

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

Order Instituting Rulemaking on the
Commission's Own Motion to Determine
Whether Baseline Allowances for Residential
Usage of Gas and Electricity Should Be
Revised

Rulemaking 01-05-047

(U 39 E)

**Regional Council of Rural Counties Legal Brief
On Threshold Issues
– Can the Commission Include Other Variables in Baseline Determination**

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

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Pursuant to the January 31, 2002 prehearing conference (PHC) in the above-captioned proceeding (Baseline OIR), and Administrative Law Judge (ALJ) Sarah R. Thomas order for an opening legal brief, the Regional Council of Rural Counties (RCRC) hereby submits this brief on legal thresholds for variable included in baseline determinations.

I. INTRODUCTION

The utilities claim this Commission does not have the regulatory authority to add any components to baseline determinations beyond those statutorily required. PG&E notes that Section 739 sets forth several specific categories of customers for special treatment but then states - "Any departure that would make additional changes not previously enumerated by the Legislature, or which would be at odds with the Legislative intent behind the switch from Lifeline to Baseline in the early 1980's, seems likely to run afoul of statutory construction principles" noting that the previous Lifeline program's sliding scale size, which had been based on appliance mix, had become burdensome.

The utilities logic is a constricted interpretation of the law, ignores the history and intent of legislation on this issue, and selectively excludes portions of the public utilities code that specifically orders this Commission to include the impact on water costs in such determinations.

II. DISCUSSION

II.A SECTION 739 IS INCLUSIVE, NOT EXCLUSIVE

Appendix I provides a copy of Public Utilities Code Section 739. Baseline determination is supposed to be a “quantity of gas and electricity which is necessary to supply a significant portion of the reasonable energy needs of the average residential customer.” (739.a). 739.d.1. specifies this as 50-60% for those that have natural gas availability, and 60-70% of average for those that have electric heating.

The utilities interpretation that the law allows not additions to baseline determinations requires: (1) that “average” be defined as the mean of all utility residential accounts, (2) that the language in 739 be exclusive rather than inclusive, and (3) that the requested changes are to be made to the established baseline allowances rather than have the Commission develop “additional limited allowances” in addition to baseline quantities.

There are other parties in this proceeding that will argue, among other things, that large families are not “average residential customers”. While we will leave that discussion to their filings, in our particular instance, it is clear that residential water well pumpers are a very specific and distinct subclass of residential customers, and cannot be construed as an “average” utility residential customer. This Commission must make a definitive determination in this proceeding of what an average residential customer is.

The utilities logic errs in assuming that we are asking for changes in baseline amounts. What we are asking for is an “additional limited allowance” for water pumping. 739.b.1. proscribes additional allowances for health support. While there may be issues in changing baseline quantities and definitions, there is no prohibition anywhere in the code that states this Commission cannot or should not develop additional allowances in specific instances that it deems worthy.

II.B THE UTILITIES INTERPRETATION IGNORES LEGISLATIVE INTENT

The utilities claim that the Commission is prohibited from making any changes in baseline determinations ignores the legislative intent behind the establishment of baseline rate design.

It is clear that the legislature intended for the citizens of California to enjoy access to the basic necessities of life at a reasonable cost, and instructed this Commission to implement that desire. Basic necessities of life include access to **energy**:

PU Section 739 (a) “The commission shall designate a baseline quantity of gas and electricity which is necessary to supply a significant portion of the reasonable energy needs of the average residential customer.”;

telephone service:

PU section 871.5. “The Legislature finds and declares all of the following: (a) The offering of high quality basic telephone service at affordable rates to the greatest number of citizens has been a longstanding goal of the state.”;

and **water**:

PU Section 739.8. (a) “Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost.”

As is discussed below, the recent dramatic increases in electricity costs and rate design in the state require that the Commission revisit this issue to ensure that the citizens of the state have access to the basic necessities of life at “an affordable cost.”

As a further illustration of legislative intent, Appendix II is a copy of a letter to the Commission submitted in the previous phase of this proceeding signed by 25 rural California legislators urging this Commission to adjust its oversight in this area that states: “The California Public Utilities Commission must correct this oversight.”

