DIVISION OF RATEPAYER ADVOCATES

Low-Income Briefing

April 27, 2011

Overview:

Energy Costs Still Unaffordable for Low-Income Households

- Low-income customers disproportionately face bill payment trouble.
  - Explore graduated discounts, debt management .
  - Because PG&E and SCE disconnection protections expire at the end of 2011, CPUC should require low-income disconnection benchmarks.
- On the horizon:
  - Prepaid electricity and "service limiter" features may jeopardize disconnection protections.
  - All customers will experience rate increases, and CARE customers may need special consideration to keep bills affordable.

California State Law

State law recognizes that electricity and gas service are basic necessities:

- **PU Code 382 (b):** All Californians should be able to afford energy.
- **PU Code 379(c)(2):** Energy and gas services are necessities.
- **PU Code 2790:** Energy Efficiency is a way of reducing energy-related hardships for low-income customers. California law established Energy Efficiency programs for low-income customers in 1987 (Senate Bill 845).
- **PU Code 739.1:** Bill discounts for low-income customers began in 1989 (Senate Bill 987).

Energy Assistance Program Eligibility

- **Programs:**
  - California Alternative Rates for Energy (CARE)
  - Energy Savings Assistance Program (formerly LIEE)
  - Family Electric Rate Assistance (FERA)
- **CARE and Energy Savings Assistance income limits (to begin June 2011):**
  - $31,800 for households of 1-2 people
  - $37,400 for 3 person households
  - $45,100 for 4 person households
  - Increases $7,700 for each additional person in the household
  - Those eligible for CARE are also eligible for Energy Savings Assistance
- **FERA (to begin June 2011):**
  - Households of 1-2 people are not eligible
  - $37,401 - $56,800 for 3 person households
  - $45,101 - $56,400 for 4 person households
  - Increases about $10,000 for each additional person in the household

Energy Assistance Programs:
California Alternative Rates for Energy (CARE)

Low-Income program objectives are to make energy affordable for all Californians, which can result in reduced bills and improve health, comfort, and safety in their homes.

- Utilities must offer bill discounts: CARE
- CARE provides a minimum 20% discount on energy and gas bills and exemption from the higher tier electricity rates.
- Average savings for CARE customers ranged from $79 to $550 annually in 2010 (depending on the utility).
- About one in three California households statewide qualify for CARE (4 million out of 12 million).
- 93% of qualified households are enrolled in CARE (March 2011).

Energy Assistance Programs:
Energy Savings Assistance Program

- Officially changed program name to Energy Savings Assistance Program in March 2011 (formerly LIEE).
- Program provides free and/or reduced cost energy efficiency services to low-income households.
- Program provides customers with free services:
  - In-home energy assessment.
  - Retrofits, which may include more efficient appliances, insulation, compact fluorescent lights, and energy conservation education.
- Bill savings of home retrofits last for approximately 10 years, and save households approximately $500 over the lifecycle of the installations (or $50 per year).
- Program investment per household is approximately $1,000.
- Nearly 25% of eligible households will have received program service by the end of 2011, on schedule to achieve the CPUC goal of reaching all eligible households by 2020.

Energy Assistance Programs:
Family Electric Rate Assistance (FERA)

- Created by CPUC in 2004 to assist large families whose usage bumps into Tier 3 (causing higher bills) but can't qualify for CARE.
- FERA is administered by the utilities in a similar manner as CARE.
- FERA provides a discount worth savings of $200 annually for those enrolled.
- 56,000 households (about 13% of eligible) were enrolled in FERA in 2010.

Key Findings: Energy Poverty

- Low-income households tend to use less energy than non-low-income households.
- Even though one-third of all California households are enrolled in CARE, varying degrees of poverty mean affordability is still an issue.
- California's proportion of households in poverty ranks 3rd after NY and DC, when adjusted for housing costs.
- Affordability Gap: difference between *actual* energy costs and *affordable* energy costs.*
    - Estimate to close California affordability gap was $**592 per household** for 2010.
    - California distributed about **$375 per household** in 2010 **(**CARE, LIEE, LIHEAP, WAP, ARRA, utility emergency grants).

* Affordable energy costs assumed to be 6% of income

Energy Savings Assistance Program
Improvements Required

- Annual Reports showed LIEE not achieving savings for many households, despite direction from D.08-11-031:
  - For every dollar spent on the program, households realize **$0.44 in bill savings (2010).**
  - For every dollar spent, when “non-energy benefits” are included, households realize **$0.69 in benefits (2010).**
- D.08-11-031 and CPUC rulings require the utilities to incorporate evaluation results and other updates into their next LIEE program cycle.
  - Increase correlation of program spending to savings.
  - Implement CPUC targeted customer priorities: High User, High Energy Burden, and Insecurity.
- **Solution:**
  - Delay Energy Savings Assistance Program Application review via 1-year bridge funding in order to incorporate findings from impact evaluations and audits.
  - Explicitly require applications to fix deficiencies of past years.
  - Improve the ratio of benefits to investment for more households.

