

# California lawmakers look to repeal income-based utility fee proposal

By Eric He

02/07/2024 08:00 AM EST

Two years ago, California lawmakers passed a [budget trailer bill](#) with a tucked-in provision authorizing the state's utilities commission to create a fixed, income-based fee by this July that was intended to reduce bills for the poorest residents.

But with the California Public Utilities Commission weighing proposals ahead of the approaching deadline, backlash has forced some of the same lawmakers who voted for the new charge in 2022 to introduce a measure that would repeal the fee. Proposed fixed charges by the utilities range from \$51 and \$73, which [would be the highest in the nation](#).

[AB 1999](#) would strike out part of the trailer bill, AB 205, and revert the maximum charge back to \$10 a month — or \$5 a month for lower-income customers.

Utility rates have skyrocketed for Californians in recent years as the grid becomes increasingly unstable amid more frequent wildfires and atmospheric rivers. More than 800,000 people [were without power](#) at the peak of an early February storm that saw widespread rainfall, flooding and downed trees up and down the state.

Electricity rates have gone up between 16 and 23 percent from January 2022 to 2023 for customers of Pacific Gas & Electric, Southern California Gas Company and Southern California Edison, according to an [August 2023 state audit](#). Likewise, residential natural gas rates have also increased between 27 and 62 percent during that same time frame for PG&E, SoCal Gas and San Diego Gas & Electric.

“Our constituents have had enough, and so have we,” Assemblymember [Jacqui Irwin](#) (D-Thousand Oaks), the lead author of the repeal legislation, said [at a news briefing](#). “It’s time to put some reasoning back into how we charge for electricity in California.”

## WHAT’S IN THE BILL?

*This Pro Bill Analysis is based on the [text of the bill](#) as introduced on Jan. 30.*

The bill would amend [Section 739.9 of the Public Utilities Code](#) to strike out a provision allowing the state's Public Utilities Commission to authorize a fixed charge for residents by July 2024 based on an income-graduated basis — ensuring that lower-income customers pay less than higher-earning customers. The current law, passed in 2022 via a [budget trailer bill](#), requires that the commission establish at least three income thresholds, allowing lower-income customers to pay a lower average monthly bill without changing their usage (Sec. 1).

Instead, the measure would revert the policy back to a law [passed in 2013](#) that sets the maximum fixed charges at \$10 a month, and \$5 a month for lower-income customers enrolled in the California Alternate Rates for Energy, or CARE, program. The cap could then be increased each year at a maximum of the percentage increase in the Consumer Price Index (Sec. 1).

## WHO ARE THE POWER PLAYERS?

Democrats approved the fixed charge in 2022 as part of the larger trailer budget bill, but now a group of 20 Democrats — ranging from progressives to moderates — have coalesced around AB 1999 to roll back the measure they passed two years ago. Many of them expressed concerns from their constituents, who fear yet another increase in utility rates.

Assemblymember [Jacqui Irwin](#) (D-Thousand Oaks) is the lead author, and is joined by: Assemblymembers [Dawn Addis](#) (D-Morro Bay), [Damon Connolly](#) (D-San Rafael), [Al Muratsuchi](#) (D-Rolling Hills Estates), [Diane Papan](#) (D-San Mateo), [Gail](#)

[Pellerin](#) (D-Santa Cruz), [Sharon Quirk-Silva](#) (D-Fullerton), [Phil Ting](#) (D-San Francisco), [Chris Ward](#) (D-San Diego) and [Akilah Weber](#) (D-La Mesa).

The measure's co-authors include Assemblymembers [Tasha Boerner](#) (D-Encinitas), [Laura Friedman](#) (D-Glendale), [Alex Lee](#) (D-San Jose), [Evan Low](#) (D-Sunnyvale) and [Brian Maienschein](#) (D-San Diego), as well as Senators [Catherine Blakespear](#) (D-Encinitas) and [Scott Wiener](#) (D-San Francisco).

“This is literally the number one decision that we're hearing about in our office, and that is that utility rates are simply too high for our working families right now,” Connolly said at the news briefing. “These costs are not sustainable and they are unacceptable.”

