

Date of Hearing: April 17, 2024

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 2672 (Petrie-Norris) – As Amended April 8, 2024

**SUBJECT:** California Alternate Rates for Energy program: public housing authority owned or administered housing facilities

**SUMMARY:** Expands the California Alternate Rates for Energy (CARE) program to eligible low-income residents in housing owned or administered by public housing authorities.

**EXISTING LAW:**

- 1) Requires the California Public Utilities Commission (CPUC) to establish a program of assistance to low-income electricity and gas customers – including those residing in nonprofit group living facilities – with annual household incomes that are no greater than 200% of the federal poverty guidelines levels. This is known as the CARE program. (Public Utilities Code § 739.1)
- 2) Requires local publicly owned electric utilities (POUs) to establish a surcharge to fund investments in, among other things, services provided for low-income electricity customers, including but not limited to energy efficiency services, education, weatherization, and rate discounts. (Public Utilities Code § 385)
- 3) Requires the management of master-meter mobilehome parks, apartment buildings, or similar residential complexes, to provide annual notices to homeowners and residents about CARE and help homeowners and residents process CARE applications should they need it. Requires management to pass through the full amount of the CARE program discount and notice the discount in monthly utility billings to qualified customers. (Civil Code § 798.43.1)

**FISCAL EFFECT:** Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review.

**BACKGROUND:**

*The CARE program* – Now almost 25 years old, the CARE program is the primary existing state policy to help low-income customers of the state’s investor-owned utilities (IOUs) pay their electric and gas bills.<sup>1</sup> Households enrolled in CARE receive a 30-35% discount – 20% if the household is subscribed to an IOU with fewer than 100,000 customers – on their electric bill and a 20% discount on their natural gas bill.<sup>2</sup> CARE is funded through a rate surcharge paid by all other utility customers, both residential and non-residential. The spending on CARE has grown massively since its inception in 1998. At the beginning of 2001, the four largest utilities – Pacific

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<sup>1</sup> Public Utilities Code § 739.1

<sup>2</sup> CPUC; “California Alternate Rates for Energy (CARE)”; <https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/california-alternate-rates-for-energy>.

Gas and Electric (PG&E), San Diego Gas and Electric (SDG&E), Southern California Edison (SCE), and Southern California Gas Company (SoCal Gas) – spent about \$126 million on the program;<sup>3</sup> by the end of 2022, the utilities spent \$1.9 billion to help 4.5 million households.<sup>4</sup> In their May 2023 monthly reports, the IOUs cited penetration rates, or the percentage of eligible beneficiaries that are enrolled, between 90-112%, with a cumulative authorized program budget of over \$1.4 billion serving over 4.8 million customers.<sup>5</sup> The IOUs continue to engage in outreach to increase penetration rates of CARE today.<sup>6</sup>

CARE discounts typically apply to individual customers, and are applied at the customer meter. This helps to ensure qualifying customers directly receive the benefits of their discounts, rather than risk landlords claiming some or all of the credit for themselves. Such unscrupulous behavior in mobilehome parks prompted the Legislature to enact SB 920 (Dunn, Chapter 437, Statutes of 2001) in order to protect low-income residents in master-metered mobilehome parks who qualify for CARE, by mandating that park management must pass through the full amount of the monthly discount to the eligible resident, among other protections. Statute also provides another exception for nonprofit group living facilities, such as women’s shelters, hospices, and homeless shelters.<sup>7</sup> In those circumstances, the nonprofit is the utility customer and receives the CARE discount for the entire facility; the CARE-eligible residents do not receive a bill.

*Project Roomkey* – Project Roomkey began in April 2020 as a collaborative effort between the state, County of Los Angeles (LA), and the LA Homeless Services Authority to secure hotel and motel rooms for vulnerable people experiencing homelessness during the COVID-19 pandemic. By early May 2020, Roomkey had expanded to nearly 90% of California’s 58 counties and 300 hotels were participating in the initiative.<sup>8</sup> By December 2020, Roomkey had provided rooms to more than 22,000 people.<sup>9</sup> Though Roomkey was conceived as a short-term health and safety measure, the program was cited as a key factor for increasing the population of sheltered individuals experiencing homelessness and received program extensions and additional influxes of funding.<sup>10</sup>

*Project Homekey* – Building on the success of Roomkey, Project Homekey was launched in July 2020 to evolve Project Roomkey into a more permanent measure. While Roomkey focused on immediate shelter needs, Homekey focuses on providing permanent housing security. Since the start of Homekey, the state has rapidly transformed office spaces, hotels, motels, and other unused buildings into housing, creating more than 15,000 housing units to serve over 163,000

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<sup>3</sup> LIHEAP Clearinghouse; “State PBF/USF History, Legislation, and Implementation”; <https://liheapch.acf.hhs.gov/dereg/states/california.htm>; August 2016.

<sup>4</sup> See each IOU report at <https://liob.cpuc.ca.gov/monthly-annual-reports/>.

<sup>5</sup> Or roughly ~\$292/customer per year, without accounting for other indirect costs such as CARE participant exemptions from some legislatively mandated program fees. See each IOU report at <https://liob.cpuc.ca.gov/monthly-annual-reports/>.

<sup>6</sup> Advice 7107-E, PG&E; “Information-only Advice Letter on Pacific Gas and Electric Company’s Progress to Increase Family Electric Rate Assistance Program Enrollment Pursuant to Decision (D.)18-08-013”; December 2023.

