

STATE OF CALIFORNIA

Public Utilities Commission  
San Francisco

**M e m o r a n d u m**

**Date:** June 4, 2003

**To:** The Commission  
(Meeting of June 5, 2003)

**From:** Alan LoFaso, Director  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **SB 659 (Soto) Electrical corporations: rates.**  
As Amended April 21, 2003

**Legislative Subcommittee Recommendation:** Oppose

**Summary:** This bill would remove the December 31, 2003 sunset date on existing law that directs the Commission to require all electrical corporation charges for residential electric customers to be based on usage.

**Digest:** Existing law, Public Utilities (P.U.) Code §739(c)(3), directs the Commission to:

- Require all residential electric charges to be based upon usage (volumetric); and
- Prohibit electrical corporations (ECs) from imposing charges that are not based upon usage (non-volumetric), unless the charges were in place prior to April 12, 2001 (the date of enactment of Chapter 8, Statutes of 2001-02 (1<sup>st</sup> Ex. Sess.) (AB 29X, Kehoe) which added subdivision (c)(3) to P.U. Code §739).

Existing law sunsets these provisions on December 31, 2003.

This bill would delete the December 31, 2003 sunset in existing law requiring volumetric charges for residential electric customers and would prohibit utilities from imposing non-volumetric (i.e. fixed) charges on these customers that were established after April 12, 2001.

This bill would exempt a Commission-determined “reasonable minimum monthly bill” from this volumetric rate design requirement.

**Analysis:** SB 659’s prohibition against the use of “non-volumetric” (fixed) charges in rate design would permanently eliminate the Commission’s discretion to authorize these charges for any costs incurred by the utility to provide residential electrical service. These costs include procurement expenses, costs for services that are not based upon customer consumption, or other fixed utility costs.

The costs for some utility services are constant or have minimal variation over time, such as distribution, meter-reading, and billing services. These are also examples of services that do not vary as a customer's energy consumption fluctuates. Whether the customer's usage is at its annual peak or the customer has no consumption at all, these services must still be provided to the customer to maintain the availability of service if the customer needs power. Notwithstanding the amount of energy consumed, every customer of an electric utility must be connected to the distribution system in order to receive power; must have their meter read; and must be provided with a billing statement that outlines the services provided and the cost for those services.

Non-volumetric charges are currently used in water utility rate structures, where approximately half of the utility's fixed costs, including rent on facilities and labor costs, are billed to the customer using a fixed charge. The remainder of these fixed costs are combined with the utility's variable costs (i.e. power procurement, chemicals, water treatment) and billed to the customer on a volumetric basis.

Electrical utility rate structures also contain additional charges designed to cover the costs of maintaining the availability of the system. For example, a standby charge is imposed upon EC customers who rely upon self-generation for all or part of their electrical load requirements. This charge is not based on customer usage of power delivered by the grid. Instead it is determined by the customer's level of standby demand, calculated using either the nameplate capacity of the customer's generating facility, or the customer's peak demand.

Preserving the Commission's discretion regarding the use of non-volumetric rates would enable the Commission to reasonably allocate costs for services to customers who have benefited from those services.

## **LEGISLATIVE HISTORY**

Senate Floor: 28-5 (passed to the Assembly) (5/8/03)

Sen. Approps: Ordered to Senate Floor per Rule 28.8 (no fiscal impact) (5/5/03)

Senate E.U.&C: 6-0 (do pass) (4/22/03)

## **SUPPORT/OPPOSITION**

Support: The Utility Reform Network (TURN) (source), California Coalition of Utility Employees.

Opposition: Sempra Energy.

**LEGISLATIVE STAFF CONTACT**

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**Date:** June 4, 2003

**BILL LANGUAGE:**

BILL NUMBER: SB 659      AMENDED  
BILL TEXT

AMENDED IN SENATE    APRIL 21, 2003

INTRODUCED BY    Senator Soto

FEBRUARY 21, 2003

An act to amend Section 739 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 659, as amended, Soto. Electrical corporations: rates.

(1) Existing law requires the Public Utilities Commission, at least until December 31, 2003, to require that all electrical corporation charges for residential electric customers are volumetric, and to prohibit any electrical corporation from imposing any charges on residential consumption that are independent of consumption unless the charges are in place prior to April 12, 2001.

