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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs. | Rulemaking 18-07-005 |

## ADMINISTRATIVE LAW JUDGE'S RULING ON DISCONNECTION CAPS AND PAST-DUE PAYMENT ALLOCATION

This ruling requests party comments on disconnection caps and the allocation of payments of past-due bills between Community Choice Aggregators (CCAs) and utilities. Opening comments are due on April 19, 2024, and replies are due on May 3, 2024.

### 1. Disconnection Caps

In Decision (D.) 20-06-003, the Commission established the following residential disconnection rate caps for the following energy utilities (together, the Large Utilities): 3.5 percent (Pacific Gas and Electric Company), 3 percent (San Diego Gas and Electric Company), 4 percent (Southern California Edison Company), and 2 percent (Southern California Gas Company). The Large Utilities' disconnection caps will expire at the end of 2024.

D.20-06-003 established temporary disconnection caps for the Large Utilities for the purpose of reducing disconnections compared to 2017 disconnection rates. The temporary disconnection caps applied to a 4.5-year period (July 1, 2020 through December 31, 2024). D.20-06-003 also established a "rolling" methodology for calculating the Large Utilities' disconnection caps.

In D.23-08-049, the Commission added the question of whether to extend or modify the Large Utilities' disconnection caps to the scope of Phase 2 of this proceeding.

Parties are encouraged to comment on the following questions:

1. In 2020, the Commission established disconnection caps in relation to the Large Utilities' previous disconnection rates. Since 2020, the Large Utilities' disconnection rates have been limited by the disconnections moratorium, the disconnection caps set by D.20-06-003, and other factors (such as the rules of the California Arrearage Payment Program). Going forward, what criteria should the Commission use to determine whether or how to establish disconnection caps for the Large Utilities?
    a. The Large Utilities' monthly disconnection settlement reports have shown that residential energy arrearage amounts increased substantially during the disconnections moratorium and are currently four times higher than the amount of residential arrearages in January 2019.[1] Arrearages that remain unpaid become uncollectibles that are recovered from customers through higher energy rates. How should high arrearages affect whether or how the Commission sets disconnection caps?
    b. What other current conditions should the Commission consider when setting disconnection caps, if any?
    c. Should the Commission establish a universal disconnections cap for all of the Large Utilities instead of a different disconnections cap for each utility? If so, how should the Commission set the universal disconnections cap?

[1] The total of residential arrearages in the four territories of the Large Utilities' was $2,127 million in December 2023, compared to a total of $429 million in January 2019.

2. Should the Commission continue to establish short-term disconnection caps (with a specified expiration date) for each of the Large Utilities based on current conditions? Alternatively, should the Commission establish long-term disconnection caps (without an expiration date) for the Large Utilities based on policy considerations?
3. If the Commission establishes short-term disconnection caps for the Large Utilities, should the disconnection caps be set for a similar time period as the current caps (i.e., around five years) or a shorter period (e.g., one or two years)?
4. If the Commission establishes short-term disconnection caps for the Large Utilities, what disconnection caps should the Commission consider based on the current conditions?
5. Should the Commission establish a process for considering whether to adjust existing disconnection caps or set new disconnection caps on a regular basis (after this rulemaking is closed)?
    a. What process would be reasonable?
    b. What should be the criteria for determining how to modify caps?
6. If the Commission extends or modifies disconnection caps for the Large Utilities, should the Commission modify the rolling methodology for disconnection caps?
7. What other considerations should the Commission take into account when determining whether to extend or modify the Large Utilities' disconnection caps?

## 2. Past-Due Payment Allocation

The current tariffs of PG&E, SDG&E, and SCE Company together, the Large Electric Utilities require payments on past-due bills be credited first to the utility portion of the bill, until the customer account is no longer subject to disconnection for delinquency, and second to the CCA or other non-utility portions of the bill. Prioritizing partial payments of arrearages first to the utility and secondly toward other billers is known as the "waterfall" payment method.

Since the onset of the COVID-19 pandemic, the Commission has, several times, directed the utilities to suspend tariff rules and allocate payments on outstanding utility bills proportionally between utility and CCA charges. In D.21-11-014, the Commission extended the temporary direction to the Large Electric Utilities to allocate payments on outstanding utility bills proportionally between utility and CCA charges through the end of September 2024.

The Commission authorized the proportional allocation method in 2021 when the energy utilities were not disconnecting residential customers. Recently, the utilities began to disconnect residential customers again.

Parties are encouraged to comment on the following questions:

1. Would extending the use of the proportional allocation method significantly increase the risk of energy disconnections for customers in arrears? Please explain why or why not.
2. Should the proportional allocation method be extended beyond the end of September 2024?
   a. If so, should it be extended through October 1, 2026, the period equivalent to the duration of the extended AMP program and 24-month payment plans? Or should the Commission make the proportional allocation method permanent?
   b. If so, should the proportional allocation scheme apply to all past-due payments? If not, which types of past-due payments should be subject to the proportion allocation method?

**IT IS SO RULED.**

Dated March 22, 2024, at San Francisco, California.

/s/  STEPANIE WANG

Stephanie Wang
Administrative Law Judge