Date of Hearing: July 1, 2024

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
SB 1142 (Menjivar) – As Amended April 29, 2024

SENATE VOTE: 30-8

SUBJECT: Electrical and gas corporations: termination of services

SUMMARY: Proposes policies related to disconnection of electric and gas utility service, including requiring the California Public Utilities Commission (CPUC), on or before July 1, 2025, to determine whether to direct electrical and gas corporations to take into account a customer's ability to pay before terminating or reconnecting services. Specifically, **this bill**:

1) Requires an electrical or gas corporation to restore service to a residential customer whose service was previously terminated for nonpayment of delinquent amounts upon the customer entering into an amortization agreement to the extent authorized by CPUC rules.

2) Requires the reconnection of residential customer service to occur within 24 hours of the payment as authorized pursuant to CPUC rules.

3) Requires the CPUC, on or before July 1, 2025, to determine whether to direct electrical and gas corporations to take into account a customer's ability to pay before terminating or reconnecting services, including whether to limit the amount an electrical corporation can collect up to 20% of the customer's outstanding balance, as authorized for gas corporation customers.

4) Requires the CPUC to consider the impacts to nonparticipating customers to inform the determinations.

EXISTING LAW:

1) 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))

2) 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)

3) 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 California Alternate Rates for Energy (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; and (c) advise residential customers about enrollment in the levelizing payment program in conjunction with completion of payment arrangements. (Public Utilities Code § 739.4)

4) 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 for specified conditions, including when it is life threatening to the customer. (Public Utilities Code § 779)

5) 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)

FISCAL EFFECT: According to the Senate Committee on Appropriations, this bill may result in costs of about $748,000 annually to the CPUC.

BACKGROUND:

Energy Affordability in Focus – In January 2024, the U.S. Census Bureau conducted a Household Pulse Survey to quickly collect data on emergent social and economic issues throughout the nation, with data disseminated in near real-time to inform policy actions. The Survey found roughly a quarter of Californians report being “unable to pay energy bills.”[1] This mirrors findings from the Public Advocates Office (PAO) that showed as of November 2023, roughly 22% of Pacific Gas and Electric (PG&E) customers and roughly 26% of San Diego Gas and Electric (SDG&E) customers were in arrears, with the average amount owed $550 and $737, respectively.[2] Across all three investor-owned utilities (IOUs), rates have increased since 2013.[3] According to an analysis by PAO, the primary drivers for these cost increases arise from wildfire mitigation work, transmission and distribution investments, and rooftop solar incentives.[4] A recent report by the State Auditor had similar findings.[5]

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[1] ~26% of Californians; U.S. Census Bureau, Household Pulse Survey, Phase 4.0, https://www.census.gov/data-tools/demo/hhp/#/?measures=ENERGYBILL&s_state=00006&periodSelector=

[2] Inclusive of both electric and natural gas customers; pg. 4; PAO slidedeck “Q4 2023 Electric Rates Report;” January 19, 2024; https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/240119-caladvocates-q4-2023-quarterly-rate-report.pdf

[3] Bundled system average rate; by 37% for PG&E, 6% for SCE, and 48% for SDG&E. Pg. 7; “Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 913.1,” CPUC, February 2021.

[4] Slide 6, PAO slidedeck “Q4 2023 Electric Rates Report;” January 19, 2024; https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/240119-caladvocates-q4-2023-quarterly-rate-report.pdf

[5] State Auditor, 2023; *Ibid.*

While these rates are high, the actual electric bill the average residential and industrial customer pays is below the national average,[6] largely attributable to California's mild climate and strong commitment to energy efficiency. However, increases in customer electricity usage from greater home electrification, such as at-home electric vehicle charging, are beginning to buck decades of flat customer consumption trends. This represents a new era in electricity demand, one in which demand is growing significantly while the cost to serve that demand (the distribution system cost in particular) is also rapidly growing. What this means for individual consumers – especially those that electrify their house and vehicle – is higher and higher electricity bills.[7]

The projected growth in electricity costs over the next decade suggests that many Californian households may struggle with energy affordability. These high rates might make it more expensive for a business to produce goods, or might discourage adoption of electric vehicles or electric appliances. For customers most acutely impacted by changes to their electricity bills – such as low-income customers, customers in hot climate zones, medically vulnerable customers, or customers in public housing – these higher costs can have dire consequences. Failure to pay electricity bills and the resulting potential for disconnections can lead to critical medical equipment shutting off, the potential for heatstroke during a heatwave, or even the loss of custody of children to the State. Energy shutoffs in California increased by over 50% from 2010-2017.[8] During the first two years of the COVID-19 pandemic, disconnections were suspended; but as noted earlier, as of November 2023, roughly 22% of PG&E customers and roughly 26% of SDG&E customers are in arrears, with the average amount owed $550 and $737, respectively.[9] Given the critical role electricity plays in everyday life, having roughly 1 in 4 Californians electricity-insecure, or on the cusp of disconnection, is untenable.

