

DOCKETED

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California Public
Utilities Commission

Base Services Charge (formerly Income-Graduated Fixed Charge) R.22-07-005, Track A

Energy Division, CPUC



Demand Flexibility Proceeding (R.22-07-005)

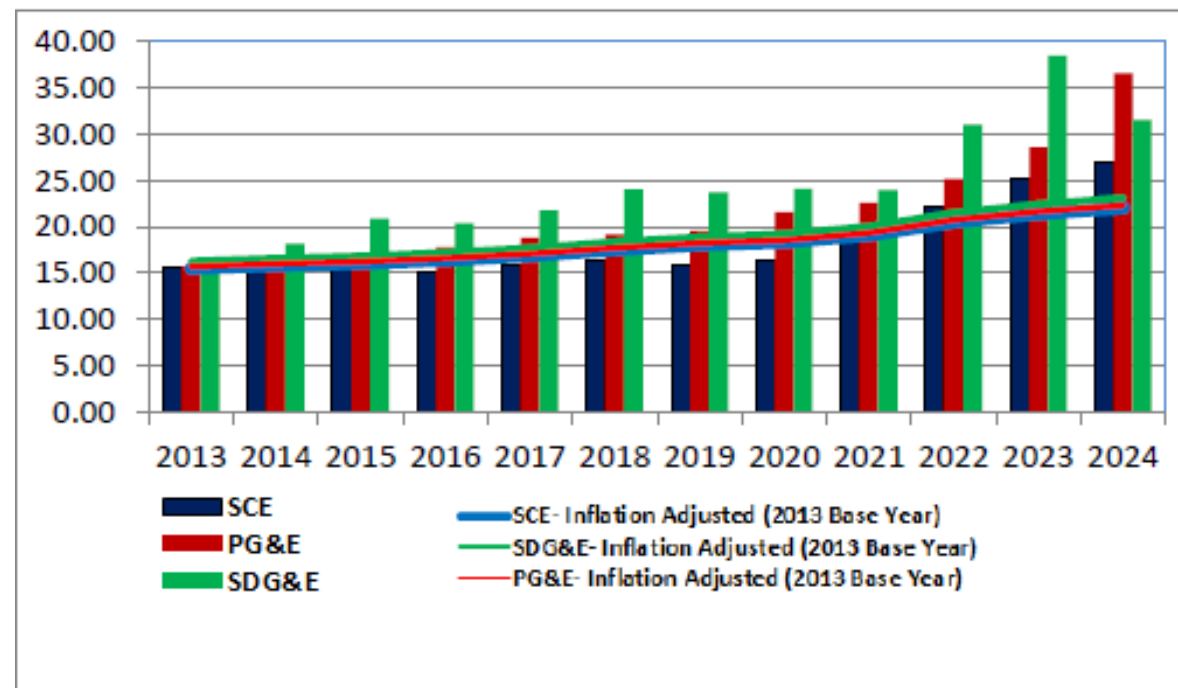
- Overall goal: improve affordability and promote electrification
- Two tracks:
 - Track A – Implementation of AB 205 requirements
 - Track B – Develop a framework for dynamic rates and develop the systems and processes to support dynamic rates

Key Provisions of AB 205

- Removes the prior cap of \$10/month on fixed charges in default residential rates
- Allows CPUC to authorize fixed charges in residential rates such that:
 - Fixed charges are income-graduated with a minimum of three income thresholds
 - Resulting bills for low-income ratepayers in each baseline territory must be lower without any changes in usage
- Allows recovery of public purpose program non-bypassable charges through fixed charge
- Adjusts definition of CARE effective discount such that CARE-exempt charges are incremental to discount
- **Must authorize an income-graduated fixed charge (IGFC) for default residential rates by July 2024**

Context – Rate Trend and Outlook

- Significant growth in volumetric (usage-based) rates
- Key driver is wildfire spending; expect cost growth will continue
- CA IOUs almost exclusively use volumetric charges for cost recovery, even though significant portion of costs are not tied to usage

