

California Utilities and Solar Companies Battle Over Electricity Prices



Solar companies worry that newly proposed electricity rates from California utilities will make it less appealing for Californians to install solar panels.

(Dennis Schroeder/Department of Energy)

Electricity bills could be going up for millions of Californians under a new proposal from the state's major utilities.

Pacific Gas and Electric is proposing an overhaul of the way customers are charged for electricity, which the utility says would be more fair for many customers. But solar companies see it as a direct attack, because the changes could make installing solar panels less appealing.

The debate is just one more battle in a slow-simmering war between electric utilities and solar companies. The front lines are in the homes of average Californians – like Elmore Williams.

“It’s working great,” Williams says, looking up at the solar panels on his four-bedroom Vacaville home.

Just six months ago, Williams was a solid PG&E customer — his household used more electricity than average for its size. His bill would hit \$300 during the summer.

“We had the air conditioner running all that time,” he says. With the panels, Williams pays a set amount for solar power and much less to PG&E.

“I mean, my wife is just so happy!” He says she tells him, “Look how much we’re paying this time. Our PG&E bill is just sixteen dollars this time.”

One customer may not be a big loss to PG&E, but solar is growing fast.

'There's no question – the fixed charge is the worst nightmare of the solar installers.' — *Severin Borenstein*
UC Berkeley

"We have far and away the most customer solar," says Jonathan Marshall, a spokesman for PG&E. One-quarter of all rooftop solar systems in the country are found in PG&E's service area.

Marshall says PG&E isn't *against* solar. The problem, as he sees it, is that solar customers aren't paying their share of keeping up the electric grid.

"In fact, they use the grid more than almost anyone," he says, "because they're selling power back into it."

Households with solar still use PG&E's electricity after the sun goes down, but [they also make money back](#) by selling PG&E the extra solar power they generate during the day, giving them lower bills.

Electricity Price Overhaul

Under the newly proposed electric rates, solar customers, along with everyone else, would pay a fixed monthly charge: \$10 per month, adding up to \$120 a year. Customers with Southern California Edison and San Diego Gas and Electric would pay the same.

"That's to help share the cost of basic infrastructure that we all use and depend on – lines, poles, meters and so forth," Marshall says.

The second change is to the price of electricity itself. Today, there are four electricity rates for PG&E customers.

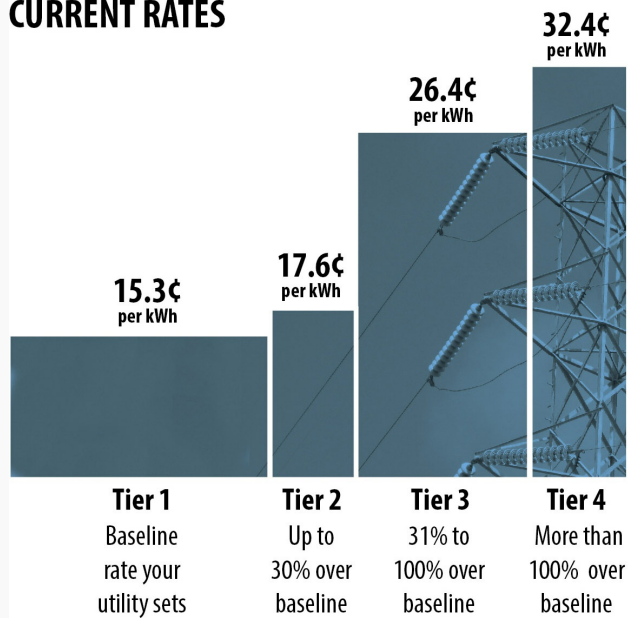
The cheapest rate is for "baseline" power use – a certain amount of electricity that PG&E allocates based on where you live. Currently, it costs 15 cents per kilowatt hour.

But use electricity beyond that amount and the prices go up, all the way to 32 cents per kilowatt hour.

Changing Rates

Every month, PG&E customers are allotted a certain amount of electricity at the cheapest rate, known as the baseline or **Tier 1**. If they use more than that, they pay a higher rate for what's used the rest of the month.

