An act to amend Section 739.1 of, and to repeal and add Sections 739.9 and 745 of, the Public Utilities Code, relating to energy utility rates.

LEGISLATIVE COUNSEL'S DIGEST


Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to designate a baseline quantity of electricity and gas necessary to supply a significant portion of the reasonable energy needs of the average residential customer and requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Existing law requires the commission, in establishing the baseline rates, to avoid excessive rate increases for residential customers. Existing law requires the commission to establish a program of assistance to specified low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program.
Existing law revises certain prohibitions upon raising residential electrical rates adopted during the energy crisis of 2000–01, to authorize the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. Existing law additionally authorizes the commission to increase the rates in effect for CARE program participants for electricity usage up to 130% of baseline quantities by the annual percentage increase in benefits under the CalWORKs program, as defined, not to exceed 3%, and subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program. Existing law states the intent of the Legislature that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01.

This bill would repeal the limitations upon increasing the electric service rates of residential customers, including the rate increase limitations applicable to electric service provided to CARE customers, but would require the commission, in establishing rates for CARE program participants, to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures and to adopt CARE rates in which the level of discount for low-income electricity and gas ratepayers correctly reflects their level of need, as determined by a specified needs assessment. When the commission approves changes to electric service rates charged to residential customers, the bill would require the commission to determine that the changes are reasonable, including that the changes are necessary in order to ensure that the rates paid by residential customers are fair, equitable, and reflect the costs to serve those customers. The bill would require the commission to ensure that any changes made to electric service rates are made consistent with specified principles. The bill would require the commission to report to the Legislature its findings and recommendations relating to tiered residential electric service rates in a specified rulemaking by January 31, 2014. The bill would delete the statement of Legislative intent that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01. The bill would require the commission, when establishing the CARE discounts for an electrical corporation with
100,000 or more customer accounts in California, to ensure that the average effective CARE discount be no less than 30% and no more than 35% of the revenues that would have been produced for the same billed usage by non-CARE customers and that the entire discount be provided in the form of a reduction in the overall bill for the eligible CARE customer. The bill would require that increases to rates and charges in rate design proceedings, including any reduction in the CARE discount, be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect prior to January 1, 2014. The bill would authorize the commission to approve new, or expand existing, fixed charges for an electrical corporation for the purpose of collecting a reasonable portion of the fixed costs of providing service to residential customers. The bill would require the commission to ensure that any new or expanded fixed charges reasonably reflect an appropriate portion of the different costs of serving small and large customers, do not unreasonably impair incentives for conservation and energy efficiency, and do not overburden low-income and moderate-income customers. The bill would impose a $10 limit per residential customer account per month and would authorize the commission to adjust this maximum allowable charge by no more than the annual percentage change in authorized residential class revenue requirements.

Existing law prohibits the commission from requiring or permitting an electrical corporation to do any of the following: (1) employ mandatory or default time-variant pricing, as defined, with or without bill protection, as defined, for residential customers prior to January 1, 2013, (2) employ mandatory or default time-variant pricing, without bill protection, for residential customers prior to January 1, 2014, or (3) employ mandatory or default real-time pricing, without bill protection, for residential customers prior to January 1, 2020. Existing law authorizes the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. Existing law requires the commission to only approve an electrical corporation’s use of default time-variant pricing for residential customers, beginning January 1, 2014, if those residential customers have the option to not receive service pursuant to time-variant pricing and incur no additional charges, as specified, as a result of the exercise of that option. Existing law exempts certain customers from being subject to default time-variant pricing.
This bill would delete these provisions and instead prohibit the commission from requiring or permitting an electrical corporation from employing mandatory or default time-variant pricing for any residential customer prior to January 1, 2020. The bill would permit the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The bill would provide that through December 31, 2019, any customer would have the option to not receive service pursuant to time-variant pricing and not incur any additional charge as a result of the exercise of that option. Beginning January 1, 2020, the bill would authorize the commission to require or permit an electrical corporation to employ mandatory or default time-of-use pricing for residential customers subject to specified conditions.


The people of the State of California do enact as follows:

SECTION 1. Section 739.1 of the Public Utilities Code is amended to read:

739.1. (a) The commission shall continue a program of 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, the cost of which shall not be borne solely by any single class of customer. The program shall be referred to as the California Alternate Rates for Energy or CARE program. The commission shall ensure that the level of discount for low-income electric and gas customers correctly reflects the level of need.

