SENATE COMMITTEE ON APPROPRIATIONS
Senator Anna Caballero, Chair
2025 - 2026 Regular Session

SB 636 (Menjivar) - Electrical or gas corporations: deferment of payments: hardship

Version: April 10, 2025
Urgency: No
Hearing Date: April 28, 2025

Policy Vote: E., U. & C. 13 - 3
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would prohibit an electrical or gas corporation from disconnecting service of a customer for three months, if the customer is participating in low-income assistance programs and is experiencing certain hardships, as specified.

Fiscal Impact:
- Potential ongoing costs of an unknown amount (various funds) to the state as an energy utility ratepayer. The State of California is an electricity and gas customer, purchasing roughly one percent of electricity and four percent of natural gas sold in-state. As such, the state incurs costs when energy rates increase. To the extent that the prohibition on disconnecting service as proposed by this bill leads to lower payments from some households than otherwise would occur, it could increase the total amount that must be recovered from other energy customers, including the state as a ratepayer.
- The California Public Utilities Commission (CPUC) anticipates any costs would be minor and absorbable.

Background: The process of disconnecting service due to nonpayment by an electrical or gas corporation is governed by existing statutory minimum timeline requirements, the practices that were adopted in CPUC Rulemaking 10-02-005, and reflected in Tariff Rule 11 for electric utilities and Rule 9 for gas utilities. In general, the rules require a utility to mail a 15-day written notice to the customer for disconnection due to non-payment. The second step requires a 48-hour written notice mailed to the customer, including an in-person visit for customers on life support or other life-threatening medical condition. Lastly, the utility makes an outbound call on the day of the scheduled disconnection, but before disconnecting service, in order to offer a payment plan option.

There are several programs that provide eligible utility ratepayers with utility bill assistance. They include:

- *CARE program* – The CARE program provides a discount of up to 35% reduction in utility bills to low-income ratepayers whose income falls below 200% of the federal poverty guidelines.

- *FERA program* – For household incomes that slightly exceeds the CARE program eligibility, the program provides an 18% line-item discount on electric bills for households whose income falls between 200 and 250% of federal poverty guidelines.

- *Medical baseline allowance* – Per statute, utilities are required to provide additional baseline allowance of electric or gas service for customers facing life-threatening conditions or on life support. Electric and gas corporations currently administer medical baseline, and, as such, have existing processes for identifying these customers, including requiring physicians and other medical personnel to certify as to the medical condition. Customers on medical baseline are also provided the opportunity to amortize their bill payment, for a period up to 12 months, in order to avoid disconnection of service.

- *Payment plan options* – In addition to rate assistance programs, utilities provide ratepayers payment plan options that can spread the costs of their bills over a limited time period, generally three months to twelve months, depending on the utility and circumstances.

- *Low Income Home Energy Assistance program (LIHEAP)* – Federal energy assistance program that helps low-income customers heat their homes. In addition to weatherization services, the program provides one-time assistance funds for ratepayers facing a utility disconnection. The U.S. Congress appropriates funding for LIHEAP, including over $4 billion for 2025, most of which has been sent to states to administer the program. However, recent Trump administration actions, including the recent firing of LIHEAP staff, raise concerns about the ability of the program to provide this critical safety net in future years.

- *Energy Savings Assistance (ESA) program* – Additionally, there are assistance programs to help reduce energy costs through weatherization improvements and appliance rebates for customers on CARE and FERA.

SB 598 (Hueso, Chapter 362, Statutes of 2017). Prior to the COVID-19 pandemic, the number of utility disconnections due to nonpayment had been trending upwards among the four largest utilities–Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Southern California Edison (SCE), and Southern California Gas Company (SoCalGas). In response to the rise of electric and gas utility disconnections due to nonpayment, the Legislature passed SB 598. The bill prohibited electrical and gas corporations from disconnecting service due to nonpayment from customers facing life-threatening medical conditions when the customer is financially unable to pay for service within the normal payment period and is willing to enter into an amortization agreement. The bill also required the CPUC to adopt rules, policies and regulations with the goal of reducing the statewide level of gas and electric utility service disconnections for nonpayment by residential customers. Additionally, SB 598 required consideration of utility disconnections in utility general rate cases and required the CPUC to submit a report to the Legislature on residential gas and electric service disconnections.