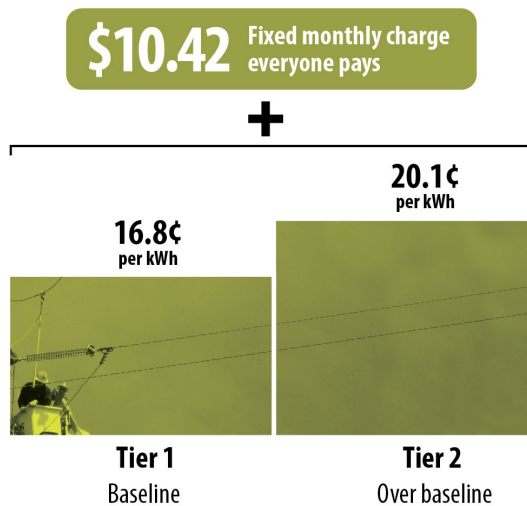
CURRENT RATES



Bar widths reflect proportion of electricity allocated for each tier, which varies by region of the state.

(David Pierce/KQED)

PROPOSED 2018 RATES



SOURCE: PG&E

Utilities call this “**tiered**” pricing. Since California’s electricity crisis hit in 2000, the two lower tiers have stayed basically fixed and the higher tiers have been raised. Marshall says the system penalizes heavy users.

“It’s as if going to the grocery store, they had to pay more per gallon of milk just because they have more mouths to feed at the table,” Marshall says. “That doesn’t make much sense. But it is how we today charge for electricity.”

Under the new system, PG&E would charge two prices for electricity. By 2018, 74 percent of customers would see their bills go up by an average of \$12 a month compared to today. About a quarter of customers, the heaviest power users, would see their bills decrease by \$31 a month.

Harming Conservation?

Some environmental groups say those changes will send an anti-conservation message to California consumers. High electricity prices are meant to be painful, they say, so the heaviest users are encouraged to conserve or invest in energy efficient appliances and home upgrades.

But others say the tiered pricing system as it is today is too complicated for consumers to track.

“If people were really aware of which tier they were on, you would get some conservation,” says Severin Borenstein, an economist at UC Berkeley. “But I think it’s unlikely that many people other than electricity nerds actually know what tier their consumption is on. Most people just think there’s some price for electricity.”

Since PG&E customers with historically lower bills would have higher bills under the new rate structure, it could also encourage conservation among a new group of customers.

Solar Companies Cry Foul

The changes in electricity rates would have a major impact on PG&E's biggest competitor: the solar industry.

"Investor-owned utilities across the country are fighting rooftop solar," says Sanjay Ranchod of SolarCity, the largest solar company in California.

How Would Electric Bills Change?

It varies by region. Here's a sample for customers in the East Bay in 2018:

- 400 kilowatt hours per month: Your bill goes up by \$17 — from \$58 to \$75.
- 800 kilowatt hours per month: Your bill goes down by \$16 — from \$172 to \$156.
- 1,200 kilowatt hours per month: Your bill goes down by \$66 — from \$302 to \$236.



Source: PG&E

Ranchod says if utilities are changing electricity prices, there's no need to add the \$10 monthly charge on top of it. The only thing that does is make solar less attractive at a time when California's trying to encourage renewable energy.

"A higher and higher fixed charge that customers can't escape," he says, "is designed to undermine the value that solar customers can get from their investment."

Ranchod says it's a sign that utilities like PG&E see solar as threat. "For a company that has depended on a monopoly, competition from SolarCity or any other solar company is scary."

The Death Spiral

"There's no question — the fixed charge is the worst nightmare of the solar installers," says Severin Borenstein.

He says the monthly fee will make it harder for solar companies to compete, though the cost of solar panels still falling. But in the bigger picture, Borenstein says, this debate is just one more sign that solar is a disruptive technology, somewhat like cell phones versus land lines.

Analysts even have a name for the way solar is cutting into the utility business model: the "[death spiral](#)."

"I think there's a big question in electricity industry right now about what will happen to utilities," Borenstein says, "and what their business model will be 10 or 20 or 30 years from now."

Instead of being power companies, he says, utilities could become electric grid companies, "where they don't actually bring electricity in, they just shuffle it around between one house and another."

With such a large solar market, California could be one of the first places this plays out. In the meantime, the California Public Utilities Commission is expected to decide on the new pricing structure in the spring. The rates could go into effect next summer.

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