The bill would also allow the CPUC to consider authorizing fixed charges, beginning January 1, 2015, that do not exceed \$10 per residential customer account per month for customers not enrolled in the California Alternate Rates for Energy (CARE) program and \$5 per residential customer account per month for customers enrolled in the CARE program. The bill would, beginning January 1, 2016, allow the maximum amount of the fixed charge to be adjusted by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year. The bill would apply the above-described fixed charges to any default rate schedule, at least one optional tiered rate schedule, and at least one optional time-variant rate schedule.

The bill was introduced by Assemblymembers Irwin, Addis, Berman, Connolly, Muratsuchi, Papan, Pellerin, Quirk-Silva, Ting, Ward, and Weber. The bill includes the Assemblymember Bauer-Kahan and Senator Wiener as principal coauthors. The bill also includes Assemblymembers Boerner, Bonta, Friedman, Lee, Low, and Maienschein and Senator Blakespear as coauthors.

It should be noted that Assemblymember Irwin is leading the discussions with AB 1999, but six other bills have been introduced on the fixed charge issue, the majority of which also include similar provisions to AB 1999, including AB 2683 (Boerner), AB 2805 (Essayli), SB 1292 (Bradford), SB 1312 (Nguyen), SB 1314 (Nguyen), and SB 1326 (Jones).

Background:

Fixed Charge: Generally, the fixed charge of an electric bill covers the distribution (sending electricity), transmission (receiving electricity), the cost of buying power, the cost of operating power plants, public low-income programs, public energy efficiency programs, and infrastructure improvements needed to serve customers. A volumetric charge is in addition to the fixed charge.

In 2013, AB 327 (Perea) was signed into law to reform residential electricity rates, among other requirements, to allow the CPUC to establish a fixed charge fee, beginning in 2015, capping the fee at \$10 for most ratepayers and \$5 for those ratepayers under the CARE Program.

The CPUC implemented this law through rulemaking [R.12-06-013](#), the Residential Rate Reform Order Instituting Rulemaking, which established a regulatory pathway for realigning rates to reflect a number of guiding principles. These principles were outlined in the Assigned Commissioner's Ruling on Residential Rate Reform:

- Low income and medical baseline customers should have access to enough electricity to ensure basic needs (such as health and comfort) are met at an affordable cost;
- Rates should be based on marginal cost;
- Rates should be based on cost-causation principles;
- Rates should encourage conservation and energy efficiency;
- Rates should encourage reduction of both coincident and non-coincident peak demand;
- Rates should be stable and understandable and provide customer choice;
- Rates should generally avoid cross-subsidies, unless the cross-subsidies appropriately support explicit state policy goals;
- Incentives should be explicit and transparent;
- Rates should encourage economically efficient decision making;
- Transitions to new rate structures should emphasize customer education and outreach that enhances customer understanding and acceptance of new rates, and minimizes and appropriately considers the bill impacts associated with such transitions.

Low-Income Program Information: California has two low-income utility rate reduction programs currently, the CARE Program and the Family Electric Rate Assistance (FERA) Program. The low-income customers that are enrolled in the CARE program receive a 30-35 percent discount on their electric bill and a 20 percent discount on their natural gas bill. Customers are eligible based on household size, income level, and enrollment in other public assistance programs, such as Medicaid/Medi-Cal, Women, Infants and Children Program (WIC), Healthy Families A & B, National School Lunch's Free Lunch Program (NSL),

Food Stamps/SNAP, Low Income Home Energy Assistance Program (LIHEAP), among others.

The FERA Program is available for families whose household income slightly exceeds the CARE allowances, which applies an 18% discount on their electricity bill. Customers are eligible based on household size and household income based off of federal poverty guidelines.

Recent Legislation: In 2022, [AB 205](#), a budget trailer bill, was signed into law and included, among other provisions, the addition to Public Utilities Code Section 739.9, which stated:

(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.

This budget trailer bill passed the Senate Budget and Fiscal Review Committee, the Assembly Floor and the Senate Floor and became effective within three days.

Current PUC Proceeding: Based on AB 205 (2022), the CPUC initiated a formal proceeding, [R.22-07-005](#), to carry out the income-graduated fixed charge with no less than three income thresholds. A variety of proposals have been submitted during the proceeding, which are still under consideration of the CPUC, including a fixed charge range for various income levels:

- \$28,000-\$69,000 income level: \$20 to \$34 per month
- \$69,000-\$180,000 income level: \$51 to \$73 per month
- More than \$180,000 income level: \$85 to \$128 per month

Existing Cal Cities Policy

The League of California Cities has the following policies related to energy pricing:

Energy Prices and Rates. Cal Cities is concerned about the impacts of escalating energy prices on the overall economic health of our state, including city budgets. Although at this time Cal Cities will not get involved in individual bills dealing with technical aspects of pricing, Cal Cities believes that any solution to address the short- and long-term energy price situation should meet several key criteria.

