SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Steven Bradford, Chair
2023 - 2024 Regular

Bill No:	SB 1142	**Hearing Date:**	4/22/2024
Author:	Menjivar		
Version:	3/18/2024 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Electrical and gas corporations: establishment and termination of services

DIGEST: This bill prescribes policies related to limiting when an electrical or gas corporation can disconnect a customer from service. Specifically, this bill requires an amortization payment plan is no less than 24 months, prohibits disconnection from service if a customer is making payments on the amortization agreement, prohibits the utility from requiring more than 20 percent of the outstanding balance to be paid by the customer to avoid disconnection of service, prohibits the utility from charging a reconnection fee for reconnecting service or requiring a deposit to before establishing an account for service.

ANALYSIS:

Existing law:

1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical and gas corporations. (Article XII of the California Constitution)

2) Requires that only an electrical corporation or publicly owned electric utility that provides physical service to the affected customer has the authority to physically disconnect or reconnect a customer from the transmission or distribution grid. Requires that physical disconnection by electrical corporations subject to the CPUC's jurisdiction occur only in accordance with protocols established by the CPUC. Authorizes the CPUC to adopt additional residential and small commercial consumer protection standards that are in the public interest. (Public Utilities Code §394.4(b))

3) Requires the CPUC to develop policies, rules, or regulations with a goal of reducing, by January 1, 2024, the statewide level of gas and electric service disconnections due to nonpayment by residential customers. (Public Utilities Code §718)

4) Requires the CPUC to establish a standard limited allowance in addition to the baseline quantity and higher energy allocation of gas and electricity for residential customers dependent on life-support equipment and patients being treated for a life-threatening illness or who have a compromised immune system, if a licensed physician or other specified medical personnel certifies in writing to the ability that the additional heating or cooling allowance is medically necessary to sustain life or prevent deterioration of the person's medical condition, often referred to as the Medical Baseline Allowance program. (Public Utilities Code §739 (2)(c))

5) Establishes the California Alternate Rates for Energy (CARE) program for assistance to low-income electric and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels to ensure low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures. Requires the CARE discount for electrical corporations with 100,000 or more customer accounts in California is not less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers and requires the entire discount to be provided in the form of a reduction in the overall bill for the eligible CARE customer. (Public Utilities Code §739.1)

6) Requires the CPUC to continue a program of assistance to residential customers of the state's three largest electrical corporations consisting of households of three or more persons with total household annual gross income levels between 200 percent and 250 percent of the federal poverty guideline level, which is referred to as the Family Electric Rate Assistance (FERA) program. Requires the FERA program discount to be an 18 percent line-item discount applied to an eligible customer's bill calculated at the applicable rate for the billing period. (Public Utilities Code §739.12)

7) Requires the CPUC, in order to protect customers from unwarranted disconnection of necessary electric and gas services, to require all electrical and gas utilities through which CARE program rates are available to conduct several actions to increase penetration of the CARE program, including:

   a) Offer individual payment arrangements that allow customers to pay amounts due over a reasonable period of time, not to exceed 12 months.

   b) Prohibit disconnection of customers that have made, and are in compliance with, payment arrangements offered by an electric or gas utility or for amounts due in which the utility receives a commitment pledge, letter of intent, purchase order, or other notification that a provider of energy assistance is forwarding payment sufficient to prevent disconnection.

c) Advise residential customers about enrollment in the levelizing payment program in conjunction with completion of payment arrangements. (Public Utilities Code §739.4)

8) Prohibits an electrical and gas corporation from terminating residential service for nonpayment of a delinquent account unless the corporation first gives notice of the delinquency and impending termination and prohibits an electrical and gas corporation from terminating residential service for nonpayment of a delinquent account: during an investigation of a customer dispute or complaint; when a customer has been granted an extension of the period for payment of a bill; and when a licensed physician or other medical personnel certifies that to do so will be life threatening to the customer and the customer is financially unable to pay for the service within the normal payment period and is willing to enter into an amortization agreement with the corporation. (Public Utilities Code §779)

9) Requires every electrical and gas corporation to allow every residential customer at least 19 days from the date of mailing its bill for services, postage prepaid, for payment of the charges demanded. Prohibits a corporation from terminating service for nonpayment of a delinquent account unless the corporation first gives notice of the delinquency and impending termination, at least 10 days prior to the proposed termination, by means of a notice mailed, postage prepaid, to the customer to whom the service is billed, not earlier than 19 days from the date of mailing the corporation's bill for service, and the 10-day period shall not commence until five days after the mailing of the notice. (Public Utilities Code §779.1)