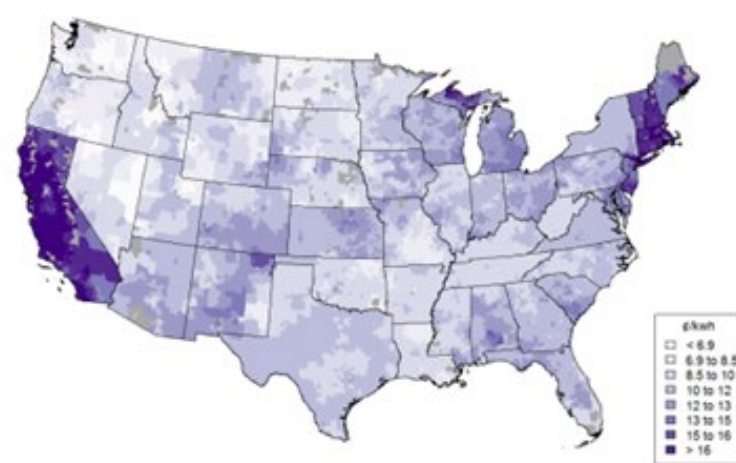
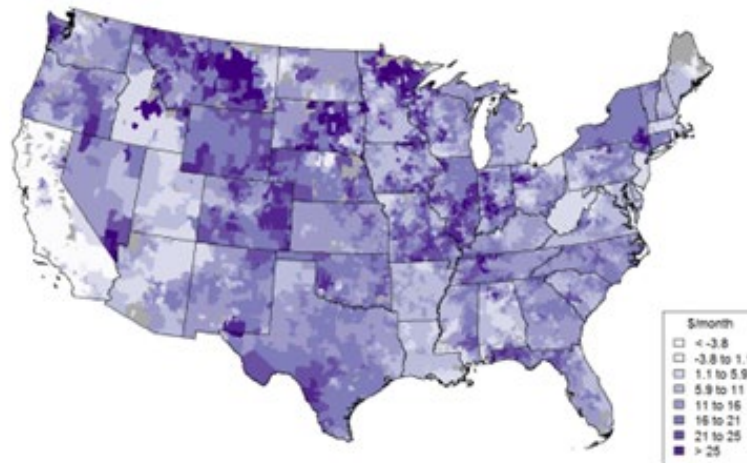


IOU Bundled System Average Rate,
Nominal vs. Inflation-Adjusted
(cents/kWh) from 2024 SB 695 Report

Fixed Charges as a Possible Solution

- Shifting portion of cost recovery into a fixed monthly fee would reduce volumetric rates
 - Reduce distortion of price signal (brings rates closer to marginal costs)
 - Incentivizes beneficial electrification
 - Prevents low-usage customers from bypassing contribution to fixed costs
- **However, high uniform fixed charges would be very regressive**

Average Electric Fixed Charges (left) and Volumetric Rates (right) by Zip Code Across the US, taken from Borenstein and Bushnell, *National Bureau of Economic Research*, “Do Two Electricity Pricing Wrongs Make a Right? Cost Recovery, Externalities, and Efficiency” (Rev. Sept. 2018), available at https://www.nber.org/system/files/working_papers/w24756/w24756.pdf



Procedural Timeline

- AB 205 passed in summer 2022, Demand Flex OIR kicked off fall 2022
- February 2023: Released E3 tool to aid parties in modeling of proposals
- April 2023: Parties filed opening testimony; most depend on new income verification processes
- June 2023: Ruling directed parties to submit proposals using existing income verification processes
- July – November 2023: Parties submitted revised proposals, finalized arguments in briefs
- **May 2024: Commission adopted decision; subsequently renamed the Base Services Charge (BSC)**
- **Implementation of BSC: Q4 2025 (SCE and SDG&E), Q1 2026 (PG&E)**

Summary of BSC Adopted in D.24-05-028

	Large Electric IOUs		
Tier	Fixed Charge /Month	Assignment	% Federal Poverty
1	\$6.00	CARE Status	200%
2	\$12.08	FERA or Affordable Housing Status	< 250 % (or 80% AMI)
3	\$24.15	Non-CARE/FERA	> 250%

