

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing Post-2003 Low-Income Assistance Programs.	R.04-01-006
And Related Matters.	A.05-06-005 A.05-06-009 A.05-06-012 A.05-06-013

COMMENTS OF THE UTILITY REFORM NETWORK, UTILITY CONSUMERS' ACTION NETWORK, GREENLINING INSTITUTE, LATINO ISSUES FORUM, AND DISABILITY RIGHTS ADVOCATES PRESENTING PROPOSALS FOR REDUCING BILL IMPACTS ASSOCIATED WITH HIGH NATURAL GAS PRICES THIS WINTER

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I. Introduction

Even before Hurricanes Katrina and Rita, natural gas market prices were at levels far higher than they have been in the past. While the hurricanes have exacerbated this problem, they have also drawn much-needed attention to the likelihood that consumers will face unexpected hardship this winter as their natural gas consumption climbs. In response, the Commission has expressed its intention to mitigate the impact of the current and near-term natural gas price spikes on consumers, particularly low-income consumers. The urgency of prompt Commission ameliorative action can not be overstated; these same consumers will likely also face higher electricity prices due to the natural gas component of electricity costs, as well as high gasoline prices.

On September 13, 2005, the Commission issued its "Notice of October 6, 2005 Full Panel Hearing in Los Angeles" (Notice) in the instant proceeding. The Commission explained that it "will explore a full range of actions that the utilities, regulators, and individual consumers can undertake to reduce the impact of the higher costs" with input from the utilities and consumer and community groups at the hearing. (Notice, p. 2). The Commission also directed the utilities to provide the Commission with proposals for reducing bill impacts for low-income customers during the coming months in comments filed in this docket by September 28, 2005, before discussing these proposals at the full panel hearing. (Id.).

In order to immediately assist the Commission in its consideration of how best to shield ratepayers from sky-rocketing natural gas prices in the upcoming months, The Utility Reform

Network (TURN), Utility Consumers' Action Network (UCAN), Greenlining Institute (Greenlining), Latino Issues Forum (LIF), and Disability Rights Advocates (DRA) have developed a set of recommendations that we believe will further the Commission's goals. These recommendations appear in Section II below. While we may individually present additional recommendations during the full panel hearing, it is our hope that we will encourage better focused discussions of these issues at the hearing by jointly filing an initial list of consumer proposals concurrent with the utility filings today.

II. Recommendations For Mitigating the Impact of Natural Gas Price Spikes This Fall and Winter

To best mitigate the impacts of natural gas price spikes on consumers, we strongly encourage the Commission to utilize both ratemaking and targeted energy efficiency, education and outreach tactics, similar to the dual approach taken by the Commission and Legislature during the Energy Crisis of 2000-2001. Specific recommendations in each of these categories are presented below.

A. Directly Limiting the Impact on Residential and Small Business Customers

The Commission should take or direct the utilities to take the following actions to mitigate the bill impacts associated with high natural gas prices in the upcoming months.

- Freeze rates for residential customers eligible for the CARE or FERA programs, with any resulting revenue shortfall allocated consistent with the allocation of the CARE and FERA discounts among all customer classes.

- For all other residential customers, as well as small business customers, cap natural gas rates at 20% above current rates. Any revenue shortfall from this cap should be tracked, with future recovery allowed in a manner consistent with the recovery SDG&E achieved under AB 265 and the Commission decisions adopted in late 2000 and thereafter to implement that bill. [Because SDG&E had ended its rate freeze in 1999, before the price run-up in late 2000, its ratepayers bore the full brunt of price increases until the Legislature stepped in and directed the CPUC to cap rates, and to allow SDG&E to collect at a later point in time any costs it incurred that were unrecoverable under the capped rates.]
- Freeze executive compensation as it relates to bonuses and stock options during this crisis, with any resulting savings used to offset any undercollection resulting from the 20% natural gas rate increase cap and CARE and FERA rate freezes. Such a temporary freeze on these kinds of executive compensation expenditures would demonstrate the utilities' commitment to collectively shouldering with ratepayers the cost burdens of this devastating crisis.
- Declare a moratorium on energy utility service cut-offs for delinquent bills where the customer is making at least partial payments in excess of 50% of the amount billed each month. A moratorium in the face of a cold weather snap, as PG&E already has in place, is inadequate – gas bills could be astronomically higher even in the face of a relatively mild winter.
- Encourage reduced consumption by creating a third tier for residential baseline rates, so that consumption above a certain amount of therms (perhaps 130% of baseline, to be consistent with AB 1X and electric rates) faces a higher rate than the current second tier rate. CARE and

FERA customers should be excluded from application of a third tier and instead pay second tier rates for what would otherwise be third tier usage.

