



The Public
ADVOCATES
OFFICE

Annual Update & Electric Affordability

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Our Mission

- Obtain the lowest possible rates for customers consistent with safe, reliable service, and the state's energy and climate goals.
- Advocate for customers of investor-owned utilities with an emphasis on residential and small business customers.
- Focus on issues affecting customers of electric, gas, water, and telecommunications services.

*We are an independent organization within the CPUC
with a mandate to serve California ratepayers.
(see Public Utilities Code Sections 309.5 and 305)*



Affordable, Clean, and Safe Water Service

Advocate for Fair Water Rates

- Conduct rigorous reviews of General Rate Cases (GRCs) to ensure every dollar included in rates provides tangible benefits to customers.
- Advocate for cost-effective infrastructure investments that prioritize safety and reliability without inflating rates.

Oppose Unreasonable Consolidations

- Challenge proposals that fail to demonstrate cost savings or ratepayer benefits.
- Ensure that any consolidations prioritize failing and at-risk water systems, affordability, and service quality.

Prevent Surprise Surcharges

- **Advocate for WRAM reform** to eliminate unfair, unpredictable surcharges and replace them with a more stable, budget-driven mechanism.
- Push for utilities to stick to their approved budgets instead of relying on surcharges to recover costs.



Affordable Access to Communications Services

Protect Access to Essential Services

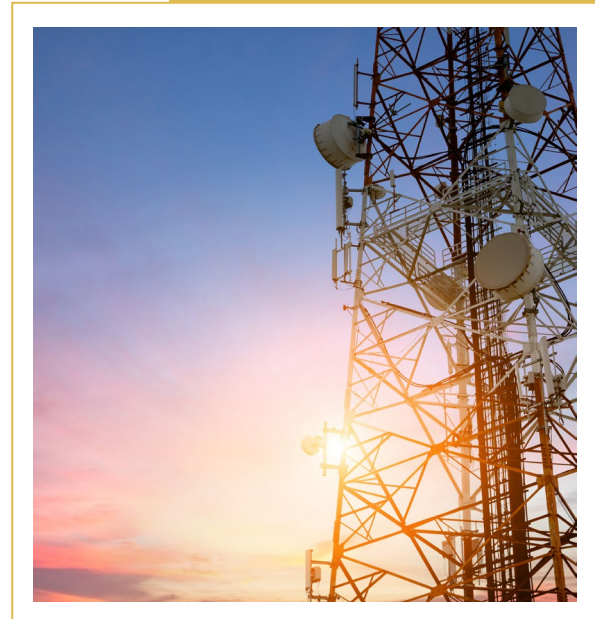
- **Lead efforts to modernize the Carrier of Last Resort (COLR) framework** to ensure universal access to high-quality, affordable broadband and phone service.
- Facilitate the transition from legacy networks to more modern networks.
- Successfully opposed AT&T's request to eliminate its COLR obligations, ensuring customers are not abandoned or left with inferior service.

Expand Affordable Broadband Access for All

- Advocate for affordability benchmarks to prevent excessive broadband pricing, ensuring state and federal broadband funds prioritize affordability.
- Support open-access middle-mile networks and last-mile broadband expansion to reach unserved and underserved communities.

Hold Telecom Providers Accountable

- Monitor state and federal broadband grant programs to ensure public funds are used effectively and lead to real improvements in affordability and access.
- Ensure small, rural phone companies receiving state subsidies offer lower-cost broadband plans to low-income customers.



Affordable, Safe, and Reliable Energy Service

Advocate for Cost-Effective Utility Spending

- Conduct rigorous reviews of General Rate Cases (GRCs) to challenge excessive costs.
- Advocate for cost-effective infrastructure investments that prioritize safety and reliability without inflating rates.

