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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Consider
New Approaches to Disconnections and
Reconnections to Improve Energy Access and
Contain Costs.

Rulemaking 18-07-005

**ASSIGNED COMMISSIONER'S PHASE 1 SCOPING MEMO AND RULING
AND REQUEST FOR COMMENTS ON A PROPOSED PILOT PROGRAM**

Summary

Pursuant to Rule 7.3(a) of the Commission's Rules of Practice and Procedure (Rules),¹ this Scoping Memo and Ruling is being issued following the prehearing conference (PHC) held on August 15, 2018. This Scoping Memo and Ruling sets forth the procedural schedule, assigns the presiding officer, and addresses the scope of the proceeding and other procedural matters in Phase I of this proceeding. In addition this Scoping Memo and Ruling provides notice of and seeks comment on the Commission's proposal to issue an interim decision in this proceeding that will establish a pilot program to limit the rate of disconnections to the 2017 levels, prohibit the disconnection of vulnerable customers and prevent disconnections during certain sessional events.

1. Background

On July 20, 2018, the Commission approved this Order Instituting Rulemaking (OIR) pursuant to Senate Bill (SB) 598 to address disconnection rates

¹ All references to rules are to the Commission's Rules of Practice and Procedure, which are available on the Commission's website at <http://www.cpuc.ca.gov/proceedings/>.

across California's electric and gas investor-owned utilities. Among other things, the goal of this proceeding is to adopt rules and policies that will ultimately reduce disconnections and improve reconnection processes for disconnected customers. This proceeding is being conducted in two phases.

Phase I seeks to provide rapid relief to residential customers experiencing disconnections and will focus primarily on improving upon the rules, policies, utility best practices, and programs that are currently in place. Phase II will take a broader approach to the evaluation of residential natural gas and electric disconnections with the goal of determining if the disconnection rate can be reduced through broader reforms and new preventive approaches beyond what is adopted in Phase I.

Scope, schedule, and other procedural issues were discussed at the PHC on August 15, 2018. This ruling specifies the scope and schedule for resolving the issues presented in Phase I of this proceeding.

2. Proceeding Category and Need for Hearings

This proceeding is considered to be quasi-legislative as defined in Rule 1.3(d). It appears that the issues presented in this proceeding may be resolved through comments and workshops without the need for evidentiary hearings. In the event that evidentiary hearings become necessary, the assigned Commissioner or Administrative Law Judge (ALJ) will issue a ruling that sets forth the process and the schedule for conduct of those hearings.

3. Scope and Schedule for Phase 1

3.1. Scope of Phase 1

The scope of this rulemaking is as follows:

1. What is the current rate and status of disconnections and reconnections within the service territories of California's

investor-owned energy utilities (IOUs)? This will include, but is not limited to, an evaluation of:

- a. Utility-specific disconnection rates for nonpayment.
 - b. Utility-specific rules and policies regarding disconnections for nonpayment.
 - c. Utility-specific requirements for reconnection, including time to reconnection after payment.
 - d. Current Commission rules regarding disconnections and reconnections.
 - e. The causes of utility disconnections for nonpayment. What events are correlated with an increase in disconnections?
 - f. The correlation between rate increases and the disconnection rate for nonpayment.
 - g. The cost to all ratepayers to address disconnections and reconnections, including employee salaries, programmatic costs, lost revenues.
 - h. What are the reasons that a utility decides to ultimately disconnect a customer? What internal procedures are followed? Is there an increased need for transparency?
 - i. What type of socioeconomic data is available as it relates to customers facing disconnections?
2. By what amount (goal or target) should the Commission seek to reduce disconnections by January 1, 2024 in accordance with SB 598? How will this goal be measured and evaluated? Should these goals be addressed in Phase I or Phase II of this proceeding? How should these targets be revised if additional information becomes available?
 3. What policies, programs or rules should the Commission adopt to reduce the disconnection rate for nonpayment? This may include, but is not limited to, adoption of a payment plan framework, debt forgiveness.
 - a. Should the Commission adopt comprehensive rules and policies that apply to all utilities, or should the utilities

continue to have the flexibility to develop their own rules and policies? Or both?