Volumetric Rate Reductions

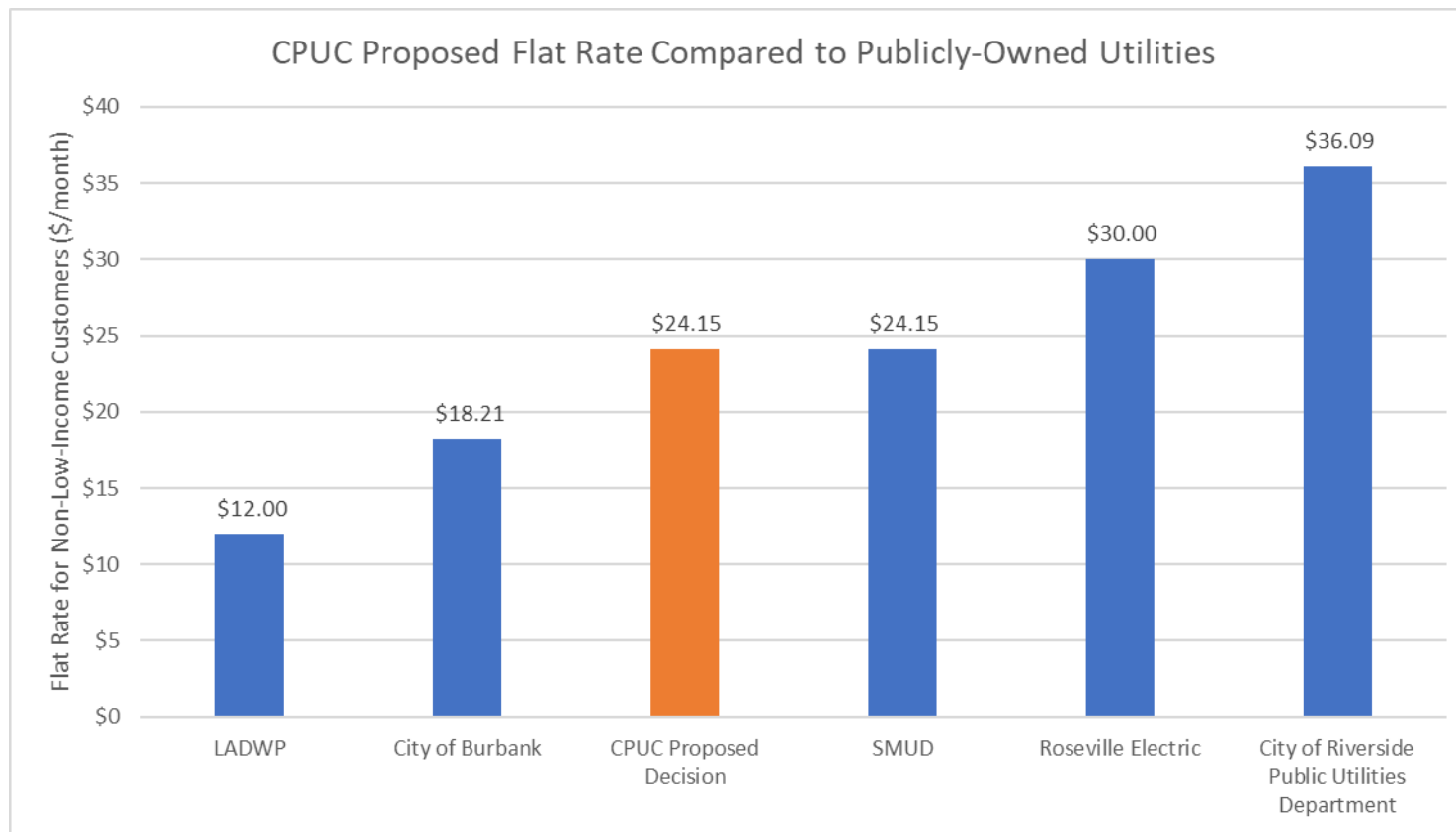
- Volumetric rate reductions across all TOU periods
- Summer peak reduction of 8-10% (estimates based on 2023 revenue requirements)
 - PG&E – \$0.437/kWh (\$0.047/kWh reduction)
 - SCE – \$0.522/kWh (\$0.046/kWh reduction)
 - SDG&E – \$0.783/kWh (\$0.068/kWh reduction)
- Optional rates required to have same fixed charges

