

Charging for Utility Service Based on Income: What's Happening in California?

Michelle Vigen Ralston, Common Spark Consulting

Anna-Elise Smith, Resource Innovations

Ingo Bensch, Resource Innovations

ABSTRACT

California is making two fundamental changes to its electricity rate structures with an eye toward separate policy objectives. (1) Volumetric-based electricity pricing is being split into fixed and variable charges for customers with the intent of reducing the disincentive for households to electrify. (2) The fixed charges are being designed to be income-dependent with energy affordability and progressive pricing in mind. While some optional residential electric tariffs already feature a fixed charge, fixed charges are now being applied to default residential rates, and all fixed charges are now required to be income graduated.

This paper focuses on the second objective by describing the mechanics considered by the working group charged with examining how to implement an income-graduated system of charging electric customers. In many ways, California is blazing a new trail in its effort to charge customers for a service based on income, which often comes with new learnings.

The paper reviews income-categorization approaches examined by California, drawing on precedents from energy and non-energy programs in the U.S. and internationally. These include self-attestation, categorical eligibility, proxy data (e.g., property values or American Community Survey income estimates), tax records, payroll data, modeled income, and assigning customers to the highest income tier by default unless they verify eligibility for a lower tier. Each approach involves trade-offs related to accuracy, availability, privacy, customer consent, treatment of household and master-metered customers, administrative complexity, and cost. The Working Group's recommended approach considers how to balance these trade-offs through various data sources and approaches through the whole of the income categorization process – from initial assignment, to appeals and verification, and regular re-classification.

The policy trade-offs inherent in AB 205 – supporting electrification, addressing energy affordability, and pursuing energy equity – alongside the challenges of finding data sources and income categorization highlighted key challenges and needs in implementation. First, that administrative ease, especially for low-income customers, was a key determinant in the equity of the implementation. Second, that equity in the form of greater base charge differentiation is limited by the efficacy of data sources, and inability to use, potentially, the strongest data source, Franchise Tax Board data. But that important advances in equity are available with existing data sources. Thirdly, that implementing a base services charge introduces administrative and implementation costs that could partially offset the affordability goals of AB 205. Ultimately, the working group process found data integrity and precision are critical to advance equity, affordability, and equity goals. The ability for California to definitively achieve this three-part goal is deeply contingent upon access to data that is confidently accurate and obtainable at reasonable cost.

Introduction

California is undertaking two significant reforms to its electricity rate structure to advance distinct but intersecting policy goals. First, the state is shifting from fully volumetric electricity pricing for customers who are on default electricity rates to a structure that separates fixed and variable charges, aiming to reduce disincentives for household electrification. Second, it is designing the fixed charge to vary by income to promote energy affordability and more progressive pricing. This latter change applies to fixed charges that already existed in certain optional rate options as well as the new fixed charges implemented in default options.

Implementing income-based utility charges presents substantial practical, legal, and data challenges. This paper examines the mechanisms considered by the Process Working Group, established by the California Public Utilities Commission (CPUC), which was tasked with developing a recommendation for such a system. This paper will discuss relevant precedents from energy and non-energy programs, potential data sources, and the trade-offs in their application to determine income-based base charges, and the rationale behind and challenges remaining in the recommended approach.

It also explores the policy tensions among electrification, energy efficiency, and affordability objectives, illustrating the complexity that arises when multiple goals converge and explaining why California has chosen its current path.

About the California Base Services Charge¹

California's residential electricity rates—already above the national average—are expected to continue rising, jeopardizing affordability and electrification goals (CPUC 2024). In response, Assembly Bill (AB) 205 (Stats. 2022, Ch. 61), signed on June 30, 2022, requires the CPUC to authorize fixed charges in default residential electric rates with at least three income tiers, ensuring that the average low-income customer in each service territory sees a lower monthly bill without changing usage. On July 14, 2022, the CPUC opened Rulemaking (R.) 22-07-005 to advance demand flexibility policies and rate reforms aimed at improving grid reliability, affordability, and equity, renewable integration, electrification, cost efficiency, and customer participation.

On May 15, 2024, in Track A of the proceeding, the CPUC issued Decision (D.) 24-05-028 *Addressing Assembly Bill 205 Requirements for Electric Utilities*, authorizing large electric investor-owned utilities (IOU) to implement three-tiered income-graduated fixed charges.² The initial implementation of income-graduated fixed charges as adopted in the decision relies on existing California Alternative Rates for Energy (CARE)³ and Family Electric Rate Assistance

¹ The terms “income-graduated fixed charge” and “base services charge” are interchangeable, with the latter being the preferred term adopted by the California investor-owned utilities based on their research into customer understanding and acceptance.

² D.24-05-028 adopted the following tiers: Tier 1 (\$6/month): Households earning below 200% of the federal poverty line (those already enrolled in the CARE discount program — roughly a quarter of households). Tier 2 (~\$12/month): Households earning 200–250% of the federal poverty line, or those in qualifying affordable housing. Tier 3 (\$24/month): Everyone else.

³ The California Alternate Rates for Energy (CARE) program provides a monthly rate discount of about 38 percent on electricity and 20 percent on gas (compared to non-CARE bundled customers), as of 2026.