(b) The commission shall establish rates for CARE program participants, subject to both of the following:

(1) That the commission ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures pursuant to subdivision (b) of Section 382.

(2) That the level of the discount for low-income electricity and gas ratepayers correctly reflects the level of need as determined by the needs assessment conducted pursuant to subdivision (d) of Section 382.
(c) The commission shall work with electrical and gas corporations to establish penetration goals. The commission shall authorize recovery of all administrative costs associated with the implementation of the CARE program that the commission determines to be reasonable, through a balancing account mechanism. Administrative costs shall include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and upgrades to communications and processing equipment.

(d) The commission shall examine methods to improve CARE enrollment and participation. This examination shall include, but need not be limited to, comparing information from CARE and the Universal Lifeline Telephone Service (ULTS) to determine the most effective means of utilizing that information to increase CARE enrollment, automatic enrollment of ULTS customers who are eligible for the CARE program, customer privacy issues, and alternative mechanisms for outreach to potential enrollees. The commission shall ensure that a customer consents prior to enrollment. The commission shall consult with interested parties, including ULTS providers, to develop the best methods of informing ULTS customers about other available low-income programs, as well as the best mechanism for telephone providers to recover reasonable costs incurred pursuant to this section.

(e)(1) The commission shall improve the CARE application process by cooperating with other entities and representatives of California government, including the California Health and Human Services Agency and the Secretary of California Health and Human Services, to ensure that all gas and electric customers eligible for public assistance programs in California that reside within the service territory of an electrical corporation or gas corporation, are enrolled in the CARE program. To the extent practicable, the commission shall develop a CARE application process using the existing ULTS application process as a model. The commission shall work with public utility electrical and gas corporations and the Low-Income Oversight Board established in Section 382.1 to meet the low-income objectives in this section.

(2) The commission shall ensure that an electrical corporation or gas corporation with a commission-approved program to provide discounts based upon economic need in addition to the CARE
program, including a Family Electric Rate Assistance program, 
utilize a single application form, to enable an applicant to 
alternatively apply for any assistance program for which the 
applicant may be eligible. It is the intent of the Legislature to allow 
applicants under one program, that may not be eligible under that 
program, but that may be eligible under an alternative assistance 
program based upon economic need, to complete a single 
application for any commission approved assistance program 
offered by the public utility.

(f) It is the intent of the Legislature that the commission ensure 
CARE program participants receive affordable electric and gas 
service that does not impose an unfair economic burden on those 
participants.

(g) The commission’s program of assistance to low-income 
electric and gas customers shall, as soon as practicable, include 
nonprofit group living facilities specified by the commission, if 
the commission finds that the residents in these facilities 
substantially meet the commission’s low income eligibility 
requirements and there is a feasible process for certifying that the 
assistance shall be used for the direct benefit, such as improved 
quality of care or improved food service, of the low-income 
residents in the facilities. The commission shall authorize utilities 
to offer discounts to eligible facilities licensed or permitted by 
appropriate state or local agencies, and to facilities, including 
women’s shelters, hospices, and homeless shelters, that may not 
have a license or permit but provide other proof satisfactory to the 
utility that they are eligible to participate in the program.

(h) (1) In addition to existing assessments of eligibility, an 
electrical corporation may require proof of income eligibility for 
those CARE program participants whose electricity usage, in any 
monthly or other billing period, exceeds 400 percent of baseline 
usage. The authority of an electrical corporation to require proof 
of income eligibility is not limited by the means by which the 
CARE program participant enrolled in the program, including if 
the participant was automatically enrolled in the CARE program 
because of participation in a governmental assistance program. If 
a CARE program participant’s electricity usage exceeds 400 
percent of baseline usage, the electrical corporation may require 
the CARE program participant to participate in the Energy Savings 
Assistance Program (ESAP), which includes a residential energy
assessment, in order to provide the CARE program participant with information and assistance in reducing his or her energy usage. Continued participation in the CARE program may be conditioned upon the CARE program participant agreeing to participate in ESAP within 45 days of notice being given by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE program participant to notify the utility of whether the residence is rented, and if so, a means by which to contact the landlord; and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment, with the landlord of the CARE program participant. Requirements imposed pursuant to this paragraph shall be consistent with procedures adopted by the commission.