Comparison to Party Proposals and POUs

Proposed fixed charge falls in middle of range of parties' proposals and existing fixed charges in California

	Non-CARE/FERA Fixed Charge (\$/month)		
	PG&E	SCE	SDG&E
SEIA	\$ 9.72	\$ 10.11	\$ 13.57
Clean Coalition	\$ 12.77	\$ 13.94	\$ 18.51
CEJA*	\$ 15.19	\$ 14.61	\$ 14.42
CPUC PD	\$ 23.78	\$ 24.15	\$ 24.15
Sierra Club*	\$ 28.48	\$ 36.65	\$ 36.44
Cal Advocates	\$ 29.96	\$ 31.15	\$ 32.15
TURN/NRDC	\$ 30.64	\$ 29.97	\$ 29.70
Joint IOUs	\$ 51.00	\$ 51.00	\$ 73.00

* Proposal features highly progressive fixed charges with several income brackets; values presented in table represent weighted average

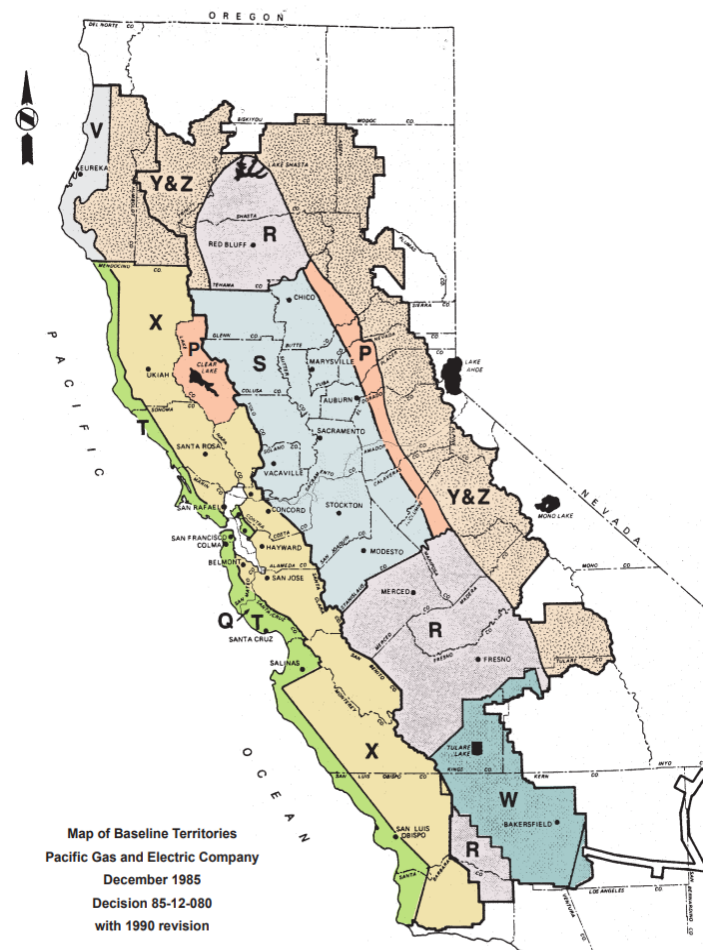


BSC Bill Impacts – Default TOU Rates, PG&E

Estimated based on average usage. Savings for low-income customers and hotter climate zones.

PG&E Average Monthly Bill Impacts

Climate Zone	CARE	FERA	Non-CARE/FERA
P	\$ (8.53)	\$(18.09)	\$ (4.21)
Q	\$ (6.24)	\$(13.61)	\$ (2.24)
R	\$ (6.76)	\$(14.28)	\$ (3.45)
S	\$ (5.74)	\$(12.63)	\$ (1.47)
T	\$ (0.60)	\$ (2.90)	\$ 9.11
V	\$ (2.62)	\$ (6.75)	\$ 1.64
W	\$ (6.34)	\$(13.48)	\$ (1.47)
X	\$ (2.61)	\$ (6.70)	\$ 3.40
Y	\$ (7.06)	\$(15.43)	\$ 2.49
Z	\$ (4.09)	\$ (9.96)	\$ 11.50

