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California State Senate

SENATOR
ROSILICIE OCHOA BOGH
TWENTY-THIRD SENATE DISTRICT



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February 7, 2023

Senator Steven Bradford
Chair, Senate Energy, Utilities & Communications Committee
1021 O Street, Room 3350
Sacramento, CA 95814

RE: Affordability of Utility Prices in California

Dear Senator Bradford:

As members of the Senate Republican Caucus, we have serious concerns regarding the steep price increases that are affecting the cost of living in California, especially those affecting the cost of utilities. Therefore, we are requesting the Senate Energy, Utilities & Communications Committee to conduct a hearing regarding the affordability of natural gas, electricity, and gasoline.

Rising costs in California are putting additional financial strain on our state's residents, especially our vulnerable populations, those on fixed income, and families living paycheck-to-paycheck. From housing to taxes and energy costs, it is becoming increasingly difficult to make ends meet. While we are thankful for the steps that have been taken to support families across the state already such as the relief programs, we must continue to do everything we can to review what has caused this situation and work to make sure that we protect Californians from further costs.

The cost of natural gas has skyrocketed in recent months and we have heard from many of our constituents regarding how this has affected them. In a survey to constituents in Senate District 23, 98 percent of participants reported their natural gas bill had increased in the last few months, even though they had taken steps to reduce their use of natural gas at home. Below are some of the comments we have received from constituents about how the steep rate increase has affected them:

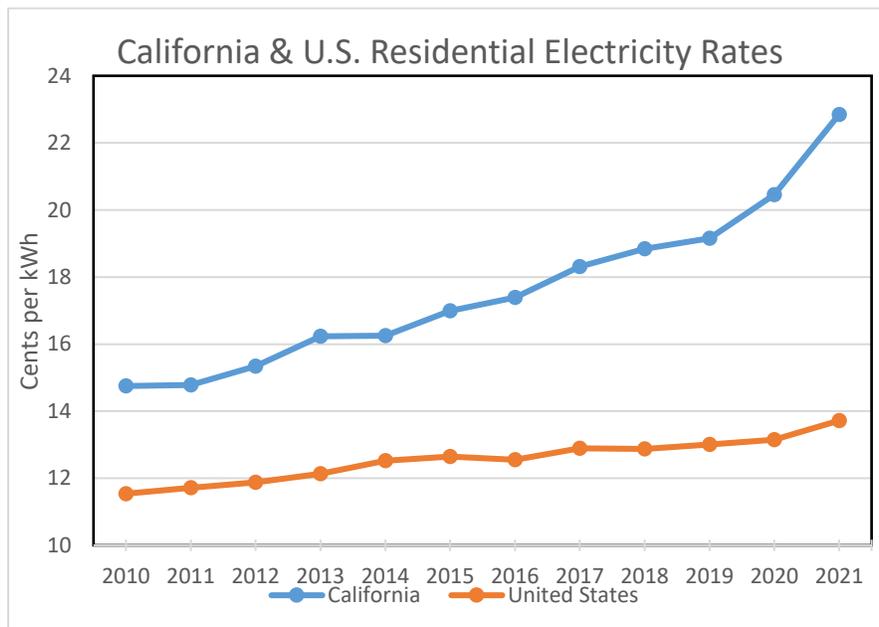
- "I'm a senior citizen. My bill increased over \$100.00 in 1 month. I'm on a budget and have a lifeline with reduced rates. I cannot afford a \$100 increase in one month. I have never had a gas bill this high."
- "I will not be able to retire this year... my bill went from \$75.00 to \$480.00 with no warning."

- “Our gas bill increased 1000% since last year. Food and gasoline prices are sky rocketing. This effects everything.”
- “Hard. As my husband just lost his job, too.”
- “Forced us to make tough choices about either heating our home or getting groceries, etc. Very tough for myself and so many others in an already tough economic time.”
- “With higher energy costs, my family and I must not only choose between meat and medicine, but also between heat and hospital (doctor) visits and the costs associated with them.”

California’s Electricity Price Increases Significantly Outpace National Average

Since 2010, California’s residential electricity rates have grown from an average of 14.75 cents per kilowatt-hour (kWh) in 2010 to 22.85 cents per kWh in 2021, a 55 percent increase. Meanwhile, the average residential rate for the United States (U.S.) was 11.54 cents per kWh in 2010 and 13.72 cents per kWh in 2021, an increase of only 19 percent. In 2021, California ranked third in most expensive residential electricity rates in the country, with rates more than 66 percent above the national average. While many factors influence the price of electricity, California’s extreme policies certainly play a big role in price increases.