Promote Equitable and Predictable Energy Rates

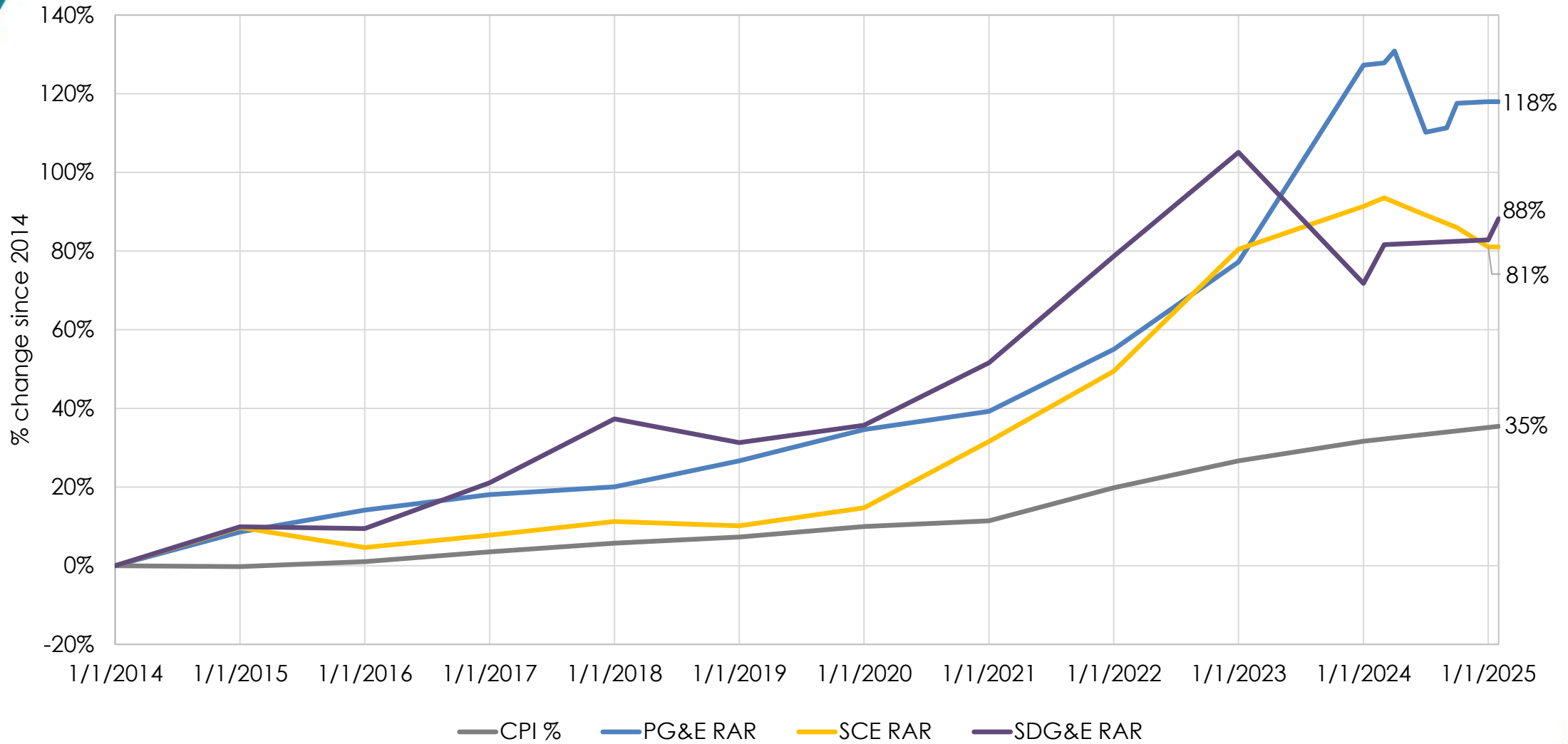
- Advocate for income-graduated fixed charges to improve affordability and reduce bill volatility.
- Support reforms to rooftop solar incentive programs (Net Energy Metering) that reduce cost shifts while maintaining incentives for solar adoption.
- Encourage use of state and federal funds to offset costs and provide ratepayer relief.

