Date of Hearing: June 19, 2024

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
SB 1130 (Bradford) – As Introduced February 13, 2024

**SENATE VOTE**: 35-3

**SUBJECT**: Electricity: Family Electric Rate Assistance: reports

**SUMMARY:** Expands eligibility for the Family Electric Rate Assistance (FERA) discount program by eliminating the requirement that a household consist of 3 or more persons, and requires electrical corporations to make specified reporting about enrollment in the program.

Specifically, **this bill**:

1) Expands eligibility for the FERA program by eliminating the requirement that a household consist of three or more members.

2) Requires the California Public Utilities Commission (CPUC), by March 1, 2025, and each subsequent year, to require the state's three largest electrical corporations to report on their efforts to enroll customers in the FERA program.

3) Requires the CPUC, by June 1, 2025, and each subsequent year, to review each electrical corporation's report to ensure it has sufficiently enrolled eligible households in the FERA program commensurate with the proportion of households the CPUC determines to be eligible within the electrical corporation's service territory.

4) Requires the CPUC, if in its review of the report determines an electrical corporation has not sufficiently enrolled eligible households in the FERA program, to require the electrical corporation to develop a strategy and plan to sufficiently enroll eligible households within three years of the adoption of the strategy and plan.

**EXISTING LAW**:

1) Establishes and vests the CPUC with regulatory authority over public utilities, including electrical corporations. Authorizes the CPUC to fix the rates and charges for every public utility. (Article XII of the California Constitution)

2) Requires the CPUC to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures. (Public Utilities Code § 382)

3) Requires the CPUC to require each electrical corporation to identify a separate rate component to collect the revenues used to fund certain programs. (Public Utilities Code § 381)

4) Authorizes the CPUC to establish fixed charges for any rate schedule applicable to a residential customer account, and is required, no later than July 1, 2024, to authorize a fixed charge for default residential rates. Requires these fixed charges to be established on an income-graduated basis, with no fewer than three income thresholds, so that low-

income ratepayers in each baseline territory would realize a lower average monthly bill without making any changes in usage. (Public Utilities Code § 739.9(e))

5) Mandates each electric and gas investor-owned utility (IOU) to develop and implement a rate assistance program at a fixed percentage to eligible food banks, as specified. (Public Utilities Code § 739.3)

6) Creates a charge on electricity and natural gas consumption to fund cost-effective energy efficiency and conservation activities. (Public Utilities Code §§ 381, 890, and 1615)

7) Requires the CPUC to continue the California Alternative Rates for Energy (CARE) program to provide assistance to low-income electric and gas customers with annual household incomes that are no greater than 200% of the federal poverty guideline levels, and excludes any fixed charge from the discount. (Public Utilities Code § 739.1)

8) Establishes the FERA program, a program of assistance to low-income residential customers of the state's three largest IOUs whose household income ranges between 200% and 250% of the federal poverty guidelines, slightly exceeding the CARE allowance. Requires the FERA program discount to be an 18% line-item discount applied to an eligible customer's bill calculated at the applicable rate for the billing period. (Public Utilities Code § 739.12)

9) Requires the CPUC to prepare a written report on the costs of programs and activities conducted by the four major electric and gas companies regulated by the CPUC. (Public Utilities Code § 913.1)

**FISCAL EFFECT**: According to the Senate Committee Appropriations one-time costs of $750,000 spread over three years and ongoing costs of $210,000 annually in ratepayer funds are anticipated for the CPUC to review reports on program enrollment, establish enrollment targets, work with electrical corporations on meeting those targets, and determine if targets have been met. The Committee also notes potential ongoing costs to the state of an unknown amount, given that the state is also an electric utility ratepayer and will pay increased charges as a result of this legislation.

**BACKGROUND:**

*California's High Electricity Rates* – In recent years, many Californians have experienced record high electric and natural gas bills. A recent report by the University of California, Berkeley's Energy Institute at Haas and NEXT 10 found that California's high electric rates are roughly two to three times the costs it takes to produce electricity.[1] This misalignment between price and costs may confuse many customers, as the costs imbedded in an electric bill grow more removed from the cost of delivering the electricity, and any effort by an individual to reduce consumption might bear little change to their billing. These trends show no indication of slowing down. About

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[1] Pg 4, Borenstein, S., Fowlie, M., and Sallee, J., "Designing Electricity Rates for an Equitable Energy Transition," *Energy Institute at Haas* working paper WP 314, February 2021.

2.4 million customers of California's three largest utilities are behind on their bills, accounting for approximately $1.8 billion in energy debt.[2]

*Low-Income Affordability Programs: CARE and FERA* – California Alternate Rates for Energy (CARE) Program was established by the California Legislature in 1989 to provide financial assistance to low-income residential gas and electric customers to help them afford essential utility services.[3] Eligibility for participation is set at 200% or less of Federal Poverty Guidelines (FPG). The CARE discount and income eligibility threshold are set by statute. AB 327 (Perea, Chapter 611, Statutes of 2013) restructured the rate design for residential electric customers, including directing the CPUC to adopt a fixed charge of no more than $5 for CARE customers.

