

**Introduced by Senators Steinberg and Padilla**

February 22, 2013

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An act to amend Section 739.1 of the Public Utilities Code, relating to electricity.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 743, as introduced, Steinberg. Electricity: rates.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical 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 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 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.

This bill would replace the existing authorization to increase CARE rates based upon the annual percentage increase in benefits under the CalWORKs program and instead authorize 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 of the Consumer Price Index from the prior year but not to exceed 4% per year, 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.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

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

3     739.1. (a) As used in this section, the following terms have  
4 the following meanings:

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

7         (2) “California Solar Initiative” means the program providing  
8 ratepayer funded incentives for eligible solar energy systems  
9 adopted by the commission in Decision 05-12-044 and Decision  
10 06-01-024, as modified by Article 1 (commencing with Section  
11 2851) of Chapter 9 of Part 2 and Chapter 8.8 (commencing with  
12 Section 25780) of Division 15 of the Public Resources Code.

13         (3) ~~“CalWORKs program” means the program established~~  
14 ~~pursuant to the California Work Opportunity and Responsibility~~  
15 ~~to Kids Act (Chapter 2 (commencing with Section 11200) of Part~~  
16 ~~3 of Division 9 of the Welfare and Institutions Code).~~

17         (4)

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

24         (b) (1) The commission shall establish a program of assistance  
25 to low-income electric and gas customers with annual household  
26 incomes that are no greater than 200 percent of the federal poverty

1 guideline levels, the cost of which shall not be borne solely by any  
2 single class of customer. The program shall be referred to as the  
3 California Alternate Rates for Energy or CARE program. The  
4 commission shall ensure that the level of discount for low-income  
5 electric and gas customers correctly reflects the level of need.

6 (2) The commission may, subject to the limitation in paragraph  
7 (4), increase the rates in effect for CARE program participants for  
8 electricity usage up to 130 percent of baseline quantities by the  
9 annual percentage increase in benefits under the CalWORKs  
10 program as authorized by the Legislature for the fiscal year in  
11 which the rate increase would take effect; *the Consumer Price*  
12 *Index from the prior year but not to exceed 3 4 percent per year.*  
13 *For purposes of this subdivision, the annual percentage change*  
14 *in the Consumer Price Index shall be calculated using the same*  
15 *formula that was used to determine the annual Social Security*  
16 *Cost of Living Adjustment on January 1, 2008.*

17 (3) Beginning January 1, 2019, the commission may, subject  
18 to the limitation in paragraph (4), establish rates for CARE program  
19 participants pursuant to this section and Sections 739 and 739.9,  
20 subject to both of the following:

21 (A) The requirements of subdivision (b) of Section 382 that the  
22 commission ensure that low-income ratepayers are not jeopardized  
23 or overburdened by monthly energy expenditures.

24 (B) The requirement that the level of the discount for  
25 low-income electricity and gas ratepayers correctly reflects the  
26 level of need as determined by the needs assessment conducted  
27 pursuant to subdivision (d) of Section 382.

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

37 (5) Rates charged to CARE program participants shall not have  
38 more than three tiers. An electrical corporation that does not have  
39 a tier 3 CARE rate may introduce a tier 3 CARE rate that, in order  
40 to moderate the impact on program participants whose usage

1 exceeds 130 percent of baseline quantities, shall be phased in to  
2 80 percent of the corresponding rates charged to residential  
3 customers not participating in the CARE program, excluding any  
4 Department of Water Resources bond charge imposed pursuant to  
5 Division 27 (commencing with Section 80000) of the Water Code,  
6 the CARE surcharge portion of the public goods charge, any charge  
7 imposed pursuant to the California Solar Initiative, and any other  
8 charge imposed to fund a program that exempts CARE participants  
9 from paying the charge. For an electrical corporation that does not  
10 have a tier 3 CARE rate that introduces a tier 3 CARE rate, the  
11 initial rate shall be no more than 150 percent of the CARE baseline  
12 rate. Any additional revenues collected by an electrical corporation  
13 resulting from the adoption of a tier 3 CARE rate shall, until the  
14 utility's next periodic general rate case review of cost allocation  
15 and rate design, be credited to reduce rates of residential ratepayers  
16 not participating in the CARE program with usage above 130  
17 percent of baseline quantities.