(FERA)⁴ income-verification processes and directed the formation of a Process Working Group (Working Group) to explore improved approaches to be considered in a future iteration of income-graduated fixed charges. While the existing income verification processes of the CARE and FERA programs⁵ allow for identification of low-income customers for the purposes of assigning a lower fixed charge, the non-CARE/FERA population in California (which comprises approximately 2/3 of residential ratepayers in investor-owned utility service territories) is currently undifferentiated. The Working Group was tasked with identifying data sources and verification processes beyond CARE/FERA income verification that could enable income differentiation between moderate- and high-income customers. More granular income categories would allow better revenue alignment for utilities while significantly reducing energy costs for low- and moderate-income households.

Common Spark Consulting and Resource Innovations provided third-party facilitation and research services in support of the Working Group.⁶ From this perspective, we offer findings from the Working Group Final Report (Resource Innovations 2026) and considerations about the complexities, challenges, and trade-offs implicit in the effort to develop a process recommendation for implementing income-based service charges within moderate- and high-income household populations.

An Incomplete Starting Point: Precedents and Data Sources

To initiate the Working Group process, we conducted preliminary research on existing and potential data sources for customer income identification and verification (including Track A testimony from R.22-07-005), including proposals for income verification under the base services charge, and we evaluated income verification practices both within and outside California.

While this review provided useful insights into available data sources and program models, it confirmed that California's effort to categorize all customers by income is unprecedented. This section summarizes existing verification processes in California and other states and potential data sources assessed for categorizing moderate- and higher-income customers.⁷

⁴ The Family Electric Rate Assistance (FERA) program helps eligible customers pay their energy bill. As of 2026, income-qualified customers get an 18 percent monthly discount on electric rates.

⁵ CARE and FERA share one application requiring documentation of income for eligibility and program acceptance. Required document guide: https://www.pge.com/content/dam/pge/docs/account/billing-and-assistance/EN_income_guide.pdf

⁶ Working Group members were made up of stakeholders including investor-owned utilities (IOUs), consumer advocates, environmental advocates, low-income and accessibility advocates, and other industry organizations. The Working Group met approximately monthly for the span of 2025, and their Final Report was served on January 15, 2026. The full report of the Working Group, including its regulatory background, activities, and recommendations are available in [Rulemaking 2026-04-009 Order Institution Rulemaking](#), Attachment A, April 13, 2026.

⁷ Full details of this section and other Work Group research, deliberations, and proposals are available in the "Income Verification Process Working Group Final Report" served in R.22-07-005 on January 15, 2026.

Income-Eligibility Precedents for CA's base services charge

Income-eligible programs in California and other jurisdictions use several verification approaches, listed here in order of approximate prevalence:

- Self-attestation.
- Categorical eligibility, with or without supporting documentation.
- Inter-agency data sharing and third-party data sources (e.g., cross-agency databases or data brokers such as Equifax) to verify income or eligibility.
- Geographic income proxies, often at the ZIP code or census tract level, used in housing-related programs such as DAC-SASH,⁸ the Homeowners Assistance Fund, and Emergency Rental Assistance.
- Tax and payroll data integration, leveraging platforms like TurboTax, SteadyIQ, or payroll providers (e.g., Paylocity).
- Direct employer verification, commonly used in the mortgage industry.

Although the research sought verification models for moderate- to high-income customers, most of the 25+ programs reviewed serve low- to moderate-income households and operate on an opt-in basis, requiring customers to submit income information. By contrast, the base services charge is universal and not opt-in. Research found no other utility-run program that varies rates by income outside of means-tested discounts or arrearage programs, underscoring its novelty.

Verification approaches range from manual, paper-based processes to fully automated systems that pull verified income data and return eligibility determinations. Government benefit programs (e.g., CalFresh) often rely on significant administrative staffing to collect documentation, match data with external sources, determine eligibility, and manage appeals (CalFresh Handbook 2026). Income is typically verified through customer-submitted documentation, third-party sources with consent, or interagency data-sharing agreements.

Data Sources Considered

A key outcome of the research was a comprehensive inventory of existing and potential data sources to identify or verify customer income tiers, along with an assessment of associated barriers (detailed in the full Working Group report).

Self-attestation. Customers report income via mail, online, in person, or text, sometimes subject to post-enrollment verification through documentation (e.g., pay stubs, tax forms) or spot checks. While widely used in income-qualified programs, Working Group members raised concerns about accuracy, cost, and customer burden. No data was identified to conclusively assess accuracy impacts.

Categorical eligibility. Eligibility is based on enrollment in other income-qualified programs (e.g., CARE, FERA). This approach underpins the initial base services charge design but is

⁸ Disadvantaged Communities - Single-family Solar Homes Program

limited in distinguishing moderate- and high-income customers, as most existing programs primarily serve lower-income households.