(2) If a CARE program participant’s electricity usage exceeds 600 percent of baseline usage, the electrical corporation shall require the CARE program participant to participate in ESAP, which includes a residential energy assessment, in order to provide the CARE program participant with information and assistance in reducing his or her energy usage. Continued participation in the CARE program shall be conditioned upon the CARE program participant agreeing to participate in ESAP within 45 days of a notice made by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE program participant to notify the utility of whether the residence is rented, and if so, a means by which to contact the landlord, and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment, with the landlord of the CARE program participant. Following the completion of the energy assessment, if the CARE program participant’s electricity usage continues to exceed 600 percent of baseline usage, the electrical corporation may remove the CARE program participant from the program if the removal is consistent with procedures adopted by the commission. Nothing in this paragraph shall prevent a CARE program participant with electricity usage exceeding 600 percent of baseline usage from participating in an appeals process with the electrical corporation to determine whether the participant’s usage levels are legitimate.
(3) A CARE program participant in a rental residence shall not be removed from the program in situations where the landlord is nonresponsive when contacted by the electrical corporation or does not provide for ESAP participation.

SECTION 1. Section 739.1 of the Public Utilities Code is amended to read:

739.1. (a) As used in this section, the following terms have the following meanings:

(1) “Baseline quantity” has the same meaning as defined in Section 739.

(2) “California Solar Initiative” means the program providing ratepayer-funded incentives for eligible solar energy systems adopted by the commission in Decision 05-12-044 and Decision 06-01-024, as modified by Article 1 (commencing with Section 2851) of Chapter 9 of Part 2 and Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code.

(3) “CalWORKs program” means the program established pursuant to the California Work Opportunity and Responsibility to Kids Act (Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code).

(4) “Public goods charge” means the nonbypassable separate rate component imposed pursuant to Article 7 (commencing with Section 381) of Chapter 2.3 and the nonbypassable system benefits charge imposed pursuant to the Reliable Electric Service Investments Act (Article 15 (commencing with Section 399) of Chapter 2.3).

(b) (1)

739.1. (a) The commission shall establish continue a program of 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, the cost of which shall not be borne solely by any single class of customer. The program shall be referred to as the California Alternate Rates for Energy or CARE program. The commission shall ensure that the level of discount for low-income electric and gas customers correctly reflects the level of need.

(2) The commission may, subject to the limitation in paragraph (4), increase the rates in effect for CARE program participants for electricity usage up to 130 percent of baseline quantities by the annual percentage increase in benefits under the CalWORKs
program as authorized by the Legislature for the fiscal year in which the rate increase would take effect, but not to exceed 3 percent per year.

(3) Beginning January 1, 2019, the commission may, subject to the limitation in paragraph (4):

(b) The commission shall establish rates for CARE program participants pursuant to this section and Sections 739 and 739.9, subject to both of the following:

(A) The requirements of subdivision (b) of Section 382 that

(1) That the commission ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures, pursuant to subdivision (b) of Section 382.

(B) The requirement that

(2) That the level of the discount for low-income electricity and gas ratepayers correctly reflects the level of need as determined by the needs assessment conducted pursuant to subdivision (d) of Section 382.

(4) Tier 1, tier 2, and tier 3 CARE rates shall not exceed 80 percent of the corresponding tier 1, tier 2, and tier 3 rates charged to residential customers not participating in the CARE program, excluding any Department of Water Resources bond charge imposed pursuant to Division 27 (commencing with Section 80000) of the Water Code, the CARE surcharge portion of the public goods charge, any charge imposed pursuant to the California Solar Initiative, and any charge imposed to fund any other program that exempts CARE participants from paying the charge.

(5) Rates charged to CARE program participants shall not have more than three tiers. An electrical corporation that does not have a tier 3 CARE rate may introduce a tier 3 CARE rate that, in order to moderate the impact on program participants whose usage exceeds 130 percent of baseline quantities, shall be phased in to 80 percent of the corresponding rates charged to residential customers not participating in the CARE program, excluding any Department of Water Resources bond charge imposed pursuant to Division 27 (commencing with Section 80000) of the Water Code, the CARE surcharge portion of the public goods charge, any charge imposed pursuant to the California Solar Initiative, and any other charge imposed to fund a program that exempts CARE participants from paying the charge. For an electrical corporation that does not have a tier 3 CARE rate that introduces a tier 3 CARE rate, the
initial rate shall be no more than 150 percent of the CARE baseline rate. Any additional revenues collected by an electrical corporation resulting from the adoption of a tier 3 CARE rate shall, until the utility’s next periodic general rate case review of cost allocation and rate design, be credited to reduce rates of residential ratepayers not participating in the CARE program with usage above 130 percent of baseline quantities.