10) Requires every corporation to make a reasonable attempt to contact an adult person residing at the premises of the customer by telephone or personal contact at least 24 hours prior to any termination of service, except when not possible, the corporation shall give a notice of termination of service at least 48 hours prior to termination. (Public Utilities Code §779.1)

11) Requires electrical and gas corporations when deciding whether to require a new residential applicant to deposit a sum of money with the corporation prior to establishing an account and furnishing service to be based solely upon the credit worthiness of the applicant. (Public Utilities Code §779.5)

12) Prohibits electrical and gas corporations from terminating service due to delinquency in payment of its charges on any Saturday, Sunday, legal holiday, or at any time during which the business offices of the corporation are not open to the public. (Public Utilities Code §780)

This bill:

1) Provides that, for electrical or gas service, the reasonable time period for the amortization period is at minimum 24 months unless a shorter amortization period is mutually agreed upon by the customer and the electrical or gas corporation.

2) Expressly prohibits the electrical or gas corporation from terminating service if the customer agrees to pay the unpaid balance of a delinquent account over the amortization period.

3) Prohibits an electrical or gas corporation from requiring a residential customer to pay more than 20 percent of the outstanding bill balance to retain service after serving the customer with the notice of termination.

4) Requires the electrical or gas corporation, in determining the payment, to take into account the customer's ability to pay. Prohibits an electrical or gas corporation from terminating service to a customer who fails to comply with an amortization agreement under specified circumstances, as provided.

5) Requires an electrical or gas corporation to restore service to a residential customer whose service is previously terminated for nonpayment of delinquent amount if the customer has entered into an amortization agreement. Prohibits the electrical or gas corporation from charging a reconnection fee before reconnecting those residential customers and would require the reconnection to occur within 24 hours of the payment.

6) Prohibits an electrical or gas corporation from requiring a new residential applicant to deposit a sum of money with the corporation before establishing an account and furnishing service.

Background

Process for disconnecting electric and gas utility service. The process of disconnecting service due to nonpayment by an electrical or gas corporation is governed by existing statutory minimum timeline requirements, the practices that were adopted in CPUC Rulemaking 10-02-005, and reflected in Tariff Rule 11 for electric utilities and Rule 9 for gas utilities. In general, the rules require a utility to mail a 15-day written notice to the customer for disconnection due to non-payment. The second step requires a 48-hour written notice mailed to the customer, including an in-person visit for customers on life support or other life-threatening medical condition. Lastly, the utility makes an outbound call on the day of the scheduled disconnection, but before disconnecting service, in order to offer a payment plan option. [*Overview of Bill Protections and Disconnection of Service to Residential Gas & Electric Customers.* Presentation by Ed Randolph, CPUC Energy Division Manager. CPUC Business Meeting, March 2, 2017]

Utility bill assistance. There are several programs that provide eligible utility ratepayers with utility bill assistance. They include:

- *CARE program* – The CARE program provides a discount of up to 35 percent reduction in utility bills to low-income ratepayers whose income falls below 200 percent of the federal poverty guidelines.

- *FERA program* – For families whose household income slightly exceeds the CARE program eligibility, the program provides an 18 percent line-item discount on electric bills for households with 3 or more individuals whose income falls between 200 and 250 percent of federal poverty guidelines.

- *Medical baseline allowance* – Per statute, utilities are required to provide additional baseline allowance of electric or gas service for customers facing life-threatening conditions or on life support. Electric and gas corporations currently administer medical baseline, and, as such, have existing processes for identifying these customers, including requiring physicians and other medical personnel to certify as to the medical condition. Customers on medical baseline are also provided the opportunity to amortize their bill payment, for a period up to 12 months, in order to avoid disconnection of service.

- *Payment plan options* – In addition to rate assistance programs, utilities provide ratepayers payment plan options that can spread the costs of their bills over a limited time period, generally three months to twelve months, depending on the utility and circumstances.

- *Low Income Home Energy Assistance program (LIHEAP)* – Federal energy assistance program that helps low-income customers heat their homes. In addition to weatherization services, the program provides one-time assistance funds for ratepayers facing a utility disconnection.

- *Energy Savings Assistance (ESA) program* – Additionally, there are assistance programs to help reduce energy costs through weatherization improvements and appliance rebates for customers on CARE and FERA.

