



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Address
Energy Utility Customer Bill Debt
Accumulated During the COVID-19
Pandemic.

Rulemaking 21-02-014

**COMMENTS OF THE PUBLIC ADVOCATES OFFICE
ON THE ORDER INSTITUTING RULEMAKING TO ADDRESS
ENERGY UTILITY CUSTOMER BILL DEBT ACCUMULATED
DURING THE COVID-19 PANDEMIC**

CHRISTOPHER HOGAN
RYAN SARAIE
Regulatory Analysts for

Public Advocates Office
California Public Utilities Commission
505 Van Ness Ave
San Francisco, CA 94102
Telephone: (415) 703-2848
E-mail: Christopher.Hogan@cpuc.ca.gov

RITTA MERZA
ROSANNE O'HARA
Attorneys for

Public Advocates Office
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Telephone: (213) 620-6454
E-mail: Ritta.Merza@cpuc.ca.gov

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I. INTRODUCTION AND BACKGROUND

Pursuant to the *Order Instituting Rulemaking to Address Energy Utility Customer Bill Debt Accumulated During the COVID-19 Pandemic* (Arrearage Rulemaking)¹ issued on February 17, 2021, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits these comments.

The Arrearage Rulemaking addresses the accumulating amount of utility service arrearages from customers across the electric and gas utilities in California during the COVID-19 pandemic. It will examine the need for arrearage relief after the projected close of the statewide disconnection protections implemented in Resolution M-4842 and extended through Resolution M-4849.² In addition, the Arrearage Rulemaking will evaluate two Commission straw proposals as methods to address the rise in arrearages. Parties can recommend modifications to these proposals and suggest other alternatives.

¹ Order Instituting Rulemaking to Address Energy Utility Customer Bill Debt Accumulated During the COVID-19 Pandemic, p. 22.

² Resolution M-4842 was implemented in response to the economic challenges that arose from the COVID-19 pandemic, including such policies as a moratorium on disconnections for non-payment. Resolution M-4842 applies the protections through April 16, 2021. Resolution M-4849, issued on February 11, 2021, extends those same protections through June 30, 2021.

In response to the Arrearage Rulemaking, Cal Advocates provides comments on the preliminary scope, proceeding categorization, need for hearings, and proposed schedule. Furthermore, Cal Advocates includes additional comments regarding the Commission's straw proposals for arrearage relief.

II. PRELIMINARY SCOPE

Cal Advocates generally supports the scope of issues outlined in the Arrearage Rulemaking.

III. CATEGORIZATION, NEED FOR HEARINGS, AND PROPOSED SCHEDULE

The Arrearage Rulemaking preliminarily classifies the proceeding as ratesetting and does not consider hearings to be necessary.³ Cal Advocates agrees with these determinations.

The Commission should retain the workshop set for March 26, 2021 in the preliminary schedule. Cal Advocates recommends that the workshop topics include: (1) further modifications to the straw proposals or alternate solutions; (2) eligibility requirements for assistance programs; (3) alternative funding sources for assistance program costs; and (4) whether separate arrearage assistance programs for Direct Access, Community Choice Aggregation, and Core Transport Aggregation gas customers are necessary to prevent cross subsidization by bundled customers.

Energy Division should draft a workshop report containing workshop minutes and presentation slide decks. The workshop report should be admitted into this proceeding's record by April 8, 2021 to ensure that the Commission and parties have a robust record. Energy Division should send the draft report to parties for their input by April 2, 2021, and parties should submit their input to Energy Division by April 6, 2021. Cal Advocates recommends the following modifications to the proposed schedule:

³ Arrearage Rulemaking, p. 24.

Event	Preliminary Schedule	Cal Advocates Proposed
Comments on OIR	March 3, 2021	March 3, 2021
Prehearing Conference	March 8, 2021	March 8, 2021
Scoping Memo and Ruling	March 15, 2021	March 15, 2021
Workshop	March 26, 2021	March 26, 2021
Draft Workshop Report Sent to Parties	N/A	April 2, 2021
Parties Submit Workshop Report Feedback to Energy Division	N/A	April 6, 2021
Final Workshop Report Served to Parties and ALJ Ruling entering Workshop Report into the Record	N/A	April 8, 2021
Concurrent Briefs on Scoped Issues	N/A	April 15, 2021
Proposed Decision	May 21, 2021	May 21, 2021
Commission Decision	June 24, 2021	June 24, 2021

