
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Steven Bradford, Chair
2023 - 2024 Regular**

Bill No: AB 2462 **Hearing Date:** 6/18/2024
Author: Calderon
Version: 4/8/2024 Amended
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Public Utilities Commission: written reports: energy

DIGEST: This bill requires additional information in an existing annual report regarding costs of electricity utility bills, including requiring the California Public Utilities Commission (CPUC) to identify how current rate trends affect households across their energy uses and how electrification across more end-uses may reduce the total cost of energy for households over time in an existing annual written report to the Governor and the Legislature.

ANALYSIS:

Existing law:

- 1) Establishes and vests the CPUC with regulatory authority over public utilities, including electrical corporations and gas corporations. (Article XII of the California Constitution)
- 2) Requires all charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful. (Public Utilities Code §451)
- 3) Requires the CPUC to prepare a written report on the costs of programs and activities conducted by each electrical corporation and gas corporation with more than 1,000,000 and 500,000 retail customers in California, respectively. Requires the report to be completed on an annual basis before April 1st of each year, and shall identify all of the following:
 - a) Each program mandated by statute and its annual cost to ratepayers;
 - b) Each program mandated by the CPUC and its annual cost to ratepayers;

- c) Energy purchase contract costs and bond-related costs incurred pursuant to Division 27 (commencing with Section 80000) of the Water Code; and
 - d) All other aggregated categories of costs currently recovered in retail rates as determined by the CPUC. (Public Utilities Code §913)
- 4) Requires the CPUC, by May 1st of each year, to prepare and submit a written report with recommendations for actions that can be undertaken during the succeeding 12 months to limit utility cost and rate increases, known as the SB 695 Report. (Public Utilities Code §913.1)

This bill:

- 1) Requires that the SB 695 Report also include:
 - a) Consideration of how the adoption of electrification may impact total energy costs borne by consumers, including electricity, natural gas, and fuel for transportation, and
 - b) Recommendations that may take longer than 12 months to implement, but could lead to substantial reductions in monthly electricity bills.
- 2) This bill would also expand the goals of the recommendations to reduce utility costs to additionally include goals for encouraging beneficial electrification.

Background

Energy utility costs rising. Californians generally enjoyed lower energy bills when compared to the rest of the country, largely due to milder weather and investments in energy efficiency, even as electric rates have been higher than many other states. However, in more recent years, these trends have been changing as California's higher energy rates are also resulting in higher energy utility bills, both electricity and natural gas. As such, there are growing concerns about the affordability of utility bills on household budgets and commercial and industrial entities' balance sheets. Many Californians have also struggled to overcome economic challenges, including impacts from the COVID-19 pandemic. Low-income and fixed-income residents have fallen behind on paying their bills, including the utility debt accumulated over the time of the pandemic. The Legislature and Governor have helped alleviate these concerns by approving over \$2 billion in funding to address energy utility bill arrearages and another \$1 billion to address water utility bill arrearages. Nonetheless, the growing costs for goods and services due to inflation and supply shortages is also affecting the cost of utility bills and the ability for Californians to manage their household budgets. Utility bill affordability has been

a topic of two hearings by this committee within the past two years, and continues to be an area of concern.

On electric side of the equation, a number of drivers are increasing costs. According to the CPUC's 2022 annual SB 695 report, since 2013, bundled residential average rates have increased at an annual average rate of about seven percent for PG&E, five percent for SCE, and 10 percent for SDG&E. The primary drivers include wildfire mitigation investments, and transmission and distribution costs. Pushing electrification policies and practices will likely place further pressure on electric costs for distribution, transmission, and generation. On the natural gas side of the equation, Californians have seen a rise in natural gas utility costs, partly associated with safety improvements in response to the tragic explosion in San Bruno in 2008. Additionally, just last winter, Californians experienced disparate price spikes compared to most part of the country as the commodity price of natural gas increased significantly, most acutely in California and other West Coast states.

Utility bill affordability concerns are exacerbated by the interest to adopt policies to reduce the state's greenhouse gas (GHG) emissions by shifting away from fossil fuels towards alternatives, including electrification in the transportation and building sectors. Such a transition relies on changing customer behaviors, in addition to policies. However, Californians may be reluctant to switch fuels if utility costs are unaffordable, thereby potentially slowing progress towards the state's climate goals.

SB 695 Report. To aid cost management, the CPUC annually puts forth a report of actions that could be taken within the succeeding 12 months to limit utility costs and rate increases, as directed by the Legislature through the enactment of SB 695 (Kehoe, Chapter 337, Statutes of 2009). The report includes information about electricity and natural gas utility bills, cost drivers, forecast of rates, information broken out by large electrical corporations, and actions taken to address affordability, among others. More recently, the report has included affordability outlook as measured by a CPUC adopted "affordability ratio" developed in the CPUC Affordability proceeding (R. 18-07-006), which uses the most recently available data and presents affordability results for essential level of electricity service for forecasts years.

