BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to address the issue of customers' electric and natural gas service disconnection.	Rulemaking 10-02-005 (Filed February 4, 2010)

OPENING COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE ADMINISTRATIVE LAW JUDGE'S RULING PROVIDING OPPORTUNITY FOR COMMENTS ON PHASE II ISSUES

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I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

In accordance with the April 19, 2011 Administrative Law Judge's ("ALJ") Ruling Providing Opportunity for Comments on Phase II Issues ("Phase II.2 ALJ Ruling"), the Division of Ratepayer Advocates ("DRA") submits these opening comments responding to the questions posed in the Phase II.2 ALJ Ruling Attachment.

The main ratepayer-funded energy assistance programs in California are well-established and mature. The California Alternate Rates for Energy ("CARE") Program has been operating since 1989 and the Energy Savings Assistance Program ("ESAP") was formally established in 1990. Throughout the development of these programs, energy affordability for all Californians has been the ultimate objective. The most concrete gauge of energy affordability is disconnections due to non-payment of energy bills. DRA's *Status of Energy Utility Service Disconnection in California* reports issued in November 2009 and March 2011 have demonstrated that low-income customers already receiving the benefits of the CARE program still have trouble paying their bills and remaining connected to an essential service. For too many CARE customers, the CARE discount (possibly even in combination with the ESAP service) is not enough to prevent disconnection. DRA commends the California Public Utilities Commission

("CPUC") for pursuing, through this Rulemaking, the search for much-needed solutions to the affordability problem. DRA also appreciates the opportunity to work collaboratively with the utilities and the consumer advocacy groups in this proceeding.

The Phase II.2 ALJ Ruling provides an opportunity to pursue additional refinements to assist CARE customers in staying connected to electricity and gas service. As the Phase II.2 ALJ Ruling states, "utilities are normally the best sources of customer practices intended to reduce disconnections."[1] For this reason, DRA's top priority recommendation is the one that allows utilities the most flexibility to develop their own strategies to reduce low-income disconnections. DRA requests the CPUC establish disconnection benchmarks of 5% for Pacific Gas and Electric Company ("PG&E") and 6% for Southern California Edison ("SCE") for residential customers enrolled on the CARE program.

In these opening comments, DRA addresses items a., b., d. and e. on the List of Phase II Issues included in the Phase II.2 ALJ Ruling. DRA reserves the right to agree or disagree in reply comments with other parties' positions on the entirety of issues identified in the Phase II.2 ALJ Ruling.

Finally, DRA discusses why it is critically important for the CPUC to extend the disconnection protections available to PG&E and SCE's CARE customers beyond 2011.

II. COMMENTS AND RECOMMENDATIONS

A. The CPUC Should Require PG&E and SCE To Reduce the Disproportionate Disconnection of CARE Customers Via a CARE Disconnection Benchmark

The Phase II.2 ALJ Ruling asks,

What is causing the discrepancy between the disconnection rates of California Alternatives Rates for Energy (CARE) versus non-CARE customers? What low cost strategies can be implemented to help decrease the disconnection

[1] Phase II.2 ALJ Ruling, Attachment at 3.

rate of CARE customers? How easily can the recommended strategies be implemented and at what estimated cost?[2]

The disproportionate disconnection of CARE customers is beyond dispute. For both PG&E and SCE, CARE customers are disconnected more than twice as often as non-CARE customers. In March 2011, 4,218 PG&E CARE customers were disconnected, which was 0.27% of all CARE customers. In the same month, 5,002 PG&E non-CARE customers were disconnected, representing 0.13% of this group.[3] For SCE customers in March 2011, 11,872 CARE customers were disconnected, which is 0.84% of all CARE customers. In the same month, of SCE non-CARE customers, 11,261 were disconnected, which is 0.40% of this group.[4] The disparity in disconnection rates between CARE and non-CARE customers has grown steadily from 2006 to the present day.[5]

In this Phase II.2 ALJ Ruling, the CPUC rightly focuses on CARE customer disconnections. All customer disconnection rates decreased in 2010, but CARE customer disconnection rates decreased slightly less. Without a concerted effort to design disconnection prevention practices and policies to customers at the lower end of the income scale, it is unlikely this historical discrepancy will be resolved.