The rooftop solar industry and environmental groups also oppose the income-based proposal, and [wrote a letter](#) claiming the fee will hurt working families, [citing an analysis](#) by Flagstaff Research. The opponents argue the fixed charge will increase rates for residents in apartments, condos and small homes that use less energy, discourage energy conservation, rather than incentivizing electrification. The [Solar Rights Alliance](#), [Center for Biological Diversity](#) and the [Western Center on Law and Poverty](#) have also come out against it.

In response, the **Public Advocates Office** — the policy wing for the **California Public Utilities Commission**, which is tasked with determining the rate increases — contends that not implementing a fixed charge would be disastrous.

“It will cause utility rates to increase unsustainably, it will push more people into arrearage, and it will create enormous headwinds for our efforts to electrify the economy,” [said Matt Baker](#), director of the Public Advocates Office.

Baker [also told POLITICO](#) that the impact on conservation would be “insignificant” and more people would switch to using electric vehicles if they are paying less on their utility bills.

Gov. [Gavin Newsom](#), who would have to sign off on the measure, wants to see AB 205 implemented in a CPUC proposal.

“California must combat climate change by rapidly expanding the use of clean electricity in our vehicles and buildings, while at the same time making it more affordable for low-income Californians,” Alex Stack, a spokesperson for Newsom, said in an email.

## WHAT'S HAPPENED SO FAR?

California tacks some of the costs of addressing climate change — such as renewable energy subsidies and wildfire risk reduction — onto utility bills, making them some of the country's highest. As a result, lower-income people pay a greater share of those costs than if the state paid for them with tax dollars.

In [a 2021 paper](#), three University of California, Berkeley, economists pitched an idea that eventually led to AB 205, adding a monthly income-based charge and reconfiguring rates so all users pay less for the volume of electricity that they actually use.

The plan has proven both politically and practically complicated. For one, there's no good way for utilities to verify the incomes of their customers. The CPUC sought to address that by starting with just two groups: those already enrolled in utilities' low-income programs (earning up to \$75,000 per year for a family of four), and everyone else.

However, in California, many individuals do not qualify for the low-income programs, but still struggle with living costs. Last fall, 22 lawmakers — led by Irwin — [called on the CPUC](#) to slow-roll the fixed charge proposal. Berman and fellow Peninsula Democrat Sen. [Josh Becker](#) (D-Menlo Park) published an [op-ed saying](#) the proposal would hit their districts — where a family of four earning \$149,000 meets a federal low-income threshold — particularly hard.

Just last month, 10 Senators [signed a letter](#) to the CPUC also noting concerns about the proposal, adding that the agency needed to conduct public hearings and increase transparency. Lawmakers noted that the trailer bill was rushed through the Legislature with little discussion.

“AB 205 should have had a very robust conversation among all legislators, and to have it as a part of a huge trailer bill is, in my opinion, not appropriate,” Irwin said, noting that policy decisions should be made by the Legislature and not by the CPUC.

Republicans have [long harped](#) on AB 205, [forcing a vote](#) to repeal the measure in the Senate on Jan. 30 that Democrats tabled.

“Why are neighboring states paying nearly half the costs of electricity compared to what Californians are paying to keep their lights on?” Sen. [Shannon Grove](#) (R-Bakersfield) [said in a statement](#). “The majority party’s constant attacks against the energy industry is pushing families into energy poverty, making them choose between putting food on the table or paying their utility bills. We must act now, if we want families to stop fleeing from California's high cost of living.”

## **WHAT’S NEXT?**

The bill will be eligible for its first committee hearing in March, and it will likely come before the Assembly Utilities and Energy Committee, which has a new chair this year in Assemblymember [Cottie Petrie-Norris](#) (D-Laguna Beach).

Petrie-Norris [wrote a letter](#) to the CPUC last October noting concerns about the fixed charge. She [told POLITICO](#) that she wanted to see a fixed-rate proposal in line with the national average and that is not too convoluted or complicated. The Southern California Democrat said that a reasonable charge would be in the range of \$10 to \$15 a month.

“Not some of the wild \$70-a-month proposals that we’ve seen,” Petrie-Norris said.

## **WHAT ARE SOME STORIES ON THE BILL?**

Read POLITICO news on [AB 1999](#) and [AB 205](#).

*Wes Venteicher contributed to this report.*