<sup>7</sup> Public Utilities Code § 739.1(h)

<sup>8</sup> California Health Care Foundation; “California’s Project Roomkey”; <https://www.chcf.org/publication/californias-project-roomkey/#innovation>; July 2020.

<sup>9</sup> Public Policy Institute of California; “What Lessons Can Be Learned from Project Roomkey?”; <https://www.ppic.org/blog/what-lessons-can-be-learned-from-project-roomkey/>; December 2020.

<sup>10</sup> US Department of Housing and Urban Development; *The 2023 Annual Homelessness Assessment Report (AHAR) to Congress*; December 2023.

people experiencing homelessness.<sup>11</sup> More specifically, Homekey provides grant funding to local public entities, such as housing authorities, to develop a broad range of housing types into permanent or interim housing units. Over \$700 million was appropriated in Fiscal Year 2022-2023 to fund Homekey.<sup>12</sup>

#### COMMENTS:

- 1) *Author's statement.* According to the author, “Many Project Homekey participants, as formerly homeless individuals, would be eligible for CARE discounts on their electric and gas bills. However, these individuals are not currently receiving the help they need, since Homekey sites are routinely master-metered properties, which are generally prohibited from CARE. AB 2672 would expand the CARE program eligibility to include housing owned or administered by a public housing authority, enabling vulnerable participants in Project Homekey a needed reduction on their energy bills.”
- 2) *Who pays?* A utility bill consists of a variety of costs, including generation procurement, infrastructure investments, bond and fee charges, and a category collectively known as Public Purpose Programs (PPP). PPP costs include energy efficiency, CARE, and various other programs like the Schools Energy Efficiency Program, created pursuant to AB 841 (Ting, Chapter 372, Statutes of 2020). From 2020 to 2021, the PPP increased for PG&E and SCE, and decreased for SDG&E.<sup>13</sup> The primary driver of the increase in PPP costs was an increase in CARE collections. Based on 2023 data the committee received the CPUC, the total PPP portion of an estimated monthly bill ranges from \$8-12 across the IOUs, making up about 5-8% of the bill. Of that, roughly half (\$4-6) arises from the CARE subsidy. The CARE subsidy is paid for by ratepayers not enrolled in CARE. Over a quarter of IOU customer accounts are currently enrolled in CARE.<sup>14</sup>

This bill expands the CARE subsidy to facilities owned or managed by public housing authorities. Since the author motivates the need for this bill with Project Homekey, *the committee recommends limiting expanded eligibility of CARE specifically to Project Homekey sites in order to reduce the impacts on bills for non-CARE ratepayers.* In Project Homekey, there are roughly 34 facilities that would be eligible under this expansion.<sup>15</sup> The CARE subsidy would apply to the facility meter, and would represent a discounted bill for that facility, but is not cumulative based on the residential population. As such, the expansion provided under this amended bill would be very small – tens of facilities – relative to the 4.8 million customers served under CARE today.

- 3) *We've done it before.* As mentioned above, several (typically) master-metered communities, such as mobilehome parks and homeless shelters, receive statutory

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<sup>11</sup> Office of Governor Gavin Newsom; “Homekey Hits Milestone: 15,000 Homes Created Since Program Began”; <https://www.gov.ca.gov/2024/01/18/homekey-hits-milestone-15000-homes-created-since-program-began/>; January 2024.

<sup>12</sup> California Department of Housing and Community Development (HCD); “Homekey: Funding Overview”; <https://www.hcd.ca.gov/grants-and-funding/homekey/funding-overview>.

<sup>13</sup> 48% increase from 2020-2021 for PG&E, 90% increase for SCE, 10% decrease for SDG&E; CPUC; *2021 California Electric and Gas Utility Costs Report: AB 67 Annual Report to the Governor and Legislature*; April 2022.

<sup>14</sup> IOU monthly reports; <https://liob.cpuc.ca.gov/monthly-annual-reports/>; May 2023.

<sup>15</sup> HCD; “Homekey: Awards Dashboard”; <https://www.hcd.ca.gov/grants-and-funding/homekey/awards-dashboard>.

authorization to receive a CARE discount on behalf of qualifying residents, and pass those discounts onto the qualifying residents if they receive a utility bill. These communities often have a high density of low-income and vulnerable residents that would be individually eligible for CARE. Similarly, Project Homekey serves a population that faces housing insecurity and comprises of a high density of individuals that would be eligible for CARE. This bill would statutorily permit Homekey facilities to receive a CARE discount at the meter on behalf of serving qualifying residents.

4) *Prior legislation.*

AB 982 (Villapudua) would have eliminated from IOU rates the costs of various Public Purpose Programs, except for the Family Electric Rate Assistance and CARE programs, as specified. Status: Died in the Assembly Committee on Appropriations in January 2024.

SB 920 (Dunn) requires the management of master-meter mobilehome parks, apartment buildings, or similar residential complexes, to provide annual notices to homeowners and residents about CARE and help homeowners and residents process CARE applications should they need it. Requires management to pass through the full amount of the CARE program discount and notice the discount in monthly utility billings to qualified customers. Status: Chapter 437, Statutes of 2001.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

San Diego Housing Commission

**Opposition**

None on file.

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