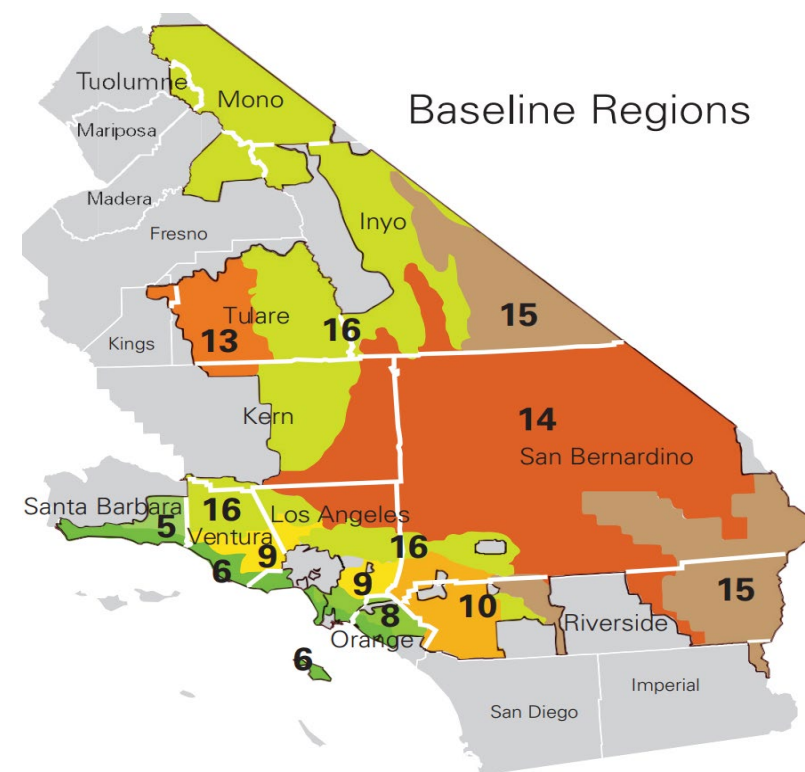


BSC Bill Impacts – Default TOU Rates, SCE

Estimated based on average usage. Savings for low-income customers and hotter climate zones.

SCE Average Monthly Bill Impacts

Climate Zone	CARE	FERA	Non-CARE/FERA
5	N/A	N/A	\$ 0.82
6	\$ (1.62)	\$ (2.40)	\$ 6.41
8	\$ (2.66)	\$ (4.02)	\$ 5.13
9	\$ (4.39)	\$ (6.80)	\$ 0.43
10	\$ (7.08)	\$ (10.86)	\$ (0.28)
13	\$ (8.19)	\$ (12.25)	\$ (2.96)
14	\$ (8.36)	\$ (12.73)	\$ (2.12)
15	\$ (9.77)	\$ (14.94)	\$ (6.72)
16	\$ (5.88)	\$ (9.25)	\$ 4.15



BSC Bill Impacts – Default TOU Rates, SDG&E

Estimated based on average usage. Savings for low-income customers and hotter climate zones.

SDG&E Average Monthly Bill Impacts

Climate Zone	CARE	FERA	Non-CARE/FERA
Inland	\$ (6.63)	\$(10.31)	\$ 0.74
Coastal	\$ (3.78)	\$ (5.94)	\$ 2.39
Desert	\$(17.97)	\$(27.50)	\$ 0.33
Mountain	\$(19.79)	\$(30.89)	\$ (6.79)



Change in Electrification Bill Impacts

BSC lowers bill impact associated with electrification by reducing volumetric rate for all customers

- Bottom table shows change in bill impact a typical customer* can expect if they electrify home appliances** and vehicle, based on modeled energy usage in inland and coastal climate zones
- Upper table shows example of change in bill impact for PG&E customer in inland climate zone for vehicle electrification
- Include electricity, natural gas, and gasoline bill impacts