CPUC Rulemaking 18-07-005. In response to SB 598, in July 2018, the CPUC opened a rulemaking proceeding (R. 18-07-005), Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs. The proceeding has been very active and robust, with many stakeholders participating, including ratepayer organizations, utilities, community choice aggregators, and organizations representing particular stakeholders. The primary goal of the proceeding is to reduce residential disconnections and improve reconnection processes. Within the proceeding there have been several CPUC decisions to require new policies and new pilot programs to address electric and gas residential utility disconnections.

State budget allocates arrearage funding. In 2021 and 2022, the Legislature allocated nearly $2.2 billion to fund the California Arrearages Payment Program to address California energy customer bill arrearages accrued between March 4, 2020 and June 15, 2021.

Proposed Law: This bill would prohibit an electrical or gas corporation from disconnecting service of a customer for three months, if the customer is participating in low-income assistance programs and is experiencing certain hardships, as specified. In particular, this bill would:

1. Prohibit an electrical or gas corporation from disconnecting service of a customer for three months, if the customer experiences specified hardships and meets certain requirements:
    a. The customer is enrolled in CARE or FERA at the time of the hardship.
    b. The customer makes a hardship request pursuant to applicable rules adopted by the CPUC.
    c. The customer’s hardship is due to: a death in the family or residence, the loss of full-time employment within 60 days of the request, medical care of the customer or family member, or the customer’s residence is impacted by wildfire or other natural disaster.

2. Require electrical and gas corporations to grant that customer a three-month deferment for any and all payments due from the date that the deferment is granted.

3. Require the customer, upon the expiration of the deferment period, to enroll in the electrical or gas corporation’s arrearage management program or be enrolled in an available payment plan for which the customer is eligible, if the customer is not eligible for the arrearage management plan, for any and all debts on the customer’s account.

4. Specify that a customer who participates in the payment deferral shall not be eligible for a subsequent three-month payment deferral within 18 months of their participation in the payment deferral.

5. Authorize CPUC to adopt rules to implement these provisions.

Related Legislation:

SB 332 (Wahab) of the current legislative session, among its many provisions, would prohibit electric and gas IOUs and POUs from disconnecting customers due to nonpayment when customers meet specified criteria, including whether they are pregnant, have a minor in the home, or someone in the home is 65 years or older.

SB 1142 (Menjivar, Chapter 600, Statutes of 2024) proposed policies related to disconnection of electric and gas utility service, including requiring the CPUC, on or before July 1, 2025, to determine whether to direct electrical and gas corporations to take into account a customer's ability to pay before terminating or reconnecting services.

SB 1130 (Bradford, Chapter 457, Statutes of 2024) expanded eligibility for the FERA discount program to households with fewer than three members and required specified reporting by electrical corporations about enrollment in the program.

SB 1135 (Bradford, Chapter 413, Statutes of 2018) codified the requirements of an existing low-income electric rate discount program, known as the FERA program, for eligible customers of the state's three largest electrical corporations and increased the program discount from 12% to 18 % line-item discount on a customer's electric utility bill.

SB 598 (Hueso, Chapter 362, Statutes of 2017) required the CPUC to adopt rules, policies and regulations with the goal of reducing the statewide level of gas and electric utility service disconnections for nonpayment by residential customers and extends special considerations to residential customers who have specified medical conditions or who have a member of the household with those conditions.

AB 327 (Perea, Chapter 611, Statutes of 2013) restructured the rate design for residential electric customers, including directing the CPUC to establish a discount between 30% and 35% to eligible customers of the large IOUs.

Staff Comments: The opportunities to provide assistance to customers who are low-income and experience unexpected hardships can serve as an important lifeline for these households. The Utility Reform Network (TURN), the sponsor of this bill, notes that this may also help preserve housing for affected families. However, the potential costs that are needed to sustain such support would necessarily be collected from other customers. As noted above, the CPUC has a very active proceeding on avoiding disconnections due to nonpayment, including piloting various programs and payment plans. The bill sponsor, TURN, is among many other active participants within that proceeding. They note the proceeding is not scoped to include consideration of payment deferments, including as proposed by this bill. The electric and gas IOUs opposed to this bill note the lack of guardrails in this bill to protect nonparticipating customers from costs stemming from the payment deferrals, particularly if combined with assistance from the AMP. Amendments taken in the Senate Energy, Utilities, & Communications committee replace a six-month timeframe with a three month payment deferral, remove the self-attestation language, and limit the customers' ability to use the payment deferral to no more than once every three years in an effort to limit potential ratepayer impacts.

-- END --