DRA believes the difference in disconnection rates between low-income and non-low income customers is due to affordability. Despite the decrease in disconnection rates, CARE customer debt is higher than it was at the same time one year ago. At the end of 2010, SCE CARE customers with bills over 60 days old owed $22.8 million, compared to $12.1 million at the end of 2009.[6] At the end of 2010, PG&E CARE

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[2] Phase II.2 ALJ Ruling, Attachment at 1.

[3] PG&E Monthly Disconnect Report, R.10-02-005, March 2011.

[4] SCE Monthly Disconnect Report, R.10-02-005, March 2011.

[5] Division of Ratepayer Advocates, *Status of Energy Utility Service Disconnection in California*, November 2009; and Division of Ratepayer Advocates, *Status of Energy Utility Service Disconnection in California*, March 2011.

[6] Supplemental filing of SCE on April 26, 2010 in R.10-02-005, showing Fourth Quarter 2010 arrearages.

customers with bills over 60 days old owed $36.5 million, compared to $21.5 million at the end of 2009.[7]

1. The CPUC Should Set CARE Disconnection Benchmarks of 5% for PG&E and 6% for SCE

The Commission should set an explicit requirement that PG&E and SCE keep CARE customer disconnections under a certain limit. A disconnection benchmark is an extremely moderate tool, in contrast to a disconnection moratorium, which DRA does not support. A disconnection benchmark is a least-cost tool, because it does not prescribe the activities that the utility must conduct, but rather leaves it to the discretion of the utility as to how to best accomplish a regulatory goal at the least-cost.

Because DRA's reports have concluded that low-income customers are in greater need of protection, it is more important to set a limit on low-income customer disconnections than all residential disconnections. This will keep the company focused on those who need the most help and have not benefited as much from the reforms of the past year.

DRA recommends the following annual limits on low-income disconnections:

- PG&E: 5% or fewer low-income customers disconnected annually
- SCE: 6% or fewer low-income customers disconnected annually

DRA's recommended low-income benchmarks are calibrated to be an achievable goal. These benchmarks take into consideration historical patterns in CARE disconnections, and differ by utility in order to accommodate demographic differences in service territory.

[7] PG&E Monthly Disconnect Report, R.10-02-005, March 2011.

TABLE 1 Annual CARE Disconnection Rates				
	PG&E	Percentage greater than nonCARE rate	SCE	Percentage greater than nonCARE rate
Apr-10	7.59%	98%	8.63%	60%
May-10	7.12%	100%	8.61%	74%
Jun-10	6.88%	100%	8.42%	71%
Jul-10	6.11%	101%	8.33%	79%
Aug-10	5.54%	99%	8.40%	82&
Sep-10	4.92%	100%	8.18%	76%
Oct-10	4.93%	100%	8.06%	77%
Nov-10	5.09%	101%	8.03%	79%
Dec-10	5.35%	102%	8.08%	72%
Jan-11	5.46%	102%	8.67%	75%
Feb-11	5.48%	102%	8.71%	92%
Mar-11	5.23%	103%	8.84%	117%

DRA's recommendation of a 5% CARE disconnection benchmark for PG&E is very close to PG&E's current CARE disconnection rate of 5.23%, as shown in the table above. PG&E would essentially need to maintain the progress it made in 2010 in reducing CARE customer disconnections.

DRA's recommendation of a 6% CARE disconnection benchmark for SCE is designed to encourage SCE to make more changes in its treatment of CARE customers regarding disconnections. Although SCE showed an improvement in its CARE disconnection rate in 2010, much of this improvement can be attributed to the disconnection moratorium SCE put in place from the end of December 2009 through January 21, 2010, rather than a shift in SCE's approach to CARE customer disconnections. Since the end of the disconnection moratorium, and even while implementing the R.10-02-005 protections, SCE's monthly CARE disconnection rates have been consistent with its unacceptably high CARE disconnection rates. And, SCE has made more progress in helping its non-CARE residential customers than in helping its CARE customers.