II.C THE PUBLIC UTILITIES CODE REQUIRES THE COMMISSION TO ADDRESS WATER WELL PUMPING IN SETTING ELECTRICITY RATES

The utilities simply didn’t read far enough in the code in their claim that the Commission cannot include residential water well pumping in determining additional baseline allowances. The statutes are emphatic. This Commission has not just the authority to include water well pumping in determining electricity rates, it has the responsibility. The Commission is required by statute to ensure that an adequate supply of water is available to citizens of the state at an “affordable cost” in areas under its jurisdiction:

739.8. (a) Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost.

The people of California obtain their water through one of three ways: from a public water agency, from a private water company, or from individual wells. The majority of the population in the state receives their water from public water agencies, which are outside the jurisdiction of this Commission. Rates for water from these entities are cost based and determined at public meetings in which budgets and rates are set. The local citizens that are subject to these water rates directly elect the agency Board members. This form of local government has direct accountability, if the citizens don’t like the rates they can recall the directors via a popular vote.

Private water companies are regulated by this Commission. Citizens can participate in the setting of rates for their water by participation in Commission proceedings. There is also direct accountability under this form of governance. The

citizens can appeal decisions and rates of their water companies to this Commission for review.

It is worthwhile to review how this Commission meets its 739.8.(a) responsibility in determining rates for the water companies under its jurisdiction. There are general guidelines ¹ available but a recent decision is very informative. Decision 00-03-053 (March 16, 2000) established water rates for the California American Water Company (Monterey Division). One overriding issue was the perpetual shortage of water in this service area. The Commission ensures that the customers of CalAm have water at “an affordable cost” by adopting the following rate structure:

¹ RATE DESIGN FOR WATER AND SEWER SYSTEM UTILITIES, (Standard Practice U-7-W), August 2000.

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-1**

	Rates for <u>2000</u>
Quantity Rates:	
Elevation Surcharge:	
Elevation Zone 1, per 100 cu. ft.	\$0.1774
Elevation Zone 2, per 100 cu. ft.	\$0.4036
Residential and PAR Customers:	
For the first 800 cu. ft., per 100 cu. ft.	\$1.8374
For the next 800 cu. ft., per 100 cu. ft.	\$2.4498
For the next 1,600 cu. ft., per 100 cu. ft.	\$4.8996
Over 3,200 cu. ft., per 100 cu. ft.	\$9.7992
Service Charge Surcharge, per 100 cu. ft:	\$0.6000
Multi-Residential Customers (per dwelling unit):	
For the first 400 cu. ft., per 100 cu. ft.	\$1.8374
For the next 400 cu. ft., per 100 cu. ft.	\$2.4498
For the next 400 cu. ft., per 100 cu. ft.	\$4.8996
Over 1,200 cu. ft., per 100 cu. ft.	\$9.7992
Service Charge Surcharge, per 100 cu. ft:	\$0.6000
Other Special Use Customers:	
For all water delivered, per 100 cu. ft.	\$3.6747
All Other Customers:	
For all units delivered up to monthly allotment Per 100 cu. ft.	\$2.4498
For all units delivered over monthly allotment Per 100 cu. ft.	\$4.8996

During times of critical water shortages the rate structure is adjusted accordingly:

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

**AUTHORIZED PER CAPITA RATE DESIGN FOR USE DURING WATER
SHORTAGES**

(1) RESIDENTIAL CUSTOMERS
(Includes PAR & Multi-Residential; excludes Hidden Hills service area)

TABLE NO A-2-1

BLOCK	II. USAGE	RATES
1	up to 1 ECU	50% of standard rate
2	from 1 ECU to 2 ECUs	100% of standard rate
3	from 2 ECUs to 3 ECUs	150% of standard rate
4	from 3 ECUs to 4 ECUs	200% of standard rate
5	above 4 ECUs	400% of standard rate

ALL OTHER CUSTOMERS

TABLE NO A-2-2

USAGE	RATES
Up to allotment	100% of standard rate
Above allotment	300% of standard rate

What is illustrative here that Commission met its responsibility for ensuring water at “an affordable cost” by establishing the water equivalent of baseline rates (a limited baseline allowance at the lowest cost, and increasing costs for increasing amounts of usage). These rates are further adjusted during times of water shortage to allow customers access to a baseline amount of water at reasonable costs (giving a discount for the “baseline” amounts of water use).

