

Californians face the highest cost of living in the nation and rising energy bills are one item making it harder for them to keep up. These high energy costs are driven in part by public purpose programs (PPP) paid for by customers of the state's investor-owned utilities (IOUs), including low-income assistance and energy efficiency programs that provide broad public benefit. It is neither equitable nor sustainable for these programs to be funded by the customers of electric IOUs...AB 2508 will help to reduce customers' energy bills by providing funding for PPP through more appropriate sources, such as the GGRF or General Fund.

- 2) **Background.** The CPUC has approved a number of specific charges to fund PPPs, such as energy efficiency, low-income bill subsidies and various other programs. It is surprisingly difficult to determine how much of a customer's bill is comprised of such PPP charges. However, the Public Advocate's Office recently provided the committee the following estimate of PPP charges, minus CARE program costs, as a proportion of the largest IOUs' average rates (not customer bills): 3.41% for Pacific Gas and Electric, 4.4% for Southern California Edison and 1.42% for San Diego Gas and Electric. While the charges are a small part of a utility customer's bill, they are not insignificant, and because utility billing is not progressively tied to income, these charges often fall disproportionately on low-income customers. In addition, by inflating the price of electricity beyond what it costs society to generate, transmit and consume that electricity, such charges discourage a utility customer from choosing to consume the socially ideal amount of energy. This is a public policy problem. That is because it runs counter to state policy that encourages widespread electrification of transportation and buildings as a method to help the state meet its greenhouse gas emission reduction goals and other clean energy objectives.

The specific programs and purposes funded by PPP charges vary by utility, as might the amount of the charges themselves, but the programs may include all the following:

- Energy Efficiency.
- Energy Savings Assistance.
- Self-Generation Incentive Program (SGIP).
- Food Bank Discount.
- San Diego (SD) Port Program.
- AB 841 Schools Energy Efficiency Stimulus Program.
- Flex Alert.
- Conservation Incentive Adjustment.
- Summer Reliability Order Instituting Rulemaking.
- EPIC.

- Tree Mortality Non-bypassable Charge.
- BioMAT (Bioenergy Market Adjusting Tariff) Non-bypassable Charge.
- Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) Program.
- Costs of Arrearage Management Program.

This bill removes these charges from utility customer bills and instead authorizes the Legislature to appropriate money from the GGRF to fund the PPPs.

Removing PPP charges from electricity bills would lower those bills and send a more accurate signal to electricity customers about the costs of their electricity consumption. And the GGRF seems an appropriate source to fund many PPP charges, though the charges that provide monies to the GGRF may not be any more progressive than are the existing charges paid by electric utility customers.

In any case, the Legislature certainly could, with or without this bill, choose to appropriate money from the GGRF to pay for PPPs. And some have suggested the Legislature do just that.

However, just last year the Legislature reauthorized the mechanism that provides monies to the GGRF and allocated GGRF funding to various purposes, prioritized into three tiers. A review of the Air Resources Board's proposed regulations to implement last year's legislative changes seems to indicate there will not be enough GGRF money available annually to fund all of the Legislature's priorities each year. It is, therefore, not clear how the GGRF could accommodate the cost of PPPs without someone's ox getting gored.

- 3) **Support and Opposition.** This bill is supported by the state's largest IOUs and the Coalition of California Utility Employees. Pacific Gas and Electric and Southern California Edison, for example, together laud PPPs as advancing "critical statewide objectives including energy efficiency, renewable energy development, zero-emission vehicle adoption, and assistance for low-income households" yet object that "the cost of these programs falls almost exclusively on customers of the Joint IOUs instead of being shared broadly across all Californians." The two utilities assert this bill "aligns cost responsibility with the statewide benefits these programs provide."

In contrast, a diverse coalition of environmental organizations and community choice aggregators opposes the bill, describing the GGRF as "volatile and scarce" and that "Injecting this level of uncertainty into the state's [energy efficiency] programs will compound the current affordability crisis by eliminating the benefits of [energy efficiency] to both individual ratepayers and the energy system as a whole."

Analysis Prepared by: Jay Dickenson / APPR. / (916) 319-2081