Hold Utilities Accountable for Cost Recovery

- Review and challenge utility requests to ensure cost recovery is justified and does not result in unnecessary bill increases.
- Advocate for stronger oversight to ensure utilities manage their budgets responsibly rather than relying on continuous rate hikes.
- Oppose ratepayer funding for programs that lack clear benefits or cost-effectiveness.



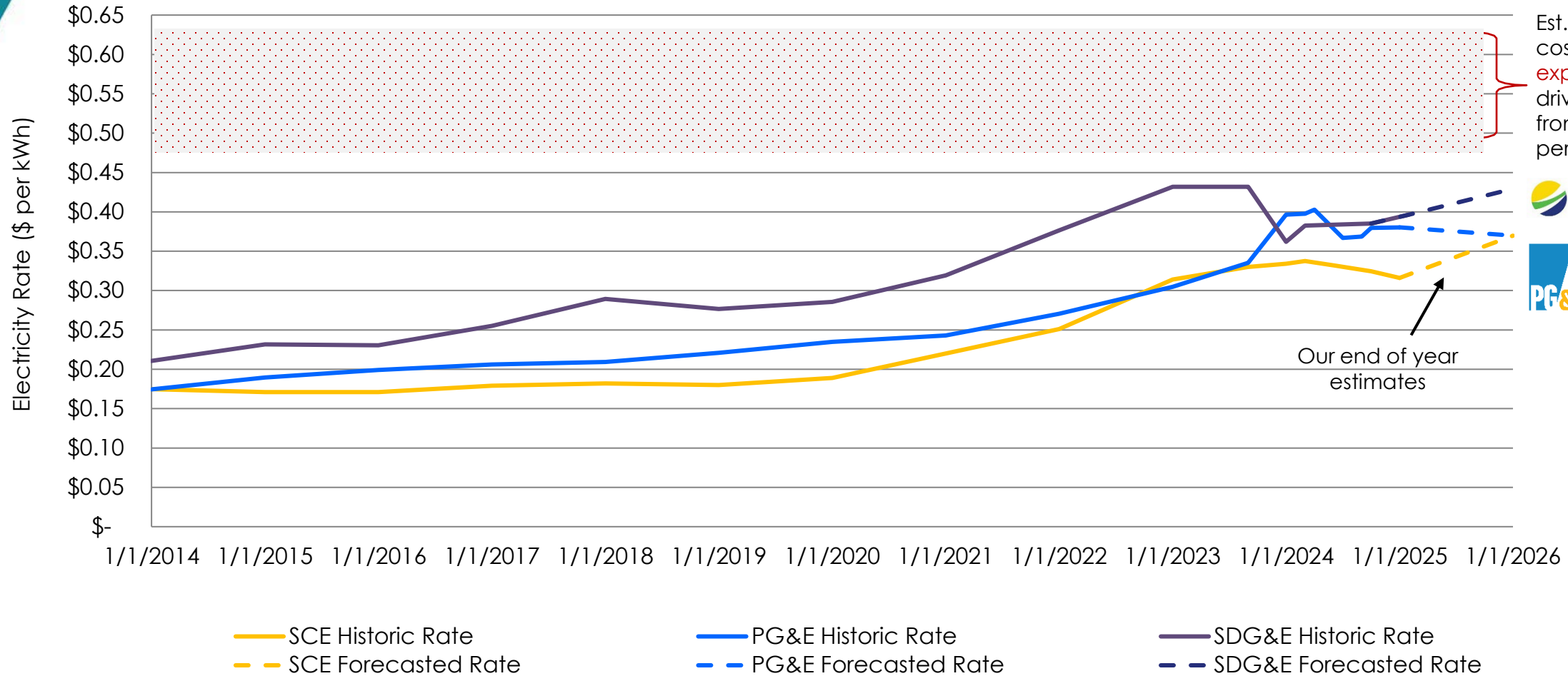
Rates have increased substantially since 2014, surpassing inflation



*Showing latest Bundled Residential Average Rates (RAR) and Consumer Price Index (CPI) for All Urban Consumers (CPI-U) found at <https://data.bls.gov/cgi-bin/dsrv?cu> as of January 1, 2025.

