



DRA

*Division of Ratepayer Advocates
California Public Utilities Commission*

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Dana S. Appling, Director

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April 16, 2010

Honorable Tom Berryhill
California State Assembly
State Capitol, Room 3141
Sacramento, CA 95814

RE: AB 2441 (Berryhill) - Oppose

Dear Assemblymember Berryhill:

The Division of Ratepayer Advocates (DRA) is the independent consumer advocacy division of the California Public Utilities Commission (CPUC). DRA's statutory mandate is to obtain the lowest possible rate for utility service consistent with reliable and safe service levels. DRA also advocates for customer and environmental protections in connection with utility service.

DRA opposes AB 2441, which would require the CPUC to set the natural gas surcharge rate paid by commercial and industrial noncore end-use customers at 25% of the natural gas surcharge rate paid by other customers. The natural gas surcharge rate funds low-income assistance programs, including energy efficiency, conservation, and most notably the California Alternative Rates for Energy (CARE) program.

Last year DRA supported SB 695 (Kehoe) which provided rate relief to the upper tier residential customers while maintaining rate protections for customers in the first two tiers. One of the important customer protections established by SB 695, was a prohibition against cost shifting between classes of customers. AB 2441 would undo this protection against cost shifting and shift much of the costs of the natural gas CARE and other Public Purpose Programs from large commercial and industrial customers to residential and small commercial customers. This is clearly inconsistent with the protections against cost shifting established by SB 695.

Furthermore, during recent years, there have been several proceedings before the CPUC wherein such discounts for large commercial and industrial customers have been considered and denied. In these cases, the evidentiary record did not support the discount, showing instead that all of the CARE and other Public Purpose Program costs combined resulted in a very small percentage (2 to 4%) of the total delivered cost of gas to the largest end-use customers. We urge you to take this information into consideration because if the current allocation to the large commercial and industrial customers were discounted by 75% and re-allocated to the remaining customers, it would cause the remaining customers' gas surcharges to increase substantially, or, alternatively, result in the underfunding of these vital, legislatively-mandated programs.

DRA believes the costs of CARE and other Public Purpose Programs should remain allocated on an equal cents per therm basis among all classes of customers and opposes this bill's attempt to nullify the protection against cost shifting among customer classes. Spreading the costs over all

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volumes of natural gas equally results in the lowest rates for all volumes of natural gas. Recognizing this, the CPUC has allocated the costs of CARE on an equal cents per therm basis for more than 20 years.

If you have any questions or would like to discuss this matter further, please call DRA's Legislative Director Matthew Marcus, at (916) 327-3455 or me at (415) 703-2544.

Respectfully,

Dana S. Appling, Director
Division of Ratepayer Advocates