SB 711 – Energy Bill Fairness and Transparency

IN BRIEF

SB 711 corrects the wild fluctuations in energy bills experienced by many utility customers this year and requires that investor-owned utilities provide information to help customers understand what their next bill might be so that they can act in time to reduce it.

BACKGROUND

Many Pacific Gas and Electric Company (PG&E) customers were hit with unexpectedly high bill increases, with some customers reporting that their bills have doubled or tripled.[1] This happened for a number of reasons, including a combination of rate increases, colder temperatures, and average use customers having a higher percentage of usage charged at higher-priced, "Tier 2" rates.

Another reason for high December and January bills is a flaw in the way that Tier 1, or "baseline" allocation is calculated. The amount of energy use that customers are allowed for lower-priced, "Tier 1" rates is set to 70% of the average usage for the winter season. Because the winter season runs from November to March, usage in cold months is averaged with usage in milder months, leading to too little usage allocated to Tier 1 rates during the months where customers get the highest heating bills. **Figure 1** shows how an average PG&E gas customer gets roughly 90% of their usage at Tier 1 in the warmer months of November and March but less than 60% of their usage in Tier 1 in during December and January. This issue was highlighted in a recent report.[2]

Month	% of Usage in Tier 1
November	88.5%
December	57.2%
January	56.6%
February	70.5%
March	92.4%

Table 1: "Average" user's baseline allocation as a percentage of total usage (territory "S")

Fundamentally, customers have a difficult time predicting what their bill is going to be from one month to another. Unlike with gasoline in an automobile, in which customers buy fuel in increments, see the price immediately upon purchase, and have a gauge 18-inches from their view to monitor usage, gas and electric customers generally do not have signals that would help correlate their behaviors to their usage to the price they need to pay for utility service except in the form of a bill that comes at the end of the month, after the usage has occurred.

Also, the method by which PG&E has estimated usage for some customers who have elected to keep their analogue meters has increased their February 2017 bills 200% and 300% ***<u>for the same usage</u>*** as February 2016 while making their bills negative in March. Customers who do not have Smart Meters have their meters read every other month but are billed every month. Poor estimations in those months where the meter is not read can lead to huge swings in bills and could possibly lead customers to be overcharged by having usage that should have been billed at Tier 1 rates in one month instead billed at Tier 2 rates in a different month.

SOLUTION

SB 711 makes utility bills more transparent and more closely aligned with cost by:

- Making sure that the average customer has 70% of their bill covered by lower priced, Tier 1 rates in ***all*** winter months, dropping bills in the coldest, most expensive months.
- Requiring utilities to post the expected cost of next month's bill on this month's bill so that people can adjust their budgets or usage to prepare for high-usage months.
- Requiring the California Public Utilities Commission to approve bill estimation methodologies and requiring utilities to post those methodologies on their websites.

FOR MORE INFORMATION

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1 http://sanfrancisco.cbslocal.com/2017/02/06/pge-bills-go-sky-high/
2 http://sd13.senate.ca.gov/sites/sd13.senate.ca.gov/files/Hill_PGE_BillReport_03-01-17.pdf