Costs to customer to reconnect service. Most utility disconnections are reconnected within 24 hours. However, in addition to the bill amount, customers have historically had to pay for additional fees, including reconnection fees and deposit requirements. Reconnection fees can range from a high of $30 to as low as $1.50 for some CARE customers. Deposits have generally been twice the average monthly bill.

Utility disconnections on the rise. Prior to the COVID-19 pandemic, the number of utility disconnections due to nonpayment had been trending upwards among the four largest utilities–Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Southern California Edison (SCE), and Southern California Gas Company (SoCal Gas). The CPUC had noted "an upward trend in shutoffs among all [four] utilities… The low point of disconnections was at the end of the great recession in Q4 of 2009… Disconnection rates were stable from 2009-2012, and have been rising since that time."[*Electric and Gas Utility Customer Disconnections*. Memo by CPUC Policy & Planning Division, Q3 2016]. According to the CPUC, these increases are not fully accounted for by the increase in customers over that timeframe.

SB 598 (Hueso, Chapter 362, Statutes of 2017). In response to the rise of electric and gas utility disconnections due to nonpayment, the Legislature passed SB 598. The bill prohibits electrical and gas corporations from disconnecting service due to nonpayment from customers facing life-threatening medical conditions when the customer is financially unable to pay for service within the normal payment period and is willing to enter into an amortization agreement. The bill also requires the CPUC to adopt rules, policies and regulations with the goal of reducing the statewide level of gas and electric utility service disconnections for nonpayment by residential customers. Additionally, SB 598 requires consideration of utility disconnections in utility general rate cases and requires the CPUC to submit a report to the Legislature on residential gas and electric service disconnections.

CPUC Rulemaking 18-07-005. In response to SB 598, in July 2018, the CPUC opened a rulemaking proceeding (R. 18-07-005), Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs. The proceeding has been very active and robust, with many stakeholders participating, including ratepayer organizations, utilities, community choice aggregators, and organizations representing particular stakeholders. The primary goal of the proceeding is to reduce residential disconnections and improve reconnection processes.

Within the proceeding there have been several CPUC decisions to require new policies and new pilot programs to address electric and gas residential utility disconnections. Overlapping the timing of these decisions are related policies to address the COVID-19 pandemic. Specifically:

- *Decision (D.) 18-12-013* – established interim rules to reduce residential disconnections by the large utilities. These policies included a cap on disconnections based on 2017 recorded levels; extension of extreme weather conditions to 72 hours; and expanded the definition of vulnerable customers.

- *Executive Order (E.O. N-33-20)* – Beginning in March 2020, as the COVID-19 pandemic disrupted life across the globe, interim policies were put in place that included an E.O. by the governor directing utilities and the CPUC to implement emergency customer protections to address the public health crisis.

- *CPUC Resolution M-4842* – In April 2020, the CPUC adopted resolution M-4842 ratifying the emergency customer protections to address the COVID-19 emergency, including a moratorium on electric and gas disconnections.

- *CPUC D. 20-06-003* – In June 2020, the CPUC adopted ongoing rules to reduce residential disconnections by the large utilities. The decision also requires large utilities to enroll eligible customers in all applicable utility programs, requires payment plans of 12-month periods, and prohibits disconnections if a customer has a LIHEAP pledge for assistance. The decision also prohibits electrical and gas corporations from requiring service deposits or reestablishment of service deposit and precluded utilities from charging reconnection fees. The decision also creates an Arrearage Management Plan (AMP) that gives customers the opportunity for a payment plan option that retires debt. The decision also mandated an enforcement program.

- *CPUC Resolution M-4849* – In February 2021, the CPUC adopted resolution M-4849 which extended the moratorium on disconnections due to nonpayment until June 30, 2021.

- *CPUC D. 21-06-036* – In June 2021, the CPUC extended the moratorium until September 30, 2021 and ordered all electric and gas utilities to automatically enroll residential and small business customers with arrearages more than 60 days past due in long-term payment plans (referred to as COVID payment plans).

- *State Budget allocates arrearage funding* – In 2021 and 2022, the Legislature allocated nearly $2.2 billion to fund the California Arrearages Payment Program (CAPP) to address California energy customer bill arrearages accrued between March 4, 2020 and June 15, 2021.

- *CPUC D. 21-10-012* – In October 2021, the CPUC approved a Percentage of Income Payment Plans (PIPP) pilot programs for the large energy utilities.

