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“The Smart Approach to Remote Disconnections: Needed Consumer Protections for Vulnerable Populations”

A Report from California

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I. Background

A. TURN Petition for Rulemaking, P.09-06-022¹

- June 2009, TURN filed a Petition for Rulemaking, asking the CPUC to consider changes to utility practices re: re-establishment of credit deposits, payment plans, customer communications about bill reduction assistance programs, including EE, and the establishment of an arrearage management program for low-income consumers, for the purpose of reducing disconnection for nonpayment and lowering customer arrearages.
- July 2009, PG&E submitted preliminary testimony in its Test Year 2011 General Rate Case, estimating that AMI remote disconnection capabilities will enable PG&E to reduce the historic backlog in eligible shutoffs for nonpayment and increase the percentage of completed eligible disconnections from 37% in 2008 (pre-remote disconnect) to approximately 85% in 2011, or 380,000 disconnections completed.² Similarly, PG&E requested funding for 11 new positions in 2011 at local offices to address the increase in walk-in traffic by customers seeking to restore power after shutoff for nonpayment.³
- September 2009, CPUC issued a Proposed Decision that would deny TURN’s petition, finding existing programs to be adequate to prevent disconnections for nonpayment.

¹ The docket card for this proceeding is available at <http://docs.cpuc.ca.gov/published/proceedings/P0906022.htm>.

² PG&E Notice of Intent, Ex. PG&E-4, pp. 8-26 – 8-27; *see also* PG&E’s TY 2011 GRC, filed in December 2009 as Application 09-12-020, Ex. PG&E-4, pp. 8-26 – 8-27, predicting same.

³ PG&E Notice of Intent, Ex. PG&E-4, pp. 3-6; *see also* PG&E’s TY 2011 GRC, filed in December 2009 as Application 09-12-020, Ex. PG&E-4, p. 3-6.



B. CPUC Division of Ratepayer Advocates' Report, *Status of Energy Utility Service Disconnections in California*, November 2009⁴

- DRA issued a report addressing disconnections by California's 4 largest electricity and natural gas CPUC-jurisdictional utilities (PG&E, Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas), together serving 12 million residential customers. DRA reported the following:
 - an increase in disconnections of low-income customers for nonpayment of 19% statewide from prior year (Sept. 2008 – Aug. 2009), and of 69% for CA's largest utility, Pacific Gas & Electric Company
 - the largest disparity between disconnection rates for low-income and non-low-income residential customers in the three years with data available
 - that a large percentage of customers, particularly low-income, who are disconnected are reconnected relatively quickly, suggesting many disconnections may be preventable
 - that all disconnections, whether lasting hours, days or months, compromise customers' health and safety because their usual means of keeping warm and cool, lighting, bathing, storing food (and medicine) and cooking are taken away
 - that one disconnection/reconnection cycle could completely offset the financial benefits to a customer receiving discounted energy rates through CARE
 - that the disconnection rate could triple or quadruple from historical levels, when remote disconnection capabilities allow utilities to avoid prior workforce constraints, which have limited disconnections to a fraction of the eligible population
- DRA urged the CPUC to take action to benchmark and reduce disconnections overall, while specifically preventing the likely increase in disconnections as utilities gain AMI remote disconnection capabilities.

II. CPUC Order Instituting Rulemaking (R.) 10-02-005, February 2010⁵

A. Interim Order

- The CPUC opened a rulemaking, recognizing that “utility service is a matter of health and safety” and seeking “to identify more effective ways for the utilities to work with

⁴ <http://www.dra.ca.gov/DRA/hot/DRA+Status+of+Energy+Utility+Service+Disconnections+in+California+Report.htm>.

⁵ The docket card for this proceeding is available at <http://docs.cpuc.ca.gov/published/proceedings/R1002005.htm>.



their customers and develop solutions that avoid unnecessary disconnections without placing an undue cost burden on other customers.” The interim order required the 4 major gas and electric IOUs to do all of the following:

- notify all customers with an arrearage that puts them at risk of disconnection that they have a right to a payment plan of three months; beyond that at the utility’s discretion
 - suspend re-establishment of credit deposits for all residential customers who have paid late or been disconnected for nonpayment
 - submit monthly reports on arrearages, payment arrangements, disconnections, and reconnections
 - establish a tracking account to track O&M and uncollectibles costs associated with implementing the interim measures. (The order also explained that the CPUC will later determine which, if any, of these recorded costs may be considered eligible for recovery from ratepayers.)
- The CPUC solicited comments on a variety of issues, including several explicitly related to remote disconnection – (1) whether customers should be charged for remote disconnection/reconnection; (2) how the utilities can strive to maintain the direct communication and personal contact that customers associate with in-person disconnection, with the onset of remote disconnection.

