

The Utility Tax

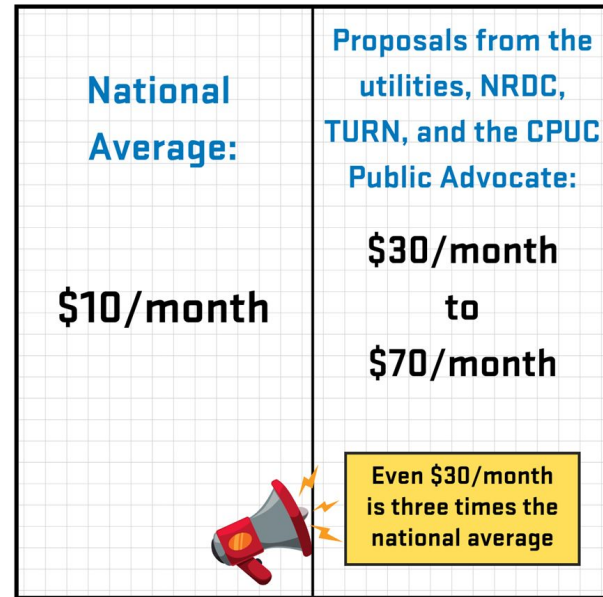
February 2024

Utility Tax: What's on the Table

- Last year, the Legislature passed a "budget trailer bill" (AB 205) that included little-known provision that requires the California Public Utilities Commission (CPUC) to charge all ratepayers a Utility Tax based on household income.
 - Applies to ALL residential customers of PG&E, SCE, SDG&E, including CCA customers.
- AB 205 went from proposal to law in just 3 days with no public hearing or discussion.

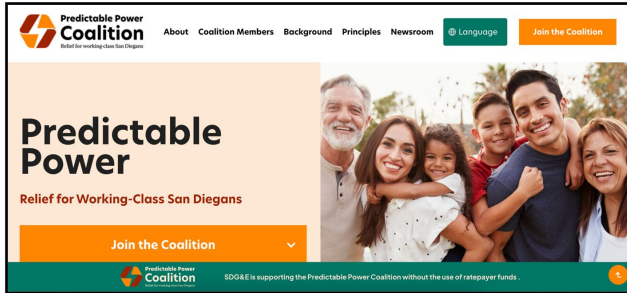
Utility Tax: What's on the table

- Now, the utilities and some other organizations are proposing to charge all ratepayers not on CARE or FERA the highest Utility Tax in the country: \$30 - \$70 / month.
- You would have to pay this Utility Tax even if you buy zero energy from the utility, and the money goes to the utilities.
- The per kilowatt rate would be reduced somewhat.



Utility Tax: What is the utilities' rationale?

- Proponents say this will:
 - Lower bills for working class households.
 - Incentivize people to switch from gas appliances to electric appliances such as heat pumps and induction stoves.



← *Utility website promoting their utility tax proposal*

A high Utility Tax will increase bills for millions of working people living in apartments or smaller homes

- Californians who live in apartments or small homes that use less energy would see their utility bills increase.
- Even the \$30/month Utility Tax proposal will have this negative impact.

Bills will increase



Even a \$30/month Utility Tax will increase bills on these kinds of households:

- A single mother living in an Irvine apartment.
- A retired couple living in a small home on a fixed income in San Diego.
- A teacher living in a small home in Fresno.
- A nurse in San Diego renting an apartment.
- A laborer living in a small home in Gilroy.
- Millions of Californians living in apartments and small homes.



Utility Tax proponents say their proposals will lower bills on low-income people. They are not telling the whole story.

- CARE and FERA customers would see small decreases in their monthly electricity bills.
- These decreases will be temporary, since rates will go up.
- Meanwhile, bills will increase for millions of people not eligible for CARE/FERA.
- Many of these households are just above the eligibility line and also struggling.



- Single mom making \$40K/year
- Living in an apartment
- Just above the CARE cutoff.
- Her bill will increase.



Utility Tax would discourage conservation, and take control away from ratepayers

High Utility Taxes discourage people from reducing their electricity use through conservation or energy efficiency, such as:

- Turning off the lights when you leave the room
- Installing new windows
- Getting rooftop solar and batteries

You pay the Utility Tax, no matter what you do.



Utility Tax does not incentivize electrification

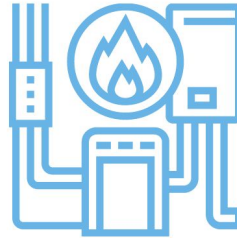
Proponents of the Utility Tax claim it will incentivize people to ditch gas and install heat pumps and other electric appliances.

But it won't.

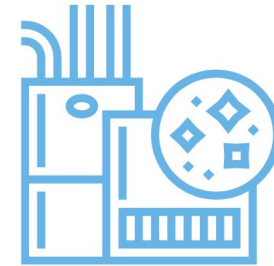


Under the Utility Tax:

It will still be \$40-400/ year cheaper to stick with gas appliances.
The utility tax will not incentivize people to go electric



Gas Appliances



Electric Appliances

The Utility Tax and Rates Will Only Go Up From Here



There are better solutions to high electricity prices than a Utility Tax

- Expand the CARE / FERA programs.
- Help millions more people get solar and batteries.
- Say no to utility rate hikes.