* Non-CARE/FERA customer on default TOU rate

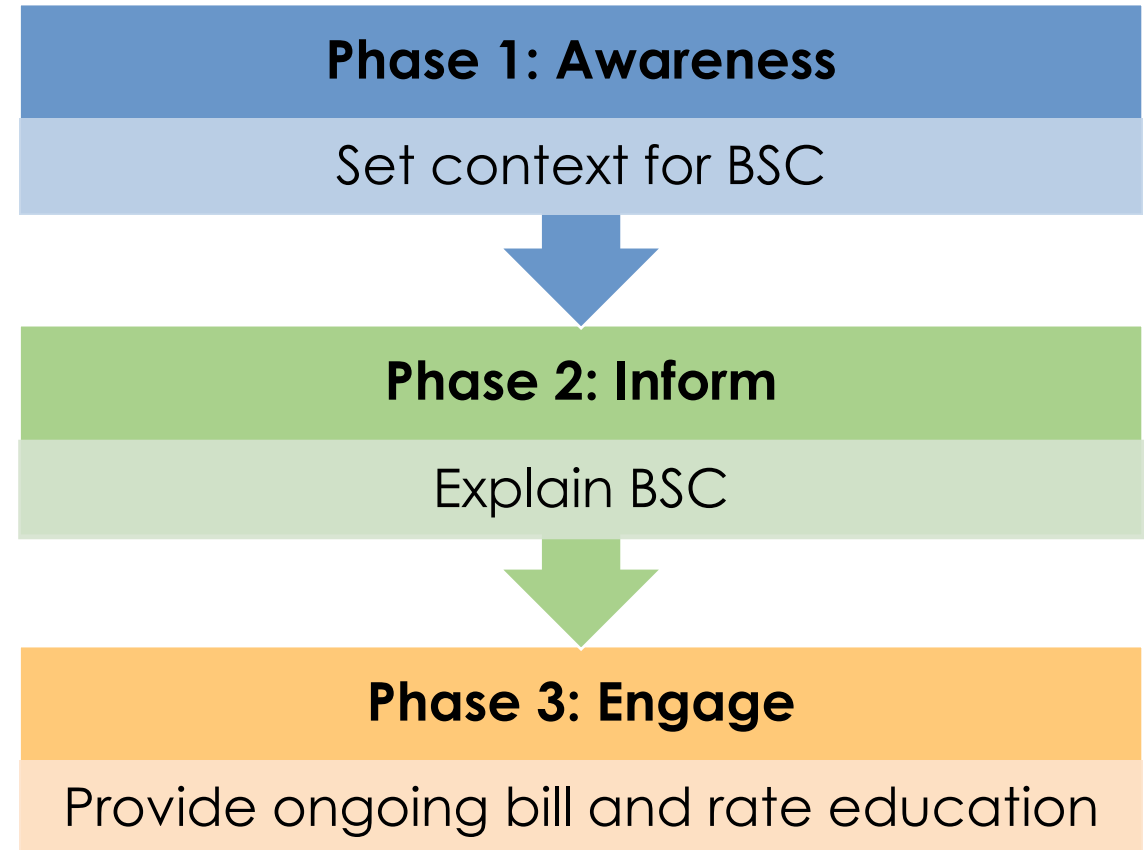
** Space and water heating, kitchen range, oven, and clothes dryer

Vehicle Electrification Bill Impact Under Existing TOU Rate (A)	Vehicle Electrification Bill Impact with Fixed Charge (B)	Change in Bill Impact (B) - (A)
\$ 10.86	\$ (6.66)	\$ (17.52)

Change in Bill Impact (\$/Month)					
	PG&E		SCE		SDG&E
Full Home Electrification	\$	(12.05) to (14.19)	\$	(11.24) to (12.17)	\$ (14.74) to (18.57)
Vehicle Electrification	\$	(17.43) to (17.52)	\$	(16.87) to (16.93)	\$ (25.11)
Home + Vehicle Electrification	\$	(29.56) to (31.62)	\$	(28.17) to (29.04)	\$ (39.85) to (43.68)