That leaves us with the final category of California citizens that this Commission has some say over their water costs, the private well owners. Currently their electricity costs are determined with no consideration of the impact of such prices on their water costs. The Commission is neglecting its responsibility to ensure that they have water at “an affordable cost.”

We want to be clear on what we are discussing here with regards to private well owners. There are numerous components to the provision of water, the majority of which are outside this Commission’s jurisdiction. There is the cost of the well, storage facilities, pressurization, electronics, treatment, distribution system, maintenance, and pumping costs (the cost of electricity). The private well owner has to pay, out of his/her own pocket with no regulatory oversight, the cost of drilling the well, installing the pump, storage, water treatment, electronics, pressurization, and distribution facilities, as well as the maintenance and upkeep on those components. The only component for a private well owner that this Commission can insure that an “adequate supply” of water is available “at an affordable cost” is the price of electricity for pumping. The Commission cannot claim it is fulfilling its regulatory responsibility in this area by having no consideration of the cost of electricity on the cost of water pumping by private well owners.

III. WHY THIS ISSUE IS NOW RIPE FOR CONSIDERATION

The issue of an additional allowance for water well pumping is now ripe for consideration by this Commission, due to the recent rate increase, changes in residential

rate design, and the advent of representation for rural customers in Commission proceedings.

The recent rate increases and changes in rate design have hit rural residential well users hard. If a household is using a well for its water supply it is virtually impossible to stay within the 130% threshold of electricity use, and rural utility bills have jumped significantly. The experience of the author of these comments is illustrative. Our water is provided by a 5 hp (horsepower) pump at a well depth of 175 ft. We are on residential time-of-use to reduce electricity costs (PG&E E-7 tariff). All shift able electricity use (water heating, outdoor watering, etc.) is scheduled during off peak periods. Discretionary usage, such as clothes washing and showers, is discouraged during the peak periods. However, the lack of an additional allowance for water well pumping means that anytime anyone needs a drink or flushes during the summer on-peak period electricity costs of 41.024 cents/kWh are incurred to pump the necessary water. Despite considerable efforts, such as a new energy efficient refrigerator, lightbulbs, and window shading, our household electricity bill has jumped 60 percent.

During the statewide public participation hearing this Commission held around the state last year one of the major, if not the major, complaint heard was about the lack of additional allowances for residential water well pumping. The concerns voiced were more than financial ones. It was the perceived abdication of this Commission's responsibility to make sure that all customers, not just urban and suburban ones, have access to water at reasonable costs that was the issue.

There has also been a historic neglect (generally benign) of rural customer concerns at the Commission. Water well pumping is a rural phenomenon. Urban and suburban California citizens are served by either public water agencies or private water companies. Here-to-fore, there have been little or no advocates for rural customers in

Commission proceedings. The existing ratepayer groups are located in urban areas, have urban and suburban customers as their clientele, and champion urban/suburban causes. It was not until the recent appearances of RCRC and Aglet in Commission proceedings that rural customers have had a defined voice before the Commission. The issue of water well pumping electricity costs has simply never before been brought to this Commissions attention.

IV. CONCLUSION

Public Utilities Code Section 739.8 is clear. The Commission not only has the regulatory authority but it has the responsibility to insure that residential electricity costs and rate design are determined to ensure that residential customers have an “adequate supply” of water at “an affordable cost”. The issue has not been brought to the Commission’s attention previously but the recent rate increases and rate design changes, as well as the introduction of rural advocates in Commission proceedings, now means the issue is ripe for consideration. There is nothing in the Public Utilities Code that would prevent the Commission from adopting an “additional limited allowance” for water well electricity use, and such an action would satisfy the Commissions mandate in Section 739.8.

Thank you for your consideration of this issue.

Respectfully Submitted,

Dated: February 28, 2002

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CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this day served a copy of the **Regional Council of Rural Counties Legal Brief On Threshold Issues – Can the Commission Include Other Variables in Baseline Determination** on all known parties to this proceeding (R.01-05-047) by mailing a properly addressed copy by first class mail to each party on the attached service list. I provided an original with a copy of the service list and seven copies to the CPUC Docket Office via overnight mail. Copies of this testimony were also sent electronically to all parties with email addresses on the service list.

