



## Energy Affordability

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Affordable energy is critical to the health and safety of Californians who rely on electric utilities like NCPA's member systems to keep the lights on to support their homes and businesses. As the past year has challenged many Californians and the ongoing impacts of the pandemic are felt across local economies, maintaining affordable energy rates is as important as it has ever been.

### ***Public Power Ratemaking Principles Rely on the Cost of Service***

NCPA member utilities are locally governed, not-for-profit, and consumer-owned entities with no shareholders—putting the needs of their communities first. As such, their ratemaking decisions are vetted in public processes and approved by locally elected or appointed representatives. Further, these ratemaking decisions are based on the cost of providing electricity service to utility customers. To the extent that policies increase the cost of producing or purchasing electricity, customer rates will also increase.

*State energy and climate policies must prioritize energy affordability to protect Californians from unnecessary increases in utility costs.*

As California's electric utility and transportation sectors transition to lower- and zero-carbon fuels, the cost of electricity generation increases with the investment in new technologies that may require additional infrastructure. Because some renewable technologies produce varying levels of energy during certain times of day or seasons, many NCPA members must also procure additional resources to balance their portfolios. This additional procurement allows them to ensure that they have sufficient supply

to meet demand needs during all hours of the year while also meeting clean energy objectives.

Furthermore, NCPA and its member utilities are making

### ***California's Electricity Rates are Increasing Faster than in Other States***

Between 2010 and 2019, the U.S. Energy Information Administration (EIA) reports that the national average retail price of residential electricity in the U.S. increased from \$11.54/kWh to \$13.01/kWh, representing a 12.7% increase. By comparison over the same period, California's average residential electricity rate went from \$14.75/kWh to \$19.15/kWh, a 29.8% increase.

significant infrastructure investments to prepare for the continued and increasing impacts of climate change. NCPA and its members are fully engaged in efforts to harden our local infrastructure to withstand wildfires and address vegetation management needs as a risk mitigation measure. Because NCPA and its members rely on Pacific Gas & Electric's (PG&E) transmission system to deliver power, the costs of maintaining and upgrading PG&E's system are shared by NCPA member communities. Pass-through transmission costs make up a significant portion of many NCPA members' electric utility

rates. These costs have dramatically increased over the past 10 years as PG&E invests in enhancements to support the safe operation of its transmission system.

### ***Economic Challenges of COVID-19 Have Resulted in Higher Customer Delinquency Rates***

The financial challenges that Californians are facing are demonstrated through significantly higher than normal customer delinquency rates on utility bills. NCPA members have implemented a wide array of measures to support their customers who are experiencing financial hardship due to the COVID-19 pandemic. Many utilities suspended late fees and service disconnections for non-payment. Others increased program offerings or provided higher incentives in existing programs to support clean energy and transportation or energy efficiency. Business closures have resulted in decreased energy use at many workplaces, also reducing utility revenues. In some cases, the decreased revenues require the local utility to tap into its reserves or to redirect funds that may have been used for other purposes. While federal funding has been provided to support residents and businesses, no such funding has been made available for local governments, including public power utilities.

### ***Prioritizing Energy Affordability is Necessary to Protect Californians from Unnecessary Utility Rate Increases***

Depending on how they are crafted, state policies can have an immense impact on utility costs. The Legislature should prioritize energy affordability when deliberating on proposed

energy and climate policies. If analysis indicates that a proposal would increase electric utility costs, NCPA encourages the Legislature to assess possible alternatives that could work toward the same goals at a lower cost.