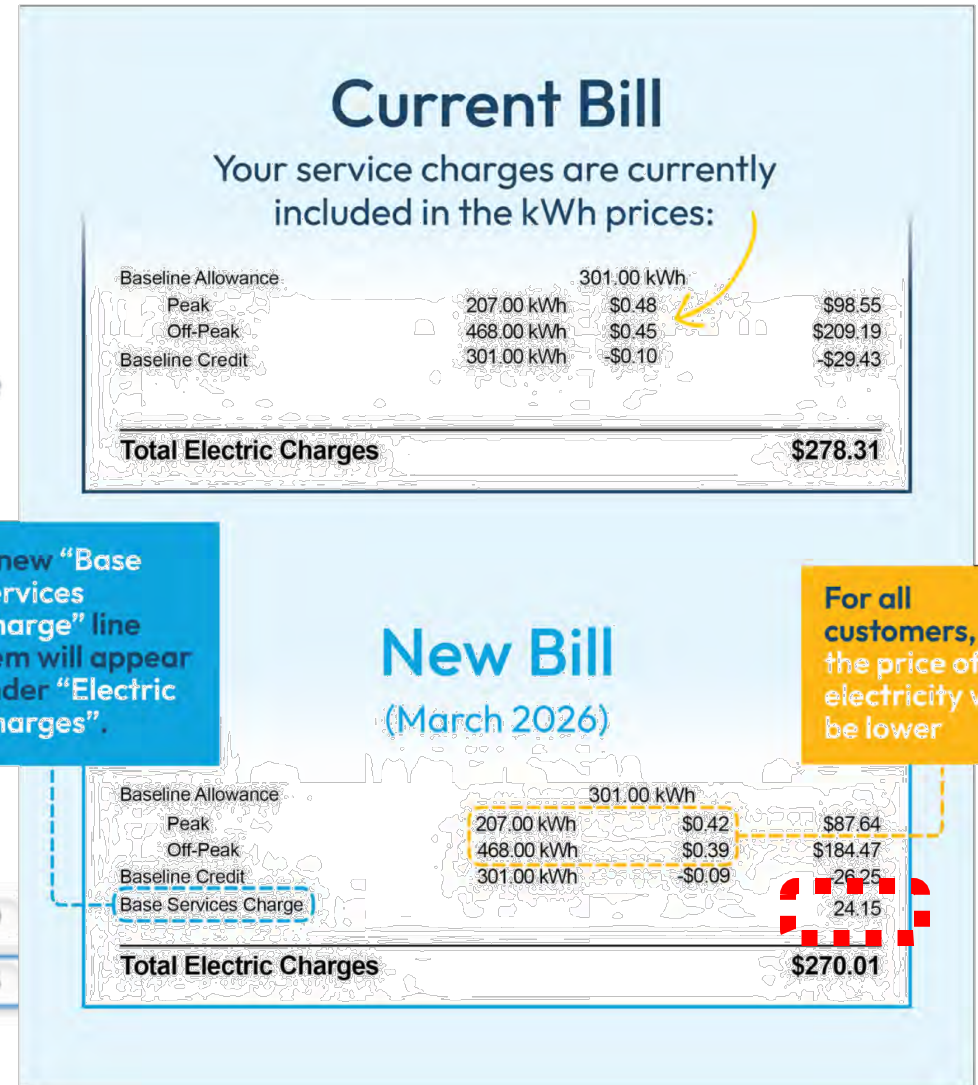
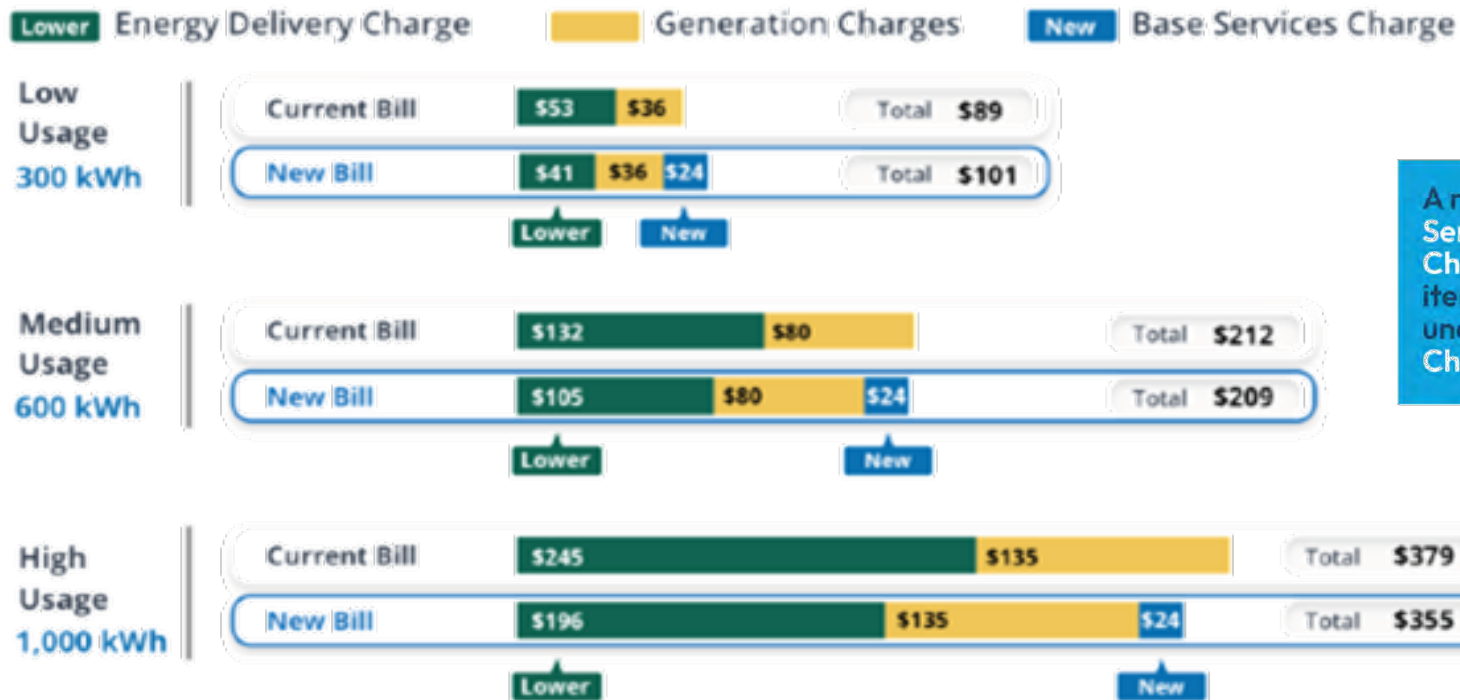
BSC Marketing, Education and Outreach Plans

