Delivering the Facts and Debunking the Myths Behind the Electricity “Fixed Charge”

Certain organizations are waging a misleading campaign against the electricity Fixed Charge being considered by the California Public Utilities Commission (CPUC). Social justice, equity advocates, consumer groups, labor and environmental organizations strongly support adopting a Fixed Charge because it will help California transition to a more equitable clean energy future while providing bill assistance to those who need it most.

**MYTH:** The AB 205 Fixed Charge proposal is sponsored by California’s investor-owned utilities.
**FACT:** In June 2022, the state legislature passed, and Governor Newsom signed Assembly Bill 205, requiring the CPUC to change the way customers' electric bills are structured, which the CPUC is considering in its Fixed Charge proceeding (R.22-07-005). The fixed charge is not a new cost to customers, but rather a change in the way residential electric bills are structured to cover the same total costs of service. Fixed charges have long appeared on all non-residential customers' bills and on residential electric bills at other utilities nationwide, similar to water and other utilities. This residential rate reform will help modernize our electric billing system by both reducing the cost of electricity usage for all customers, thus making it more affordable to transition to cleaner cars and homes, while also providing additional affordability assistance for low-income customers. This type of reasonable Fixed Charge restructuring to update residential electric bills into the 21st century is supported not only by California's utilities, but also leading energy experts and economists, as well as a wide range of consumer, environmental and equity advocates, as an important way to help ensure an equitable transition to our clean energy future.

**MYTH:** The proposed Fixed Charge is just a new “Utility Tax.”
**FACT:** Under this new structure, there is no change in utilities’ overall earnings or cost recovery as already approved by the CPUC. It will simply change how bills are calculated. Fixed charge rate reforms do not increase the total amount that utilities will get in payments from all customers.

**MYTH:** The Fixed Charge will significantly increase electricity bills for millions of Californians.
**FACT:** This new billing structure will reduce the per kilowatt-hour price of electricity usage for all customers. This means all customers will pay less for the actual electricity they use. By lowering the price of electricity usage, it will be more affordable for customers to transition to clean, electric cars and appliances that don’t run on expensive gasoline and natural gas. In fact, total household energy expenses are expected to decrease by 10 percent by the early 2030’s as customers switch to electric vehicles and appliances and reduce use of more costly fossil fuels. Whether a customer’s total bill is lower or higher, and by how much, will depend on how much electricity each household uses each month, which can be driven by a number of factors.

**MYTH:** The Fixed Charge will discourage conservation.
**FACT:** This is flat out wrong. Customers will still see a lower monthly amount in the electricity portion of their bills whenever they conserve and use less electricity. Not only does an incentive to encourage conservation remain, but this rate restructuring also supports important State decarbonization goals by making it more affordable for customers to electrify their homes and vehicles to help California achieve our clean energy transition goals. This new structure will also improve bill transparency by allowing all consumers to see exactly what they are paying to support electric grid costs that do not change each month (i.e., fixed costs), as well as separately see what they are paying for the varying amount of electricity they use each month — making it easier for everyone to manage electric use and conserve energy.

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MYTH: A Fixed Charge will not lower bills for low-income households.
FACT: This is false. Under the current proposals being considered, lower-income customers who currently receive bill assistance through California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance Program (FERA) would receive additional reductions in the Fixed Charge. The type of changes now under serious consideration at the CPUC would reduce the bills of low-income and disadvantaged PG&E customers by an average of $120 per year (or around $10 per month, on average).

MYTH: A Fixed Charge will not incentivize electrification.
FACT: A major purpose of Fixed Charge bill restructuring is to help reduce the cost of electricity for all customers to incentivize everyone to transition to cleaner homes and vehicles, in addition to meeting the other major goal of doing so equitably with low-income affordability protections. By lowering the price of electricity usage, it will be more affordable for all customers to transition to clean, electric cars and appliances by allowing them to see that the charge for using clean electricity to run them is lower than continuing to use fossil fuels, like gasoline or natural gas. Furthermore, data shows that lower-income Californians are significantly lagging in the transition to cleaner electric cars and homes because the cost of electric bills are too high. By lowering electric bills for low-income families, the fixed charge will help disadvantaged families transition to cleaner cars and appliances and reduce the harm they suffer from pollution.

MYTH: A Fixed Charge is bad for climate and environmental justice by discouraging low-income households to become energy efficient.
FACT: AB 205 requires that the fixed charge “Not unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas reduction.” In short: Low-income households will benefit by paying lower electricity bills and will be more likely to transition to clean energy cars and appliances. Because they will still see a charge for each kWh they use, they will still be encouraged to be energy efficient because doing so always reduces their bill by lowering their per kilowatt-hour charge.

MYTH: Consumer, environmental and social justice organizations oppose the Fixed Charge.
FACT: The Fixed Charge proceeding is strongly supported by civil rights organizations like the League of United Latin American Citizens and consumer advocates like the California Public Advocates Office and The Utility Reform Network who advocate on behalf of customers before the CPUC. The Fixed Charge is also supported by the Natural Resources Defense Council, Sierra Club and other environmental organizations.