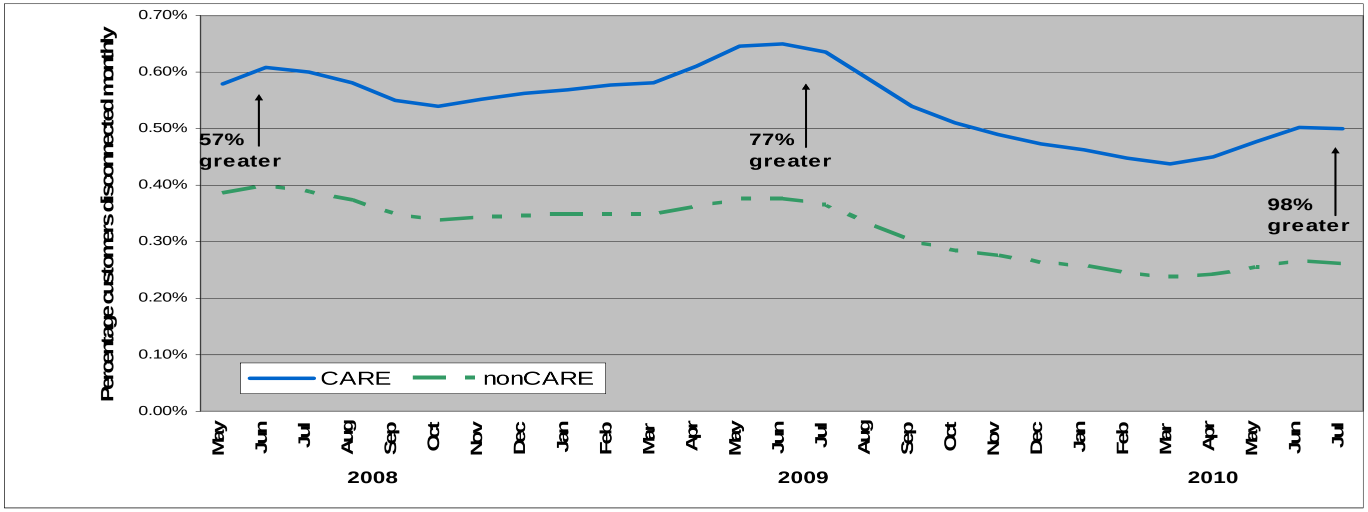
Disconnection Data Shines Light on Unaffordable Energy Bills

- DRA’s 2009 Disconnection Report showed significant increases in disconnections, especially of low-income customers.
- DRA’s 2011 Disconnection Report showed disconnections are only a symptom.
  - 2010 CPUC Rulemaking created temporary relief:
    - 3.65% All Residential
    - 5.52% CARE
  - 2010 record amount of energy assistance distributed:
    - $1.8 billion ($375/household, on average)
    - Nearly full CARE enrollment, Federal ARRA funds doubled federal assistance

Low-Income Customers Without Disconnection Benchmark Protection Most At Risk

- CARE customers' utility bill debt over 60 days old as of Dec 2010:
- PG&E and SCE CARE customers owed $59 million.
  - ***An increase over same time last year: PG&E: 70% SCE: 89%***
- SDG&E and SoCalGas CARE customers owed $15 million.
  - ***An increase over same time last year: SDG&E: 39% SoCalGas: 34%***
- The disparity between low-income and non-low-income disconnection rates continues to worsen: 5.5 % low-income vs. 2.9% non-low-income.

Percentage of Customers Disconnected Monthly - Four Utilities Combined, 2008-2010



Chronically Disconnected Households Pose Safety Risk

- In 2010, 33,000 low-income households were disconnected and never reconnected.
- Some portion of these households cannot afford essential energy services.
  - January 2011: 4 perish in Oakhurst using gas generator to heat home
  - January 2011: 2 perish in Willowbrook using their oven to heat their home
  - December 2010: 4 perish in Oakland fire caused by extension cords run from neighboring dwelling

CARE Program Improvements Required

- Develop debt-pay-off component of energy assistance beyond current pay plan offerings.
- Make predictable bills a component of energy assistance.
  - Current utility programs such as “level pay” or “balanced pay” require customers to be current on utility bills in order to participate.
- Adjust discounts to take energy burden into account relative to income.
- **For those whom even the above improvements cannot help, DRA recommends the CPUC create a process through which utilities identify households chronically without electric and gas service.**

CPUC Programs / Proceedings Impacting Low-Income Energy Customers

- Low-Income Programs
  - CARE
  - FERA
  - Energy Savings Assistance Program (formerly LIEE)
  - Low-Income Solar (SASH, MASH, thermal)
  - Energy Efficiency (Middle-Income, Mobile Home, etc)
- Disconnection Rulemaking
- Rates!
- Dynamic Pricing
- Greenhouse Gas Rulemaking
- Smart Meter Enabled Services
  - Prepaid Electricity
  - Service Limiters

Current Bills

- AB 1124 (Skinner): Requires CPUC to authorize program to provide furnaces and hot water systems for rental buildings
  - ***DRA supports only in cases where benefits accrue to renters, and provided benefits of new services are first validated in small pilot***

- SB 142 (Rubio): Would eliminate tiered residential electricity rates
  - ***DRA opposes because would likely result in significant bill increases for vast majority of residential and low-income customers.***

Upcoming Dates

- Low-Income Oversight Board Meeting in San Francisco, May 11
- Low-Income Program Application Deadlines May 15
- Phase II Disconnection proceeding underway, comment cycle May 20-31