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PG&E rates to drop for heaviest utility users

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Homeowners who use large amounts of electricity will get a break on their bills, while those who conserve will pay a little more than before, under Pacific Gas and Electric Co. rate changes approved Thursday by state regulators.

The changes, the first of which will take effect in June, were prompted in part by complaints from PG&E customers in California's broiling Central Valley, where electricity usage spikes during heat waves.

While critics complain that the rate changes will give people less incentive to conserve energy, cranking the air conditioning will still prove costly. PG&E customers who use large amounts of electricity will pay 17.6 percent less than they do now, but they'll still pay almost three times as much as the thriftiest customers.

"There's still a very strong conservation signal," said Tom Bottorff, the utility's senior vice president of regulatory relations. "What we're moving toward is a more fair price than what we had previously."

PG&E had, in fact, sought far more sweeping changes than the ones approved Thursday by the California Public Utilities Commission on a 4-0 vote.

Rates based on usage

PG&E's rates are based on the amount of electricity each customer uses, with usage ranked in four tiers. Customers in tier one, the lowest, pay much less for power than people in tier four.

The commission rejected a PG&E request to eliminate tier four, which would have dramatically cut bills for the heaviest users. The company also proposed creating a fixed, monthly customer charge that would be same for customers in all tiers. Low-income customers would pay a monthly charge of \$2.40, while everyone else would pay \$3.

But consumer advocates argued that the monthly charge would violate a state law that limits utility rate increases for customers in tiers one and two. The commission's own consumer advocacy branch agreed, as did the state's legislative counsel. So Commission President Michael Peevey, who had proposed approving the monthly charge, dropped the idea Thursday.

Consumer groups welcomed Peevey's decision.

"It may seem to many of us that \$2.40 is a cup of coffee, but for some people, that's half what they're going to pay for food in a day, that's half a prescription," said Stephanie Chen, senior legal counsel at the nonprofit Greenlining Institute.

But many poor customers, and many customers who conserve power, will still pay more under the new rate structure.

Until now, all low-income customers enrolled in the CARE program (California Alternate Rates for Energy) were placed in two usage tiers, no matter how much electricity they used. Thursday's commission vote created a third tier for those CARE customers who use more power.

Third tier to pay more

The rate for tier-three CARE customers will be about 30 percent higher than the rate for tier two. The Greenlining Institute estimates that customers who fall into tier three will see a monthly bill increase ranging from \$3 to \$10.

At the same time, the boundaries between the tiers - for all customers - will shift. Many people who now qualify as tier-one customers will end up in tier two, and many currently in tier two will move up to tier three. As a result, they will pay a higher rate than they do now, even if the amount of electricity they use doesn't change.

The rate changes approved Thursday were designed to address a growing imbalance left over from California's electricity crisis. The state Legislature froze rates for tiers one and two during the crisis, meaning that all rate hikes hit the upper tiers instead. As a result, residents of California's hot interior bore the brunt of each increase.

The Legislature passed a law in 2009 unfreezing rates for tiers one and two.

Critic not satisfied

Thursday's vote, however, did not satisfy some Central Valley residents. Michael Turnipseed, executive director of the Kern County Taxpayers Association, said PG&E customers in his area will still end up subsidizing customers elsewhere. He would prefer to see just one or two tiers for electricity usage.

"We concede that probably the best policy we'll ever get is three tiers, as proposed by PG&E," he said. "I think we got people's attention. That's the biggest thing."

New rates for pg&e's customers

PG&E usage tiers Old rate* New rate*

Tier one	12.2	12.2
Tier two	13.9	13.9
Tier three	29.4	29.3
Tier four	40.4	33.3
CARE tier one	8.3	8.3
CARE tier two	9.6	9.6
CARE tier three	NA	12.5

*Cents per kilowatt hour

Source: PG&E

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