- b. Should the Commission adopt specific rules or policies around reconnections, including a maximum allowable time to reconnect a utility customer after payment?
 - c. Are additional employee resources needed to adequately address reconnections, and if so, should the Commission address this issue globally in this OIR or within each utility's general rate case?
 - d. What programs or policies should the Commission adopt, either alone or in partnership with other agencies to stop disconnections before they happen?
 - e. Can the Commission and utilities design programs that will aid or assist utility customers at risk of disconnection before a disconnection occurs?
 - f. What are the best practices regarding disconnections and reconnections currently being used in other states? Should or can the Commission adopt any of these best practices to immediately reduce the disconnection rate in California?
 - g. Should the Commission adopt rules or policies that establish enforcement mechanisms for utilities that do not adhere to any policies, programs, or rules adopted to reduce the disconnection rate for nonpayment? What sort of penalties should apply for violations?
4. What are the disconnection rules and policies in other states and could these policies be adopted successfully in California?
 5. Are there customers that should never be disconnected?
 6. What are the impacts of disconnections on vulnerable customers, including, but not limited to customers with disabilities and non-English speaking households?
 7. In order to provide rapid relief, should the Commission place a cap of disconnection rates at the 2017 levels?
 8. Should there be a portion of this rulemaking tailored specifically to Small and Multi-Jurisdictional Utilities?

9. What is the role of Community Choice Aggregators in disconnections and should the Commission establish policies as it relates to disconnections that are managed by the interconnecting utility?

4. Proposed Pilot Program Establishing Rapid Relief

Phase I of this proceeding intends to provide rapid relief to residential customers experiencing disconnections. The Commission desires to use Phase I of this proceeding to establish near-term improvements to the current system. The Commission recognizes the need to take immediate action while at the same time balancing the interests of the utilities in this proceeding. The Commission intends to conduct multiple workshops that will be used to help create rules and regulations aimed at reducing the statewide level of residential gas and electric service disconnections for nonpayment.

The Commission is concerned by the increasing number of disconnections and therefore desires to address this issue as quickly as possible. The Commission intends to issue an interim decision in this proceeding that will establish a pilot program to limit the rate of disconnections to the 2017 levels, prohibit the disconnection of vulnerable customers and prevent disconnections during certain sessional events.

The pilot program will remain in effect while this rulemaking is being conducted. Any rules or regulation adopted in the pilot program will be evaluated in the final Phase I decision for this rulemaking or until the Commission directs otherwise.

The parties shall provide comments to each of these proposed interim pilot projects within five days of service of this ruling. Reply comments may be served no later than two days after serving comments.

The utilities should also be prepared to implement the requirements of the pilot program as quickly as possible.

4.1. Limit disconnection rate to 2017 rate

SB 598 states:

residential disconnections for nonpayment by major gas and electrical corporations rose significantly from 547,000 in 2010 to 816,000 in 2015. Gas and electric service shutoffs threaten the health of two million people annually with significant impact on infants, children, the elderly, low-income families, communities of color, people for whom English is a second language, physically disabled persons, and persons with life threatening medical conditions. The loss of basic gas or electric service causes tremendous hardship and undue stress, including increased health risks to vulnerable populations, as well as overreliance on emergency services and underutilization of preventive programs.²

In accordance with SB 598, the Commission must develop policies, rules, or regulations with a goal of reducing the statewide level of gas and electric service disconnections for nonpayment by residential customers, including policies, rules, or regulations.³ In order to ensure no further increases occur, and that a path towards reductions is ensured, the pilot program and interim decision would establish a disconnection rate cap for each investor owned utility (IOU) at the IOU's 2017 disconnection rate.

² SB 598, Section 1(a).

³ Public Utilities Code Section 718(a).

4.2. Limits to disconnections of vulnerable customers

In addition to explicitly requiring an overall reduction in disconnection rates, SB 598 created protections for certain customers for whom disconnection would be life-threatening. Specifically, SB 598 prohibits gas or electrical corporations from disconnecting customers who utilize a medical baseline allowance, are financially unable to pay, agree to a payment plan, and are either 1) under hospice care, 2) on life-support equipment, 3) diagnosed with a life-threatening condition that makes electricity service medically necessary.⁴ SB 598 also finds that disconnections are a public health issue, and impact the elderly, people with physical disabilities, and people with life-threatening medical conditions.

To ensure that these vulnerable customers are protected as the Commission considers policies to reduce the disconnection rate in this proceeding, the pilot program will ban utilities from disconnecting customers for nonpayment who qualify for medical baseline and/or are above 65 years old, as long as the customer agrees to a payment plan. Southern California Edison has established a similar policy (SCE Rule 11(B)(2)(b)) and issuing this ruling will ensure that all IOUs have similar protections for elderly and medically vulnerable customers.