IV. COMMENTS ON STRAW PROPOSALS FOR ARREARAGE RELIEF

Cal Advocates generally supports the Commission’s two straw proposals included in the Arrearage Rulemaking. These proposals would help residential and small commercial customers manage their arrears and avoid utility service disconnection during this unprecedented time. Specifically, the Arrearage Assistance Program, Straw Proposal A (SP-A), would provide partial arrearage forgiveness to residential and small commercial customers with \$1,000 or more in arrears, and establish a payment plan to

help those customers better manage their remaining arrearage balance.⁴ The Expanded Payment Plan Program, Straw Proposal B (SP-B), would expand existing payment plans to provide residential and small commercial customers additional flexibility to manage their arrearage balance by offering a 24-month payment plan that can be deferred for up to three consecutive or nonconsecutive months.⁵ The proposed SP-A and SP-B would provide support for customers who might be ineligible to participate in the existing arrearage support programs such as the Arrearage Management Plan (AMP) or Low-Income Home Energy Assistance Program (LIHEAP).

Cal Advocates generally agrees with the eligibility requirements provided in the SP-A and SP-B straw proposals and offers the following additional recommendations:

1. Eligible residential and small commercial customers should be automatically enrolled in the SP-A without requiring verification of financial hardship unless the customer chooses to opt-out.
2. The SP-A should provide customers the ability to defer their payment plan for up to three months before the payment plan is considered in default.
3. Residential and small commercial customers ineligible for the SP-A should be automatically enrolled in the SP-B unless the customer chooses to opt-out.
4. The Commission should consider and evaluate incentives for the SP-B enrolled customers to successfully complete the 24-month payment plan.
5. The Commission should secure partial or full funding for the SP-A from sources other than ratepayer funds.
6. The Commission should evaluate and consider the cost impact of forgiving all or a significant portion of residential customer arrearages accrued during the disconnection moratorium with the forgiven amounts recovered in rates over a multiple year period to minimize cost burdens.

⁴ Arrearage Rulemaking, Attachment A, pp. A2-A3.

⁵ Arrearage Rulemaking, Attachment A, pp. A6-A7.

A. Eligible Residential and Small Commercial Customers Should be Automatically Enrolled in the SP-A Without Requiring Verification of Financial Hardship Unless the Customer Chooses to Opt-Out.

The Arrearage Rulemaking suggests eligible customers be enrolled in the SP-A either automatically or after verification of economic hardship due to COVID-19 with their utility.⁶ Cal Advocates supports automatically enrolling customers in the SP-A who have accumulated over \$1,000 in arrearages where a portion of the arrearages is at least 2 months old, and after the customer is given an opportunity to opt-out. Requiring verification of financial hardship would create an unnecessary barrier for the most vulnerable customers and require additional administrative work and costs. The disconnection moratorium automatically provides necessary utility service for customers unable to afford their bills due to economic challenges and higher usage at home. Unfortunately, this has also caused these customers to accrue potentially unmanageable arrearages that would make disconnection more likely once the moratorium ends. In addition to utility debt, these customers may also be struggling with other COVID-19 related hardships, such as past due rent resulting from the statewide eviction moratorium, which will make it that much harder for them to return to financial stability. Requiring that a portion of the arrearages be at least 2 months past due prior to automatic enrollment prevents residential and small commercial users from being automatically enrolled if they are slightly late paying their bill and not in need of arrearage forgiveness to stay current with their bill. Automatically enrolling eligible customers in the SP-A provides them with an option to retain utility service while receiving needed assistance to pay back their arrearages.

Requiring verification of financial hardship to enroll in the SP-A may also be administratively burdensome to the utility and costly to ratepayers. Prior to requiring financial verification, the Commission would need to determine the criteria for financial hardship (i.e. loss of employment, reduced wages, or increased household costs) and

⁶ Arrearage Rulemaking, Attachment A, p. A4.

which documents customers should provide to prove they meet the criteria. Once the financial hardship criteria are determined, additional staffing of utility customer service representatives would be necessary to answer questions related to financial hardship verification and to review the verification documents. In addition, requiring verification of financial hardship for enrolling would necessitate using additional ratepayer funds to promote the SP-A through outreach materials to inform customers of the program and the process for applying. In contrast, automatically enrolling eligible customers in the SP-A would remove the need for initial promotion material and utilities would simply need to inform eligible customers that they have been enrolled and of the program requirements. The ratepayer funds spent on financial hardship verification would be far better served assisting customers with receiving assistance than creating an additional hurdle for customers at risk of disconnection.

B. The SP-A Should Provide Customers the Ability to Defer their Payment Plan for Up to Three Months Before the Payment Plan is Considered in Default.

