From: Clanon, Paul
Sent: 10/9/2011 6:55:42 PM
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)
Cc:
Bcc:
Subject: Re: TS - Keeping the Lights on: Indoor Pot Growers Skirt High Electric Bills Through Discount Program For Low Income

Thx.

On Oct 9, 2011, at 5:38 PM, "Cherry, Brian K" <BKC7@pge.com> wrote:

From: News Flash
Sent: Sunday, October 09, 2011 11:58 AM
Subject: TS - Keeping the Lights on: Indoor Pot Growers Skirt High Electric Bills Through Discount Program For Low Income

The residents in a Humboldt County home – who were enrolled in PG&E's CARE program – were involved in a marijuana growth operation. Brandi Ehlers, PG&E spokeswoman, was quoted.

Keeping the Lights on: Indoor Pot Growers Skirt High Electric Bills Through Discount Program For Low Income

By Thadeus Greenson
The Times-Standard, October 9, 2011

No matter how you feel about marijuana grow houses, you're likely helping to finance one.

Don't think so? Take the case of Greg Willard and Gayden Rosales, busted in February for running a grow operation in the garage of a house in the 700 block of Arcata's Fickle Hill Road.

When officers pulled Pacific Gas and Electric Co. records for the property, they found that the home used 4,676 kilowatt hours of electricity in the month of December 2010 -- an amount roughly 10 times the average monthly consumption of a Humboldt County household -- running up a bill of almost $1,500. But Rosales and Willard paid only a fraction of that -- $535 -- after receiving an almost 70 percent discount through PG&E's CARE program, which offers subsidized rates to low-income households.

Willard and Rosales' $923 discount for the month didn't come out of PG&E's pocket. It came out of those of non-low-income rate payers -- including some 35,000 Humboldt County households -- who pay a monthly fee to finance the state mandated program aimed at helping the state's poor families keep the lights on.

For several months between October 2010 and February 2011, those fees helped Rosales and Willard power their eight 1,000-watt grow lights.

"These lights aren't the lights this program is intended to keep on," said Arcata Police Chief Tom Chapman. "This program was designed to let a family in a two bedroom apartment keep the lights on, but the system is being abused."

And, according to Chapman and others in law enforcement, the rate of abuse is only increasing. Of the 20 grow house search warrants his department has served over the last two years, 70 percent have been enrolled in the CARE program, Chapman said, adding that those are only the ones officers were able to confirm.

In many of these cases, officials said, there's also no real argument that the growers should qualify as low income.

In the case of Willard and Rosales, when officers searched their Fickle Hill home, in addition to the grow operation, they found snow boards, mountain bikes and a flat screen television. In Rosales' bedroom, they also found $1,500 in cash in a dresser drawer and another $2,829 in a shoebox on the floor. Hidden in a coffee table in the living room of the home, officers reported finding $29,790 in cash, neatly stacked and bundled with rubber bands.

According to PG&E's CARE program eligibility guidelines, the maximum annual income for a household of two is $31,800 -- about $2,300 less than officers reported finding in cash in the Fickle Hill home.

The program

The California Public Utilities Commission requires all four of the state's major power companies to offer a subsidized rate program for low-income households.

PG&E's version, the California Alternate Rates for Energy, has 22,000 residential households enrolled in Humboldt County and offers them sharply reduced electricity rates with discounts of at least 20 percent.

Brandi Ehlers, a PG&E spokeswoman, said the program is revenue neutral for the company as it's funded through fees -- equaling about 4.7 percent of a customer's electric bill -- assessed to non-CARE program customers in the form of a Public Purpose Programs surcharge.

The company does extensive outreach, **Ehlers** said, to educate its customers about the program in an effort to get everyone who qualifies enrolled, estimating that about 85 percent of eligible households in Humboldt County are utilizing the program.

To enroll, **Ehlers** said, customers need only fill out an application pledging that their annual household income falls below the program caps, which range from $31,800 for a household of two up to $91,300 for a household of 10. Under the statewide enrollment process outlined by the California Public Utilities Commission, approximately 11 percent of applicants are randomly selected for post-enrollment income verification, during which they are asked to present pay stubs, tax forms and other documents proving their income is as they reported it.

The other 89 percent of applicants are simply taken at their word.

In the case of Willard, Rosales and other growers, it's unlikely that even a post-eligibility verification process would have determined an under-reporting of income, as most growers don't have pay stubs, W-2 tax forms or other documentation of income. In the eyes of public agencies, most simply don't make any money.

Once enrolled in the CARE program, households receive sizable discounts, with the biggest savings reserved for those consuming the most electricity.

According to PG&E's website, the company's electricity rates are tiered based on usage.

The lowest consuming non-CARE program users are charged 12.2 cents a kilowatt hour. CARE customers in the same tier see a discount of about 4 cents per kilowatt hours. It's not until you get to the highest tiers that the discounts become notably larger.

A Tier 4 customer paying regular rates is being charged 34.2 cents a kilowatt hour. A CARE program customer in the highest tier is paying just 12.5 cents a kilowatt hour -- a 21.7 cent discount.

Those discounts would add up quickly if you were running a computer data center out of your home, or growing large amounts of marijuana in an operation racking up thousands of kilowatt hours of usage a month.

A '50-percent partner'

While marijuana grows like a weed outdoors in some climates, it takes a very carefully crafted and energy intensive indoor environment to grow the high-grade buds that fetch top dollar on the market.

Willard and Rosales' grow operation was fitted with eight 1,000 watt lights that mimicked the sun's rays for 12 to 18 hours a day, each drawing their power from an electrical ballast, according to court documents. They had a dehumidifier to pull moisture from the air in an effort to prevent mildew, fans to keep the plants cool and a charcoal air filter to help minimize the operation's skunky odor. Pumps were also used in the hydroponic system to bring a nutrient-rich liquid to the plants' roots.

According to the paper “Energy up in Smoke” by Evan Mills, a staff scientist with the Lawrence Berkeley National Laboratory, the average 4-by-4-by-8-foot indoor marijuana grow space consumes about as much electricity as 30 refrigerators or an average residential home.

Mills, who spoke at HSU Thursday, said indoor marijuana cultivation accounts for an estimated 1 percent of all electricity consumed in the nation and about 2 percent of all household energy consumption -- an amount about equal to the output of seven large electric power plants. In California, indoor grows are responsible for about 3 percent of all electricity consumption, according to Mills' paper, an amount of electricity that could power 1 million average California homes.

Because indoor marijuana cultivation draws so much electricity, power bills can be among a grower's biggest expenses. During his lecture Thursday, Mills joked that some in the industry refer to PG&E as a 50 percent partner because up to half a grow operation's profits go directly to paying the power company to keep the lights on.

Money saved on electricity, consequently, equates to more profits for growers.

'Fleecing' the taxpayer

Amid the 20 or so search warrants his department has served on marijuana grow houses in the last two years, Arcata Police Chief Tom Chapman feels he's seen some pretty egregious abuses of PG&E's CARE program

Willard and Rosales are just one example.

There was the house on Cedar Drive, where officers found about 500 growing marijuana plants. According to PG&E records, Chapman said, the place drew about 5,757 kilowatt hours of electricity in a one-month period, but paid just $546 of an $1,850 bill. Then, there was the most egregious, recent example, a home on California Avenue that Chapman said was growing about 700 plants. In a one-month period, Chapman said, the house used 14,501 kilowatt hours of electricity, paying $604 of a bill that would have cost a non-CARE customer almost $2,500.

”The rate payers are the ones that are paying for this program,” Chapman said. “They're basically paying hundreds of dollars a month in discounts for homes that have been completely turned into marijuana grows.”

The widespread use of the CARE program by growers raises a host of issues -- ethical, criminal and practical.

Humboldt County Sheriff's Office Sgt. Wayne Hansen, whose drug enforcement unit has run into numerous grow houses enrolled in the CARE program, said the “fleecing of the taxpayer” galls him.

Mills, whose study focused squarely on energy consumption and carbon footprint issues, said growers in the CARE program essentially have a disincentive for making energy efficiency improvements and minimizing their environmental impact.

”The snake in the garden there is that a lower energy price makes it less cost effective to do energy efficiency upgrades,” he said, adding that it would take a customer paying only 25 percent of the normal electricity rate four times longer to see their energy efficiency upgrades pencil out financially. “It can be counter-productive for the economically driven grower.”

In the eyes of law enforcement, there's also the fact that growers reaping large profits from their grows while claiming poor to PG&E are committing the crime of theft, and often grand theft in cases where the fraudulently obtained discounts exceed $400.

But, to the knowledge of Humboldt County District Attorney Paul Gallegos, no one locally has been prosecuted for such an offense.

”With law enforcement, it's a resource issue, ultimately,” Gallegos said. “Putting together a fraud case is a lot more time consuming and takes more resources than a dope case. ...It's not because people don't care or aren't outraged; it's a resource issue.”

In order to prove that someone made false statements to PG&E, Gallegos said, his office would have to reconstruct the person's finances at the time they filled out the CARE program application -- not an easy task.

”It would take a lot of investigation,” Hansen said. “We do a lot of triage from case to case to case, so we've never gone after that aspect of it. It would be very time consuming.”

Theft cases also don't carry the threat of huge punishments, as the maximum sentence for grand theft is one year in county jail under the California Penal Code. That's also not a big incentive to do forensic financial investigations, Gallegos said, especially when most agencies are working to patrol the streets and keep up with open homicide cases.

In the case of Willard and Rosales, the pair pleaded guilty earlier this year to maintaining a residence for the cultivation of marijuana. They were sentenced to one day in jail and three year's probation.

Many in law enforcement argue PG&E needs to take a more active role in making sure its CARE program and its full ratepayers aren't getting taken advantage of. Some go so far as to argue the company is indifferent to the program's abuse.

"They have no incentive to regulate or take affirmative steps to protect the customers because they are getting paid," Chapman said. "It's the honor system, basically, and that's good enough for them."

If the program were not ratepayer subsidized, and it was PG&E taking the hit when someone fraudulently enrolls, Gallegos said, the landscape might look different.

"If the power company felt they were losing out on the transaction, I think they'd be here in my office screaming every day," Gallegos said. "They haven't done that."

A question of reform

Chapman thinks he has an answer that could help rein in abuses of the CARE program and the proliferation of residential grow houses in general.

When someone goes into a bank and deposits more than $10,000, it's deemed a "suspicious transaction" and the bank is required to call authorities to investigate. Why not try the same with energy usage, Chapman wonders.

Chapman has pitched the idea of legislation to North Coast Assemblyman Wesley Chesbro, D-Arcata, that would put a "suspicious consumption limit" on residential homes of somewhere between 2,500 and 3,500 kilowatt hours a month. If a home's electric usage comes in higher than these limits, PG&E would be required to notify an investigative agency under Chapman's idea.

Ehlers said the company doesn't comment on proposed legislation until the company has had a chance to review the specific bill information. However, Ehlers said, there is also some interest in the capitol regarding "reforming" the California Public Utilities

Commission's self-certification process.

Ehlers also said that PG&E's primary concern is making sure its employees are safe and not thrust into a law enforcement role.

The most important thing to remember is our employees work and live in the communities they serve on a daily basis, and their safety is our primary concern," she said, adding that the company also respects the privacy of its customers. "We take the expectation of privacy very seriously. If there is a (electric) load increase, it would be inappropriate for us to investigate that."

Others have suggested capping the CARE program's discounts at a certain level of energy consumption, asking if legitimately low-income families are really going to be consuming more than 4,000 kilowatt hours of electricity in any given month.

On the law enforcement level, Gallegos said his office would rather prosecute theft and fraud cases surrounding grow houses than simple possession or cultivation cases.

Frankly, he said, with the legal murkiness surrounding medical marijuana in the state, fraud and theft are easier sells to a jury. But, he said, those cases are also a lot more difficult to build.

And, ultimately, Gallegos said, his office can't make people follow the law any more than laws make people ethical. When it comes to for-profit growers and the CARE program,

Gallegos said, you have people who generally don't pay taxes yet expect firefighters to respond to their homes if called, expect public schools to provide education for their children and expect to be appointed an attorney if they get into trouble.

In line with those ethics and values, Gallegos said, it's not much of a surprise that some growers would try to take advantage of a program designed to lend a helping hand to the less fortunate.

"It's a completely callous, selfish business decision," he said. "You have people doing everything they can to take advantage of the system. That's the problem."