B. Decision (D.) 10-07-048, July 2010

- The CPUC issued D.10-07-048, which, among other things,
 - Continued the requirement that all customers at risk of disconnection be offered a payment plan of at least three months, with utility discretion to offer plans up to 12 months
 - Continued the suspension of re-establishment of credit deposits for late payment for all residential customers
 - Continued the suspension of re-establishment of credit deposits following disconnection for low-income customers and moderate-income customers with large households
 - Prohibited the disconnection of life support customers or customers enrolled in the Medical Baseline program (who have certain qualifying medical conditions requiring the use of extra quantities of electricity or natural gas, *see* Section IV.C below) without an in-person visit from a utility representative
 - Required the utilities to provide a field representative who can collect on a bill during an in-person visit prior to disconnection for life support customers and Medical Baseline customers



- Continued and expanded the disconnection data monthly reporting requirements adopted in the Interim Order.⁶
- The CPUC explained that these practices met two important criteria: they do not place an undue cost burden on other customers, and they can be implemented quickly.
- This CPUC also deferred consideration of certain issues within the scope of R.10-02-005 to a subsequent phase of the proceeding, including, but not limited to
 - whether the utilities should establish a uniform protocol for remote disconnections
 - whether the definition of “sensitive customers” needing special protections from disconnection should be expanded beyond life support and Medical Baseline customers
 - ways to reduce the discrepancies between disconnection rates of low-income and non-low-income residential customers and across IOUs.

**C. Additional Remote Disconnection Protections Under Consideration in Phase II --
*currently pending before the CPUC, with decision expected late 2010***

- September 2010, Parties filed comments on whether the definition of “sensitive customers” who receive heightened protections from remote disconnection should be expanded beyond customers on life support or with certain medical conditions requiring the use of extra quantities of electricity or natural gas.
- TURN advocated premise visits for all customers facing disconnection for nonpayment, while alternatively recommending that the CPUC at least expand the definition of “sensitive customers” to those households in which
 - The customer or a full-time resident of the customer’s household is elderly (age 62 or older)
 - The customer or a full-time resident of the customer’s household is a person with a disability
 - The customer or a full-time resident of the customer’s household has a serious illness, defined as a condition which could become life threatening if service is disconnected
 - An infant resides in the customer’s household
 - The customer participates in the Third Party Notification program, which is offered to elderly customers and customers with disabilities who elect to

⁶ Reporting requirements are included in Appendix A to D.10-07-048, available at http://docs.cpuc.ca.gov/published/FINAL_DECISION/121374.htm.



designate a friend, family member, or public or private agency as a third party representative to receive a copy of the 15-day notice of impending disconnection for nonpayment

- The customer uses electric heat and the disconnection is occurring in December, January or February.⁷

D. Settlement Agreement between Consumer Groups and San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) – currently pending before the CPUC, with decision expected late 2010

1. Disconnection Benchmarks for all residential and low-income residential customers (annualized rate)

- a. SDG&E: All Residential Benchmark = 2.08% (compare with national average for dual-fuel IOUs in 2007 of 3.80%)
- b. SDG&E: Low-Income Only Benchmark = 3.44%
- c. SoCalGas: All Residential Benchmark = 3.36% (compare with national average for gas-only IOUs in 2007 of 5.00%)
- d. SoCalGas: Low-Income Only Benchmark = 4.32%

2. Credit / Collections Policies required when benchmarks not achieved

- a. Payment Plan Minimums – minimum 3 months offered to customers, plus must offer 2nd plan on default of at least term of 1st plan
- b. Limits on Re-establishment of Credit Deposits – no re-establishment of credit deposits for late payment or disconnection

3. Consumer Protections required irrespective of performance relative to benchmarks

- a. Notice Accessibility – language access, accessibility for people with vision or hearing disabilities
 - 48-hour Disconnection Notices will contain large print text in the 6 most common languages spoken in California – English, Spanish,

⁷ TURN's comments are available online at <http://docs.cpuc.ca.gov/EFILE/CM/123496.htm>.