Executed in Sacramento, California, on February 28, 2002.

Linda Mott-Jones

Date: February 28, 2002

APPENDIX I - PU Code Section 739

739. (a) The commission shall designate a baseline quantity of gas and electricity which is necessary to supply a significant portion of the reasonable energy needs of the average residential customer. In estimating those quantities, the commission shall take into account differentials in energy needs between customers whose residential energy needs are currently supplied by electricity alone or by both electricity and gas. The commission shall develop a separate baseline quantity for all-electric residential customers. For these purposes, "all-electric residential customers" are residential customers having electrical service only or whose space heating is provided by electricity, or both. The commission shall also take into account differentials in energy use by climatic zone and season.

(b) (1) The commission shall establish a standard limited allowance which shall be in addition to the baseline quantity of gas and electricity for residential customers dependent on life-support equipment, including, but not limited to, emphysema and pulmonary patients. A residential customer dependent on life-support equipment shall be given a higher energy allocation than the average residential customer.

(2) "Life-support equipment" means that equipment which utilizes mechanical or artificial means to sustain, restore, or supplant a vital function, or mechanical equipment which is relied upon for mobility both within and outside of buildings. "Life-support equipment," as used in this subdivision, includes all of the following: all types of respirators, iron lungs, hemodialysis machines, suction machines, electric nerve stimulators, pressure pads and pumps, aerosol tents, electrostatic and ultrasonic nebulizers, compressors, IPPB machines, and motorized wheelchairs.

(3) The limited additional allowance shall also be made available to paraplegic and quadriplegic persons in consideration of the increased heating and cooling needs of those persons.

(4) The limited additional allowance shall also be made available to multiple sclerosis patients in consideration of the increased heating and cooling needs of those persons.

(5) The limited additional allowance shall also be made available to scleroderma patients in consideration of the increased heating needs of those persons.

(6) The limited allowance shall also be made available to persons who are being treated for a life-threatening illness or have a compromised immune system, provided that a licensed physician and surgeon or a person licensed pursuant to the Osteopathic Initiative Act certifies in writing to the utility that the additional heating or cooling allowance, or both, made available pursuant to this subdivision is medically necessary to sustain the life of the person or prevent deterioration of the person's medical condition.

(c) (1) The commission shall require that every electrical and gas corporation file a schedule of rates and charges providing baseline rates. The baseline rates shall apply to the first or lowest block of an increasing block rate structure which shall be the baseline quantity. In establishing these rates, the commission shall avoid excessive rate increases for residential customers, and shall

establish an appropriate gradual differential between the rates for the respective blocks of usage.

(2) In establishing residential electric and gas rates, including baseline rates, the commission shall assure that the rates are sufficient to enable the electrical corporation or gas corporation to recover a just and reasonable amount of revenue from residential customers as a class, while observing the principle that electricity and gas services are necessities, for which a low affordable rate is desirable and while observing the principle that conservation is desirable in order to maintain an affordable bill.

(3) At least until December 31, 2003, the commission shall require that all charges for residential electric customers are volumetric, and shall prohibit any electrical corporation from imposing any charges on residential consumption that are independent of consumption, unless those charges are in place prior to the effective date of the act that added this paragraph.

(d) As used in this section:

(1) "Baseline quantity" means a quantity of electricity or gas for residential customers to be established by the commission based on from 50 to 60 percent of average residential consumption of these commodities, except that, for residential gas customers and for all-electric residential customers, the baseline quantity shall be established at from 60 to 70 percent of average residential consumption during the winter heating season. In establishing the baseline quantities, the commission shall take into account climatic and seasonal variations in consumption and the availability of gas service. The commission shall review and revise baseline quantities as average consumption patterns change in order to maintain these ratios.

(2) "Residential customer" means those customers receiving electrical or gas service pursuant to a domestic rate schedule and excludes industrial, commercial, and every other category of customer.

(e) Wholesale electrical or gas purchases, and the rates charged therefor, are exempt from this section.

(f) Nothing contained in this section shall be construed to prohibit experimentation with alternative gas or electrical rate schedules for the purpose of achieving energy conservation.