For more detailed information, read our Q4 2024 Rates Report: <https://www.publicadvocates.cpuc.ca.gov/press-room/reports-and-analyses/2024-q4-electric-rates-report>.

EV Fuel Price Parity w/ Bundled Residential Average Rate

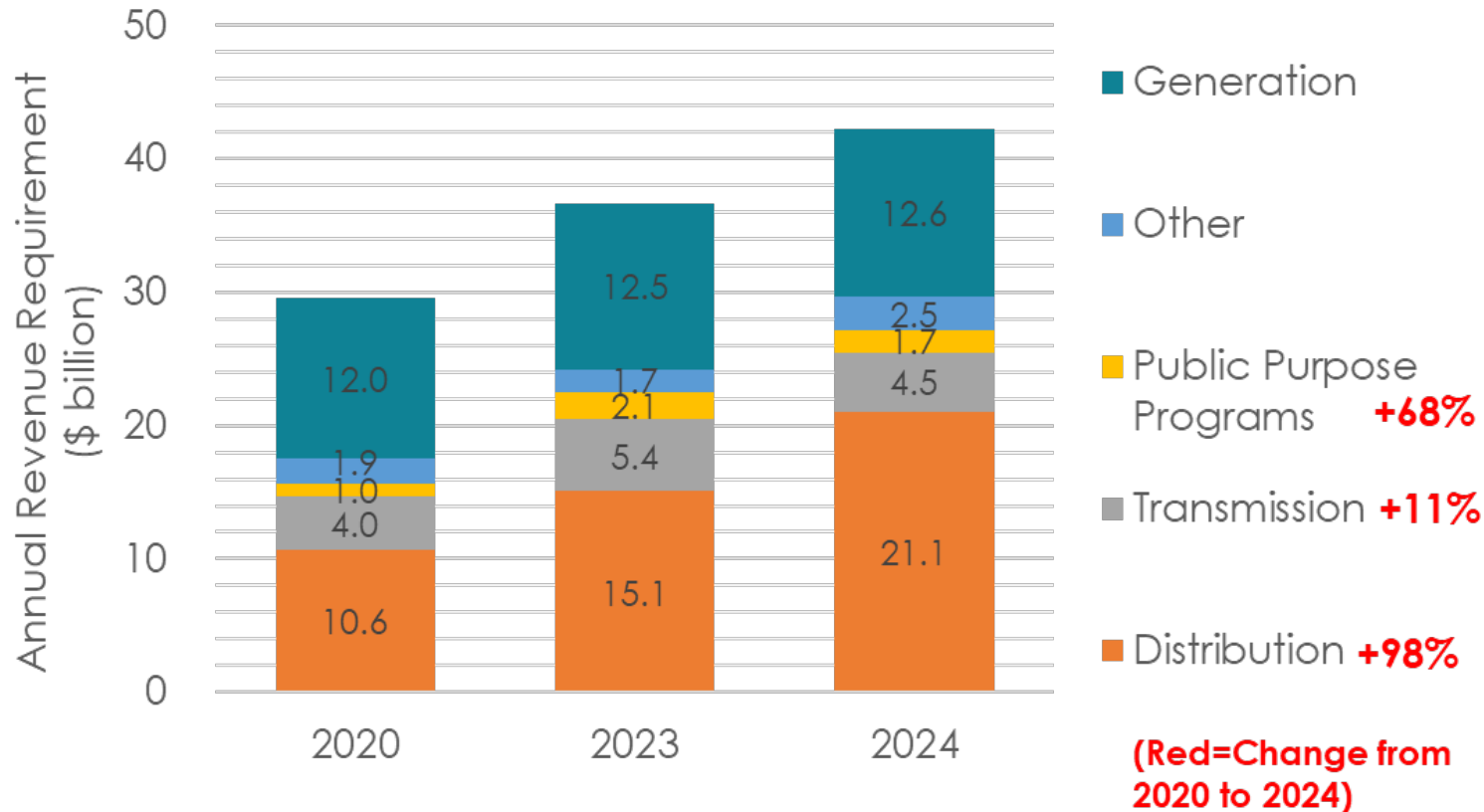


Avg residential rates represent average residential rate customers excluding California Climate Credit. Future estimates may be conservative as they only include pending applications. Source: Investor-Owned Utility Advice Letters (California Residential Average Rates) for historic rates and utility submitted Cost and Rate Trackers for forecasted rates.

Grid investments have rapidly increased in recent years

What are customer bills paying for?

Combined revenue requirement (PG&E, SCE, SDG&E)



Notable Cost Drivers

- Wildfire-related expenses
- Distribution and transmission maintenance & upgrades
- Rooftop solar incentives

Four Policy Levers to Stem Rate Increases and/or Reduce Rates

We Need All Four

01

REDUCE UTILITY OPERATING
EXPENSES (O&M)

02

LOWER CAPITAL COSTS

03

PHASE OUT FUNDING OF
PROGRAMS THAT ARE NOT
COST EFFECTIVE

04

REVISE SUBSIDIES AND RATE
STRUCTURES



Reduce Utility Operating Expenses (O&M)



Lower Cost of Day-to-Day Operations

Reduce unnecessary spending to provide direct savings to customers and ensure cost reductions translate to lower bills in the same year they are authorized.