Disconnections in electric and gas service – the process by an electrical or gas corporation of disconnecting service due to nonpayment 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. 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 low-income customers. Deposits have generally been twice the average monthly bill. Gas corporations are directed to collect up to 20% of customers' outstanding balance to reconnect service. In D. 20-06-003, the CPUC directed gas corporations to collect up to 20% of the customer's outstanding balance when a service worker is deployed to terminate service. The decisions requires gas

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[6] Data from the U.S. Energy Information Administration EIA-861 schedules 4A-D, EIA-861S and EIA-861U; https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf and https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_c.pdf

[7] However, collectively there is evidence that greater electrification leads to a reduction in system costs for all customers, due to a larger pool of customers or a subset of customers (e.g. electric vehicle owners) paying more to maintain the same infrastructure. See: Frost, J; et. al; "Electric Vehicles Are Driving Electric Rates Down;" Synapse Energy Economics, Inc., June 2020; https://www.synapse-energy.com/sites/default/files/EV_Impacts_June_2020_18-122.pdf

[8] TURN, "Living Without Power: Health Impacts of Utility Shutoffs in California," May 2018, http://www.turn.org/wp-content/uploads/2018/05/2018_TURN_Shut-Off-Report_FINAL.pdf

[9] Inclusive of both electric and natural gas customers; pg. 4; PAO slidedeck "Q4 2023 Electric Rates Report;" January 19, 2024; https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/240119-caladvocates-q4-2023-quarterly-rate-report.pdf

corporations to reconnect the service if the customer is willing to pay up to the 20% of the outstanding balance.

Prior to the COVID-19 pandemic, the number of utility disconnections due to nonpayment had been trending upwards among the four largest utilities: PG&E, 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."[10] According to the CPUC, these increases are not fully accounted for by the increase in customers over that timeframe.

In response to the rise of electric and gas utility disconnections due to nonpayment, the Legislature passed SB 598 (Hueso, Chapter 362, Statutes of 2017). 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. In July 2018, the CPUC opened a rulemaking to implement SB 598.[11] 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 that addressed bill impacts during the COVID-19 pandemic.

Utility bill assistance – There are several programs that provide eligible utility ratepayers with utility bill assistance, as well as programs that provide unique financing arrangements. Bill assistance programs include: a) CARE program which provides a discount of up to 35% reduction in utility bills to low-income ratepayers whose income falls below 200% of the federal poverty guidelines; b) FERA program for families whose household income slightly exceeds the CARE program eligibility, the program provides an 18% line-item discount on electric bills for households with three or more individuals whose income falls between 200-250% of federal poverty guidelines; c) medical baseline allowance requires utilities to provide additional allowance of electric or gas service for customers facing life-threatening conditions or on life support. 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.

Unique financing arrangements include the Arrearage Management Plans (AMPs) and the Percentage of Income Payment Plan (PIPP) pilots. The CPUC requires utilities to administer an AMP program that allows 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 in 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. AMP was extended to October 1,

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[10] CPUC *Electric and Gas Utility Customer Disconnections*. Memo by CPUC Policy & Planning Division, Q3 2016
[11] R. 18-07-005, *Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs*

2026. Afterwards, the CPUC will evaluate the program and consider whether to continue, terminate, or modify it.

The PIPP allows a participant to pay a predetermined affordable percentage of their monthly income toward their utility electricity or natural gas bill.[12] PIPP participants will receive a monthly bill cap for current charges set at 4% of their household's monthly income. 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. To the committee's knowledge, these pilots are ongoing.

COMMENTS:

1) *Author's Statement.* According to the author, "California is facing an energy insecurity crisis. With increasingly unaffordable rates and California Public Utilities Commission recently voting to further raise rates, the crisis will only get worse. Even with arrearage forgiveness, about 2.2 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 will direct the CPUC to consider additional customer protections for Californians who are behind on their electricity bills including whether to limit the IOUs from charging more than 20% in arrears for reconnecting service. These protections will help ensure that every IOU customer is treated equally when facing or recovering from potential disconnection."

2) *Need for the bill.* As noted above, the CPUC has adopted a number of policies and programs to help address utility disconnections and affordability. Despite these efforts, utility bill affordability continues to be a struggle for many customers. The need to provide relief for customers who struggle to pay utility bills is critical to supporting their health, safety, and comfort. However, there are costs inherent in such efforts, impacting eligible customers, non-participating customers, and the utility system overall. Such costs must be considered and delicately weighed. This bill appropriately recognizes this consideration by directing the CPUC to determine how best to address and manage arrearages, disconnections, amortization agreements, and equity amongst different customer groups, while still elevating the critical issue of customer access to affordable electric and gas service.

3) *Call it a Day.* 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, gas disconnections usually require a utility to deploy a representative to disconnect (and to reconnect) the service. This bill requires, to the extent authorized pursuant to CPUC rules, customer reconnections for both electric and gas service occur within 24 hours of a payment to reestablish service. In 2018, the CPUC reported

[12] D.21-10-012

reconnection rates within 24 hours for PG&E and SDG&E at 79% and SCE at 81%,[13] showing that in the vast majority of circumstances the 24 hour rule is achievable.

However, the IOUs have raised concern that in some situations, particularly where remote reconnection via smart meters cannot be deployed or in cases of extreme weather, the 24 hour rule is infeasible. While the language in this bill provides that the reconnection requirement is pursuant to CPUC rules, the IOUs are seeking express flexibility for these more unique circumstances. *As such, the committee recommends amending PUC § 779.6(b) to clarify that reconnection shall occur within 24 hours for remote reconnections, but within one business day for field reconnections (such as required for gas service), as well as providing an exception to these timelines in situations where safety may be compromised or extreme weather is a factor.*

4) *Previous Legislation.*

SB 598 (Hueso) 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. Status: Chapter 362, Statutes of 2017.

REGISTERED SUPPORT / OPPOSITION:

Support

California Environmental Voters (formerly CLCV)
Central Coast Energy Services
City of San Jose
Fire Accountability Infrastructure for Ratepayers (FAIR California)
Housing Action Coalition
Marin Clean Energy (MCE)
Our Voice: Communities for Quality Education
San Francisco Peninsula Energy Services
San Jose Clean Energy
San Jose; City of
The Utility Reform Network (TURN)

Opposition

Pacific Gas and Electric Company and Its Affiliated Entities
Southern California Gas Company
Southern California Edison

[13] Pg. 34, D.20-06-003

Neutral

San Diego Gas and Electric Company

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