Even a Utility Tax of \$30 / month will increase utility bills for millions of people who live in apartments or small homes that use less electricity

This is why there is a growing Coalition of 220+ organizations opposed to the Utility Tax



East Bay Housing Organizations



WESTERN CENTER
ON LAW & POLICY



API EQUALITY-LA
Asians and Pacific Islanders for LGBTQ Equality



The growing coalition of 220+ organizations opposed to the Utility Tax



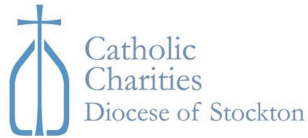
The growing coalition of 220+ organizations opposed to the Utility Tax



**Howard Jarvis
Taxpayers Association**
established 1978



**ACTION FOR A
HEALTHY PLANET**



This is why members of the Assembly and Senate have written letters heavily criticizing the Utility Tax:



California Legislature

October 27, 2023

Alice Busching Reynolds, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: Income Graduated Fixed Charge Rate Design

President Reynolds:

We are writing in response to the California Public Utilities Commission's (CPUC) income graduated fixed charge rate designs proposed in regulatory proceeding (R.) 22-07-005 following a provision in Assembly Bill

Opinion: The income-based electricity bill provision is a mistake that will raise your rates. Let's not shy away from real solutions.

The proposed change is at risk of being poorly implemented, with long-lasting affordability and climate impacts for the Peninsula

by Josh Becker, California state senator, and Marc Berman, California state Assembly member / Contributor [f](#) [t](#) [e](#) [p](#) [+](#)

And this is why the CADEM platform, a state agency, and 80+ Local Elected Officials all oppose this high Utility Tax



2024 Platform



BERKELEY RENT BOARD

We, the undersigned elected officials, are writing in strong opposition to the "Utility Tax" provision embedded into Budget Trailer Bill [AB 205](#) (2022). We object to the un-democratic and opaque way in which the **Utility Tax was enacted, passed in three days without any public hearings or discussion.** The people of California deserve a voice in any major policy change with such wide-ranging consequences. The state legislature needs to immediately **repeal Public Utilities Code Section 708.9**, through a current Budget Trailer or other bill.

Section 708.9 requires the California Public Utilities Commission (CPUC) to add a fixed charge to electricity bills based on household income. Because of this provision, the utilities and other organizations have proposed the highest fixed charges in the country: between \$30 to \$70 per month for any customer not already on CARE or FERA. That would be three to seven times the national average for such a fixed charge. These proposals would function as a Utility Tax that would apply to all residential customers of PG&E, SCE, SDG&E, and CCAs.

In contrast to the claims made by Utility Tax proponents, the Utility Tax will hurt working families. An [in-depth analysis of these Utility Tax proposals](#) found that they would have the following negative consequences:

- **Millions of Californians who live in apartments, condos, and small homes that use less energy would see their utility bills increase.** Californians already suffer under the highest electricity bills in the country. This would have devastating consequences for working families.
- **High fixed charges discourage all forms of energy conservation,** such as turning off the lights, energy efficiency, or installing new windows, rooftop solar, and batteries. For years, working families have practiced energy conservation as a way to lower their monthly bills. The Utility Tax proposals will take control away from these households, degrading their ability to manage their energy bill.
- **The Utility Tax proposals will not incentivize electrification** as proponents claim. In fact, it will still be cheaper for most consumers to stick with natural gas under any of the proposals.

Utility rates and fees only go up, not down. The fixed charge provision of AB 205 completely lifted the cap on the size of the Utility Tax and says nothing about freezing or lowering electricity rates. Thus, the promise of lower volumetric rates in exchange for the Utility Tax will be temporary. **Both rates and the Utility Tax will continue to increase over time,** wiping out any initial benefit for CARE and FERA customers, and keeping our constituents trapped in unsustainable electricity bills.

The Utility Tax entrenches the problem of high electricity prices, rather than solving it. Electricity prices are too high mainly due to the increasing costs of unnecessary long distance power lines, liability when those lines create wildfire risks, and generous utility profits that drive this spending. A Utility Tax does not fix that underlying problem because it just rearranges who pays what, harming millions of working class people in the process. The true solution to stabilizing the high cost of electricity is to reduce our overdependence on long distance power lines through greater conservation and local clean energy.

Utility Tax proponents claim that the Utility Tax will lower bills on low income households. This does not tell the whole story. While CARE and FERA customers will see relatively small and temporary bill decreases, households above the cutoff for those programs who live in apartments, condos and smaller homes, will see bill increases. **This includes millions of low income Californians, as well as moderate income households, and is unacceptable.**

We call on the state Legislature to address the problems outlined in this letter by authoring a bill to immediately repeal Public Utilities Code Section 708.9.

Thank you,

Larry Agran, Vice Mayor, City of Irvine
Cameron Saxxi, Vice Mayor, City of Pinole

The Legislature created this mess. Now they must fix it by passing AB 1999, which would repeal the Utility Tax provision in AB 205.



AB 1999

- 1) Restores the \$10/month cap on Utility Tax (\$5/mo for CARE and FERA).
- 2) Allows annual CPI increase.
- 3) Authored by Asm Irwin and co-authored by 19 other legislators.

Questions?

