

# Bill Rebates

COST DISTRIBUTION



## AT A GLANCE



### TARGET COST DRIVERS

*This policy addresses overall affordability rather than providing a solution specific to certain cost drivers*

- Aging grid infrastructure
- Fuel price volatility
- Extreme weather/wildfires
- Load growth
- Misaligned utility incentives



### IMPACT TIME HORIZON

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*How long it typically takes before changes materialize in utility behavior or customer bills*



Short-term (0–2 years)



### POTENTIAL COST SAVINGS

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*The level of cost savings that can reasonably be expected to result from this policy*



Low

## CONTEXT AND BACKGROUND

Distributing bill rebates is one way that states can provide immediate relief for households facing high electricity bills.

States like [New York](#) and [Massachusetts](#) have provided one-time bill credits to customers while [California](#) provides the bi-annual California Climate Credit to residential and small business customers each year using funds from the state’s cap and trade program.

[Pennsylvania](#) is also considering a cap-and-trade program as part of its Lightning Plan where 70 percent of the revenue generated would be returned to electricity customers in the form of credits.

As bill rebates do not directly reduce electricity system costs, the frequency, funding source, and target populations are factors which play a key role in determining the overall effectiveness of bill rebates as an electricity affordability policy.

One-time bill rebates can provide valuable relief for households but do not provide sustainable relief over the long term. Funding bill rebates with excess funds or from ratepayer-funded programs that have already achieved their goals could provide a more positive overall impact on affordability compared to cutting other programs to pay for bill rebates.

However, funding rebates from efforts that support systemwide and individual customer affordability, like energy efficiency, may have unintended consequences over the medium or long term.

Lastly, states can provide bill rebates to all customers or target specific populations like low- to moderate-income (LMI) customers to tailor the impact of their bill rebates.

## REAL-WORLD EXAMPLES

At least six states have utilized bill rebates to promote electricity affordability: **California, Delaware, Massachusetts, New Jersey, New York, and Pennsylvania** (proposed legislation). *Read an in-depth case study about California on Page 4.*



In 2024, the **New York** Public Service Commission (PSC) approved a \$200 million one-time bill credit that was distributed to over 8 million electric and gas customers. Funds for the credit came from a state appropriation and the credit was designed by the Energy Affordability Policy working group in conjunction with the Department of Public Service. The working group considered several policy proposals and presented their plan to the PSC who ultimately approved it.



As part of Governor Josh Shapiro's Lightning Plan, the legislators in **Pennsylvania** introduced the [Pennsylvania Climate Emissions Reduction Act \(PACER, S.B. 503\)](#) in 2025. [PACER](#) would establish a cap-and-invest program where 70% of the auction proceeds would be returned directly to electric customers in the form of a bill rebate.



### IMPACT TIME HORIZON

#### Short-term (0–2 years)

Bill rebates can be distributed quickly and provide immediate relief to households.



### POTENTIAL COST SAVINGS

#### Low

While cost savings will vary with policy design and implementation, bill rebates are infrequently distributed and are often less than a single monthly electric bill. For example, [Massachusetts](#) issued a \$50 bill rebate (~2% of [average annual electricity costs](#)) while the [California Climate Credit](#) is often less than \$100 per year (~6% of average annual electricity costs).



### FURTHER READING

- [“California Climate Credit: Frequently Asked Questions”](#), CPUC, n.d.



## LEGISLATIVE DESIGN AND IMPLEMENTATION CONSIDERATIONS

Electric bill rebate legislation can include the following parameters:

### Source of funding

The source of funding for bill rebates is a critical decision for states, which influences the overall impact on electricity affordability. Paying for bill rebates by cutting other ratepayer-funded programs could have an adverse impact on affordability in the long term, especially if they are cost-effective approaches that contribute to systemwide and individual customer affordability. Utilizing excess funds or tying bill rebates to revenue-generating programs like cap-and-trade can provide short-term relief without impacting long-term affordability. An additional consideration is whether to fund bill rebates through taxpayer, ratepayer, or utility shareholder funds. It is critical to understand the affordability impacts on different households if funding bill rebates through taxpayer funds vs. ratepayer funds (e.g., tax burden vs. energy burden).