Proxy data. Single indicators (e.g., property value, energy use) may serve as income (and wealth) proxies but risk misclassification. Property value, for example, tends to be regressive in assessments. Geographic data—such as American Community Survey (ACS) income estimates by census tract or ZIP code—emerged as the most viable proxy (See Figure 1). While not perfectly precise, geographic assignment presents no insurmountable barriers and is considered the strongest near-term option, provided customers have a clear path to correct misclassification and be assigned their charge based on actual income.⁹

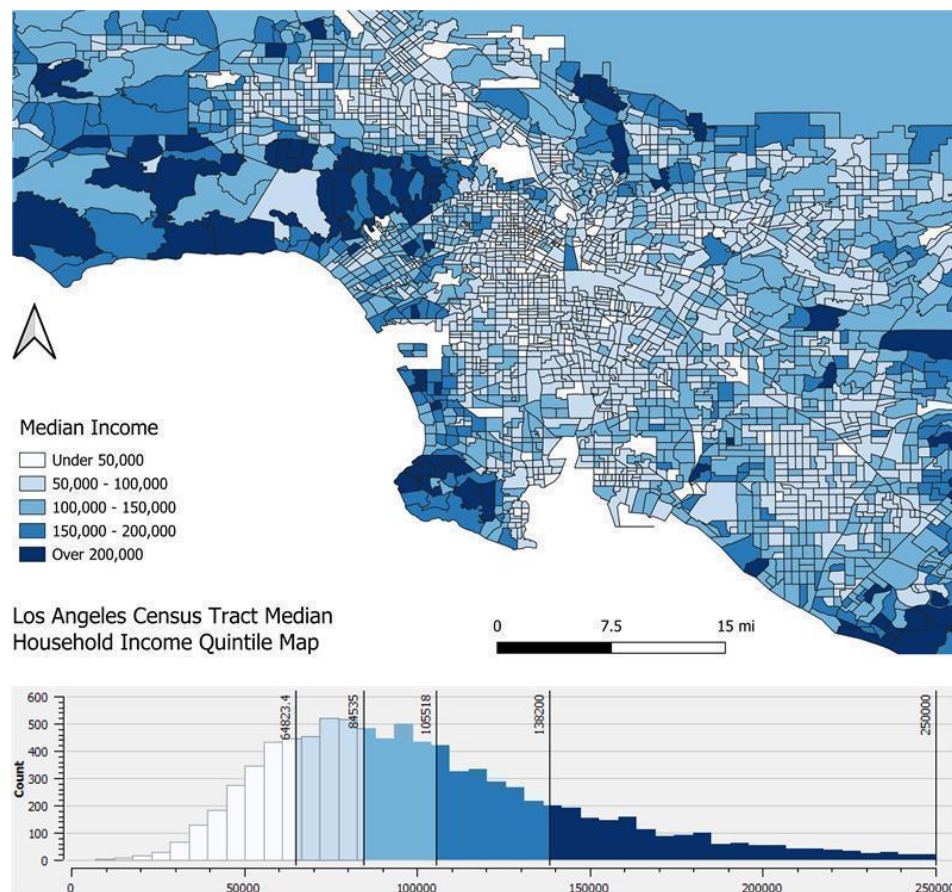


Figure 1. 2019-2023 5-year ACS Median Household Income in the Los Angeles Area by Census Tract and Households by Income Quintile. *Source:* U.S. Census Bureau 2024. Additional mapping and data included in the full report.

Tax data. Tax data includes all forms of reported income filed into state or federal taxes (depending on the source). Two main ways to access tax data are with customer-authorized access to tax data, such as via a form customers can file to release their data, or through a third-

⁹ AB 205 requires that “the fixed charge to be established on an income-graduated basis” and not a proxy-basis, as emphasized by some Working Group members. Sec. 10. 739.9 (Public Utilities Code) (e)(1).

party tax transcript service which facilitates this process and can support eligibility determinations. In all current forms, accessing tax data requires customer consent or additional legislation to access.

Payroll data. Payroll data can be obtained from third parties such as Equifax’s The Work Number, which covers employees of over 4.4 million employers—approximately 90% of California’s non-farm workforce—and provides updated “work reports” for permissible purposes, including government benefit determinations. Access requires customer consent and sensitive identifiers, and the data covers only individual wages—not total household income—creating matching, administrative, and data security challenges, particularly in scenarios where there are households with multiple tax filers (e.g., roommates who are part of the same household as a utility customer, but file separately).

Modeled income. Income estimates are derived from correlated data (e.g., census, credit, public/private datasets) by utilities or third parties. Models range from transparent to proprietary “black box” approaches and can exceed 80% accuracy, depending on methodology. However, legal constraints—particularly under the Fair Credit Reporting Act—limit use cases, especially for decision-making that could adversely affect individuals.

No initial data source - defaulting. Beyond the data sources conversation, Working Group members also considered a process whereby all customers are defaulted into the highest income tier. Then customers would have the opportunity (or, practically, obligation) to provide verified income data to appeal their initial assignment. Defaulting all customers to the highest tier may encourage income verification but would likely misclassify many low- and moderate-income households who do not appeal, forcing them to pay higher charges and navigate burdensome verification processes. This approach would create inequitable impacts and significantly increase administrative and appeals costs.