739.1. (a) The commission shall establish a program of assistance to low-income electric and gas customers, the cost of which shall not be borne solely by any single class of customer. The program shall be referred to as the California Alternate Rates for Energy or CARE program. The commission shall ensure that the level of discount for low-income electric and gas customers correctly reflects the level of need.

(b) The commission shall work with the public utility electrical and gas corporations to establish penetration goals. The commission shall authorize recovery of all administrative costs associated with the implementation of the CARE program that the commission determines to be reasonable, through a balancing account mechanism. Administrative costs shall include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and

upgrades to communications and processing equipment.

(c) The commission shall examine methods to improve CARE enrollment and participation. This examination shall include, but need not be limited to, comparing information from CARE and the Universal **Lifeline** Telephone Service (ULTS) to determine the most effective means of utilizing that information to increase CARE enrollment, automatic enrollment of ULTS customers who are eligible for the CARE program, customer privacy issues, and alternative mechanisms for outreach to potential enrollees. The commission shall ensure that a customer consents prior to enrollment. The commission shall consult with interested parties, including ULTS providers, to develop the best methods of informing ULTS customers about other available low-income programs, as well as the best mechanism for telephone providers to recover reasonable costs incurred pursuant to this section.

(d) The commission shall improve the CARE application process. To the extent possible, the commission shall develop a CARE application process using the existing ULTS application process as a model. The commission shall work with public utility electrical and gas corporations and the Low-Income Oversight Board established in Section 382.1 to meet the low-income objectives in this section.

(e) The commission's program of assistance to low-income electric and gas customers shall, as soon as practicable, include nonprofit group living facilities specified by the commission, if the commission finds that the residents in these facilities substantially meet the commission's low-income eligibility requirements and there is a feasible process for certifying that the assistance shall be used for the direct benefit, such as improved quality of care or improved food service, of the low-income residents in the facilities.

The commission shall authorize **utilities** to offer discounts to eligible facilities licensed or permitted by appropriate state or local agencies, and to facilities, including women's shelters, hospices, and homeless shelters, that may not have a license or permit but provide other proof satisfactory to the utility that they are eligible to participate in the program.

(f) It is the intent of the Legislature that the commission ensure CARE program participants are afforded the lowest possible electric and gas rates and, to the extent possible, are exempt from additional surcharges attributable to the current energy crisis.

739.2. (a) The commission's program of assistance to low-income electric and gas customers shall also include the following facilities, provided the commission finds that the occupants of the facilities substantially meet the commission's low-income eligibility requirements and there is a feasible process for certifying that the assistance shall be used for the direct benefit of the occupants of the facilities:

(1) Migrant farmworker housing centers provided pursuant to Section 50710 of the Health and Safety **Code**.

(2) Employee housing, as defined in Section 17008 of the Health and Safety **Code**, that is licensed and inspected by state or local agencies pursuant to Part 1 (commencing with Section 17000) of Division 13 of the Health and Safety **Code**.

(3) Housing for agricultural employees, as defined in subdivision

(b) of Section 1140.4 of the Labor **Code**, that has received an exemption from local property taxes pursuant to subdivision (g) of Section 214 of the Revenue and Taxation **Code**.

(b) The assistance provided pursuant to subdivision (a) shall only apply to gas and electricity, or both, used for the housing occupied by the workers and employees specified in subdivision (a).

739.3. (a) The commission shall develop, implement, and maintain a suitable program to establish a fair and equitable local rate structure aided by transfer payments to small independent telephone corporations serving rural and small metropolitan areas. The purpose of the program shall be to promote the goals of universal telephone service and to reduce any disparity in the rates charged by those companies.

(b) For purposes of this section, small independent telephone corporations means those independent telephone corporations serving rural areas, as determined by the commission.

(c) The commission shall develop, implement, and maintain a suitable, competitively neutral, and broadbased program to establish a fair and equitable local rate support structure aided by transfer payments to telephone corporations serving areas where the cost of providing services exceeds rates charged by providers, as determined by the commission. The commission shall develop and implement the program on or before October 1, 1996. The purpose of the program shall be to promote the goals of universal telephone service and to reduce any disparity in the rates charged by those companies. The commission shall structure the program required by this subdivision so that the amount of each transfer payment reasonably equals the value of the benefits of universal service to the transferor entity and its subscribers. Except as otherwise explicitly provided, this subdivision does not limit the manner in which the commission collects and disburses funds, and does not limit the manner in which it may include or exclude the revenue of transferring entities in structuring the program.