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

28 (d) The commission shall examine methods to improve CARE  
29 enrollment and participation. This examination shall include, but  
30 need not be limited to, comparing information from CARE and  
31 the Universal Lifeline Telephone Service (ULTS) to determine  
32 the most effective means of utilizing that information to increase  
33 CARE enrollment, automatic enrollment of ULTS customers who  
34 are eligible for the CARE program, customer privacy issues, and  
35 alternative mechanisms for outreach to potential enrollees. The  
36 commission shall ensure that a customer consents prior to  
37 enrollment. The commission shall consult with interested parties,  
38 including ULTS providers, to develop the best methods of  
39 informing ULTS customers about other available low-income

1 programs, as well as the best mechanism for telephone providers  
2 to recover reasonable costs incurred pursuant to this section.

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

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

28 (f) The commission's program of assistance to low-income  
29 electric and gas customers shall, as soon as practicable, include  
30 nonprofit group living facilities specified by the commission, if  
31 the commission finds that the residents in these facilities  
32 substantially meet the commission's low-income eligibility  
33 requirements and there is a feasible process for certifying that the  
34 assistance shall be used for the direct benefit, such as improved  
35 quality of care or improved food service, of the low-income  
36 residents in the facilities. The commission shall authorize utilities  
37 to offer discounts to eligible facilities licensed or permitted by  
38 appropriate state or local agencies, and to facilities, including  
39 women's shelters, hospices, and homeless shelters, that may not

1 have a license or permit but provide other proof satisfactory to the  
2 utility that they are eligible to participate in the program.

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

7 (h) (1) In addition to existing assessments of eligibility, an  
8 electrical corporation may require proof of income eligibility for  
9 those CARE program participants whose electricity usage, in any  
10 monthly or other billing period, exceeds 400 percent of baseline  
11 usage. The authority of an electrical corporation to require proof  
12 of income eligibility is not limited by the means by which the  
13 CARE program participant enrolled in the program, including if  
14 the participant was automatically enrolled in the CARE program  
15 because of participation in a governmental assistance program. If  
16 a CARE program participant's electricity usage exceeds 400  
17 percent of baseline usage, the electrical corporation may require  
18 the CARE program participant to participate in the Energy Savings  
19 Assistance Program (ESAP), which includes a residential energy  
20 assessment, in order to provide the CARE program participant  
21 with information and assistance in reducing his or her energy usage.  
22 Continued participation in the CARE program may be conditioned  
23 upon the CARE program participant agreeing to participate in  
24 ESAP within 45 days of notice being given by the electrical  
25 corporation pursuant to this paragraph. The electrical corporation  
26 may require the CARE program participant to notify the utility of  
27 whether the residence is rented, and if so, a means by which to  
28 contact the landlord, and the electrical corporation may share any  
29 evaluation and recommendation relative to the residential structure  
30 that is made as part of an energy assessment, with the landlord of  
31 the CARE program participant. Requirements imposed pursuant  
32 to this paragraph shall be consistent with procedures adopted by  
33 the commission.

34 (2) If a CARE program participant's electricity usage exceeds  
35 600 percent of baseline usage, the electrical corporation shall  
36 require the CARE program participant to participate in ESAP,  
37 which includes a residential energy assessment, in order to provide  
38 the CARE program participant with information and assistance in  
39 reducing his or her energy usage. Continued participation in the  
40 CARE program shall be conditioned upon the CARE program

1 participant agreeing to participate in ESAP within 45 days of a  
2 notice made by the electrical corporation pursuant to this paragraph.  
3 The electrical corporation may require the CARE program  
4 participant to notify the utility of whether the residence is rented,  
5 and if so, a means by which to contact the landlord, and the  
6 electrical corporation may share any evaluation and  
7 recommendation relative to the residential structure that is made  
8 as part of an energy assessment, with the landlord of the CARE  
9 program participant. Following the completion of the energy  
10 assessment, if the CARE program participant's electricity usage  
11 continues to exceed 600 percent of baseline usage, the electrical  
12 corporation may remove the CARE program participant from the  
13 program if the removal is consistent with procedures adopted by  
14 the commission. Nothing in this paragraph shall prevent a CARE  
15 program participant with electricity usage exceeding 600 percent  
16 of baseline usage from participating in an appeals process with the  
17 electrical corporation to determine whether the participant's usage  
18 levels are legitimate.

19 (3) A CARE program participant in a rental residence shall not  
20 be removed from the program in situations where the landlord is  
21 nonresponsive when contacted by the electrical corporation or  
22 does not provide for ESAP participation.