Below is a chart reflecting the average retail price of residential electricity for both California and the U.S. from 2010 to 2021. Although California rates are more expensive in every year, the gap widens significantly in 2015 and continues to grow. In 2020, California exceeded the national average by 7.25 cents, or 55 percent. In 2021 this gap grew to 9.13 cents, or 67 percent. This means Central Valley families, where average monthly residential electricity usage was 830 kWh in 2021, paid about \$76 more per month than it would cost at national average rates.¹



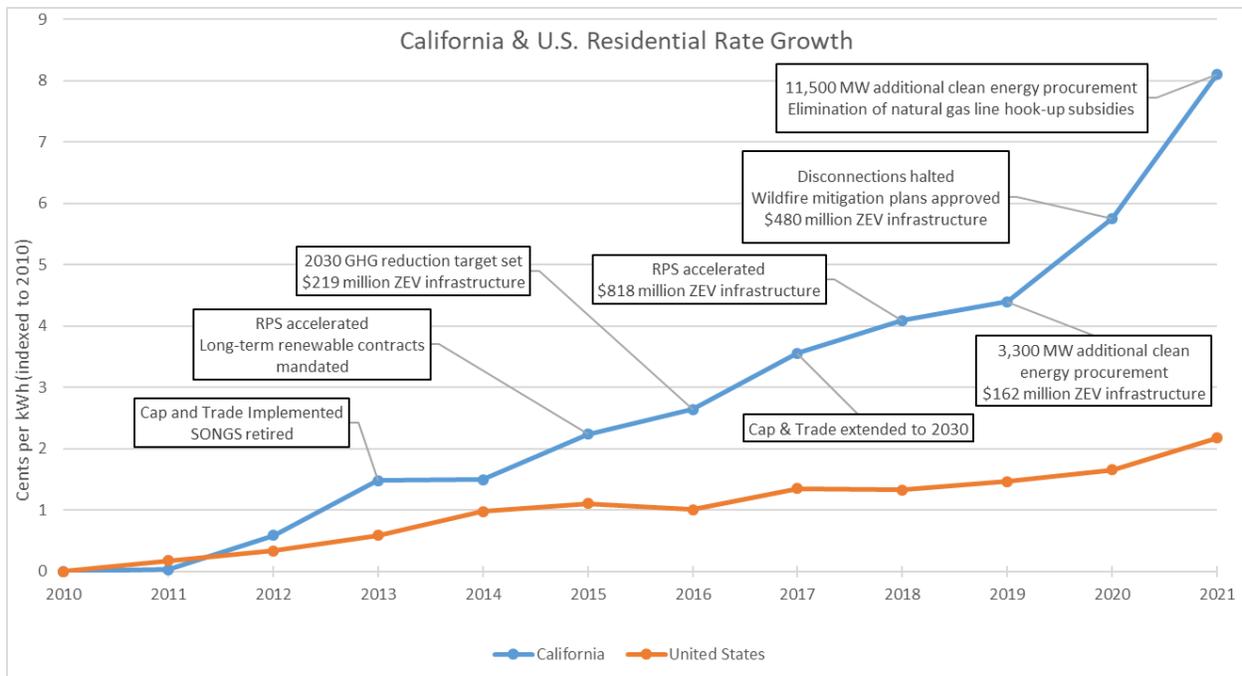
¹ Includes residential consumption for the counties of Fresno, Kern, Kings, Madera, Mariposa, Merced, Tulare, and Tuolumne per the [California Energy Commission](#) and number of occupied housing units for these counties per Department of Finance [data](#).

Electricity usage varies widely across California because of the diversity of climate among regions—more mild coastal areas use less electricity than hotter inland areas or colder mountainous areas. Since state policies increase the cost of electricity, the net result is a “hidden tax” on inland and mountain regions, which have lower incomes than the coast but must pay higher electricity bills. For instance, according to a California Public Utilities Commission report, in 2016:

- a. In the summer months, the San Francisco and Mid-Coast region customers used an average 415 kilowatt hours (kWh) at a cost of \$88.52 per month. In contrast, the Central Valley region customers used an average of 767 kWh at a cost of \$140.50 per month. This is a “hidden tax” premium of 59 percent in this example.
- b. In the winter months, the Los Angeles and nearby coastal region customers used an average of 442 kWh at a cost of \$73.06 per month. By contrast, the northern and mountainous regions used an average of 569 kWh at a cost of \$111.83 per month. This is a hidden tax premium of 53 percent in this example.

Source: Delivery, Consumption & Prices for Utility Service within California, California Public Utilities Commission Policy & Planning Division²

Using 2010 as a baseline year, the chart below reflects the growing difference between U.S. and California average residential rates and marks significant policy implementation and other events.