(c) In establishing CARE discounts for an electrical corporation with 100,000 or more customer accounts in California, the commission shall ensure all of the following:

1. The average effective CARE discount shall not be less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers. The average effective discount determined by the commission shall reflect any charges not paid by CARE customers, including payments for the California Solar Initiative, payments for the self-generation incentive program made pursuant to Section 379.6, payment of the separate rate component to fund the CARE program made pursuant to subdivision (a) of Section 381, payments made to the Department of Water Resources pursuant to Division 27 (commencing with Section 80000) of the Water Code, and any discount in a fixed charge. The average effective CARE discount shall be calculated as an average of the CARE discounts offered to individual customers.

2. The electrical corporation shall not annually reduce its average effective CARE discount by more than a reasonable percentage decrease below its average effective CARE percentage discount in effect on December 31, 2013. The commission shall determine what is a reasonable percentage decrease.

3. The entire discount shall be provided in the form of a reduction in the overall bill for the eligible CARE customer.

(d) The commission shall work with electrical and gas corporations to establish penetration goals. The commission shall authorize recovery of all administrative costs associated with the implementation of the CARE program that the commission determines to be reasonable, through a balancing account mechanism. Administrative costs shall include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital
improvements and upgrades to communications and processing equipment.

(e) The commission shall examine methods to improve CARE enrollment and participation. This examination shall include, but need not be limited to, comparing information from CARE and the Universal Lifeline Telephone Service (ULTS) to determine the most effective means of utilizing that information to increase CARE enrollment, automatic enrollment of ULTS customers who are eligible for the CARE program, customer privacy issues, and alternative mechanisms for outreach to potential enrollees. The commission shall ensure that a customer consents prior to enrollment. The commission shall consult with interested parties, including ULTS providers, to develop the best methods of informing ULTS customers about other available low-income programs, as well as the best mechanism for telephone providers to recover reasonable costs incurred pursuant to this section.

(f) (1) The commission shall improve the CARE application process by cooperating with other entities and representatives of California government, including the California Health and Human Services Agency and the Secretary of California Health and Human Services, to ensure that all gas and electric customers eligible for public assistance programs in California that reside within the service territory of an electrical corporation or gas corporation, are enrolled in the CARE program. To the extent practicable, the commission shall develop a CARE application process using the existing ULTS application process as a model. The commission shall work with public utility electrical and gas corporations and the Low-Income Oversight Board established in Section 382.1 to meet the low-income objectives in this section.

(2) The commission shall ensure that an electrical corporation or gas corporation with a commission-approved program to provide discounts based upon economic need in addition to the CARE program, including a Family Electric Rate Assistance program, utilize a single application form, to enable an applicant to alternatively apply for any assistance program for which the applicant may be eligible. It is the intent of the Legislature to allow applicants under one program, that may not be eligible under that program, but that may be eligible under an alternative assistance
program based upon economic need, to complete a single
application for any commission-approved assistance program
offered by the public utility.

(g) It is the intent of the Legislature that the commission ensure
CARE program participants receive affordable electric and gas
service that does not impose an unfair economic burden on those
participants.

(h) The commission’s program of assistance to low-income
electric and gas customers shall, as soon as practicable, include
nonprofit group living facilities specified by the commission, if
the commission finds that the residents in these facilities
substantially meet the commission’s low-income eligibility
requirements and there is a feasible process for certifying that the
assistance shall be used for the direct benefit, such as improved
quality of care or improved food service, of the low-income
residents in the facilities. The commission shall authorize utilities
to offer discounts to eligible facilities licensed or permitted by
appropriate state or local agencies, and to facilities, including
women’s shelters, hospices, and homeless shelters, that may not
have a license or permit but provide other proof satisfactory to the
utility that they are eligible to participate in the program.

(g) It is the intent of the Legislature that the commission ensure
CARE program participants are afforded the lowest possible
electric and gas rates and, to the extent possible, are exempt from
additional surcharges attributable to the energy crisis of 2000–01.