Criteria to Assess Data Sources

To make sense of potential viable data sources for the California base services charge, the Working Group identified a set of criteria to apply and assess data sources. These were used to clarify and narrow the scope of data sources to consider in the Working Group process:

- Accuracy: Sufficiently accurate to be fair and achieve policy objectives
- Availability: Availability of data for different customer types
- Privacy: Customer privacy and data security protections
- Consent: Customer consent is managed when needed or is unnecessary
- Household Level: Suitable for implementation at the household level and applicable to master-metered customers
- Administrative Ease: Administrative ease for customers and administrators
- Cost: Modest or proportionately reasonable implementation cost

As the Working Group began assessing data sources against the above criteria, providing invaluable insight in each assessment, it became apparent that more than one data source would likely be needed to create a comprehensive income verification process to support income-based

categorization. An income verification process of this magnitude would require different layers and applications of data to ensure that customers were properly categorized based on their income. It was also apparent that cost data was challenging to gather in a detailed and comparative sense.

Elements of a Statewide Income Categorization and Verification Process

To consider which data sources would be best suited for categorizing customers by income, we offered a framework for Working Groups members to propose process concepts.

- **Initial Classification:** A method to automatically assign all customers to income tiers using comprehensive data that does not require consent, prioritizing broad coverage and accuracy.
- **Gap-Filling:** A method to classify customers not captured in the initial step.
- **Verification & Appeals:** Application of secondary data sources to validate assignments—either administrator-initiated (verification) or customer-initiated (appeals)—using data of equal or higher reliability.
- **Reclassification:** Periodically update income tier assignments using refreshed data from earlier stages to ensure accuracy over time.

Figure 2 illustrates the income verification process alongside key considerations for each step. Note the use of the term "Appeal," indicates a customer-initiated update to their tier assignment based on their actual income.

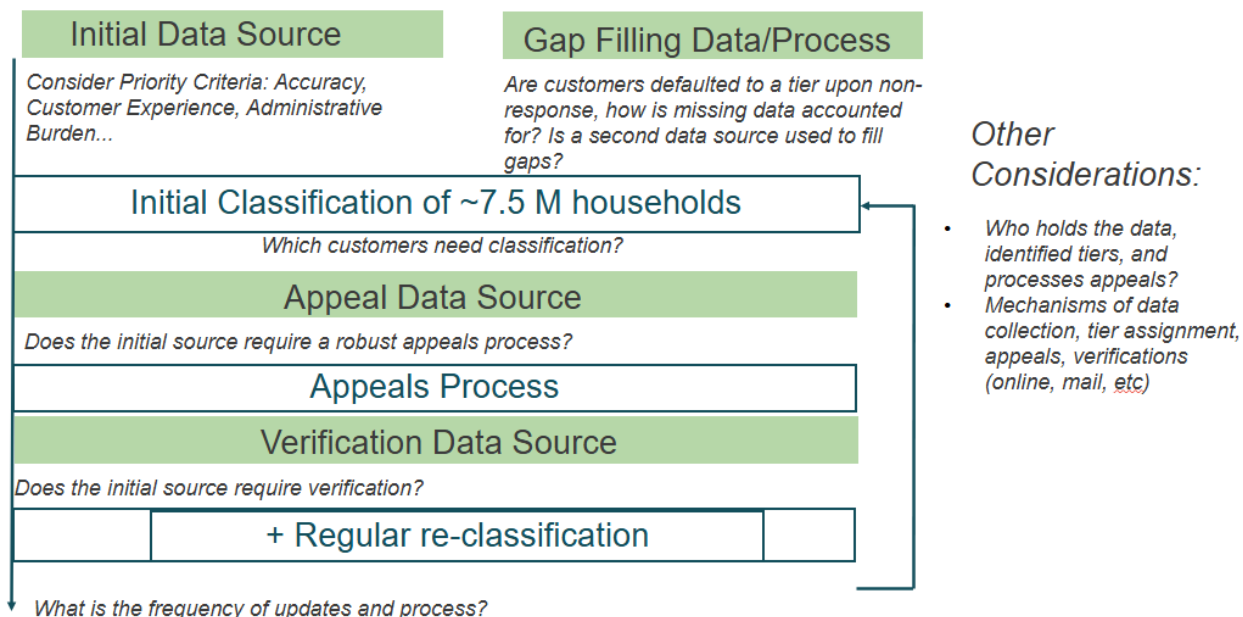


Figure 2: Framework for an Income Verification Process. *Source:* Resource Innovations and Common Spark Consulting 2026.

Categorization must be income-based. A critical outcome of this process, required by AB 205, is that “The fixed charge shall be established on an income-graduated basis...” (Cal. Pub. Util. Code § 10. 739.9). Any process and combination of data sources must ultimately result in a categorization and application of a base service charge based on the customer’s income. While approaches like defaulting and proxy data can be useful data sources as part of this process, the process would be incomplete (and illegal) without additional ways for customers to confirm their category based on their income.

Approaches Explored, Eliminated, and Elevated

Given the characteristics and limitations of each data source and considering the criteria established and discussed in detail by the Working Group, Table 1 identifies which currently available data sources may be appropriate for each step of the income verification process for moderate- to high-income earners.