Seeking more info on affordability impacts. While many studies on the impacts of electrification and our clean energy transition conclude that energy costs will go down – helped by advances in renewable energy technology or greater distribution across a larger pool of customers – it is also important to quantify and qualify the affordability of this energy transition for households today, in order to enhance

equitable adoption of electrification. An important consideration to the affordability of electrification is a household's full energy portfolio, which seeks to capture the totality of energy costs a consumer bears, inclusive of electricity, natural gas, and fuel for transportation. Merely tracking customer electric or gas bills can miss major contributors to consumers' monthly energy expenditures. For example, switching to an electric vehicle means saving at the gasoline pump, savings that would not be revealed by tracking electricity usage, and billing, alone.

Need for this bill. The CPUC has developed a calculator to calculate these various customer expenses and to estimate the future impacts of electrification on total household energy costs. This bill would make this evaluation a routine component of the annual SB 695 reports. Utilizing this methodology to track costs to ratepayers as GHG policies move natural gas and gasoline costs into electricity bills could provide the Legislature with a clear understanding of the impacts proposals for new or augmented programs will have on affordability.

This bill would also require the CPUC to publish in the annual SB 695 report recommendations with potential to reduce utility costs to ratepayers that may take longer than 12 months to implement. The upward trend in rates is likely to persist over the next decade. As the CPUC's forecasts of energy costs have gradually extended towards looking over the next five to 10 years, the CPUC has also made efforts to pose and solicit from other stakeholders long-term solutions to try to address the forecasted increases in utility costs. Since the CPUC has already indicated an interest to identify long-term actions, requiring this practice in reports submitted to the Legislature could provide a clearer understanding of how the Legislature can support those actions and provide relief to ratepayers.

Clarifying amendments needed. Amendments are needed to help clarify the proposed changes by this bill are not intended to supplant the continued reporting in the SB 695 report of both cost information reported of both electricity and natural utility bills. *As such, the author and committee may wish to amend this bill to restructure and include clarifying changes to the reporting requirements to make clear the added reporting proposed by this bill is in addition to the existing elements required in the SB 695 report.*

913.1.

(a) The commission, by May 1, 2010, and by each May 1 thereafter, shall prepare and submit a written report, separate from and in addition to the report required by Section 913, to the Governor and Legislature that *considers how the adoption of electrification may impact total energy costs borne by consumers, including electricity, natural gas, and fuel for transportation,* ~~contains~~ **contains:**

- 1) the commission's recommendations for actions that can be undertaken during the succeeding 12 months to limit **electric and natural gas** utility cost and rate ~~increases, and increases.~~
- 2) *the commission's recommendations that may take longer than 12 months to implement, but could lead to substantial reductions in monthly electricity and **natural gas utility bills, bills.***
- 3) **Considerations for how the adoption of decarbonization, including electrification, may impact total energy costs borne by consumers, including electricity, natural gas, and fuel for transportation** consistent with the state's energy and environmental goals, including goals for reducing emissions of greenhouse ~~gases. **gases and encouraging beneficial electrification.**~~

(b) In preparing the report required by subdivision (a), the commission shall require electrical corporations with 1,000,000 or more retail customers in California, and gas corporations with 500,000 or more retail customers in California, to study and report on measures the corporation recommends be undertaken to limit costs and rate increases.

(c) The commission shall post the report required by subdivision (a) in a conspicuous area of its ~~Internet Web site.~~ *internet website.*

Prior/Related Legislation

SB 695 (Kehoe, Chapter 337, Statutes of 2009) required the CPUC to annually report on recommendations for actions that can be undertaken during the succeeding 12 months to limit utility cost and rate increases, consistent with the state's energy and environmental goals.

AB 67 (Levine, Chapter 562, Statutes of 2005) required the CPUC to annually report on the costs of programs and activities conducted by an electrical corporation or gas corporation that have more than 1,000,000 and 500,000 retail customers, respectively, in California, including activities conducted to comply with their duty to serve.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

Building Decarbonization Coalition
 California Chamber of Commerce
 Natural Resources Defense Council
 Pacific Gas and Electric Company
 Silicon Valley Leadership Group
 Southern California Edison

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: Southern California Edison (SCE) expresses the following in support of this bill:

AB 2462 would make clear the benefits to overall household energy expenses from the clean energy transition. AB 2462 would evaluate current household energy trends, including cumulative energy usage, such as transportation and home heating fuels. ...Furthermore, AB 2462 would assess existing costs and programs and have the CPUC provide both short and long-term solutions to reduce electricity bills. ...By requiring the CPUC to report on the performance of programs with respect to ratepayer's energy costs and usage, the CPUC can evaluate the efficacy of these programs and make improvements that could help households see significant savings in their energy bills. Statewide policies to support customer affordability and greater electrification, such as AB 2462, will not only support California's progress in meeting its climate goals, but will continue to make household energy bills more affordable in the long run.

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