~~This bill would remove the December 31, 2003, date restriction on that volumetric charge requirement, thereby making its operation indefinite.~~ *directly impose, for an indefinite period, a requirement that all charges for residential electric customers be volumetric, and would prohibit an electrical corporation from imposing any charges on residential electric customers that are independent of consumption, excepting a reasonable minimum monthly bill, as determined by the commission.*

Because existing law makes a violation of a rule or order of the commission a crime, this bill would change the definition of a crime, thereby imposing a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 739 of the Public Utilities Code is amended to read:

739. (a) The commission shall designate a baseline quantity of gas and electricity which is necessary to supply a significant portion of the reasonable energy needs of the average residential

customer. In estimating those quantities, the commission shall take into account differentials in energy needs between customers whose residential energy needs are currently supplied by electricity alone or by both electricity and gas. The commission shall develop a separate baseline quantity for all-electric residential customers. For these purposes, "all-electric residential customers" are residential customers having electrical service only or whose space heating is provided by electricity, or both. The commission shall also take into account differentials in energy use by climatic zone and season.

(b) (1) The commission shall establish a standard limited allowance which shall be in addition to the baseline quantity of gas and electricity for residential customers dependent on life-support equipment, including, but not limited to, emphysema and pulmonary patients. A residential customer dependent on life-support equipment shall be given a higher energy allocation than the average residential customer.

(2) "Life-support equipment" means that equipment which utilizes mechanical or artificial means to sustain, restore, or supplant a vital function, or mechanical equipment which is relied upon for mobility both within and outside of buildings. "Life-support equipment," as used in this subdivision, includes all of the following: all types of respirators, iron lungs, hemodialysis machines, suction machines, electric nerve stimulators, pressure pads and pumps, aerosol tents, electrostatic and ultrasonic nebulizers, compressors, IPPB machines, and motorized wheelchairs.

(3) The limited additional allowance shall also be made available to paraplegic and quadriplegic persons in consideration of the increased heating and cooling needs of those persons.

(4) The limited additional allowance shall also be made available to multiple sclerosis patients in consideration of the increased heating and cooling needs of those persons.

(5) The limited additional allowance shall also be made available to scleroderma patients in consideration of the increased heating needs of those persons.

(6) The limited allowance shall also be made available to persons who are being treated for a life-threatening illness or have a compromised immune system, provided that a licensed physician and surgeon or a person licensed pursuant to the Osteopathic Initiative Act certifies in writing to the utility that the additional heating or cooling allowance, or both, made available pursuant to this subdivision is medically necessary to sustain the life of the person or prevent deterioration of the person's medical condition.

(c) (1) The commission shall require that every electrical and gas corporation file a schedule of rates and charges providing baseline rates. The baseline rates shall apply to the first or lowest block of an increasing block rate structure which shall be the baseline quantity. In establishing these rates, the commission shall avoid excessive rate increases for residential customers, and shall establish an appropriate gradual differential between the rates for the respective blocks of usage.

(2) In establishing residential electric and gas rates, including baseline rates, the commission shall assure that the rates are sufficient to enable the electrical corporation or gas corporation to recover a just and reasonable amount of revenue from residential

customers as a class, while observing the principle that electricity and gas services are necessities, for which a low affordable rate is desirable and while observing the principle that conservation is desirable in order to maintain an affordable bill.

~~— (3) The commission shall require that all charges for residential electric customers are volumetric, and shall prohibit any electrical corporation from imposing any charges on residential consumption that are~~

*(3) With the exception of a reasonable minimum monthly bill, as determined by the commission, all charges for residential electric customers shall be volumetric, and an electric corporation may not impose any charges on residential electric customers that are independent of consumption, unless those charges ~~are~~ were in place prior to April 12, 2001.*

(d) As used in this section:

(1) "Baseline quantity" means a quantity of electricity or gas for residential customers to be established by the commission based on from 50 to 60 percent of average residential consumption of these commodities, except that, for residential gas customers and for all-electric residential customers, the baseline quantity shall be established at from 60 to 70 percent of average residential consumption during the winter heating season. In establishing the baseline quantities, the commission shall take into account climatic and seasonal variations in consumption and the availability of gas service. The commission shall review and revise baseline quantities as average consumption patterns change in order to maintain these ratios.

(2) "Residential customer" means those customers receiving electrical or gas service pursuant to a domestic rate schedule and excludes industrial, commercial, and every other category of customer.

(e) Wholesale electrical or gas purchases, and the rates charged therefor, are exempt from this section.

(f) Nothing contained in this section may be construed to prohibit experimentation with alternative gas or electrical rate schedules for the purpose of achieving energy conservation.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.