TABLE 2 SCE Monthly nonCARE Disconnection Rates, compared to last year						
	October	November	December	January	February	March
2009-2010	0.55%	0.42%	0.24%	0.07%	0.46%	0.54%
2010-2011	0.42%	0.34%	0.24%	0.41%	0.36%	0.40%

SCE Monthly CARE Disconnection Rates, compared to last year						
	October	November	December	January	February	March
2009-2010	0.88%	0.63%	0.37%	0.13%	0.65%	0.74%
2010-2011	0.75%	0.61%	0.42%	0.71%	0.69%	0.87%

Though DRA's recommended benchmark still does not achieve equal low-income and non-low-income rates, it would move rates closer to the desired goal at a pace that allows utilities to make the necessary adjustments to their collections processes.

B. PG&E and SCE Should Develop Their Current Pay Plan Offering to Extend More Meaningful Arrearage Management Options to CARE Customers

Currently, PG&E and SCE offer residential customers payment installment plans and payment extensions to pay off their arrearages.[8] California state law prohibits customers paying off arrearages on payment plans from being disconnected. The utilities have historically had the discretion to create the terms and conditions of payment plans, until 2010. Decision 10-07-048 in this Rulemaking required the utilities to offer customers minimum terms of three months over which to pay off arrearages.[9] The utilities' payment plan data indicates that significant numbers of payment plans are broken. When a payment plan is broken, the customer receives a 48-hour notice of

[8] The utilities must offer to amortize the arrearage over a reasonable period of time, up to 12 months. Assuming the customer and utility enter into an amortization agreement, as long as the customer complies with the payment arrangement and keeps the account current as charges accrue in each subsequent billing period, the utility may not terminate service for nonpayment. Pub. Util. Code §739.4(b)(3)(A)-(B), § 779(c).

[9] Rulemaking 10-02-005, p. 2, Ordering Paragraph ("OP") 3 and Decision 10-07-048, pp. 1, 12, OP 1.

disconnection and collection actions continue on the account. While PG&E and SCE have initiated significantly more payment plans in 2010, customer debt continues to grow. PG&E and SCE should pro-actively develop their pay plan programs into more targeted Arrearage Management Programs ("AMPs"). DRA recommends that PG&E and SCE explore varied features of AMPs that motivate improved bill payment behavior by forgiving past debt in exchange for timely payments. DRA requests that the CPUC convene workshops to discuss and develop AMPs.

C. PG&E and SCE Should Allow Customers with Past-Due Balances to Participate in "Level Pay" and "Balanced Pay" Programs

PG&E and SCE both offer bill payment programs that take the volatility out of monthly bills by estimating annual bills, then breaking the estimated annual bill in twelve monthly equal payments. PG&E's program is called the Balanced Payment program. PG&E reported in July 2009 that 312,883 residential customers were enrolled in the program.[10] SCE offers a Level Pay program. SCE has explained that a condition of participation in its Level Pay program was that the account must be cleared of arrearages.[11] SCE's condition for participation excludes those customers who are already at risk from participating in a program which can address one of the cause of delinquent bills: bill volatility. Making payments level has been conclusively shown to have a positive effect on customer payment behavior. Improvements in customer payment behavior are the best possible outcome, as they increase revenue to the company as well as support the customer's ability to pay their bills.

> The evidence from the review of program evaluations included in this study is that only the equal monthly payment plans improve customer payment patterns. The one program reviewed in this study, the PGW CRP, that had an equal payment plan, is the only one that found improvements in the number of payments made by customers and the amount of cash payments made. Results from two other

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[10] Opening Comments of PG&E in P.09-06-022, July 20, 2009, p. 5.

[11] SCE oral presentation at Best Practices workshop leading up to R.10-02-005, January 4, 2010.

evaluations (of programs not included in this study) of low-income affordability programs with equal monthly payment plans also found improved payment patterns.[12]

D. PG&E and SCE Should Permit CARE Customers to Pick Their Billing Date Without Charge

The Phase II.2 ALJ Ruling addresses the proposal to allow customers to pick a bill payment date. DRA suggests that those companies that already offer this option to customers have the data which will show whether allowing customers to pick a billing date improves bill payment behavior. PG&E can compare the disconnection rates of those customers who have chosen their bill date to the disconnection rates of other customers. If those payment rates and disconnection rates are superior, there is a likelihood that this option improves bill payment behavior.

