

COALITION FOR CLEAN AIR POLICY STATEMENT ON FIXED UTILITY CHARGES

The California Public Utilities Commission (CPUC) is conducting a proceeding to develop income-graduated fixed charges (IGFCs) for residential electricity bills, pursuant to a state law enacted last year. Fixed charges are a complex issue that has sparked some controversy.

CCA, while not taking a position on any specific proposal, is concerned with how a shift in residential utility bills would affect our air, climate and public health. Our conclusion is that a shift to progressively tiered fixed charges, if designed appropriately, would boost efforts to reduce harmful emissions from buildings and transportation.

A fixed charge shows up every month on your bill, regardless of your consumption, in order to pay for the costs of maintaining transmission and distribution lines, preventing fires, modernizing the grid, etc. Volumetric charges, on the other hand, go up as you consume more electricity. Historically, California's investor-owned utilities (IOUs) have relied mostly on volumetric charges. That approach has the advantage of rewarding conservation, efficiency and rooftop solar.

The current system has serious disadvantages, though, because it puts the burden of maintaining the grid disproportionately on poor customers and raises the price of electricity relative to natural gas and gasoline, thereby discouraging electrification of homes and transportation, as noted by UC Berkeley energy economist Severin Borenstein.

Solving our twin air pollution and climate crises requires a rapid transition away from fossil fuels, which must include, as one major solution, the electrification of transportation and building energy. High marginal rates for electricity may already be deterring some Californians from buying electric vehicles or appliances.

Therefore, CCA supports income-graduated fixed charges that would lower the bills of the vast majority of Californians, while putting more of the burden on the highest tier of incomes. (We also support maintaining incentives for residents who install rooftop solar with battery storage). These new rates would, as Borenstein says, “encourage a shift from gasoline for transportation and from natural gas for home heating, hot water heating, clothes drying, and cooking.” The approach has attracted support from both the Natural Resources Defense Council and The Utility Reform Network, California’s leading ratepayer advocacy group.

And that’s how a shift in the arcane world of utility rates can help protect our health from air pollution and climate change.