- Direct the utilities to accelerate the implementation of residential and small business conservation and energy efficiency programs to the extent feasible, including making 2006 budgets available for installations in 2005 with savings credited towards 2006 goals. We recognize and greatly appreciate the Commission's foresight in recently authorizing such practices in the non-low-income energy efficiency context in D.05-09-043. (D.05-09-043, *mimeo*, pp. 153-154; Ordering Paragraph 6). Similar practices should also be authorized where feasible in the low-income energy efficiency program. Additionally, the Commission should consider encouraging new solar water heating installations to be completed prior to the beginning of the winter period, as well as revamping of aged existing solar water heaters that may not currently be in use. These steps may be among the most cost-effective approaches to reducing natural gas usage for homes with gas water heaters.
- Examine the existing medical baseline program for natural gas to determine if it provides a sufficient allowance for people with medical conditions who cannot reduce the temperature in their homes. If necessary, expand the allowance for natural gas that is eligible for medical baseline rates. Ensure that the application process for the medical baseline program is accessible and standard for all utilities in California.
- To the extent that natural gas costs will affect ratepayer costs for electricity, examine the existing medical baseline program for electricity and expand the allowance if necessary.

B. Reaching Consumers Through Education and Outreach

The Commission should additionally adopt the following approaches to addressing the natural gas price crisis.

- Require a bill insert or separate mailing to all residential and small business customers that avoids the usual utility-speak or regulatory-speak in favor of a very plainly presented statement that bills are going up and consumers need to take all necessary steps to protect themselves. The material should emphasize the availability of the CARE and FERA discounts and low-income conservation and energy efficiency programs, and urge all customers to take steps to reduce their consumption.
- Emphasize efforts targeting information to low-income and non-English-speaking communities, and direct the utilities to work with organizations active in those communities to achieve the most efficient and effective outreach.
- Amplify and focus the “Flex Your Power” media campaign on these issues, with emphasis on radio and TV public service announcements in multiple language media outlets, similar to the efforts made during the deregulation crisis of 2000/01.
- Educate consumers about the existence of the medical baseline program for natural gas and electricity through the same methods as suggested for other programs, as well as targeted outreach to CBOs that work with people with disabilities, such as independent living centers, located throughout California.

- Treat utility proposals to close local offices in the near term with close scrutiny.¹ We urge that no offices be closed while the natural gas pricing crisis continues unless it is demonstrated that the utility at issue has moved close to the 100% CARE participation rate and that its energy conservation programs directed at the poor are demonstrated to be successful. Similarly, we strongly recommend that all utility local outlets, including the more than 300 commercial enterprises they have contracts with, be given special training immediately regarding the availability of rate assistance programs, including the ability to sign people up for the CARE, FERA, and medical baseline programs and educate them about the mandatory recertification processes. Likewise, these outlets should be well versed in assisting customers with sources of financial assistance and utility payment plans, increasingly necessary in light of sky rocketing natural gas prices.

III. Conclusion

The foregoing consumer protections would significantly lessen the impact of the natural gas price spikes and could help prevent a crisis in California wherein record numbers of our most financially vulnerable consumers face service termination because they simply cannot pay their utility bills. Accordingly, we respectfully urge the Commission to adopt these reasonable and protective measures to reduce and mitigate the immediate cost burdens upon the utilities and their customers. We look forward to discussing these proposals among others in Los Angeles on October 6th and are eager to assist the Commission in crafting solutions to this most unfortunate situation that will afford consumers with meaningful and essential protections this winter.

¹ For example, PG&E has expressed its desire in its upcoming 2007 Test Year GRC to close up to 84 local offices.

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Respectfully submitted,

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