4.3. Temperature limitations on disconnections

Disconnections are a public health issue, particularly when temperatures are extreme. In SB 598, the Legislature finds and declares that “the loss of basic gas or electric service causes tremendous hardship and undue stress, including

⁴ Public Utilities Code, Section 779.3(a).

increased health risks to vulnerable populations.”⁵ Losing access to energy services on extremely hot or cold days can be life threatening for some populations, including infants, children, and the elderly.

In order to protect customers from extreme temperatures this winter, the pilot program establishes immediate, interim temperature limitations on disconnections. Energy IOUs cannot disconnect electricity customers when the 72-hour National Weather Service forecast predicts temperatures above 100 degrees or below 32 degrees. Energy IOUs cannot disconnect gas customers when the 72-hour National Weather Service forecast predicts temperatures below 32 degrees. This policy draws on existing PG&E policy, which limits disconnection of utility customers when temperatures on a given day exceed 100 degrees or are below 32 degrees.⁶

4.4. Schedule for Phase 1

With the above in mind and based upon the discussions at the PHC, the following schedule shall be adopted for this proceeding:

Description	
Prehearing Conference (PHC)	August 15, 2018
Comments on Disconnection Limitations	September 2018
Disconnection Limitations PD	October 2018
Workshop 1 Examination of disconnection trends and recommendations to improve reconnections (Southern California)	October 2018

⁵ SB 598, Section 1(c).

⁶ Reply of Pacific Gas and Electric Company (U39M) to Opening Comments on Issues Raised in Order Instituting Rulemaking 18-07-005 at 2.

Workshop 2 Policies and programs to reduce disconnections and improve reconnections and best practices across other sectors (Central Valley)	November 2018
Workshop 3 Best practices and new approaches to reduce disconnections and recommendations to reduce reconnections and improve reconnections (Stockton)	December 2018
Workshop Report	Late January 2019
Comments on Workshop Report	Within two weeks of Workshop Report
Proposed Decision on Phase I Issues	Spring 2019
Comments on Proposed Decision	Pursuant to Rule 14.3(d)
Reply Comments on Proposed Decision	Pursuant to Rule 14.3(d)
Final Decision on Phase I Issues	Within 18 months of the scoping memo

Pub. Util. Code Section 1701.5(a) provides that in a quasi-legislative proceeding, the Commission shall resolve the issues raised in the scoping memo within 18 months. This schedule may be altered by the assigned Commissioner or the assigned ALJ. Notice of any workshops in this proceeding will be posted on the Commission’s Daily Calendar to inform the public that a decision-maker or an advisor may be present at the workshop or meeting. Parties shall check the Daily Calendar regularly for such notices. In an effort to promote inter-agency coordination, workshops may be conducted with other governmental entities as appropriate.

5. Oral Argument

Pursuant to Rule 13.13, parties have a right to make oral arguments before the Commission. If any party desires to make oral arguments, they should do so by motion at the time they make comments on any workshop reports.

6. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner. Gerald F. Kelly is the assigned ALJ to this proceeding.

7. Intervenor Compensation

A PHC was held in this matter on August 15, 2018. Pursuant to Pub. Util. Code Section 1804(a)(1), an individual who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by September 14, 2018.

8. Ex Parte Commuincations

This is a quasi-legislative proceeding; therefore, *ex parte* communications are allowed without restriction or reporting requirements pursuant to Rule 8.3(a).

9. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 1-866-849-8390 or 415-703-2074 or 1-866-836-7825 (TYT), or send an e-mail to public.advisor@cpuc.ca.gov.

10. Service of Documents on Commissioners and Their Personal Advisors

Rule 1.10 requires only electronic service on any person on the official service list, other than the ALJ.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must NOT send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

11. Public Outreach

Pursuant to Pub. Util. Code Section 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website.

Additionally, pursuant to Ordering Paragraphs 9 and 10, this OIR was served on the following:

A.18-04-002, In the Matter of the Application of PacifiCorp, an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019.

A.17-06-030, Application of Southern California Edison Company to Establish Marginal Costs, Allocate Revenues, and Design Rates.

A.17-10-008, Application of Southern California Gas Company for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2019, (consolidated with A.17-10-007, Application of San Diego Gas & Electric Company for Authority, Among Other Things, to Update Its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2019.)

A.17-05-004, In the Matter of the Application of Golden State Water Company, on Behalf of its Bear Valley Electric Service Division, for Approval and Recovery of Costs, and Authority to Increase Rate and Other Charges Related to Electric Service by Its Bear Valley Electric Service Division.