- *CPUC D. 22-04-037* – In April 2022, the CPUC decision required the development of a Community-Based Organization Arrears Case Management Pilot Program.

- *CPUC D. 22-08-037* – In August 2022, the CPUC approved a decision to address residential disconnection protections for the small jurisdictional electrical and gas corporations.

- *CPUC D.* 22-08-049 – In August 2023, the CPUC adopted a decision that requires the large utilities to offer 24-month payment plans to residential customers until October 1, 2026, extends the AMP program to October 1, 2026, and authorizes a study of the eligible population for the Medical Baseline program in the large utilities' service territories.

More on recent CPUC programs to help customers:

AMP. CPUC requires utilities to administer an AMP program that allow customers with utility debt to make on-time payments, after 12 on-time payments, the customer's debt (arrearage) will be fully forgiven. The program is available to CARE and FERA customers who are protected from utility disconnection while participating AMP. Participants can have a maximum of $8,000 of utility debt forgiven, per successful completion of the AMP program. Arrears must be at least 90 days with electric customers having more than $500 of debt and gas customers $250 minimum in arrears. AMP is extended to October 1, 2026. Afterwards, the CPUC will initiate a proceeding to consider whether to continue, terminate, or modify the program, informed by an evaluation of the program.

Percentage of Income Payment Plan (PIPP) pilot program. The goal of the PIPP pilot program is to test whether a PIPP program can (i) reduce the number of low-income households at risk of disconnection, (ii) encourage participation in energy savings ad energy management programs, (iii) increase access to essential levels of energy service, (iv) control program costs. CPUC ordered large utilities to implement pilot programs to reduce residential disconnection of electric and gas service. A PIPP is a program that sets a participant's utility bill payment amounts at an affordable percentage of the participant's monthly income. Participants receive a monthly bill cap for current electricity and gas charges based on four percent of their household's monthly income tiers: 0-100 percent of Federal Poverty Guidelines, and 101-200 percent of Federal Poverty Guidelines. The CPUC directed utilities to enroll a total of 15,000 participants for 48 months to test whether a PIPP program can reduce the number of low-income households at risk of disconnection, encourage participation in energy saving and energy management programs, increase access to essential levels of energy service, and control program costs. The CPUC has required an evaluation of the PIPP to assess whether it is effective at meeting the program's goals.

Payment Plans extended to 24-Months. D. 22-08-049 requires large utilities to offer 24-month payment plans to eligible residential customers until October 1, 2026. Eligible residential customers should be defined as customers with unpaid bills at least 60 days past due and who are not enrolled in a payment plan, a net energy metering tariff, levelized billing, budget billing, or automatic billing. Allows customers to miss two payments before being removed from the payment plan, missed payment amounts will be amortized and added to the remaining payments, utilities shall not disconnect any residential customers who is current on both monthly bills and the 24-month payment plan, a utility may offer the 24-month payment plan to customers to fulfill the requirements of OP 1(d) of D. 20-06-003, and a customer may elect to participate in the 24-month payment plan more than once.

Comments

Need for this bill. The author and sponsors of the bill contend: "California is facing an energy insecurity crisis, with California ratepayers paying increasingly unaffordable rates. Even with arrearage forgiveness, about 2.4 million customers of California's three largest utilities are behind on their bills to the tune of $2 billion in energy debt. This amounts to one in four customers of the major investor-owned utilities (IOU's) being energy insecure."

Costs to society. The loss of utility service poses risks and hazards to public safety. In today's day and age, the loss of essential gas or electric service can be life-threatening. Therefore, every effort must be made to prevent disconnection of service while ensuring all other ratepayers are not unfairly burdened. The introduction of smart meters provides electric utilities the opportunity to disconnect service remotely. As a result, the majority of disconnections are handled remotely, except for gas customers. Due to safety issues surrounding disconnecting gas service, these disconnections usually require a utility to deploy a representative to disconnect (and to reconnect) the service.

Electricity utility bills continue trending higher. Californians have generally enjoyed lower energy bills when compared to the rest of the country, largely due to milder weather and investments in energy efficiency, even as electric rates have been higher than many other states. However, in more recent years, these trends have been changing as California's higher energy rates are also resulting in higher energy utility bills. Affordable energy utility bills was the topic of an oversight hearing by this committee earlier this year. Members raised concerns they were hearing from residents about the increasing costs of energy utility bills. These impacts have been exacerbated by the COVID-19 pandemic, and compounded by recent inflation and supply shortages on most goods and services.