Table 1. Menu of Data Sources Applicable to Each Income Verification Process Step

Possible Initial Categorization/Gap Filling Data Sources	Possible Verification/Appeals Data Sources
- Geographic Data - Defaulting (no data) - Non-Geographic Income Proxy - Model based on publicly available data - Self-Attestation	- The Work Number/Payroll Data - Individual Internal Revenue Service (IRS) Form - 3rd Party Tax Form Service - Supporting Documentation - Individual California Franchise Tax Board (FTB) Form

Table from Final Working Group report, with clarifications added. *Source:* Resource Innovations and Common Spark Consulting 2026.

The Working Group determined that no single data source is without drawbacks. Recognizing these limitations, the group explored combinations of data sources that could complement one another and mitigate the weaknesses specific to each data source. Working Group members developed and presented proposed approaches for collective discussion and refinement.

Near-Term versus Long-Term Solution

One challenge in this process was considering multiple unknown variables that might drive different decisions about which data source to use. For example, Working Group members noted that if the income-graduated base services charge were designed with a wide differential—such as a very low charge for low-income customers and a significantly higher charge for higher-income customers—then a correspondingly high level of income accuracy would be essential. Among the options considered, FTB data was the only source capable of providing near-

complete accuracy across the full non-low-income customer population. However, accessing FTB data for 100 percent of customers without customer authorization would require legislative authorization and substantial political effort, likely over multiple years.¹⁰ Requesting customer authorization from all California households would likely result in significant non-response. As a result, FTB data was viewed as a potential long-term solution rather than a viable near-term pathway.

At the same time, the CPUC sought an approach for the next iteration of the base services charge that would move beyond a simple distinction between customers enrolled in low-income programs (CARE and FERA) and all other customers. The Working Group was therefore tasked with identifying a near-term solution—one that could be implemented without broad access to FTB data but would still enable differentiation among moderate- and high-income customers.

Figure 3 highlights the central tradeoff identified by the Working Group: the relationship between the accuracy and granularity of available income data and the magnitude of the base services charge differential that such data could reasonably support. Members recognized that these factors would need to be aligned through the regulatory process. In other words, the level of charge differentiation should be commensurate with the precision of the income data used. Similarly, the administrative cost of implementing the base services charge would need to be proportionate to the accuracy and granularity of the data and its capacity to support revenue collection from higher-income tiers.

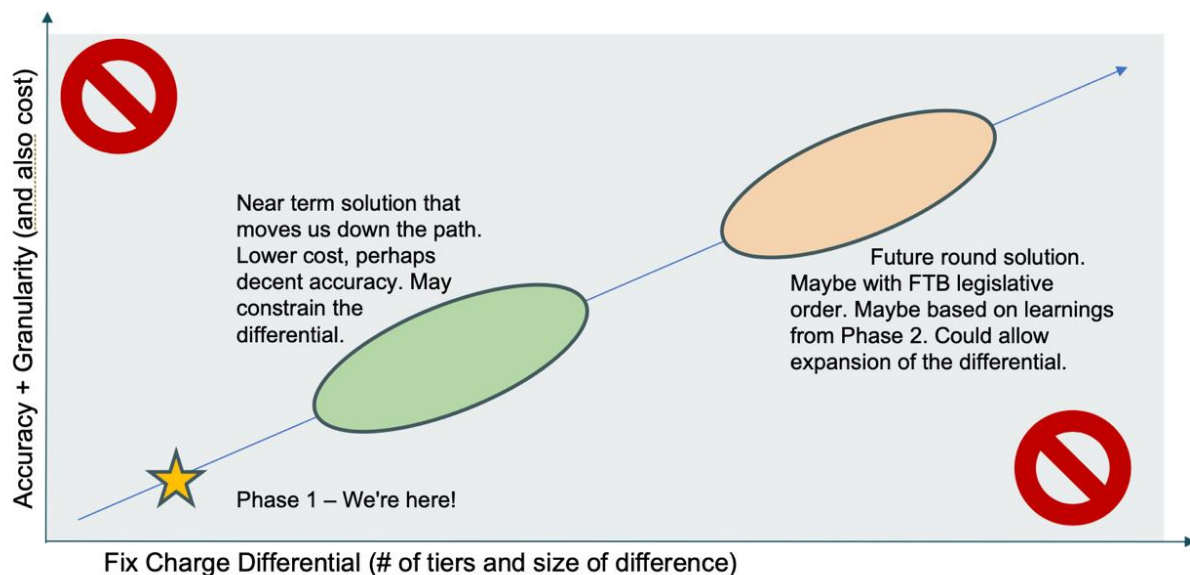


Figure 3: Potential Income Verification Process Evolution. *Source:* Resource Innovations and Common Spark Consulting 2026.

Figure 3 denotes Phase 1 (adopted in D.24-05-028), a near-term solution, and a future round solution. The Working Group focused on near-term solutions that would fall in the green area of Figure 3, ideally making meaningful progress beyond Phase 1 towards a greater

¹⁰ Around 80% of Californians file state taxes with the FTB, with most non-filers being primarily low-income. Even with FTB authorization, the data would not necessarily reflect complete income (e.g., due to income unreported from other states or income that unreported by those that do not file.)

differential supported by more accurate data, even if it's not the fullest solution (represented by the orange area, a solution theoretically supported by FTB data).