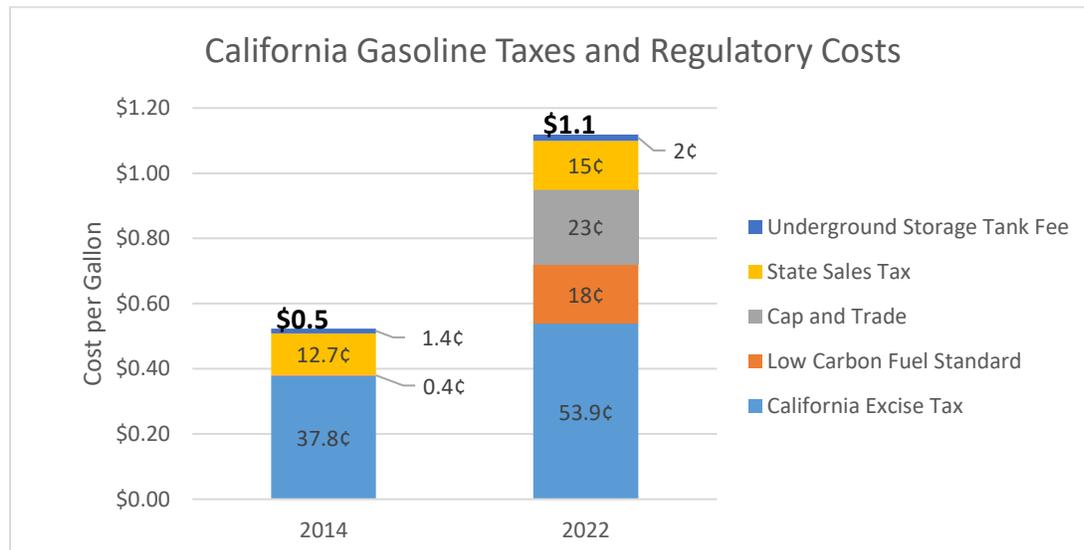


² California Public Utilities Commission, Policy & Planning Division, “Delivery Consumption & Prices for Utility Service within California,” January 18, 2018

In addition to cost concerns, reliability has become a major challenge. California leapt in headfirst to transition the electricity sector to renewable power sources, like wind and solar, but failed to ensure the energy sources are sufficiently diverse to keep the power flowing when the sun isn't shining and the wind stops blowing. As a result, recent state budgets include nearly \$3 billion in taxpayer funds to increase reliability and \$300 million for programs to diversify electricity sources.

California's Policies and Taxes Create the Most Expensive Gas in the Country

On November 15, 2022 the average price of gasoline in California was \$5.42 per gallon, \$1.66 per gallon more than the national average, and the most expensive in the country, according to American Automobile Association (AAA)³. Driving this 44 percent premium on gas are California's high taxes and climate policies. The chart below shows taxes and regulatory costs have more than doubled since 2014 adding \$1.12 per gallon to the price of gasoline in California⁴.



As reflected in the chart, California's gasoline excise tax is 16.1 cents per gallon (cpg) more today than in 2014. This is the result of Senate Bill 1 in 2017, which increased taxes on gasoline, diesel, and vehicle ownership. Yet, despite billions more in funding each year, California still ranks 45th (out of 50) in the nation for highway performance and cost-effectiveness⁵. In fact, California actually slipped in the rankings from 43rd in 2020 to 45th in 2021. Despite spending nearly \$207,000 per mile of state highway (an increase of more than \$21,000 over the prior year), California's roads are still among the nation's worst, ranking in the bottom ten nationally in six of thirteen categories, including three spending categories and three pavement condition categories.

³ AAA California Gas Prices, updated daily [here](#).

⁴ Chart data compiled from [California Legislative Analyst data](#) and [American Petroleum Institute](#).

⁵ Reason Foundation's 26th Annual Highway [Report](#), November 2021.

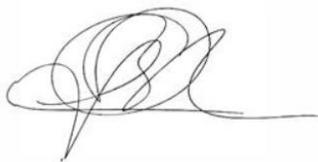
The chart reflects larger increases resulting from the state's Cap and Trade and Low Carbon Fuel Standard programs, 23 cpg and 18 cpg, respectively. These climate programs tax producers, importers, and sellers of gasoline based on the amount of greenhouse gases (GHG) emitted during the refining process or the amount of carbon included in fuel, in an effort to reduce carbon emissions. Ultimately, these costs are passed on to the consumers in the price of gasoline, increasing the cost of driving. For a two vehicle household, these two programs add more than \$500 per year to the cost of driving⁶. When the higher taxes are added in, the increased cost for a two vehicle household rises to \$740 annually, as compared to costs in 2014, an increase of 114 percent. These costs fall harder on lower-income families, who are likely to have to commute farther from their homes to unaffordable job centers like Los Angeles or Silicon Valley.

The remaining difference between California's average price and the national average likely results from various factors and market forces that are difficult to quantify. For instance, the California Energy Commission notes California's cleaner fuel blends and isolated refinery market⁷ drive prices higher. Prices also spike when refineries go down for planned or unplanned maintenance^{8,9}.

The time is now, while there is increased focus on utility prices in California, to review all costs comprehensively and have a full and robust hearing on this issue.

Thank you in advance for your timely response to our request. It is time for California to have a comprehensive conversation regarding the cost of essential services in our state. If you have any further questions, please do not hesitate to contact me at 916-651-4023.

Sincerely,



ROSILICIE OCHOA BOGH
Senator, 23rd District



JANET NGUYEN
Senator, 36th District



KELLY SEYARTO
Senator, 32nd District



BRIAN JONES
Senator Minority Leader, 40th District

⁶ Assumes each vehicle gets 24.2 miles per gallon and drives 15,000 miles each year.

⁷ [What Drives California's Gasoline Prices](#), California Energy Commission

⁸ [Refinery Outages Contributed to California's Gas Price Spike](#), San Francisco Chronicle November 5, 2022.

⁹ [California Gasoline Market](#), California Attorney General website



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