Chinese, Tagalog, Vietnamese, and Korean – as well as be available in Braille, upon request

- Notices will include the following language: “You are at risk for disconnection. We can help. You may be eligible for a payment plan. Please call … [the appropriate phone number for that language].”
- Outbound automated calls regarding impending disconnection will contain the option to be repeated, and messages will be available via text rather than voice, where possible
- Utility field workers will be trained to communicate with people who use sign language, including through the use of relay services
- Utility customer service representatives will be trained to respond to calls made using relay services, including assurances that they will not be penalized for the length of relay calls

b. In-Person Delivery of 48-hour Disconnection Notices – SDG&E will deliver in-person for all residential customers; SoCalGas will deliver in-person for vulnerable customer segments (see “c” below)

c. Remote Disconnections

- SDG&E will not use remote disconnection for customers who are particularly vulnerable to the health and safety risks associated with loss of utility service, including self-identified seniors (age 62 or older), self-identified disabled customers, Medical Baseline customers, Life Support customers or other customers who self-certify that they have a serious illness or condition that could become life threatening if service is disconnection.
- For other customers, SDG&E will not use remote disconnection for nonpayment for at least 12 months following the installation of the SmartMeter, to allow for a customer education campaign.
- No fees for remote disconnection prior to next GRC.

d. Hot and Cold Temperature Limits on Disconnection

e. Limits on Cost Recovery – no recovery for “incremental” O&M; very limited recovery for “incremental” uncollectibles

E. Additional Issues Expected to Be Considered in the Future in R.10-02-005 – in Phase II or Phase III

- The establishment of remote disconnection procedures



- Further inquiry into disconnection notice practices
- Whether utility customer service representatives should be required to do more to help customers struggling to keep up with bills understand the various bill management assistance resources available to them
- Discrepancies between disconnection rates among utilities and for low-income vs. non-low income residential customers

III. Recommendations for Other States

A. Prioritize Disconnection Prevention

- 1. Adopt requirements regarding payment plans and limits on deposits, with disconnection limited to the tool of last resort**
 - 2. Ensure the existence and enforcement of consumer protections regarding bill issuance and billing disputes to prevent erroneous disconnections**
- B. Maintain and/or Improve Customer Notification of Impending Disconnection and Available Assistance**
- C. Preserve Premise Visit Requirements to Assess Health and Safety Issues and Educate Consumers**
- D. Require Reporting Relating to Disconnections and Credit/Collections Activities**
- E. Adopt Disconnection Benchmarks to Prevent Escalation in Disconnection Rates with AMI**

IV. California Data and Definitions

A. Use of Remote Disconnection

- 1. PG&E:** Sept. 2010, 62% of disconnections for nonpayment by remote disconnection (65% of CARE disconnections); PG&E began remote disconnections in April 2009
- 2. SCE:** Sept. 2010, 0% of disconnections for nonpayment by remote disconnection



3. **SDG&E:** Sept. 2010, 0% of disconnections for nonpayment by remote disconnection
- B. Low-Income Energy Assistance Program (California Alternate Rates for Energy or "CARE")**
1. **Income Eligibility:** up to 200% of Federal Poverty Level
 2. **Eligible Population:** roughly 1/3 of all households served by the four largest CA electric and/or gas IOUs
 3. **Program Penetration:** approximately 85% of the eligible population is on CARE, including 28% of PG&E's residential customers, 32% of SCE's residential customers, 22% of SDG&E's residential customers, and 32% of SoCalGas' residential customers
- C. Medical Baseline Program Eligibility**
- The Medical Baseline program provides extra allowances of natural gas and electricity billed at the lowest rate for customers who rely on life support equipment, or those who have life threatening illnesses or compromised immune systems.
 - "Life support equipment" means equipment that uses mechanical or artificial means to sustain, restore, or supplant a vital function, or mechanical equipment that is relied upon for mobility both within and outside of buildings. This includes all types of respirators, iron lungs, hemodialysis machines, suction machines, electric nerve stimulators, pressure pads and pumps, aerosol tents, electrostatic and ultrasonic nebulizers, compressors, IPBB machines and motorized wheelchairs. Also, in consideration of their increased heating and cooling needs, the Medical Baseline allowance is available to paraplegics and quadriplegics, multiple sclerosis patients, scleroderma patients, and people being treated for a life threatening illness or who have a compromised immune system.