(h) In addition to existing assessments of eligibility, an
electrical corporation may require proof of income eligibility for
those CARE program participants whose electricity usage, in any
monthly or other billing period, exceeds 400 percent of baseline
usage. The authority of an electrical corporation to require proof
of income eligibility is not limited by the means by which the
CARE program participant enrolled in the program, including if
the participant was automatically enrolled in the CARE program
because of participation in a governmental assistance program. If
a CARE program participant’s electricity usage exceeds 400
percent of baseline usage, the electrical corporation may require
the CARE program participant to participate in the Energy Savings
Assistance Program (ESAP), which includes a residential energy
assessment, in order to provide the CARE program participant with information and assistance in reducing his or her energy usage. Continued participation in the CARE program may be conditioned upon the CARE program participant agreeing to participate in ESAP within 45 days of notice being given by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE program participant to notify the utility of whether the residence is rented, and if so, a means by which to contact the landlord, and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment, with the landlord of the CARE program participant. Requirements imposed pursuant to this paragraph shall be consistent with procedures adopted by the commission.

(2) If a CARE program participant’s electricity usage exceeds 600 percent of baseline usage, the electrical corporation shall require the CARE program participant to participate in ESAP, which includes a residential energy assessment, in order to provide the CARE program participant with information and assistance in reducing his or her energy usage. Continued participation in the CARE program shall be conditioned upon the CARE program participant agreeing to participate in ESAP within 45 days of a notice made by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE program participant to notify the utility of whether the residence is rented, and if so, a means by which to contact the landlord, and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment, with the landlord of the CARE program participant. Following the completion of the energy assessment, if the CARE program participant’s electricity usage continues to exceed 600 percent of baseline usage, the electrical corporation may remove the CARE program participant from the program if the removal is consistent with procedures adopted by the commission. Nothing in this paragraph shall prevent a CARE program participant with electricity usage exceeding 600 percent of baseline usage from participating in an appeals process with the electrical corporation to determine whether the participant’s usage levels are legitimate.
A CARE program participant in a rental residence shall not be removed from the program in situations where the landlord is nonresponsive when contacted by the electrical corporation or does not provide for ESAP participation.

SEC. 2. Section 739.9 of the Public Utilities Code is repealed.

SEC. 3. Section 739.9 is added to the Public Utilities Code, to read:

739.9. (a) In approving changes to the rates and charges to residential customers for electricity usage pursuant to this part, the commission shall determine that the changes are reasonable, including determining that the changes are necessary in order to ensure that the rates and charges paid by residential customers are fair, equitable, and reflect the costs to serve those customers.

(b) In approving any changes to the rates and charges to residential customers for electricity usage pursuant to this part, the commission shall ensure that the rates are consistent with the following principles:

(1) Low income and medical baseline customers should have access to enough electricity to ensure that basic needs, such as health and comfort, are met at an affordable cost.

(2) Rates should be based on marginal costs.

(3) Rates should be based on cost causation principles.

(4) Rates should encourage conservation and energy efficiency.

(5) Rates should encourage the reduction of both coincident and noncoincident peak demand.

(6) Rates should be stable and understandable and provide customer choice.

(7) Rates should generally avoid cross subsidies, unless a cross subsidy appropriately supports explicit state policy goals.

(8) Incentives should be explicit and transparent.

(9) Rates should encourage economically efficient decisionmaking.

(10) Transitions to new rate structures should be accompanied by customer education and outreach that enhances customer understanding and acceptance of the new rates, and should minimize and appropriately consider the bill impacts on customers associated with the transition.

(c) By no later than January 31, 2014, the commission shall report to the Legislature its findings and recommendations relating
to tiered residential electric service rates pursuant to its Order
Instituting Rulemaking 12-06-013.

739.9. (a) Increases to rates and charges in rate design
proceedings, including any reduction in the California Alternate
Rates for Energy (CARE) discount, shall be reasonable and subject
to a reasonable phase-in schedule relative to the rates and charges
in effect prior to January 1, 2014.

(b) The commission may adopt new, or expand existing, fixed
charges for the purpose of collecting a reasonable portion of the
fixed costs of providing service to residential customers. The
commission shall ensure that any approved charges do all of the
following:

(1) Reasonably reflect an appropriate portion of the different
costs of serving small and large customers.

