

Date of Hearing: June 27, 2018

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Chris Holden, Chair

SB 1135 (Bradford) – As Amended June 20, 2018

SENATE VOTE: 32-4

SUBJECT: Electric service: rates: Family Electric Rate Assistance program

SUMMARY: This bill would codify and increase the Family Electric Rate Assistance (FERA) program, administered through the three largest electrical corporations (IOUs), from a 12 percent discount on electricity bills to an 18 percent line item discount on electricity bills. Specifically, **this bill:**

- 1) Defines FERA eligibility as households of three or more people with a total household annual gross income level between 200 and 250 percent of the federal poverty guideline level.
- 2) Requires the California Public Utilities Commission (CPUC) to authorize the IOUs to increase marketing and outreach efforts beyond those in effect as of December 31, 2018 to increase eligible customer participation in the FERA program.
- 3) Mandates IOU cost recovery for the costs reasonably incurred by implementing FERA through rates on a nonbypassable basis.

EXISTING LAW:

- 1) Establishes the California Alternate Rates for Energy (CARE) program for assistance to low-income electric and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels to ensure low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures. (Public Utilities Code§ 739.1)

FISCAL EFFECT: Unknown

BACKGROUND:

CPUC – In 2004, the CPUC initiated a proceeding to consider steps to make it easier for residential customers to afford their basic energy needs. The CPUC determined that a 20% discount on total energy bills and exemption from electric surcharges provided an appropriate level of assistance, through the California Alternative Rates for Energy (CARE) program, for low-income customers to reflect their level of need. In Phase 2, the CPUC evaluated the affordability of basic energy needs for other customers. The CPUC adopted a program for lower middle income households who are just above the CARE limit. Lower-middle income households were defined as households with a gross income level between 175% and 250% of the federal poverty threshold. The CPUC adopted this program for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E). The CPUC did not extend it to customers of the smaller electric utilities,

since upper tier rates are not as high and therefore customers do not appear to have a comparable need for rate relief.

CARE – Existing law requires the CPUC to establish the CARE program, which provides assistance to low-income electric and gas customers with annual household incomes less than 200 percent of federal poverty guideline levels.

Family Electric Rate Assistance (FERA) – Families whose household income exceeds the CARE allowance (up to 250 percent of federal poverty) will qualify to receive FERA discounts. Currently, FERA applies a 12 percent discount to customers of Southern California Edison (SCE), San Diego Gas and Electric Company (SDG&E), and Pacific Gas & Electric Company (PG&E). This bill would increase the FERA program discount for eligible customers to 18 percent of their electricity bill.

FERA Income Limits (effective June 1, 2017 to May 31, 2018)	
Household	250% of Federal Poverty Guidelines
3	\$51,050
4	\$61,500
5	\$71,950
6	\$82,400
7	\$92,850
8	\$103,300
Each additional person	\$10,450

COMMENTS:

- 1) Author's Statement: According to the author's office, "SB 1135 moves the Family Electric Rate Assistance Program (FERA) into statute and increases the discount granted to participating families. Unfortunately, despite the important assistance that FERA can deliver to families and multi-tenant households, it is not a permanent program. Unlike its sister program, CARE, the California Alternate Rates for Energy program, which exists in California law, the FERA program could be modified or halted at any point by merely three members of the California Public Utilities Commission. SB 1135 will give valuable attention to FERA by making it a permanent regulatory program and increasing the discount low-income, working families receive from 12% to 18%."
- 2) Enrollment. Enrollment in the FERA program is extremely low compared with the amount of customers estimated to be eligible for the discount. This explains the author's desire to see an increase in marketing and outreach efforts to increase customer participation in the program.

Enrollment in FERA (as of 03/2018)			
Utility	Total Enrollments FERA	Total Eligible for FERA	Penetration rate
PG&E	26,938	169,219	16.00%
SCE	19,367	220,081	8.80%
SDG&E	7,932	44,204	18.00%
Totals	54,237	433,504	

- 3) Ratepayer Impacts. The FERA Program is paid for by a surcharge placed on non-CARE/FERA customers' bills. Therefore any increase in participation or increase in discount will increase non CARE/FERA customer bills.
- 4) Cost Recovery of Expenses. CPUC-regulated utilities routinely submit requests for cost recovery related to their operations, including expanding their infrastructure, paying for operation expenses, etc. Under current law the CPUC may only approve an IOU's request for cost recovery that is deemed just and reasonable. Review of utility expenses to ensure they are just and reasonable is the principle purpose of the CPUC's existence and the main task of the agency as an economic regulator. It is not necessary, nor is it recommended that legislation include mandatory cost recovery since the CPUC has full authority to approve just and reasonable expenses. *Therefore the committee might consider striking the provisions related to mandated cost recovery.*
- 5) Previous Legislation.

AB 327 (Perea, Chapter 611, Statutes of 2013) restructured the rate design for residential electric customers, including directing the CPUC to establish rates for the CARE program customers of the large IOUs. The set rates must effectively give a discount between 30 percent and 35 percent to eligible customers.

AB 2576 (De La Torre, Chapter 787, Statutes of 2006) required any electrical or natural gas corporation that provides discounts based on economic need to allow customers to apply for all such discounts on a single application form.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

Analysis Prepared by: Elle Hoxworth / U. & E. /