“Can’t Get No Satisfaction”: Where the Working Group Landed

As the consultant team, we synthesized the Working Group’s perspectives and feedback, integrating insights from ours and the Working Group’s primary and secondary empirical research, proposals submitted by Working Group participants, and guidance from the CPUC Energy Division on regulatory policy, to try to define a viable income verification process. As noted above, no single solution was clearly identified by the Working Group, but the Report’s proposal outlines an approach with elements that received varying levels of support from Working Group members (See Figure 4) (Resource Innovations and Common Spark Consulting 2026).

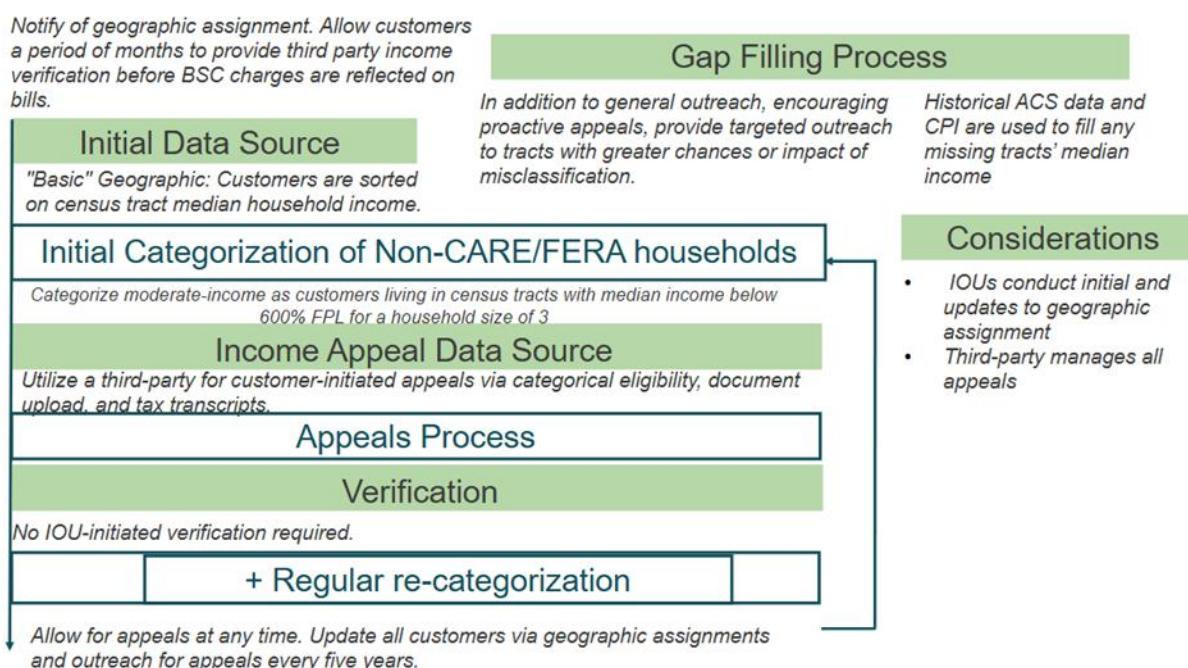


Figure 4: Working Group Report income verification process proposal using geographic data as a proxy for initial classification, and a third-party platform to facilitate appeals via income verification. *Source:* Resource Innovations and Common Spark Consulting 2026.

Under the Working Group Report’s Proposal, the base services charge would be income-differentiated for all residential IOU customers. Rather than placing all customers who are not enrolled in CARE or FERA into a single non-low-income tier—as was done in the initial implementation of the base services charge as ordered by D.24-05-028, this approach would allow the assignment of non-CARE and non-FERA customers into two or more additional tiers (two tiers, moderate- and high-income tiers, were used for supporting analysis). Customers enrolled in CARE or FERA would continue to be identified and assigned to the appropriate low-

income tier(s) using the IOUs' existing income verification processes. This approach is designed as a near-term solution that can be implemented without requiring legislative changes.

To classify customers not enrolled in CARE or FERA, the proposal relies on American Community Survey (ACS) household median income data at the census tract¹¹ level. Using what we termed a “Basic Geographic” approach, customers would initially be assigned to income tiers based on their census tract’s median income. (The report distinguishes this from a potential “Adjusted Geographic” alternative also discussed.) The specific number of tiers, the final income thresholds, and the fixed charge levels for each tier would be determined in a subsequent proceeding.

Before the new tiers would take effect, customers would be notified of their assigned tier and provided an opportunity to update their classification through a third-party income verification process. The third-party would confirm updated income information and transmit any revised tier assignments to the IOUs prior to implementation of the new base service charges.

This process would repeat every five years: income classifications would first be refreshed using updated ACS data, followed by an opportunity for customers to submit current income information for reassessment. Customers would also be able to request tier updates through the third party at any time.