Return to Comprehensive Budget Planning

Shift away from piecemeal requests and back to the CPUC's General Rate Case (GRC) process as the primary budget-setting forum.



Accountability for Efficient Spending

Require utilities to justify their full operational budgets upfront and prioritize ratepayer funding to focus on necessary and cost-effective investments.

Lower Financing Costs for Major Infrastructure Projects

Reduce capital expenditures by lowering the borrowing costs of financing projects, such as transmission.



Securitization for Specific Projects

Replace high return on equity (ROE) with lower-cost financing, reducing long-term expenses for customers.



Alternative Funding Sources

Consider alternative ownership and financing arrangements, such as public-private partnerships and public ownership models, for projects driven by policy mandates.



Optimize Capital Expenditures

Growth in capital projects directly increases the overall utility costs through increased Rate of Return.

Phase Out Ratepayer Funding of Programs that are Not Cost-Effective

Many programs funded through utility bills cost more than the benefits they deliver and fail to meaningfully reduce utility operating expenses.

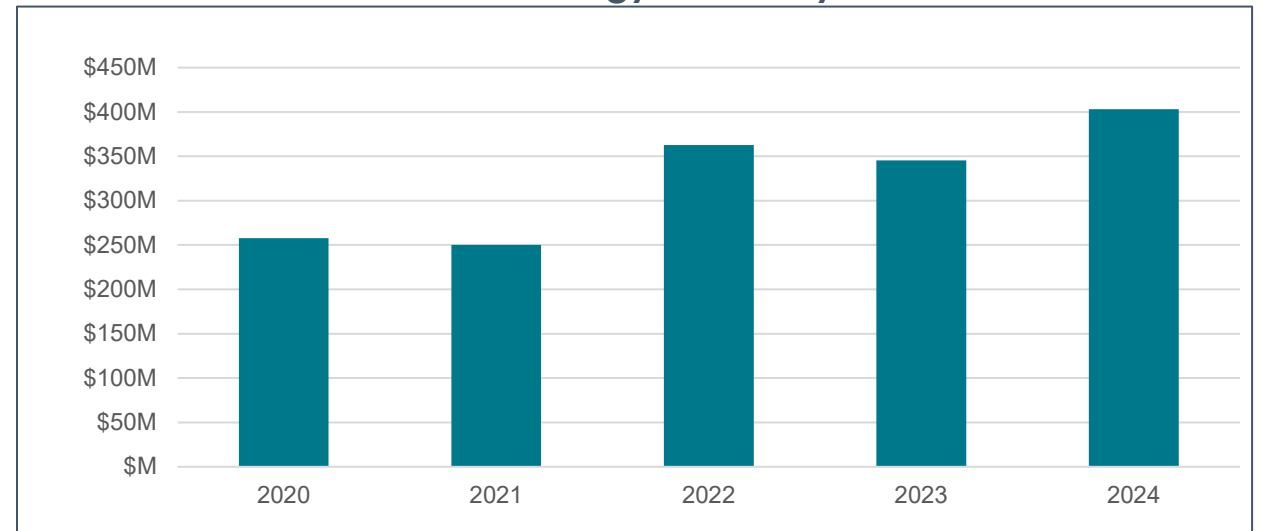
Eliminate Ratepayer Funding of Non-Cost-Effective Programs