The Commission should provide further flexibility for customers enrolled in the SP-A plan by allowing customers to defer their payment plan for up to three months.⁷ Although California's unemployment rate has decreased substantially since May 2020,⁸ a significant portion of Californians are still facing unemployment and underemployment. Offering customers the added flexibility to defer their payment plans for up to 3 consecutive or nonconsecutive months will provide customers additional time to increase their income in order to remain on the SP-A and continue receiving arrearage forgiveness.

C. Residential and Small Commercial Customers Ineligible for the SP-A Should Be Automatically Enrolled in the SP-B Unless the Customer Chooses to Opt-Out.

⁷ The Commission's proposed the SP-B allows customers to defer their 24-month payment plan for up to 3 months before the payment plan is considered broken.

⁸ Arrearage Rulemaking, p. 5.

Customers that are ineligible for the SP-A because their arrearages are less than \$1,000 should be automatically enrolled in the SP-B unless the customer chooses to opt-out. Automatic enrollment in the SP-B is necessary to provide eligible customers the additional financial flexibility to stay connected to utility service given the short time frame before the disconnection moratorium lifts. The disconnection moratorium is currently scheduled to lift on June 30, 2021,² which is one week after a final decision is scheduled to be rendered in this rulemaking. One week is insufficient time to develop and commence an effective outreach campaign promoting the SP-B to eligible customers. Without automatic enrollment in the SP-B, eligible customers could be disconnected before they even have a chance to enroll. Enrollment in the SP-B will allow customers to pay back their arrearages in reduced increments by extending them over a 24-month period, and would not prevent financially able customers from paying back their arrearages over a shorter period of time if they have the means to do so. Repayment of arrearages in more manageable installments will not guarantee that customers will be able to repay their full arrears but may provide the necessary flexibility to pay their bills and avoid service disconnection.

D. The Commission Should Consider and Evaluate Incentives for the SP-B Enrolled Customers to Successfully Complete the 24-month Payment Plan.

The Commission should consider whether incentives should be added after successful completion of the 24-month payment plan for the SP-B enrolled customers to achieve a greater completion rate. The SP-B proposed in the Arrearage Rulemaking allows customers to repay their arrearages in more manageable installments over 24 months but does not provide arrearage forgiveness. However, more customers may successfully complete the payment plan if a reward or incentive is available for staying current with their new bill and arrearage payment arrangement over the full 24-month period. The ratepayer-funded incentive does not need to be large and costly, and could

² Resolution M-4849, p. 1.

take the form of a credit off the next bill after successful completion of the 24-month payment plan. The reward and number of additional payments needed to receive the reward should be communicated to the customer clearly and consistently to incentivize customer participation in completing the payment plan.

E. The Commission Should Secure Partial or Full Funding for the SP-A from Sources Other Than Ratepayer Funds.

The Commission should take the initiative to secure funding sources outside of ratepayer funds to recover a portion of the arrearage forgiveness costs of the SP-A.¹⁰ The Arrearage Rulemaking provides examples of arrearage assistance from four outside jurisdictions.¹¹ Three out of the four examples of arrearage assistance programs use funding sources such that ratepayers are not burdened with the full cost of the assistance programs. Since the pandemic began, a large portion of Californians have financially struggled while rates continue to outpace inflation.¹² The Commission should take the lead at this unprecedented time to find outside funding sources that will allow customers in arrears to stay connected to utility service while minimizing the impact to all other ratepayers.

Similar to the approach taken by other jurisdictions, the Commission could also partner with the utilities to secure voluntary shareholder donations that could relieve the cost burden to ratepayers.¹³ Investor-owned utilities in California already voluntarily

¹⁰ Outside funding is not needed for the SP-B, because the SP-B does not have an arrearage forgiveness component.

¹¹ Arrearage Rulemaking, pp. 17-20.

¹² “Utility Costs and Affordability of the Grid and Future; an Evaluation of Electric Costs, Rates and Equity Issues Pursuant to P.U. Code Section 913.1” (2021), p. 8. Retrieved from https://www.cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/Utilities_and_Industries/Energy/Reports_and_White_Papers/Feb%202021%20Utility%20Costs%20and%20Affordability%20of%20the%20Grid%20of%20the%20Future.pdf, accessed March 1, 2021.

¹³ The Arrearage Rulemaking describes shareholder contributions were approved to fund COVID-19 utility assistance programs in New Mexico and Arizona by their respective utility Commissions.

provide shareholder funded programs to help customers at risk of disconnection.^{14,15} The Commission could either collaborate with the utilities to refocus those funds to help customers during this pandemic or work together to create an additional program designated to help customers during the pandemic.

F. The Commission Should Evaluate and Consider the Cost Impact of Forgiving Residential Customer Arrearages Accrued During the Disconnection Moratorium.