Full details, alternative data sources for different aspects of the process, and individual proposals from Working Group members that elevate additional alternative approaches can be found in the full Working Group report (Resource Innovations and Common Spark Consulting 2026). Appendices include access to analysis and research conducted on behalf of the Working Group.

Discussion: Multiple Policy Goals Require Negotiation

While the intricacies of implementing an income-graduated fixed charge are seemingly endless, the Working Group conversations, explorations, and research provided a nuanced understanding of the important tradeoffs at hand in developing such a process.

Achieving AB 205’s Goals through the Base Services Charge

AB 205 framed an income-graduated charge as part of an important movement to support key state priorities. But in an effort to design the rate and implementation of the rate towards those priorities, there are inherent challenges and negotiations that also must take place.

Supporting and promoting electrification. Adding a base services charge would reduce the volumetric rate on electricity bills, thereby lowering the marginal cost of additional electricity consumption. The CPUC has determined that certain fixed costs—such as a portion of energy

¹¹ Using median income for census *tracts* is preferred over census *block groups*, which are much smaller than tracts, as the estimates have smaller margins of error. Further, census tracts likely have a higher administrative practicality, as SDG&E has some experience manually mapping premises to census tracts and there are several available online tools which allow for address mapping to census tracts. For more discussion on alternative approaches considered, see the full report of the Working Group, including its regulatory background, activities, and recommendations are available in [Rulemaking 2026-04-009 Order Institution Rulemaking](#), Attachment A, April 13, 2026.

delivery infrastructure—would be recovered through the base services charge, allowing the volumetric rate to more closely reflect the marginal cost of energy. This alignment can be further refined through time-of-use rates or other dynamic pricing models that the Commission is implementing or exploring. By lowering the incremental cost of electricity, this structure is intended to support household electrification. Incentivizing electrification, in addition to supporting the state’s greenhouse gas reduction goals, would increase the kilowatt-hours of electricity sales that investor-owned utilities use to recover revenue requirements, which could lead to further reductions of volumetric rates.

Addressing energy affordability. The base services charge is intended to improve overall energy bill affordability by shifting certain fixed costs out of the volumetric rate. By lowering the per-kilowatt-hour charge, the structure can help moderate electricity bills, particularly for households with higher usage levels. As energy needs evolve—whether due to electrification, weather variability, or other factors—a lower volumetric rate can reduce the risk of sharp bill increases tied to consumption. In this way, the approach is designed to support more stable and manageable total energy costs for customers over time. Over the long-term, the base services charge also supports energy affordability goals by incentivizing electrification and driving down volumetric rates, as described above.

Pursuing energy equity. AB 205 seeks to address the regressive nature of energy bills, under which lower-income households spend a larger share of their income on energy than higher-income households. Because energy is an essential service and lower-income households often have limited ability to reduce usage, energy costs can impose a disproportionate burden. By enabling income-differentiated charges, the policy aims to reduce this inequity and better align energy costs with customers’ ability to pay. This rate structure also promotes more equitable recovery of fixed costs, which are becoming a larger component of overall revenue requirement for California investor-owned utilities, driven in large part by high wildfire-related costs that must be recovered through electricity rates. A purely volumetric rate structure forces high usage households to pay a disproportionate share of fixed costs, which affects customers who live in hotter climate zones (which are relatively low-income compared to coastal parts of the state) and those who cannot afford to invest in distributed energy resources such as rooftop solar.

Tradeoffs and Dependencies in Implementation

As the Working Group endeavored to develop an income categorization and verification approach for the next iteration of the base services charge, it became clear that the policy solution involved a complex set of interconnected goals and tradeoffs. Decisions about implementation structure were not isolated; each choice had cascading effects, influencing multiple objectives of AB 205 as well as other elements of program design. In turn, those implementation details could further shape whether—and how effectively—the policy goals were achieved.

The process underscored that attempting to advance all policy objectives simultaneously can create significant complexity. Some design elements that support one goal may inadvertently work against another. As a result, Working Group members, intervenors, and stakeholders must navigate a layered and interdependent set of considerations in developing a solution that meaningfully balances accuracy, affordability, equity, feasibility, and cost.

Administrative ease is an equity issue. As various approaches were explored, from defaulting customers to the highest tier, to self-attestation, to some of the specifics of using geographic proxy data, the Working Group consistently considered the burden on customers, and especially moderate-income customers that may have a very similar resource-limited experience as low-income customers, but that may need to navigate an income verification process to ensure their placement in the tier they can afford. As a statewide program, the magnitude of customers that would be eligible for a beneficial recategorization was always significant enough for the Working Group to consider the equity impacts of implementation. While AB 205 is intended to support greater energy equity, the Working Group regularly considered how implementation must be designed to support and not offset those benefits.

Differentiation beyond the current iteration of the base services charge addresses moderate income households. Without access to the envisioned long-term solution—FTB data obtained through legislative authorization—the Working Group increasingly recognized the importance of identifying a workable near-term path forward. A viable improvement to the current base services charge income verification process could provide near-term bill relief to moderate-income households rather than waiting years for a more comprehensive data solution.