The set rates provide a discount between 30-35% to eligible customers of electrical corporations with 100,000 or more customer accounts. Electrical corporations with fewer than 100,000 customer accounts offer a 20% discount. CARE enrollment participation rates are generally in the 80% or more of the eligible population for most of the energy utilities. Program customers may also be eligible for CARE if they are enrolled in public assistance programs such as Medicaid/Medi-Cal, Food Stamps/SNAP, Low Income Home Energy Assistance Program (LIHEAP), Supplemental Security Income (SSI), among others.[4] In 2022, the program provided an estimated $2.1 billion in annual subsidies and served about five million low-income customers statewide.[5] The cost of the CARE program is spread across multiple classes of customers.

*Qualifications for households as shown in **Figure 1*** – If the total household income is at or below the income limits below, a household is eligible for the CARE program. The income limits are effective through May 31, 2025.[6]

| **CARE Income Guidelines** | |
|---|---|
| Household Size | Income Eligibility Upper Limit |
| 1-2 | $40,880 |
| 3 | $51,640 |
| 4 | $62,400 |
| 5 | $73,160 |

These income limits may be adjusted each year depending on inflation.

The FERA program was established by a CPUC decision in 2004 as the Lower Middle Income Large Household program for families of three or more persons.[7] FERA is funded by a statutory

[2] November 2023 Disconnection Settlement Monthly Reports of PG&E, Southern California Edison, and SDG&E (R.18-07-005).
[3] CPUC Energy Division- Power Point Presentation, "California Alternate Rates for Energy (CARE) & Low Income Affordability Metrics"; January 22, 2019
[4] CPUC, "CARE/FERA"; https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program
[5] Some customers are enrolled in more than one program, for example SCE for electricity and SoCalGas for natural gas. Source: 2022 Investor-Owned Utility ESA-CARE Monthly Reports, posted to Docket A.19-11-003.
[6] CPUC; "CARE/FERA Program." https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program

"public purpose program surcharge[8]" that appears on utility bills. FERA offers an 18% discount on electric bills if household income slightly exceeds CARE allowances (up to 250% of federal poverty). FERA is an effort to help families who may have incomes that are just above the income eligibility for CARE, but who likely still experience hardships paying their utility bills. While these programs provide a helpful bill discount, they do not guarantee an affordable bill.[9] Moreover, the costs of the CARE and FERA subsidies are borne by all other utility customers, increasing the costs to non-participating ratepayers both residential and non-residential. FERA was codified in statute in 2018 by SB 1135 (Bradford, Chapter 413). When a customer applies for CARE with an income that instead qualifies them for FERA, they are automatically enrolled in the appropriate program.

*Qualifications for households as shown in **Figure 1*** – The 250% of Federal Poverty Guidelines is illustrated below. The Income limits are effective through May 31, 2025[10]

| **FERA Income Guidelines** | |
|---|---|
| Household Size | Income Eligibility Upper Limit |
| 3 | $64,550 |
| 4 | $78,000 |
| 5 | $91,450 |
| 6 | $104,900 |

*FERA Participation Rates* — Unlike CARE, FERA enrollment participation rates are low across all three large IOUs. According to the CPUC, at the end of 2023, approximately 79,160 households were enrolled in FERA out of an estimated 430,450 eligible households. Investor-owned utilities (IOUs) did not meet the 50% enrollment goal by 2023 and are exploring ways to increase program enrollment.[11] *As demonstrated in **Figure 1*** – Based on the reports submitted to the CPUC in April 2023, estimated enrollment participation rates for the FERA program ranged from 11.7 to 28% among the three IOUs.

| **Enrollment in FERA (Estimated as of December 31, 2022 Source: Athens Research submitted to IOUs March 16, 2023, filed at the CPUC in April 2023 as part of A. 1911003. Attachment C.** | | | |
|---|---|---|---|
| Utility | Total Enrollments FERA | Total Eligible for FERA | Participation Rate |
| PG& E | 36,652 | 163,489 | 22.4% |
| SCE | 26,112 | 223,982 | 11.7% |
| SDG&E | 12,035 | 42,980 | 28.0% |

[7] CPUC; Pg 54; "AB 67 Report" April 2024
[8] These charges are assessed on the amount of electricity used
[9] Households enrolled in CARE receive a 30-35% discount on their electric bill and a 20% discount on their natural gas bill. Households enrolled in FERA receive an 18% discount on electric bills.
https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program
[10] CPUC; "CARE/FERA Program." https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program
[11] CPUC; Pg 60; "AB 67 Report" April 2024

**COMMENTS**:

1) *Author's Statement.* According to the author, "California customers with qualifying incomes can receive energy utility bill assistance, under two key programs: CARE, the California Alternate Rates for Energy program, and FERA, the Family Electric Rate Assistance program. FERA is an effort to help families that might have incomes that are just above the income eligibility for CARE. Based on reports sent to the California Public Utilities Commission in 2023, enrollment in the CARE program was over 100% for both Pacific Gas & Electric and San Diego Gas & Electric and 91% for Southern California Edison. In contrast, PG&E estimated FERA enrollment in its service territory at 23%. In the same year, SDG&E and SCE reported their enrollment rates at 24% and 14% respectively. SB 1130 would fill this gap by expanding the eligibility criteria for the FERA Program and requiring the state's three largest investor-owned utilities to report on their efforts to enroll customers in the program."