In addition, publicly available disconnection data in R.10-02-005 shows that CARE customers have more problems with timing of bills, as evidenced by their higher reconnect rates. Not only do CARE customers reconnect service following disconnection for nonpayment more often than nonCARE customers, but they reconnect service within 24 hours more frequently as well.

To address the bill timing challenges facing CARE customers, the CPUC should require PG&E and SCE to pro-actively offer this service to their customers.

E. Disconnection Reduction Is Well Within the Legal Definition of the CARE Program

PG&E and SCE both filed applications on May 16, 2011 for CPUC authorization of their CARE program plans and budgets for the years 2012 – 2014. Despite the direction in this Phase II.2 ALJ Ruling to propose modifications designed to reduce CARE customer disconnections in the CARE program application proceeding, neither PG&E nor SCE have done so.

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[12] Apprise and Roger Colton, *Ratepayer Funded Low-Income Energy Programs Performance and Possibilities Final Report*, July 2007, Executive Summary, xiii.

The Phase II.2 ALJ Ruling states:

> **Please note that any recommendations that would require modifications to the CARE program (e.g. waiving the recertification of CARE customers for some period, etc.) should be considered in Pacific Gas and Electric Company's (PG&E) and Southern California Edison Company's (SCE) respective 2012-2014 Energy Savings Assistance Program(formerly, known as the Low Income Energy Efficiency LIEE)**…[13]

California statutes guiding the development of the CARE program continually affirm the ultimate objective of making energy accessible and affordable to all. Implementing refined payment plan options in the CARE programs and budgets would be consistent with statute.

Public ("Pub.") Utilities ("Util.") Code section 382(b) defines the objective of energy assistance:

> In order to meet legitimate needs of electric and gas customers who are unable to pay their electric and gas bills and who satisfy eligibility criteria for assistance, recognizing that electricity is a basic necessity, and that all residents of the state should be able to afford essential electricity and gas supplies, the commission shall ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures. Energy expenditure may be reduced through the establishment of different rates for low-income ratepayers, different levels of rate assistance, and energy efficiency programs.

Section 382(c) recognizes that CARE is not restricted to using only the approaches listed in PU Code Section 382(b) to meeting the objectives:

> Nothing in this section shall be construed to prohibit electric and gas providers from offering any special rate or program for low-income ratepayers that is not specifically required in this section.

[13] Phase II.2 ALJ Ruling, Attachment at 1.

In fact, Pub. Util. Code section 739.4(b)(3) explicitly directs utilities to offer customers all means of assistance to avoid disconnection, including the CARE program, payment plans, and level payment plans.

Finally, Section 382(d) indicates on ongoing need to tailor energy assistance programs to "adequately address low-income electricity and gas customers' energy expenditures, hardship, language needs, and economic burdens.

Furthermore, in 2010 the Legislature revised Section 739.1 to allow gradual increase in CARE rates for the first time since 2001. At the same time, the Legislature affirmed the importance of Section 382(b) to emphasize that these gradual rate increases should not compromise low-income customers' ability to pay their energy bills. Section 739.1(b)(3) provides:

> Beginning January 1, 2019, the commission may, subject to the limitation in paragraph (4), 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 the commission ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures.
> (B) The requirement 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.

1. Make disconnection reduction a metric of CARE program performance.

DRA recommends that the CPUC implement the recommendation from the KEMA Needs Assessment to evaluate the effectiveness of Energy Assistance programs, (primarily CARE and ESAP) based on the programs' impacts on energy burden and energy insecurity.[14]

[14] California Public Utilities Commission, Phase II Low-Income Needs Assessment, Final Report ("Low-Income Needs Assessment Report"), September 7, 2007, pp. 4-27, 7-31 and 7-32.