### Design details

Consider providing bill rebates to all customers or specific customer groups, depending on state policy objectives and unique affordability contexts. In legislation, states can explicitly specify how the rebates should be distributed among customers or require the agency administering the rebates to study the optimal distribution of rebates to maximize their impact on electricity affordability.

### Rebate cadence

Considering factors like available funding and the energy burden of different customer groups can help determine whether one-time or recurring bill rebates make the most sense. Recurring rebates provide more sustainable relief for households but may not be financially prudent for some states.

The table below provides examples of how authority and responsibility for bill rebates may be distributed across key entities.

VENUE	POTENTIAL ROLES
<b>Legislature</b>	<ul style="list-style-type: none"> <li>Establish rebate policy and funding source</li> <li>Identify distribution methodology or provide direction for PUCs to study different distribution schemes</li> </ul>
<b>Regulator</b>	<ul style="list-style-type: none"> <li>Study and implement distribution methodology (if directed by legislature and/or governor's office)</li> <li>Oversight and evaluation of bill rebate policy</li> </ul>
<b>Administration</b>	<ul style="list-style-type: none"> <li>Establish rebate policy and funding source</li> <li>Identify distribution methodology or provide direction for PUCs to study different distribution schemes</li> </ul>
<b>RTO/ISO</b>	<ul style="list-style-type: none"> <li>No direct role</li> </ul>



## CASE STUDY: CALIFORNIA

### OVERVIEW

California distributes bi-annual electric bill rebates to all residential and small business customers of non-public electric utilities in the form of the [California Climate Credit](#). The California Public Utilities Commission (CPUC) directs utilities to distribute the credits using funds generated by California's cap-and-trade program, which was established to achieve the emissions reductions goals created in the Global Warming Solutions Act of 2006. Since the credits were first issued in 2014, [over \\$16 billion](#) in credits have been distributed to households.<sup>1</sup>

<sup>1</sup> Residential customers also receive a natural gas California Climate Credit. Small business customers only receive the electric California Climate Credit.

### THE DETAILS

The California cap-and-trade program was first authorized by the [Global Warming Solutions Act of 2006](#) (A.B. 32) and subsequently extended to 2030 by [A.B. 398](#) in 2017. The CPUC was given broad authority by the legislature to distribute the greenhouse gas allowance revenues by electric utilities to customers, and they developed a method where each residential and small business customer of a utility receives an equal bill rebate.

#### Source of funding

[In 2012](#), the California legislature ([S.B. 1018](#)) granted broad authority to the CPUC to develop a methodology for distributing the greenhouse gas allowance revenues generated by electric utilities directly to residential and small business electricity customers.

#### Design details

The credits vary by utility depending on their forecasted greenhouse gas allowance auction proceeds, but each residential and small business customer of the same utility receives the same amount. [In response](#) to a 2024 executive order issued by Governor Newsom, the CPUC recently identified alternative distribution methodologies of the California Climate Credit, which could maximize its benefit for households

disproportionately impacted by higher electricity rates, specifically low-income households and households without rooftop solar, rather than distributing the credit to all customers evenly.

#### Rebate cadence

In addition to developing a distribution methodology, the [CPUC approved](#) a semi-annual rebate cadence in 2012. Today, most customers receive the credits on their April and October electric bills. In the same response to a 2024 executive order mentioned above, the CPUC provided considerations for distributing the credit on a volumetric basis, which could promote electrification and help smooth volatility in monthly bills for customers.

### KEY TAKEAWAYS

California established the California Climate Credit to help ease the burden of rising electricity rates due to the state's cap-and-trade program. The rebates provide a recurring source of relief for households and small businesses and are directly tied to California's emissions reductions goals through the cap-and-trade program.