2) *Uncertainty Remains*. There is broad consensus that rate increases will continue as California utilities continue to navigate through innumerable challenges arising from projected growth on the demand-side, electricity rates, and the effects of climate change among others. This has been reflected in discussion in multiple oversight hearings held by this Committee recently and the last few years. While numerous efforts have been underway in attempt to address high electric and gas bills, uncertainly remains on how to best ease energy costs and manage longer-term energy bill impacts, particularly for the most vulnerable, as California transitions to a clean energy future.

3) *Purpose of the Bill.* The FERA program only serves customers of the three large electric IOUs in households with three or more customers whose income falls under 250% of the federal poverty guidelines. This bill proposes to expand the eligibility for the FERA program to allow households with fewer than three members to participate in the program. By expanding the FERA program more customers will be able to participate in rate relief programs. The author motivates the need for the FERA expansion by noting the low participation rates in FERA to date. However, expanding program eligibility to more customers is unlikely to improve the low participation rates of the already eligible population. The IOUs may equally struggle to reach the expanded customer pool, made eligible by this measure, if more intentional program reforms or targeted outreach are not simultaneously conducted.

4) *Impacts of the Bill.* The CARE and FERA discounts are offered as a percentage of the customer's total bill, therefore as utility bills increase so do the costs associated with the CARE and FERA programs. In fact, the CPUC reports CARE program costs have been the primary driver of increases within the Public Purpose Program portion of the electric bill over the past few years.[12] By expanding the eligibility for the FERA program, as this bill provides, the costs to non-CARE and non-FERA customers may increase as the discount provided must be recovered from all other customers. However, given the low

[12] CPUC AB 67 2022 California Electric and Gas Utility Costs Report, pg. 6; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2023/2022-ab-67-report.pdf

FERA participation rates to date, it is unclear how much of an impact or cost this measure might have.

5) *Related Legislation.*

AB 1999 (Irwin) Revokes, on July 1, 2028, the income-graduated fixed charge for electric IOU residential customers recently adopted by the CPUC, and replaces it with prior statutory language capping the fixed charge at $5 for CARE discounted customers and $10 for everyone else. Status: Failed passage – Assembly Committee on Appropriations

SB 1292 (Bradford) requires a report on learnings and challenges of the first phase of the CPUC's adoption of income-graduated fixed charges and prohibits adoption of a second phase until after the report is provided. Status: *set for hearing* in this committee on July 1, 2024.

SB 1326 (Jones) repeals the provisions adopted in AB 205 which authorize an income-graduated fixed charge in electric IOU rates, replaces with the language that existed prior which capped fixed charges. Status: *failed passage* in the Senate Committee on Energy, Utilities, and Communications on a 4-0-14 vote; granted reconsideration.

6) *Prior Legislation*

AB 982 (Villapudua, 2023) eliminated from electric IOU rates the costs of various programs, including utility bill discount programs for low-income customers, and instead established a Public Utilities Public Purpose Programs Fund in the State Treasury to fund the programs. Status: Died – the Assembly Committee on Appropriations.

AB 2765 (Santiago, 2022) largely the same as AB 982 (Villapudua, 2023). Status: Died – the Assembly Committee on Appropriations.

SB 756 (Hueso) defined, beginning July 1, 2022, "low-income customers" for the purposes of eligibility for the ESA program to mean low-income persons or families with household income at or below 250 percent of federal poverty level. Status: Chapter 248, Statutes of 2021

AB 205 (Committee on Budget) among its provisions, repealed the $10 fixed charge cap for residential electric IOU customers. Authorized the CPUC to use fixed charges for any rate schedule for residential customers, as specified. The bill required the fixed charge to be established on an income-graduated basis with no fewer than three income thresholds, such that a low-income ratepayer would realize a lower average monthly bill without making any changes in usage, as specified. Status: Chapter 61, Statutes of 2022.

SB 1135 (Bradford) 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. Status: Chapter 413, Statutes of 2018

AB 327 (Perea) among its provisions, included language authorizing fixed charges for electric IOU rates, but capped the fixed charge to $10 per month for residential non-CARE customers, and $5 per month for CARE customers. Status: Chapter 611, Statutes of 2013.

**REGISTERED SUPPORT / OPPOSITION**:

**Support**

AARP
Ava Community Energy Authority
California Community Choice Association
California Solar & Storage Association
Clean Power Alliance of Southern California
Greenlining Institute; the
Marin Clean Energy (MCE)
Peninsula Clean Energy
San Jose Clean Energy
Sonoma Clean Power
The Utility Reform Network (TURN)
Western Center on Law & Poverty

**Opposition**

None on file.

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