

August 7, 2013

The Honorable Kevin deLeon, Chairman  
Senate Committee on Appropriations  
State Capitol, Room 5108  
Sacramento, CA 95814

**SUBJECT: AB 327 (Perea) – SUPPORT**

Dear Chairman deLeon:

Pacific Gas and Electric Company (PG&E) is in full support of AB 327, which provides guidance to the California Public Utilities Commission (CPUC) to design an electric rate structure for residential customers that is fair and equitable. At the urging of the Author and Senate staff, we recently concluded months of discussions with consumer groups including The Utility Reform Network (TURN), the Greenlining Institute, the CPUC's Division of Ratepayer Advocates, and the American Association of Retired Persons (AARP). The utilities and consumer groups now collectively support AB 327.

AB 327 addresses statutory changes intended to be temporary during the 2000- 2001 energy crisis with the approval of ABx 1 (Keeley, Chpt. 4, First Extraordinary Session), which capped residential electric rates in the lowest two tiers of usage along with rates for low income customers on the CARE program. While the provisions of ABx 1 may have been warranted at the time, the state's high-cost power contracts have been largely paid off since then, and the continued rate caps have had significant unintended consequences on many of our customers since the energy crisis. In 2009, the Legislature approved SB 695 (Kehoe, Chpt. 337), allowing very limited rate reforms for tiers 1 and 2, and even more limited rate reforms for CARE customers. While we supported SB 695, the continued restrictions on the ability of the CPUC and interested parties to implement significant electric rate design reforms have resulted in punitive electric rates significantly above cost for more than one million PG&E customers. Hundreds of thousands of these customers are low- to middle-income customers, including those whose usage during hot summer months and other peak periods pushes them into punitively high rate brackets.

The current rate design results in significant cost shifts amongst customers. In fact, a million customers in our service territory pay an average of \$510 a year each in above-cost rates to subsidize other customers, many of whom are not low income. Over the next several years, in keeping with state policy goals, we need to make significant investments in infrastructure to improve system reliability and safety as well as increasing our clean energy resources. Our customers support these investments, but if the costs are not spread equitably among all customers who benefit, we, and the state, run the risk of consumer backlash.

AB 327 would allow the CPUC to move forward with a proceeding it opened in June of last year and adopt a decision balancing the opinions of all interested parties. Specifically, AB 327 does the following:

- Eliminates the outdated restrictions on rate design that were enacted during the energy crisis;
- Preserves and expands statutory protections for low-income customers enrolled in the CARE program providing discounts of between 30 and 35 percent off their electric bill;
- Allows for the imposition of fixed monthly charges up to \$10 for residential customers and \$5 for CARE customers to cover a portion of the fixed costs of service;
- Ensures a reasonable transition period providing customer education and outreach on implementation of the rate design reforms; and
- Allows for Time of Use rates for residential customers in 2018 on an optional customer-choice basis.

Absent reform this year, we fear a revolt from customers who are being forced, in some cases, to pay electric rates that are twice as much as the actual cost. We see no valid public policy reason for statutory restrictions that force customers to pay such high rates.

Thank you for your consideration of our support of AB 327. We respectfully ask for your Aye vote on this measure. If you have any questions about our support, please contact me at (916) 386-5704.

Sincerely,

cc: The Honorable Henry T. Perea  
Members, Senate Committee on Appropriations  
Martha Guzman-Aceves, Office of the Governor