> In addition, we should also expect to see that participation in CARE (and to some extent LIEE) has had an impact on energy insecurity. That is, we would like to think that the monthly bill discounts and payment assistance has helped participating households better meet their basic energy needs, manage energy payments, and reduce service disconnections. However, the results of the needs assessment show that, in fact, CARE participants are more energy insecure than non-participants.[15]

2. PG&E's CARE applications for the 2012 – 2014 programs propose no strategies to decrease disconnections of CARE customers.

PG&E filed its Application for CARE Program and Budgets for 2012-2014 on May 16, 2011.[16] Despite requesting five times the amount of funding for general administration,[17] PG&E proposes nothing to address CARE customer disconnections. Rather, PG&E's proposals for the next three years focus on the potentially fraudulent 1% of CARE customers with unusually high residential usage,[18] rather than the documented 11% of CARE customers who have past-due utility bills over three months old, or the 7% of CARE customers receiving 48 hour notices of disconnection, or the 0.37% of CARE customers disconnected and reconnected within 24 hours, or even the 0.10% of CARE customers disconnected and never reconnected.[19] While DRA supports PG&E's efforts to ensure that only customers who qualify receive the benefit, DRA laments PG&E's apparent neglect of current CARE customers who cannot maintain continuous electric and gas service. PG&E references the "overall objectives of Public Utilities codes sections 382, 739.1 and 379.2"[20] in its CARE application to support its proposal to

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[15] Low-Income Needs Assessment Report at 7-31.

[16] Application of Pacific Gas and Electric Company for Approval of the 2012-2014 Energy Savings Assistance and California Alternate Rates for Energy Programs and Budget (U39M), A.11-05-019, filed May 16, 2011.

[17] PG&E A.11-05-019, Table B-1 CARE Expenses.

[18] PG&E A.11-05-019, pp. 11-13.

[19] Data from December 2010, in PG&E Monthly Disconnect Report in R.10-02-005, March 2011.

[20] PG&E A.11-05-019, p. 12.

investigate unusually high CARE users. These statues dictate that energy assistance is supposed to preserve access to a basic necessity for all customers.

PG&E's articulation of CARE program goals in its Testimony shows that PG&E has a much narrower understanding of the purpose of the CARE program.

3. SCE's CARE applications for 2012 – 2014 propose no strategies directly aimed at decreasing disconnections of CARE customers.

SCE's CARE program application does not propose any strategies aimed at reducing CARE customer disconnections. SCE's CARE customers are most in need of disconnection protections, as SCE has the highest CARE disconnection rate of all the utilities, as shown in Table 1 above. Furthermore, SCE has increased its CARE disconnections over the same months in the previous year, as shown in Table 2 above.

F. Historical Uncollectible Expense Data Makes It Highly Unlikely that DRA's Recommended Strategies Will Cause Uncollectible Expenses to Rise

PG&E opposed many of the CPUC's protections ordered in R.10-02-005 on the basis that they would cause uncollectible costs. These projections of uncollectible cost increases have not been borne out. In fact, 2010 shows the lowest residential uncollectibles, for each of the four investor-owned utilities, in the past four years.

TABLE 3
Actual Residential Uncollectibles (millions $)

	PGE	SCE	SDGE	SCG
2007	41.05	17.3	4.36	9.83
2008	55.80	20.8	4.94	14.62
2009	70.82	23.3	6.31	12.86
2010	34.27	16.79	4.17	8.67

DRA's primary recommendation of a CARE disconnection benchmark does not have any associated costs, as explained in section A.A.1 above. DRA's other recommended strategies essentially build upon programs that PG&E and SCE already offer.

- Arrearage Management Program
- Levelized Pay Program to Reduce Bill Volatility
- Allowing Customers to Pick A Billing Date

Rather than requiring new programs, these recommendations will simply spur PG&E and SCE to develop and refine assistance programs that they already offer.

