

M e m o r a n d u m

Date: March 5, 2008

To: The Commission
(Meeting of March 13, 2008)

From: Bryan Crabb, Legislative Liaison
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 1763 (Blakeslee) – Energy: disclosures on billing statements.**
As introduced: January 8, 2008

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT WITH TECHNICAL AMENDMENTS

SUMMARY OF THE BILL:

This bill would require each electric and gas corporation to disclose and itemize the charges for each rate block (tier) above the baseline rate on customers' billing statements.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

This bill would provide customers with detailed information and monthly documentation regarding the cost of their energy use by rate tier and the potential for positive financial gains from further conservation efforts.

SUMMARY OF SUGGESTED AMENDMENTS:

The proposed amendments would clarify that charges be detailed by each rate block including the first (baseline) tier. We also suggest adding further definition to the requirement that utilities provide line item delineation of (1) number of kWh or gas therms used specific to each tier above (and including) baseline; (2) the rate at which kWh or gas therm use is charged within each tier; (3) the total line item charge for kWh or gas therm use within each tier resulting from (1) multiplied by (2), and (4) the total commodity charge resulting from the sum of each line item. Legislation should be limited to the state's largest utilities: PG&E, SCE, SDG&E, SoCalGas and Southwest Gas Corporation.

Energy Division's suggested amendments are bold italicized and are confined to the third paragraph, first page of the proposed legislation. The suggested edits consist of inserted text, and no other text within the paragraph was eliminated:

“This bill would require each electrical corporation ***with at least one million retail customers in California*** and each gas corporation ***with at least 150,000 retail customers in California*** to disclose on the customer's billing statement, the charges incurred by the customer under each block rate above ***and including*** the baseline rate. ***Customers' billing statements should be itemized by line item to show (1) the number of kilowatt hours or gas therms used specific to each block (tier); (2) the rate (i.e., \$ per kilowatt hour, or \$ per therm) at which the corporation charges for kilowatt hours or gas therms used specific to that block (tier) rate; (3) the resulting subtotaled charges for kilowatt hours or gas therms used at that rate for that block (tier), and (4) a separate line showing the sum of all kilowatt hour or gas therms used in all blocks and the sum of charges for kilowatt hour or gas therms used for that billing period.*** The bill would declare the intent of the legislature that in order to enable electricity and gas customers to better understand how undertaking efficiency measures will lower their utility bills, electrical corporations and gas corporations should disclose those charges incurred by the customer under each block rate above the baseline rate.”

- This amendment would cause no material change to existing law, policy and practice. However, this would be an improvement and provide clarification in comparison to existing billing methodologies.

DIVISION ANALYSIS (Energy Division):

- This requirement and resulting documentation provide reinforcement and affirmation of conservation efforts.
- Proposed legislation amends Section 739 of the Public Utilities Code, which provides for baseline quantities of gas and electricity necessary to supply a significant portion of the reasonable energy needs of the average residential customers.
- Various California utility companies itemize customer use by stating kWh or gas therm use and associated cost per kWh/therm, but do not show the corresponding subtotal cost for use within that tier. Proposed amendments to legislation would establish customer billing uniformity, and would provide immediate information to customers regarding the resulting financial impact of conservation efforts.
- Legislation is most likely necessary to facilitate this billing improvement rather than depending on California utilities to independently and uniformly undertake these billing improvements on their own.

- Itemization of customer use by tier helps accomplish the California Public Utilities Commission's objectives regarding conservation measures and providing reasonable rates to customers.

PROGRAM BACKGROUND:

Current policy requires tiered billing rates for gas and electricity associated with baseline allowances and geographical baseline territories, but has not established uniformity for California's four major electric/gas utilities (PG&E, SCE, SDG&E, SoCalGas) re: line-itemization of energy use, corresponding cost by tier, and subtotaled cost for each tier.

LEGISLATIVE HISTORY:

AB1X legislation (2001) froze rates for electric use in the first two tiers of consumption, consisting of use up to 100% of baseline plus a second block equal to 30% above baseline. The large utilities (PG&E, SCE, and SDG&E) established an "increasing block" rate structure for electric use with either four or five tiers, with cost increasing as a customers' total use graduated to the next tier of consumption. Previous to and separate from this legislation, California mandated "baseline" allowances (P.U. Code 739) requiring utilities to provide 50% to 60% of the average customer's kWh or gas therm needs at a "baseline" rate.

FISCAL IMPACT:

None. Bill enactment does not change existing work duties, and the changes neither enhance nor hinder the California Public Utilities Commission's ability to perform its existing work load.

STATUS: AB 1763 is pending hearing in the Assembly Committee on Utilities & Commerce.

SUPPORT/OPPOSITION: None on file.

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Date: March 6, 2008

BILL LANGUAGE:

BILL NUMBER: AB 1763 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Blakeslee

JANUARY 8, 2008

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1763, as introduced, Blakeslee. Energy.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations 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 natural gas necessary for a significant portion of the reasonable energy needs of the average residential customer and requires that electrical corporations and gas corporations file rates and charges, to be approved by the commission, providing baseline rates that apply to the first and lowest block of an increasing block rate structure. Existing law requires the commission to establish an appropriate gradual differential between the rates for the respective blocks of usage.

This bill would require each electrical corporation and each gas corporation to disclose on the customer's billing statement, the charges incurred by the customer under each block rate above the baseline rate. The bill would declare the intent of the Legislature that in order to enable electricity and gas customers to better understand how undertaking efficiency measures will lower their utility bills, electrical corporations and gas corporations should disclose those charges incurred by the customer under each block rate above the baseline rate.

Under existing law, a violation of the Public Utilities Act is a crime.

Because the provisions of this bill would be a part of the act, the bill would impose a state-mandated local program by creating a new crime.

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. The Legislature finds and declares that in order to enable electricity and gas customers to better understand how undertaking efficiency measures will lower their utility bills, electrical corporations and gas corporations should disclose those charges incurred by the customer under each block rate above the baseline rate.

SEC. 2. Section 739 of the Public Utilities Code is amended to read:

739. (a) *As used in this section:*

(1) *"Baseline quantity" means a quantity of electricity or gas allocated by the commission for residential customers 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.*

(b) 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)~~

(c) (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~~ allocated 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 *specified in this subdivision* 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 *specified in this subdivision* 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 *specified in this subdivision* shall also be made available to scleroderma patients in consideration of the increased heating needs of those persons.

(6) The limited allowance *specified in this subdivision* shall also be made available to persons who are being treated for a life-threatening illness or have a compromised immune system, ~~provided that~~ if 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)~~

(d) (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) At least until December 31, 2003, 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 independent of consumption, unless those charges are in place prior to ~~the effective date of the act that added this paragraph~~ 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) Each electrical corporation and each gas corporation shall disclose on the billing statement of a customer, the charges incurred by the customer under each block rate above the baseline rate.

~~(e)~~

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

~~(f)~~

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

SEC. 3. 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.