Many moderate-income households face challenges similar to those experienced by low-income households. They may rent and therefore lack the ability to invest in efficiency upgrades, have limited savings to cover upfront improvements, or face elevated energy needs due to medical equipment or other essential services. Yet, unlike low-income customers, they typically do not qualify for bill assistance programs. Treating moderate-income households the same as high- and highest-income households for rate design purposes can therefore deepen equity concerns. Moving beyond the current base services charge implementation with a near-term solution offers a meaningful opportunity to better align rates with AB 205’s energy equity goals.

Figure 3 depicts a presumed policy journey. As accuracy and granularity of income verification increases, in particular among moderate- and high-income ratepayers, greater differentiation will become more prudent and acceptable. The Rulemaking on California Advanced Electric Rate Design for Rulemaking 26-04-009 will be the venue for considering the Working Group Final Report, analyzing and proposing new income tiers, and base services charge differential.

Cost of implementation impacts affordability. Implementing a base services charge also introduces administrative and implementation costs that could partially offset the affordability goals of AB 205. Estimating these costs proved challenging. The Working Group relied on multiple sources, including consultant research, data submitted by advocates during the regulatory development of Phase 1, and cost estimates provided by the IOUs.

In general, the data sources that offered greater accuracy and broader coverage tended to involve higher implementation costs. At the same time, without sufficiently precise data to support a larger income-based differential—and therefore more equitable cost recovery—the benefits of those higher-cost options were less certain. As a result, the Working Group gravitated toward comparatively lower-cost approaches, such as geographic proxy data, which offered a more practical near-term balance between cost and functionality.

Because implementation expenses would ultimately be recovered through rates, careful attention must be paid to the average cost per ratepayer. Managing these costs is essential to ensuring that the policy advances, rather than undermines, AB 205’s affordability objectives.

Data integrity and precision advances equity, affordability, and electrification goals.

Although cost considerations may encourage the use of simpler, lower-cost data sources, precision (achieved through a combination of broadly applicable, accurate, and granular data for reliable placement of customers into income tiers) remains central to achieving the core objectives of the policy. Precise income data underpins the ability to design meaningful income-based tiers, set appropriate tier boundaries, and ensure that charges are aligned with customers' ability to pay.

Confidence in both the data source and the categorization and verification process is therefore essential. Without sufficient precision, it becomes difficult to justify differentiated base services charge levels or to ensure that affordability benefits are appropriately targeted—particularly for low-income customers. In this way, data integrity is foundational to advancing the policy's electrification, broader affordability, and rate design goals.

Conclusion

Ultimately, California's effort to implement an income-graduated fixed charge represents a significant test of how far rate design can be used to advance multiple public policy goals simultaneously. The initiative sits at the intersection of affordability, equity, electrification, administrative feasibility, and political practicality. Each design decision—whether related to data accuracy, cost of implementation, or tier structure—carries implications that ripple across these objectives. As such, the development of this framework has required careful balancing rather than simple optimization.

California's approach offers an early case study in the opportunities and constraints of aligning utility rate structures with income-based principles. While the pathway forward outlined in the Working Group report reflects compromise and iteration, it also reflects a deliberate attempt to reconcile ambitious policy goals with operational realities.

As other jurisdictions confront similar pressures around affordability and electrification, the lessons emerging from California's experience may inform broader conversations about the future of progressive utility rate design. To pursue energy equity in the face of electrification and affordability challenges, differentiating a base service charge based on income is not an impossible and perhaps a worthy endeavor, that requires data that is confidently accurate and obtainable at a reasonable cost to support any income-based categorization. Existing data sources are enough to advance this work in a meaningful way, providing benefit to moderate-income households, but are insufficient to provide the fullest benefit of the AB 205 policy. As California and other states continue to experience rising electricity costs while simultaneously pursuing electrification on a large scale, equitable rate design becomes a critical policy lever to ensure equitable access to energy services. Better access to better data will determine AB 205's ability to meet its goals of electrification, affordability, and equity.

References

CalFresh. 2026. "Verification Requirements."
stgenssa.sccgov.org/debs/program_handbooks/calfresh/assets/CalFresh/Verification/VrfctnReqsRcrt.htm

CPUC (California Public Utilities Commission). 2024. *2024 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increase Pursuant to Public Utilities Code Section 913.1*. San Francisco, CA: CPUC. www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf

Resource Innovations and Common Spark Consulting. 2026. *Income Verification Process Working Group Final Report*. Filed under R.22-07-005 on January 15, 2026. Available in CPUC Rulemaking 2026-04-009 Order Institution Rulemaking, Attachment A, April 13, 2026. <https://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=604677976>

U.S. Census Bureau. 2024. *American Community Survey 5-Year Estimates, 2019–2023*. Washington, DC: U.S. Census Bureau. data.census.gov

Acknowledgements

This paper relied substantially on the work of the Resource Innovations and Common Spark Consulting research and facilitation team members, Anna-Elise Smith and Ingo Bensch (Resource Innovations) and Katie Wu and Michelle Vigen Ralston (Common Spark Consulting); contributions from the Income Verification Process Working Group members, and staff from the CPUC Energy Division.

The author used generative AI tools (ChatGPT, OpenAI) to assist with light editing. All analysis, interpretation, and conclusions are the author's own.