G. Customer Service Representatives Should Educate Customers About Energy Assistance

The Phase II.2 ALJ Ruling asks:

> **What is the current role of Customer Service Representatives (CSRs) in educating customers about assistance programs? Should CSRs assist in completing over the phone CARE applications and what would be the additional costs of this?**[21]

SCE should be allowed to continue to utilize Customer Service Representatives to enroll customers over-the-phone in its CARE program. As of March 2011, SCE has the highest level of CARE enrollment of 98% of the four investor-owned utilities.[22] As SCE points out, giving customers the option of enrolling immediately over the phone with a live representative results in a higher uptake in CARE, and brings associated benefits to the customer as well. In particular, in the course of filling out the CARE application for the customer, the CSR has the ability to find out about the customer's income, and to inform the customer of the types of payment programs and policies that may help the customer to better manage his or her energy bill. SCE makes this request in its CARE

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[21] Phase II.2 ALJ Ruling, Attachment at 1.

[22] SCE Monthly CARE and LIEE Reports filed in A.08-05-022 et al., March 2011.

budget application to continue to allow its CSRs to enroll customers in CARE over-the-phone.[23]

H. The CPUC Should Require A Uniform Protocol For Remote Disconnection

The Phase II.2 ALJ Ruling asks:

> **Should PG&E and SCE establish a uniform protocol for remote disconnections in this proceeding? Please explain the advantages and disadvantages of any uniform protocol you recommend.[24]**

Between SCE and San Diego Gas & Electric Company (SDG&E)'s current policies of conducting in-person visits to the premises of elderly, disabled, medical baseline, and life support customers prior to disconnecting service remotely,[25] the CPUC already has the makings of a uniform protocol for remote disconnections. PG&E is the only outlier in this respect, as it maintains a preference for extending this protection only to its life support customers. PG&E's position is that for all customers other than those on life support, "All of the processes that PG&E has in place to protect sensitive customers are applicable to customers both before and after SmartMeter™ installation; but the SmartMeter™ technology's remote connect/disconnect capability enables significant cost savings. The unnecessary expansion of the definition of sensitive customer, as well as the added processes, would significantly increase costs and erode SmartMeter™ benefits."[26]

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[23] Application of Southern California Edison Company (U 338-E) for Approval of its 2012-2014 California Alternate Rates for Energy (CARE) and Energy Savings Assistance Programs and Budgets, A.11-05-017, filed May 16, 2011, pp. 60-61.

[24] Phase II.2 ALJ Ruling, Attachment at 1.

[25] *See* CPUC Decision 10-12-051 Granting Petition to Modify Decision 10-07-048, and Approving Settlement Agreement, December 16, 2010, Appendix A, pp. 14-15 and pp. 12-13. *Also see* R.10-02-005, Southern California Edison's Opening Comments on the Administrative Law Judge's Ruling Providing Opportunity for Comments and Addressing Other Phase II Issues, September 15, 2010, p. 11.

[26] R.10-02-005, Pacific Gas And Electric Company's (U 39 M) Opening Comments on Phase II Scoping Memo Issues, September 15, 2010, p. 6.

The CPUC should design a uniform protocol based on SDG&E and SCE's practices, but include the additional protections that SDG&E has committed to as well, specifically:

- Implement 12-month transition process – no remote disconnect during first 12 months following installation to allow for customer education on the new method of disconnection.
- Include customers with serious illness in the categories of customers receiving in-person, premise visits prior to disconnection.[27]

Prior to the CPUC's July 2010 requirement that medical baseline customers receive an in-person, premise visit prior to disconnection, PG&E only extended this service to life support customers. However, PG&E is the only utility currently disconnecting customers remotely, and its own disconnection data disaggregated by remote disconnect and manual disconnect shows that those customers scheduled for remote disconnect are much more likely to actually get disconnected than a household without the Smart Meter remote disconnect functionality.

In November 2010, DRA asked PG&E for the number of disconnect ordered issued, and the number of disconnect orders realized, broken down by those customers with Smart Meters and those without. Disconnect orders are issued after all notice requirements have occurred, and the customer has still not paid the past-due amounts.

TABLE 4
PG&E Residential Disconnects Issued vs. Occurred[28]

	Smart Meter			**non Smart meter**		
	Issued	Occurred	% occurred	Issued	Occurred	% occurred
Aug-10	7,288	5,670	78%	10,031	4,649	46%
Sep-10	10,459	7,823	75%	9,226	3,872	42%
Oct-10	15,617	11,693	75%	11,816	3,213	27%

[27] CPUC Decision 10-12-051 Granting Petition to Modify Decision 10-07-048, and Approving Settlement Agreement, December 16, 2010, Appendix A, pp. 14-15 and 12-13.
[28] PG&E response of Dec. 7, 2010 to DRA Data Request 6 of Nov. 22, 2010.