A.17-12-011, Application of Pacific Gas and Electric Company for Approval of Its Residential Rate Design Window Proposals, including to Implement a Residential Default Time-Of-Use Rate along with a Menu of Residential Rate Options, followed by addition of a Fixed Charge Component to Residential Rates (consolidated with A.17-12-012 and A.17-12-013.)

A.16-07-017, Application of West Coast Gas Company to Revise Its Gas Rates and Tariffs.

A.16-07-007, Application of Liberty Utilities (CalPeco Electric) LLC for Authority to Update Rates Pursuant to Its Energy Cost Adjustment Clause, Effective January 1, 2017.

A.16-06-013, Application of Pacific Gas and Electric Company to Revise Its Electric Marginal Costs, Revenue Allocation and Rate Design.

A.15-02-003, Application of Liberty Utilities (CalPeco Electric) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2015-2017 (consolidated with A.15-02-001, A.15-02-002, A.15-03-004, A.15-02-013, and A.15-02-024).

R.15-03-010, Order Instituting Rulemaking to Identify Disadvantaged Communities in the San Joaquin Valley and Analyze Economically Feasible Options to Increase Access to Affordable Energy in those Disadvantaged Communities.

A.15-03-004, In the Matter of the Application of Alpine Natural Gas Operating Company No. 1, LLC for Approval of the California Alternate Rates for Energy and Energy Savings Assistance Programs and Budgets for Program Years 2015-2017.

A.14-11-007, Application of Southern California Edison Company for Approval of Its Energy Savings Assistance and California Alternate Rates for Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets for Program Years 2015-2017 (consolidated with A.14-11-009, A.14-11-01- and A.14-11-011.)

R. 14-08-013, Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Pursuant to Public Utilities Code Section 769.

A.12-12-024, Application of Southwest Gas Corporation for Authority to Increase Rates and Charges for Gas Service in California, Effective January 1, 2014.

R.12-06-013, Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.

Additionally, this Order Instituting Rulemaking was served on the following agencies and organizations: Alameda County Public Health

Department, California Department of Health Care Services, California Department of Social Services, California Low-Income Consumer Coalition, Catholic Charities of Fresno, Catholic Charities of Stockton, CAUSE, Central California Legal Services, Centro La Familia, CHANGES (Community Help and Awareness of Natural Gas and Electric Services), City Heights Community Development, City of Bakersfield, City of Fresno, City of Stockton, Coalition of California Utility Employees, Congregations Organized for Prophetic Engagement, Dolores Huerta Foundation, East Bay Community Law Center, Fathers and Families of San Joaquin, Housing Long Beach, Leadership Institute of Allen Temple, National Association for the Advancement of Colored People (NAACP) Environmental and Climate Justice Program, Poverello House, Public Utility Law Center, Self Help for the Elderly, TEAM, The Committee to End Utility Shutoffs, The Michigan Welfare Rights Organization, The National Consumer Law Center, The Office of Senator Ben Hueso, California 40th Senate District, The Utility Reform Network, West Fresno Family Resource Center.

IT IS RULED that:

1. The scope and schedule for Phase I of this proceeding are set forth above in Sections 3.1 and 3.2.
2. The Administrative Law Judge is authorized to modify the schedule adopted herein as necessary for the efficient administration of this proceeding.
3. Notice of any workshops in this proceeding will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.
4. This proceeding is categorized as quasi-legislative; therefore, ex parte communications are allowed without restriction or reporting requirements.

5. Hearings are not necessary.

6. Pursuant to Public Utilities Code Section 1701.4 and Rule 13.2

Commissioner Martha Guzman Aceves is the assigned Commissioner, the Presiding Officer. Administrative Law Judge (ALJ) Gerald F. Kelly is the assigned ALJ in this proceeding.

7. This ruling notifies the parties that the Commission is considering a pilot program that would establish interim rapid relief policies that limit the rate of disconnections to the 2017 levels, prohibit the disconnection of vulnerable customers and prevent disconnections during certain seasonal events.

8. The policies established in this pilot program will remain in effect until the Commission issues a final decision in Phase 1 of the proceeding or directs otherwise.

9. Within five days, the parties shall file comments on the proposed interim pilot project.

10. Parties may file reply comments no later than two days after filing comments.

Dated September 13, 2018, at San Francisco, California.

/s/ MARTHA GUZMAN ACEVES

Martha Guzman Aceves

Assigned Commissioner