(d) The commission shall investigate subsidy reduction, or elimination of subsidies in service areas with demonstrated competition.

(e) Not later than February 1, 2001, the Legislative Analyst shall conduct a review of the state's universal telephone service program, including subsequent modifications as appropriate, and report to the Governor and the Legislature as part of the Legislative Analyst's analysis of the Budget Bill to be issued in February 2001. In evaluating the program, the Legislative Analyst shall consider all of the following:

(1) The findings of the report required by subdivision (e).

(2) An assessment of whether any identified problems are issues that affect the continued implementation of this chapter or issues that warrant revisions of statutes or regulations.

(f) This section shall remain in effect until January 1, 2005, and as of that date is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2005, deletes or extends that date.

739.4. (a) Any natural gas customer who enrolls in the CARE program after the effective date of this section, but before October 1, 2001, shall receive the same one-time bill credit based on the amount of each gas corporation's average CARE customer discount applied for each month in October 2000 to March 2001, inclusive. The credit does not apply to a customer who initiates service with a gas corporation after the effective date of this section, and who has no prior history of service with the gas corporation. CARE program funds shall be used for the purpose of providing these credits. The commission shall adjust CARE program income requirements annually to reflect the increased cost-of-living due to inflation.

(b) The commission shall require all electrical and gas **utilities** through which CARE program rates are available to do all of the following, in multilingual formats to the extent printed and recorded information is provided, to facilitate better penetration rates for the CARE program and to protect low-income and senior households from unwarranted disconnection of necessary electric and gas services:

(1) Provide an outgoing message on all calls, where the customer is seeking to establish service or is put on hold, to customer service lines that briefly describes the CARE program in standard language approved by the commission, and that provides a toll-free phone number for customers to call to subscribe to the program or for further information.

(2) Provide information to customers about the CARE program and facilitate subscription to CARE, on all calls in which customers are making payment arrangements, on all collections calls, and on all calls for reconnection of service.

(3) (A) Provide information about the CARE program and other assistance programs, and attempt to qualify customers for CARE, and provide information about individual payment arrangements that allow customers to pay the amounts due over a reasonable period of time, not to exceed 12 months, and attempt to enroll customers in a payment arrangement program, before effecting any disconnection of service for nonpayment or inability to pay energy bills in full.

(B) (i) Offer individual payment arrangements to customers so that the customer is able to pay amounts due over a reasonable period of time, not to exceed 12 months.

(ii) Prohibit the disconnection of customers that have made, and are in compliance with, payment arrangements offered by an electric or gas utility pursuant to this subparagraph.

(C) Prohibit the disconnection of a delinquent residential customer for amounts due in which the electric or gas utility receives a commitment pledge, letter of intent, purchase order, or other notification that a provider of energy assistance is forwarding payment sufficient to prevent disconnection.

(D) (i) Advise residential customers facing disconnection or who contact the utility to make payment arrangements of the levelizing payment program that allows them to pay a monthly average bill based on 12 months usage.

(ii) Advise residential customers about enrollment in the levelizing payment program in conjunction with completion of payment arrangements, payment under terms of subparagraph (B), or at the customer's request absent those arrangements.

(E) Nothing in this paragraph is intended to reduce the revenues of any utility extending payment arrangements subject to the terms of the paragraph.

(4) Provide information on customer bills, presented in a conspicuous manner on a front facing page, that indicates that a customer may be eligible for the CARE program. This notice shall be provided quarterly on customer bills.

(c) The commission shall conduct targeted outreach about the program using census block data to effectively target low-income and senior households throughout the state.

(d) CARE program funds shall be used for the purposes of paragraph (3) of subdivision (b) and outreach pursuant to subdivision (c). The commission's costs for outreach pursuant to subdivision (c) may not exceed five hundred thousand dollars (\$500,000) above the amount that the commission currently expends on similar activities related to the CARE program. Energy corporations may recover all reasonable costs from the CARE program funds of implementing this section.