Sunset programs that do not provide safe, reliable service or do not deliver measurable energy savings.

Cap Energy Efficiency Budgets at 2020 Levels

Despite increasing investment, many programs funded today are not cost-effective and do not primarily focus on cutting energy usage.

Growth of Non-Cost-Effective Energy Efficiency Over the Last Five Years



Re-align Subsidies and Rate Structures

The rapid growth of subsidies embedded in today's residential rate structures is driving up costs for customers and making electric service less affordable. These higher rates hinder California's clean energy goals.

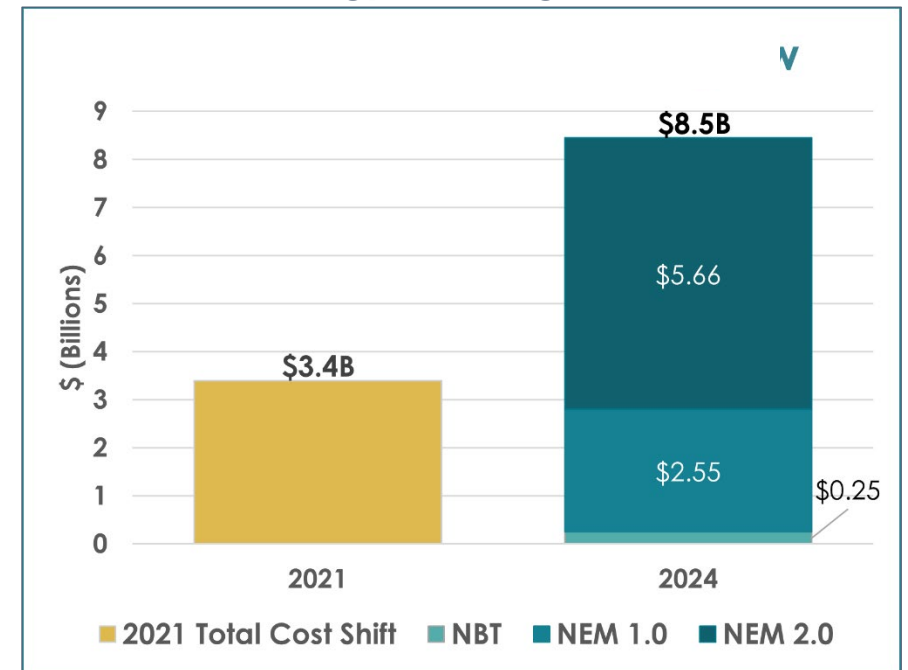
Address Unsustainable Increases in Rooftop Solar Subsidies

- Set export compensation rates based on the year a system is enrolled.
- Transition legacy NEM accounts at property sale.

Reform Rate Structures through a Fixed Cost

- Incorporate more fixed costs in the basic service charge to more accurately reflect the cost of service.
- Create tiers for incremental base service charges, extending discounts to middle-income households.
- Utilize cap and trade revenues to subsidize basic service charge discounts.

Net Energy Metering Cost Shift





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