



# Understanding Electric Utility Public Benefits Charges

## What is the public benefits charge?

The public benefits charge (for electric utilities in California) is a state mandated requirement to collect a separate surcharge to be used for “public benefits” programs in four categories: (1) cost-effective demand-side management services to promote energy efficiency and energy conservation; (2) new investment in renewable energy resources; (3) research, development and demonstration projects; and (4) services provided for low-income electricity customers. This program has resulted in significant investment in these four areas. For example, since 2006, publicly owned electric utilities (POUs) have invested nearly \$885 million in energy efficiency programs, resulting in the reduction of peak demand by more than 656 mega watts.

## What is the origin of the public benefits charge?

As part of the restructuring of California’s electric utility industry, as implemented by AB 1890 (1996), requirements were added directing both the investor owned utilities (IOUs) and the publicly owned utilities (POUs) to collect a public benefits charge to fund specific categories of programs described above.

## What is the difference between the IOU and POU public benefits charge requirements?

The IOU and POU sections are separate, standalone provisions.

- IOU Requirement (PUC §§ 381 and 382): As originally adopted, the IOUs were required to collect specific dollar amounts to fund programs in clearly identified categories. For example, Southern California Edison Company was directed to spend \$50 million on energy efficiency programs in 2001. The IOU code section included a “sunset” date, which was initially set at March 31, 2002, but was extended January 1, 2007, and finally to January 1, 2012. The IOUs continue to collect a public benefits charge under the CPUC’s Electric Program Investment Charge.
- POU Requirement (PUC § 385): The POU section has no sunset date and did not specify dollar amounts to be spent in each category, and instead directed the POUs to collect a public benefits charge that is:

not less than the lowest expenditure level of the three largest electrical corporations in California on a percent of revenue basis, calculated from each utility’s total revenue requirement for the year ended December 31, 1994, and each utility’s total annual expenditure under paragraphs (1), (2), and (3) of subdivision (c) of Section 381 and Section 382 . . . .

## What was the impact of the IOU public benefits charge requirement sunset?

The POU requirement is independent from the IOU requirement. While the POU code section does reference the IOU requirement, it is only for the purpose of deriving the applicable percentage to be used by POUs. This calculation is a one-time determination based on: (1) the 1994 IOU revenue requirements; and (2) the initial IOU dollar amount obligations specified in section 381.

The percentage derived from this calculation has been used by the POUs without change since it was originally adopted. The POU code section does not direct the POUs to update this calculation based on more recent information, and therefore, subsequent changes to the IOU requirements have no impact on this one-time determination. In fact the specific code sections cited for this calculation (sections 381(c)(1)-(3)) were amended and renumbered in 2000, meaning that they have not existed for well over a decade. The sunset of the IOU requirement has no impact on the POU public benefit charge obligation.

## Do POUs still collect a public benefits charge?

Every single POU in the state continues to collect a public benefits charge consistent with the direction of section 385. Even the IOUs continue to collect a public benefits charge under the CPUC’s Electric Program Investment Charge. Since the public benefits charge was enacted in 1996, there have been significant new State mandates in some of the four categories described above program areas (e.g., 33% renewables by 2020, etc). With these new mandates, so many IOUs and POUs are making investments in these areas significantly above that collected through the public benefits charge.

## More information:

CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION + 915 L STREET SACRAMENTO 95814 + WWW.CMUA.ORG + 916.326.5800