739.5. (a) The commission shall require that, whenever gas or electric service, or both, is provided by a master-meter customer to users who are tenants of a mobilehome park, apartment building, or similar residential complex, the master-meter customer shall charge each user of the service at the same rate which would be applicable if the user were receiving gas or electricity, or both, directly from the gas or electrical corporation. The commission shall require the corporation furnishing service to the master-meter customer to establish uniform rates for master-meter service at a level which will provide a sufficient differential to cover the reasonable average costs to master-meter customers of providing submeter service, except that these costs shall not exceed the average cost that the corporation would have incurred in providing comparable services directly to the users of the service.

(b) Every master-meter customer of a gas or electrical corporation subject to subdivision (a) who, on or after January 1, 1978, receives any rebate from the corporation shall distribute to, or credit to the account of, each current user served by the master-meter customer that portion of the rebate which the amount of gas or electricity, or both, consumed by the user during the last billing period bears to the total amount furnished by the corporation to the master-meter customer during that period.

(c) An electrical or gas corporation furnishing service to a master-meter customer shall furnish to each user of the service within a submetered system every public safety customer service which it provides beyond the meter to its other residential customers. The corporation shall furnish a list of those services to the master-meter customer who shall post the list in a conspicuous place accessible to all users. Every corporation shall provide these public safety customer services to each user of electrical or gas service under a submetered system without additional charge unless the corporation has included the average cost of these services in the rate differential provided to the master-meter customer on January 1, 1984, in which case the commission shall deduct the average cost of providing these public safety customer services when approving rate differentials for master-meter customers.

(d) Every master-meter customer is responsible for maintenance and repair of its submeter facilities beyond the master meter, and nothing in this section requires an electrical or gas corporation to make repairs to or perform maintenance on the submeter system.

(e) Every master-meter customer shall provide an itemized billing of charges for electricity or gas, or both, to each individual user generally in accordance with the form and content of bills of the corporation to its residential customers, including, but not limited to, the opening and closing readings for the meter, and the identification of all rates and quantities attributable to each block in the applicable rate structure. The master-meter customer shall also post, in a conspicuous place, the applicable prevailing residential gas or electrical rate schedule, as published by the corporation.

(f) The commission shall require that every electrical and gas corporation shall notify each master-meter customer of its responsibilities to its users under this section.

739.6. The commission shall establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes, consistent with the policies of affordability and conservation. The cost allocation methodology adopted for gas corporations by the commission in Decisions 86-12-009 and 86-12-010, as supplemented by Decisions 87-05-046 and 87-12-039, is consistent with this policy, and shall be retained by the commission at least until December 31, 1990, except that the commission may modify this cost allocation methodology to address customer hardships and inequities if residential customers as a class are not, on balance, adversely affected and the purpose of the modification is not solely protection of gas corporation revenues. If any gas corporation files a cost allocation application seeking to change that methodology after May 1, 1990, the commission may not issue an order on that application until January 1, 1991.

739.7. In establishing residential rates, the commission shall retain an appropriate inverted rate structure. If the commission increases baseline rates pursuant to Section 739, revenues resulting from those increases shall be used exclusively to reduce nonbaseline residential rates.

739.8. (a) Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost.

(b) The commission shall consider and may implement programs to provide rate relief for low-income ratepayers.

(c) The commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals.

(d) In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.

739.10. The commission shall ensure that errors in estimates of demand elasticity or sales do not result in material over or undercollections of the electrical corporations.

739.11. (a) For purposes of this section, "real time metering" means a system for measuring a customer's usage of electricity on at least an hourly basis, variably pricing that electricity based on the cost of acquisition or production, and regularly providing and updating that usage and pricing information to the customer.

(b) The commission shall conduct a pilot study of real time metering for nonresidential customers. The purpose of the study is to determine the effectiveness of real time metering in reducing energy demand and overall energy consumption, to examine customer response, to determine how real time metering should be implemented, and to determine whether more widespread use of real time metering is in the public interest. The study shall not duplicate the study required pursuant to Section 393 of the Public **Utilities Code**. The study shall include rates that vary as the cost of electricity varies and provide appropriate telemetry and other equipment. The study shall include agricultural, large commercial, and industrial customer classes, and may include other customer classes if the commission determines that to do so would be in the public interest. The commission shall report to the Legislature on the results of the study by June 30, 2002.

(c) This section shall remain in effect only until January 1, 2003, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2003, deletes or extends that date.