- **D.24-05-028 required IOUs to propose ME&O plans**
 - Commission adopted plans with modifications
- **Joint IOU three-phased approach:**
 - Direct customer communications (advance notice)
 - IOU websites, mail, email, paid/earned media, social media
 - Partnerships with community-based organizations
- **Consistency across campaigns**
 - Standardized terminology and messaging
 - Customer segmentation strategy
 - Reporting metrics
- **BSC implementation dates**
 - Oct 1, 2025 — SDG&E
 - Nov 15, 2025 — SCE
 - Mar 1, 2026 — PG&E



How Does This Affect Me?

Our Utility Bills are Changing!



Next Steps

- Demand Flexibility OIR has now closed with the adoption of the Track B decision on dynamic rates (D.25-08-049, adopted August 2025)
- Ongoing working groups authorized by May 2024 decision
 - BSC Implementation WG – developing ME&O materials and monitoring rollout of BSC
 - Income Verification Process WG – developing recommendations for a process to identify moderate- vs. high-income households; will issue report in Q1 2026
- Successor proceeding is planned to develop next version of BSC

Scope of the BSC IWG

- D.24-05-028 established an Implementation Working Group, convened and facilitated by Commission staff, to oversee the BSC implementation plans of PG&E, SCE, and SDG&E.
- **Responsibilities:**
 - Identify issues with implementation and ME&O efforts and recommend solutions during meetings.
 - Provide written recommendations to Commission staff on lessons learned from BSC implementation for potential consideration in future fixed charges or alternative rate mechanisms.
 - Support Energy Division staff in facilitating the process for developing the evaluation report.

Out of Scope: Discussion of the **purpose, necessity, or reasonableness** of the BSC.

BSC IWG Members



CALIFORNIA
Public Utilities Commission



The Public
**ADVOCATES
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