Electricity rates are currently outpacing inflation and are forecasted to continue to increase significantly.¹⁶ As Cal Advocates has noted in other proceedings, ratepayer-funded programs must be prioritized to ensure that the State can meet its aggressive greenhouse gas emission reduction goals. Electricity and natural gas service are essential services.^{17,18} Now more than ever, customers who have accumulated arrearages and may be facing service disconnection should be given the highest priority in terms of receiving assistance. Within this context, Cal Advocates recommends that in addition to the straw proposals, the Commission consider and evaluate the cost impact of providing meaningful relief in the form of a forgiveness plan that would erase all or a significant portion of the arrearages accumulated during the disconnection moratorium.¹⁹ These costs could be recovered through rates²⁰ over an extended period of 4 or more years to

¹⁴ Southern California Edison Company partners with the United Way of Greater Los Angeles to provide one-time bill assistance through the Energy Assistance Fund.

¹⁵ San Diego Gas & Electric Company has donated shareholder contributions to the San Diego COVID-19 Community Respond Fund.

¹⁶ “Utility Costs and Affordability of the Grid and Future; an Evaluation of Electric Costs, Rates and Equity Issues Pursuant to P.U. Code Section 913.1” (2021), p. 75. Retrieved from https://www.cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/Utilities_and_Industries/Energy/Reports_and_White_Papers/Feb%202021%20Utility%20Costs%20and%20Affordability%20of%20the%20Grid%20of%20the%20Future.pdf, accessed March 3, 2021.

¹⁷ Pub. Util. Code, § 854.2(a)(1).

¹⁸ Resolution M-4849 extends customer protections to ensure continuity of essential service during the COVID-19 Pandemic which includes electric and natural gas service. Resolution M-4849, pp. 4-6.

¹⁹ Customers would continue being incentivized to pay bills accrued after the disconnection moratorium lifts in order to stay connected to utility service.

²⁰ These costs could also be partially or fully recovered through alternative means, such as voluntary shareholder contributions.

ease the burden on all customers. In addition, collecting additional revenue from disconnected customers is more administratively burdensome than collecting revenue and keeping customers connected. This approach could also result in cost savings for the utilities by avoiding disconnection and re-connection costs. The Commission's straw proposals provide a measured solution for providing financial assistance and flexibility to customers who otherwise would be disconnected once the moratorium ends. However, many Californians are still facing significant income loss²¹ and have accrued large sums of debt due to the pandemic,²² and the straw proposals may not provide enough assistance to ensure the most impacted customers can stay connected to utility service. Given these unparalleled times, it is imperative for the Commission to evaluate the maximum feasible relief that can be provided without significantly impacting all ratepayers. The potential rate increase from this proposal could be minimized by amortizing recovery over multiple years, similar to how revenue increases from General Rate Cases are amortized over the test and attrition years. In addition, the cost impact could be further minimized by recovering a portion of the arrearage forgiveness costs through Federal Funding earmarked for COVID-19 relief, or through voluntary shareholder contributions.

V. CONCLUSION

The Public Advocates Office respectfully submits these comments and recommendations to the Rulemaking.

²¹ Based on data tracked by Harvard University's Opportunity Insights, the Mercury News reported employment slightly increased for Californians earning \$60,000 a year or more, while employment has dropped almost 30% for Californians earning less than \$27,000 per year. "California revenues soar as rich get richer during pandemic," Updated March 1, 2021. Retrieved from <https://www.mercurynews.com/2021/02/28/california-revenues-soar-as-rich-get-richer-during-pandemic/>, accessed March 2, 2021.

²² According to the Associated Press, "In October [2020], the Federal Reserve Bank of Philadelphia estimated that California renters had compiled \$1.7 billion in unpaid rent. This month [January 2021], the nonpartisan Legislative Analyst's Office said the increase and extension of federal unemployment benefits had reduced that to \$400 million, accounting for just 2% of all renters. . . . Meanwhile, a survey by the State Water Resources Control Board found 1.6 million residential water customers, or 12% of all households, haven't paid their bills, creating a debt of \$1 billion." *California measure aims to pay off 80% of most unpaid rent*, January 25, 2021. Retrieved from <https://apnews.com/article/legislature-coronavirus-pandemic-california-gavin-newsom-state-legislature-7180696ef98110ed0ec80b932a2d24d3>, accessed March 2, 2021.

Respectfully submitted,

/s/ **RITTA MERZA**
Ritta Merza
Attorney

Public Advocates Office
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Telephone: (213) 620-6454
E-mail: Ritta.Merza@cpuc.ca.gov

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