- Cal Cities believes energy prices should encourage conservation and reward those who reduce energy use (i.e., tiered rates).
- Cal Cities is concerned about the impacts of escalating energy prices on low-income residents and small businesses. Cal Cities supports energy pricing structures and other mechanisms to soften the impacts on this segment of our community.
- In designing rates, the state should be aware of the operational constraints of some businesses and thus their potential inability to take advantage of conservation

pricing. Thus, the state should provide other incentives to conserve to businesses that cannot take advantage of other options.

Consumer Protection: Cal Cities supports complete transparency of all energy procurement practices, stranded costs, and departing load charges. Cal Cities supports fair competition in statewide energy markets for CCAs and municipal or other publicly owned utilities. Cal Cities supports legislation and regulatory policies that protect CCA customers from improper cost allocation. Cal Cities opposes legislation that conflicts with or diminishes CCA procurement autonomy.

CCA Control: Cal Cities supports cities' exercise of the right to form or join existing Community Choice Aggregation (CCA) entities, as an effective method of increasing local control over power supply. Accordingly, Cal Cities supports legislation and regulatory policies that support CCA autonomy in policymaking and decision-making, and opposes legislation and regulatory policies that unfairly disadvantage CCAs or CCA customers, or reduce or undermine local decision-making autonomy by the CCA or its governing board.

Fiscal Impact

The California Constitution requires the state to reimburse local agencies for certain costs mandated by the state. However, AB 1999 provides that no such reimbursement is required.

Staff Comments:

The fixed charge is intended to support a variety of income levels and the need to ensure greater affordability of electricity, especially for low-income customers, while simultaneously increasing the reliability of the electric grid through long-term investments in necessary electric infrastructure. It should be noted that the income graduated fixed charge will apply to the investor owned utilities and their customers regulated by the CPUC. Some Community Choice Aggregates (CCAs) may be affected, based on the decisions they make in securing and procuring electricity for their service areas. Municipalities and publicly owned utilities will not be subject to the outcomes of the final proceeding as this proceeding does not directly impact cities, but the proceeding will likely impact constituents and consumers within your city if serviced by an investor owned utility. Finally, the income graduated fixed charge will also apply to customers who have already invested in solar infrastructure on their home, which will impact the solar industry at large.

Proponents of AB 1999 have stated that the original legislation (AB 205 from 2022) was included in a lengthy budget trailer bill that did not undergo the full legislative review through robust policy committee discussion and debate. Opponents of AB 205 have stated it will incentivize profit seeking behavior from investor owned utilities, potentially disincentivizing energy conservation, leave gaps in customer/household information, and drastically impact the solar industry. According to Assemblymember Irwin's office, utility rates under the CPUC territories have seen significant increases in rates in the last decade. However, proponents of the graduated-income system have argued that higher costs should be borne by Californians with the economic means to do so to benefit and ensure grid reliability for our increasing demands on our power supply, push towards 100% electrification, and developing a more equitable electricity pricing system. While demand

continues on the electric grid, a question to consider is, is there a need to continue to invest in our electricity grid? If yes, does an income graduated system reflect an equitable approach in electricity pricing? When faced with analyzing AB 1999, would repealing the CPUC's authority to proceed with an income graduated fixed charge and capping the fixed charge maximum amounts solve the challenges of grid reliability and affordability? In analyzing the overall concerns, why are energy prices so high in California and how do we prevent escalating costs? These questions, among many others, come to mind for a robust discussion to be had by the Committee. However a final question remains, should the Cal Cities Environmental Quality Policy Committee recommend a position on legislation that does not directly impact cities? As seen below in our existing policies, Cal Cities has policy to not currently get involved on individual bills with regard to energy pricing.

Support

None listed

Opposition

None listed

Formal Support and Opposition has not been reported by the Author's office and the bill has not yet been heard in a Legislative Policy Committee with registered support and opposition.

Staff Recommendation:

Staff recommends that the policy committee discuss AB 1999 and determination whether or not to recommend a position to the Board.

Committee Recommendation:

Board Action: