

**Introduced by Assembly Member Perea**

February 13, 2013

---

An act to amend Section 739.1 of, and to repeal and add Section 739.9 of, the Public Utilities Code, relating to energy utility rates.

**legislative counsel's digest**

AB 327, as amended, Perea. Electricity: natural gas: rates.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to designate a baseline quantity of electricity and gas necessary to supply a significant portion of the reasonable energy needs of the average residential customer and requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Existing law requires the commission, in establishing the baseline rates, to avoid excessive rate increases for residential customers. Existing law requires the commission to establish a program of assistance to specified low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program.

Existing law revises certain prohibitions upon raising residential electrical rates adopted during the energy crisis of 2000–01, to authorize the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual

percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. Existing law additionally authorizes the commission to increase the rates in effect for CARE program participants for electricity usage up to 130% of baseline quantities by the annual percentage increase in benefits under the CalWORKs program, as defined, not to exceed 3%, and subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program. Existing law states the intent of the Legislature that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01.

This bill would repeal the limitations upon increasing the electric service rates of residential customers, including the rate increase limitations applicable to electric service provided to CARE customers, *but would require the commission, in establishing rates for CARE program participants, to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures and to adopt CARE rates in which the level of discount for low-income electricity and gas ratepayers correctly reflects their level of need, as determined by a specified needs assessment*. When the commission approves changes to electric service rates charged to residential customers, the bill would require the commission to determine that the changes are reasonable, including that the changes are necessary in order to ensure that the rates paid by residential customers are fair, equitable, and reflect the costs to serve those customers. The bill would require the commission to ~~consider specified principles in approving any changes to electric service rates~~ *ensure that any changes made to electric service rates are made consistent with specified principles*. The bill would require the commission to report to the Legislature its findings and recommendations relating to tiered residential electric service rates in a specified rulemaking by January 31, 2014. The bill would delete the statement of Legislative intent that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 739.1 of the Public Utilities Code is  
2 amended to read:

3 739.1. (a) The commission shall continue a program of  
4 assistance to low-income electric and gas customers with annual  
5 household incomes that are no greater than 200 percent of the  
6 federal poverty guideline levels, the cost of which shall not be  
7 borne solely by any single class of customer. The program shall  
8 be referred to as the California Alternate Rates for Energy or CARE  
9 program. The commission shall ensure that the level of discount  
10 for low-income electric and gas customers correctly reflects the  
11 level of need.

12 *(b) The commission shall establish rates for CARE program*  
13 *participants, subject to both of the following:*

14 *(1) That the commission ensure that low-income ratepayers are*  
15 *not jeopardized or overburdened by monthly energy expenditures*  
16 *pursuant to subdivision (b) of Section 382.*

17 *(2) That the level of the discount for low-income electricity and*  
18 *gas ratepayers correctly reflects the level of need as determined*  
19 *by the needs assessment conducted pursuant to subdivision (d) of*  
20 *Section 382.*

21 ~~(b)~~

22 *(c) The commission shall work with electrical and gas*  
23 *corporations to establish penetration goals. The commission shall*  
24 *authorize recovery of all administrative costs associated with the*  
25 *implementation of the CARE program that the commission*  
26 *determines to be reasonable, through a balancing account*  
27 *mechanism. Administrative costs shall include, but are not limited*  
28 *to, outreach, marketing, regulatory compliance, certification and*  
29 *verification, billing, measurement and evaluation, and capital*  
30 *improvements and upgrades to communications and processing*  
31 *equipment.*

32 ~~(e)~~

33 *(d) The commission shall examine methods to improve CARE*  
34 *enrollment and participation. This examination shall include, but*  
35 *need not be limited to, comparing information from CARE and*  
36 *the Universal Lifeline Telephone Service (ULTS) to determine*  
37 *the most effective means of utilizing that information to increase*  
38 *CARE enrollment, automatic enrollment of ULTS customers who*

1 are eligible for the CARE program, customer privacy issues, and  
2 alternative mechanisms for outreach to potential enrollees. The  
3 commission shall ensure that a customer consents prior to  
4 enrollment. The commission shall consult with interested parties,  
5 including ULTS providers, to develop the best methods of  
6 informing ULTS customers about other available low-income  
7 programs, as well as the best mechanism for telephone providers  
8 to recover reasonable costs incurred pursuant to this section.

9 ~~(d)~~

10 (e) (1) The commission shall improve the CARE application  
11 process by cooperating with other entities and representatives of  
12 California government, including the California Health and Human  
13 Services Agency and the Secretary of California Health and Human  
14 Services, to ensure that all gas and electric customers eligible for  
15 public assistance programs in California that reside within the  
16 service territory of an electrical corporation or gas corporation,  
17 are enrolled in the CARE program. To the extent practicable, the  
18 commission shall develop a CARE application process using the  
19 existing ULTS application process as a model. The commission  
20 shall work with public utility electrical and gas corporations and  
21 the Low-Income Oversight Board established in Section 382.1 to  
22 meet the low-income objectives in this section.

23 (2) The commission shall ensure that an electrical corporation  
24 or gas corporation with a commission-approved program to provide  
25 discounts based upon economic need in addition to the CARE  
26 program, including a Family Electric Rate Assistance program,  
27 utilize a single application form, to enable an applicant to  
28 alternatively apply for any assistance program for which the  
29 applicant may be eligible. It is the intent of the Legislature to allow  
30 applicants under one program, that may not be eligible under that  
31 program, but that may be eligible under an alternative assistance  
32 program based upon economic need, to complete a single  
33 application for any commission-approved assistance program  
34 offered by the public utility.

35 (f) *It is the intent of the Legislature that the commission ensure*  
36 *CARE program participants receive affordable electric and gas*  
37 *service that does not impose an unfair economic burden on those*  
38 *participants.*

39 ~~(e)~~

1 (g) The commission's program of assistance to low-income  
2 electric and gas customers shall, as soon as practicable, include  
3 nonprofit group living facilities specified by the commission, if  
4 the commission finds that the residents in these facilities  
5 substantially meet the commission's low-income eligibility  
6 requirements and there is a feasible process for certifying that the  
7 assistance shall be used for the direct benefit, such as improved  
8 quality of care or improved food service, of the low-income  
9 residents in the facilities. The commission shall authorize utilities  
10 to offer discounts to eligible facilities licensed or permitted by  
11 appropriate state or local agencies, and to facilities, including  
12 women's shelters, hospices, and homeless shelters, that may not  
13 have a license or permit but provide other proof satisfactory to the  
14 utility that they are eligible to participate in the program.

15 (f)

16 (h) (1) In addition to existing assessments of eligibility, an  
17 electrical corporation may require proof of income eligibility for  
18 those CARE program participants whose electricity usage, in any  
19 monthly or other billing period, exceeds 400 percent of baseline  
20 usage. The authority of an electrical corporation to require proof  
21 of income eligibility is not limited by the means by which the  
22 CARE program participant enrolled in the program, including if  
23 the participant was automatically enrolled in the CARE program  
24 because of participation in a governmental assistance program. If  
25 a CARE program participant's electricity usage exceeds 400  
26 percent of baseline usage, the electrical corporation may require  
27 the CARE program participant to participate in the Energy Savings  
28 Assistance Program (ESAP), which includes a residential energy  
29 assessment, in order to provide the CARE program participant  
30 with information and assistance in reducing his or her energy usage.  
31 Continued participation in the CARE program may be conditioned  
32 upon the CARE program participant agreeing to participate in  
33 ESAP within 45 days of notice being given by the electrical  
34 corporation pursuant to this paragraph. The electrical corporation  
35 may require the CARE program participant to notify the utility of  
36 whether the residence is rented, and if so, a means by which to  
37 contact the landlord, and the electrical corporation may share any  
38 evaluation and recommendation relative to the residential structure  
39 that is made as part of an energy assessment, with the landlord of  
40 the CARE program participant. Requirements imposed pursuant

1 to this paragraph shall be consistent with procedures adopted by  
2 the commission.

3 (2) If a CARE program participant's electricity usage exceeds  
4 600 percent of baseline usage, the electrical corporation shall  
5 require the CARE program participant to participate in ESAP,  
6 which includes a residential energy assessment, in order to provide  
7 the CARE program participant with information and assistance in  
8 reducing his or her energy usage. Continued participation in the  
9 CARE program shall be conditioned upon the CARE program  
10 participant agreeing to participate in ESAP within 45 days of a  
11 notice made by the electrical corporation pursuant to this paragraph.  
12 The electrical corporation may require the CARE program  
13 participant to notify the utility of whether the residence is rented,  
14 and if so, a means by which to contact the landlord, and the  
15 electrical corporation may share any evaluation and  
16 recommendation relative to the residential structure that is made  
17 as part of an energy assessment, with the landlord of the CARE  
18 program participant. Following the completion of the energy  
19 assessment, if the CARE program participant's electricity usage  
20 continues to exceed 600 percent of baseline usage, the electrical  
21 corporation may remove the CARE program participant from the  
22 program if the removal is consistent with procedures adopted by  
23 the commission. Nothing in this paragraph shall prevent a CARE  
24 program participant with electricity usage exceeding 600 percent  
25 of baseline usage from participating in an appeals process with the  
26 electrical corporation to determine whether the participant's usage  
27 levels are legitimate.

28 (3) A CARE program participant in a rental residence shall not  
29 be removed from the program in situations where the landlord is  
30 nonresponsive when contacted by the electrical corporation or  
31 does not provide for ESAP participation.

32 SEC. 2. Section 739.9 of the Public Utilities Code is repealed.

33 SEC. 3. Section 739.9 is added to the Public Utilities Code, to  
34 read:

35 739.9. (a) In approving changes to the rates and charges to  
36 residential customers for electricity usage pursuant to this part, the  
37 commission shall determine that the changes are reasonable,  
38 including determining that the changes are necessary in order to  
39 ensure that the rates and charges paid by residential customers are  
40 fair, equitable, and reflect the costs to serve those customers.

1 (b) In approving any changes to the rates and charges to  
2 residential customers for electricity usage pursuant to this part, the  
3 commission shall ~~consider~~ *ensure that the rates are consistent with*  
4 the following principles:

5 ~~(1) Low income and medical baseline customers should have~~  
6 ~~access to a supply of electricity that is sufficient to ensure basic~~  
7 ~~needs at an affordable cost, including a reasonable implementation~~  
8 ~~schedule for changes in rates to ensure that the implementation of~~  
9 ~~rate changes to residential customers do not unfairly burden low~~  
10 ~~income customers and that sufficient outreach and education is~~  
11 ~~provided to the customers affected by the changes.~~

12 ~~(2) Rates should be based on marginal cost and cost causation.~~

13 ~~(3) Rates should encourage conservation and energy efficiency,~~  
14 ~~including reduction of both coincident and noncoincident peak~~  
15 ~~demand.~~

16 ~~(4) Rates should be understandable to consumers and provide~~  
17 ~~stability, simplicity, and customer choice.~~

18 ~~(5) Rates should avoid cross-subsidies, unless the cross-subsidies~~  
19 ~~are reasonable, transparent to customers, and support explicit state~~  
20 ~~residential electricity policy goals.~~

21 *(1) Low-income and medical baseline customers should have*  
22 *access to enough electricity to ensure that basic needs, such as*  
23 *health and comfort, are met at an affordable cost.*

24 *(2) Rates should be based on marginal costs.*

25 *(3) Rates should be based on cost-causation principles.*

26 *(4) Rates should encourage conservation and energy efficiency.*

27 *(5) Rates should encourage the reduction of both coincident*  
28 *and noncoincident peak demand.*

29 *(6) Rates should be stable and understandable and provide*  
30 *customer choice.*

31 *(7) Rates should generally avoid cross-subsidies, unless a*  
32 *cross-subsidy appropriately supports explicit state policy goals.*

33 *(8) Incentives should be explicit and transparent.*

34 *(9) Rates should encourage economically efficient*  
35 *decisionmaking.*

36 *(10) Transitions to new rate structures should be accompanied*  
37 *by customer education and outreach that enhances customer*  
38 *understanding and acceptance of the new rates, and should*  
39 *minimize and appropriately consider the bill impacts on customers*  
40 *associated with the transition.*

1 (c) By no later than January 31, 2014, the commission shall  
2 report to the Legislature its findings and recommendations relating  
3 to tiered residential electric service rates pursuant to its Order  
4 Instituting Rulemaking in Rulemaking 12-06-013.

O