Table 4 shows that there is much less likelihood of a disconnection occurring through the manual process. There could be a few reasons for this: there is more time for the customer to resolve the balance during the time it takes for the field staff to arrive at the premise, or upon reaching the premise the field staff could determine that disconnection would pose too great a risk to the safety of the household's occupants.[29]

PG&E's increased disconnection realization rates underscore the need for the CPUC to establish a uniform protocol that protects vulnerable customers by continuing the safety check that an in-person premise visit provides.

I. The CPUC Should Extend Disconnection Protections for PG&E and SCE's CARE Customers Beyond December 31, 2011

The Phase II.2 ALJ Ruling asks:

> **Since the Settlement Agreement for the Joint Utilities is effective until December 31, 2013, should the effective sunset date for PG&E's and SCE's residential disconnection practices also be December 31, 2013?[30]**

PG&E and SCE CARE customers will need disconnection protections beyond 2011. DRA recommends that the bulk of protections be focused on CARE customers, because those customers already enrolled in CARE exhibit higher energy insecurity and disconnection rates than other residential customers. The economic downturn is predicted to be prolonged, especially for those at the lowest end of the income spectrum. Unemployment will continue to constrain incomes in California. Economic estimates predict it will take until 2015-2020 for unemployment to drop to 8%.[31]

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[29] DRA requested from PG&E an explanation in the difference in disconnection realization rates for households with Smart Meters compared to households without Smart Meters. In its response of December 24, 2010 to DRA's Data Request 7, PG&E explained that the difference is due to a reduced field staff workforce available to perform disconnections as the company transitions to Smart Meter installation. DRA questions whether PG&E is issuing disconnect orders knowing that they do not have the personnel to perform such orders.

[30] Phase II.2 ALJ Ruling, Attachment at 1.

[31] Donald Vial Center for Employment in the Green Economy, California Workforce, Training and Education Needs Assessment, 2011, p. 18.

Besides the bleak economic projections, PG&E is predicting the total amount of the CARE subsidy it distributes will decrease from 2010, based on the CPUC's pending approval of PG&E's General Rate Case Phase II. PG&E estimates a 9% decrease in CARE subsidy in 2012 (over 2010 actual) and a 16% decrease in CARE subsidy by 2014 (over 2010 actual).[32] PG&E's improvement in reducing CARE disconnection rates in 2010 and continuing into 2011 is significant. However, the combination of a poor economy and less subsidy will likely threaten PG&E's progress without additional protections beyond 2011.

SCE's CARE customers also need disconnection protections extended, but for different reasons than PG&E. SCE's CARE disconnection rates have not significantly decreased and are starting in 2011 to rise again.

III. CONCLUSION

The Phase II.2 ALJ Ruling takes the opportunity to consider the existing disconnection protections and potentially new solutions for PG&E and SCE customers. This continued focus on decreasing disconnections is timely as the protections for PG&E and SCE customers are set to expire at the end of this year. Despite the improvement in CARE customers' disconnection rates in 2010, low-income customers still experience more disconnections at nearly twice the rate than other customers. DRA's 2009 disconnection report pointed this out as one of several troubling patterns that California policy-makers and utilities should address. This has not changed in 2010, and seems unacceptable in light of California's financial resources devoted to energy affordability.

DRA's recommendations regarding AMPs, levelized payment programs and allowing customers to choose billing dates would require PG&E and SCE to simply develop and refine programs they already offer to customers. Refining these programs will add to the current toolbox of energy assistance that PG&E and SCE offers to customers. DRA recommends that the CPUC set workshops to discuss and develop

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[32] PG&E A.11-05-019, Table B-1 CARE Expenses.

AMPs. DRA also recommends the CPUC establish CARE disconnection benchmarks for PG&E and SCE. These benchmarks will not cause costs as they allow PG&E and SCE the flexibility to develop necessary adjustments to credit and collection policies.

Respectfully submitted,

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