(2) Not unreasonably impair incentives for conservation and
energy efficiency.

(3) Not overburden low-income and moderate-income
customers.

(c) The commission may authorize fixed charges that do not
exceed ten dollars ($10) per residential customer account per
month. The maximum allowable fixed charge may be adjusted by
no more than the annual percentage change in authorized
residential class revenue requirements. This section does not
require the commission to approve any new or expanded fixed
customer charge.

SEC. 4. Section 745 of the Public Utilities Code is repealed.

745.—(a) For purposes of this section, the following terms have
the following meanings:

(1) “Bill protection” means that customers on mandatory or
default time-variant pricing will be guaranteed that the total amount
paid for electric service shall not exceed the amount that would
have been due under the customer’s previous rate schedule.

(2) “Time variant pricing” includes time-of-use rates, critical
peak pricing, and real-time pricing, but does not include programs
that provide customers with discounts from standard tariff rates
as an incentive to reduce consumption at certain times, including
peak time rebates.

(b) The commission shall not require or permit an electrical
corporation to do any of the following:
(1) Employ mandatory or default time-variant pricing, with or without bill protection, for any residential customer prior to January 1, 2013.

(2) Employ mandatory or default time-variant pricing, without bill protection, for residential customers prior to January 1, 2014.

(3) Employ mandatory or default real-time pricing, without bill protection, for residential customers prior to January 1, 2020.

(c) The commission may, at any time, authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs.

(d) On and after January 1, 2014, the commission shall only approve an electrical corporation’s use of default time-variant pricing in a manner consistent with the other provisions of this part, if all of the following conditions have been met:

- Residential customers have the option to not receive service pursuant to time-variant pricing and incur no additional charges as a result of the exercise of that option. Prohibited charges include, but are not limited to, administrative fees for switching away from time-variant pricing; hedging premiums that exceed any actual costs of hedging, and more than a proportional share of any discounts or other incentives paid to customers to increase participation in time-variant pricing. This prohibition on additional charges is not intended to ensure that a customer will necessarily experience a lower total bill as a result of the exercise of the option to not receive service pursuant to a time-variant rate schedule.

- Residential customers receiving a medical baseline allowance pursuant to subdivision (c) of Section 739 and customers requesting third-party notification pursuant to subdivision (c) of Section 779.1, shall not be subject to mandatory or default time-variant pricing.

(3) A residential customer shall not be subject to a default time-variant rate schedule without bill protection unless that residential customer has been provided with not less than one year of interval usage data from an advanced meter and associated customer education and, following the passage of this period, is provided with not less than one year of bill protection during which the total amount paid by the residential customer for electric service shall not exceed the amount that would have been payable by the residential customer under that customer’s previous rate schedule.
SEC. 5. Section 745 is added to the Public Utilities Code, to read:

745. (a) For purposes of this section, “time-variant pricing” includes time-of-use rates, critical peak pricing, and real-time pricing, but does not include programs that provide customers with discounts from standard tariff rates as an incentive to reduce consumption at certain times, including peak time rebates.

(b) The commission may authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The commission shall not establish a mandatory or default time-variant pricing tariff for any residential customer except as authorized in subdivision (c).

(c) Beginning January 1, 2020, the commission may require or authorize an electrical corporation to employ mandatory or default time-of-use pricing for residential customers subject to all of the following:

(1) Residential customers receiving a medical baseline allowance pursuant to subdivision (c) of Section 739, customers requesting third-party notification pursuant to subdivision (c) of Section 779.1, and customers who the commission has ordered cannot be disconnected from service without an in-person visit from a utility representative (Decision 12-03-054 (March 22, 2012), Decision on Phase II Issues: Adoption of Practices to Reduce the Number of Gas and Electric Service Disconnections, Order 2 (b) at page 55), shall not be subject to mandatory or default time-of-use pricing.

(2) The commission shall ensure that any time-of-use rate schedule does not cause unreasonable hardship for senior citizens or economically vulnerable customers in hot climate zones.

(3) The commission shall authorize time-of-use rate schedules that utilize time periods that are appropriate for at least the following five years.

(4) A residential customer shall not be subject to a mandatory or default time-of-use rate schedule unless that residential customer has been provided with not less than one year of interval usage data from an advanced meter and associated customer education.