Need for amendments. As noted above, the CPUC has adopted a number of policies and initiated a number of programs to help address utility disconnections and affordability. Nonetheless, utility bill affordability continues to be a struggle for many customers. The need to provide relief for customers struggle to pay utility bills is critical to supporting their safety and public health. However, the costs of such policies must also be considered for them, other customers, and the utility systems overall. These issues are best addressed in a CPUC proceeding that affords stakeholders the opportunity to shape the important nuances of these decisions, as has been demonstrated with the above the decisions by CPUC. In this regard the author and committee may wish to amend the bill as follows:

- *Delete the 24 months payment plans as these are currently being piloted at the CPUC through October 1, 2026.[PUC 779(b)(4)]*
- *Recast the language related to limiting the electric and gas utilities from requiring more than 20 percent of a customer's outstanding balance to avoid termination and instead require the CPUC to determine, by July 1, 2025, whether and how to implement such a requirement within an existing or new proceeding. (779.1(d)(C)(ii)]*
- *Recast the language regarding prohibiting an electrical or gas corporation to terminate service for a customer on an amortization agreement if the customer: (a) makes a payment on the outstanding balance that does not exceed 20 percent of the balance and (b) the customer agrees to continuing payment of the unpaid balance subject to the amortization agreement. Instead require the CPUC, by July 1, 2025, in an existing or new proceeding to consider whether to implement such a requirement and how to structure such an approach. [779.1 (f)(1)]*
- *Delete the deposit prohibition for new customers. [779.5(b)]*

- *Delete the reconnections language in 779.6(b) for terminations, but retain " The reconnection shall occur within 24 hours of payment pursuant to commission rules and tariff requirements."*
- *Delete penalties proposed [779.6(d)], as CPUC has existing statutory authority to impose fines and penalties.*

Prior/Related Legislation

SB 1130 (Bradford, 2024) expands eligibility for the FERA discount program to households with fewer than three members and requires specified reporting by electrical corporations about enrollment in the program. The bill is pending in the Senate Committee on Appropriations.

SB 1135 (Bradford, Chapter 413, Statutes of 2018) codified the requirements of an existing low-income electric rate discount program, known as the FERA program, for eligible customers of the state's three largest electrical corporations and increased the program discount from 12 percent to 18 percent line-item discount on a customer's electric utility bill.

SB 598 (Hueso, Chapter 362, Statutes of 2017) required the CPUC to adopt rules, policies and regulations with the goal of reducing the statewide level of gas and electric utility service disconnections for nonpayment by residential customers and extends special considerations to residential customers who have specified medical conditions or who have a member of the household with those conditions.

AB 327 (Perea, Chapter 611, Statutes of 2013) restructured the rate design for residential electric customers, including directing the CPUC to establish a discount between 30 percent and 35 percent to eligible customers of the large IOUs

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

The Utility Reform Network, Sponsor
Central Coast Energy Services
San Francisco Peninsula Energy Services

OPPOSITION:

Pacific Gas and Electric Company
San Diego Gas & Electric Company
Southern California Edison
Southern California Gas Company

ARGUMENTS IN SUPPORT: According to the author:

> California is facing an energy insecurity crisis. With increasingly unaffordable rates and the California Public Utilities Commission recently voting to further raise rates, the crisis will only get worse. Even with arrearage forgiveness, about 2.4 million utility customers, or one in four Californians, are energy insecure. A family that is experiencing energy insecurity today is at a higher risk of experiencing housing insecurity tomorrow. This is why I introduced SB 1142, which protects Californians who are behind on their electricity bills by barring IOUs from charging more than 20% in arrears for simply reconnecting service. This bill would also prohibit IOUs from requiring customers to pay a security deposit in order to initiate service and will codify the CPUC's prohibition on residential reconnection fees. This dangerous financial barrier to access is within our power to change."

ARGUMENTS IN OPPOSITION: In opposition to the bill, the utilities contend that the bill will exacerbate arrears and supersede timelines to revisit these policies at the CPUC. The utilities state:

> The Joint IOUs believe that despite its intention to reduce residential disconnections, SB 1142 would inadvertently implement policies that make solvency and on-time payment less achievable for customers. As customers continue to struggle with historic arrearages following the COVID-19 pandemic, the Joint IOUs recommend that the sustainable reduction in arrearages should be the primary feature of any policy that aims to mitigate disconnections. Alternative approaches that merely delay repayment may exacerbate existing arrearage challenges and increase the risk of persistent disconnections in the long-term

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