

Updated: October 28, 2021

CALIFORNIA DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

CALIFORNIA ARREARAGE PAYMENT PROGRAM (CAPP)

CAPP PROGRAM NOTICE NO. 2021-06

The purpose of this official correspondence is to provide implementation information and guidance to the general public and state energy utility service providers regarding the California Arrearage Payment Program (CAPP) administered by the Department of Community Services and Development (CSD).

CAPP PROGRAM NOTICE NO. 2021-06

TO: ALL ENERGY UTILITY COMPANIES

SUBJECT: CALIFORNIA ARREARAGE PAYMENT PROGRAM (CAPP)
ALLOCATIONS AND CUSTOMER BENEFIT LEVELS

DATE: **Updated October 28, 2021**

REFERENCE: Government Code Section 16429.5
Assembly Bill 135 (Chapter 85, Statutes of 2021)
[CAPP-PN 2021-01](#)
[CAPP-PN 2021-02](#)
[CAPP-PN 2021-03](#)
[CAPP-PN 2021-03-R](#)
[CAPP-PN 2021-03-R2](#)

The purpose of this CAPP Program Notice (CAPP-PN) is to communicate to state energy utility companies the results of the CAPP Utility Survey, including individual utility company shares of CAPP funds (also referred to as CAPP allocations) and guidelines for prioritizing the distribution of CAPP benefits to customer accounts.

BACKGROUND

As outlined in CAPP-PN 2021-01, there are four phases of CAPP implementation: Utility Survey Phase, CAPP Application Phase, CAPP Awards Phase, and Outcomes Reporting Phase. This CAPP-PN provides the results of the Utility Survey Phase, methods used by the Department of Community Services and Development (CSD) to facilitate the distribution of CAPP funds to state energy utility companies, and other information to help utilities prepare for the CAPP Application Phase.

California Government Code Section 16429.5 provides guidance to CSD regarding the utility survey, the determination of utility allocations based on reported survey results, the amount allocated by utility, and the prioritization of customer accounts in the event the total \$1 billion CAPP allocation does not cover reported statewide arrearages. Subdivision (c) requires CSD to:

- Survey utility applicants to obtain data pertaining to the total number of residential and commercial customer accounts in arrears statewide.
- Establish an allocation formula based on survey results to determine an individual utility applicant's share of CAPP funds. A utility applicant's CAPP allocation shall be based on its share of reported statewide energy utility arrearages.

Subdivision (d) establishes CAPP allocations based on utility type:

- \$298,546,750 – for financial assistance to customers of Publicly Owned Utilities (POUs) and Electric Cooperatives; and
- \$694,953,250 – for Investor-Owned Utilities (IOUs), including customers served by Community Choice Aggregators (CCAs).

Additionally, Government Code Section 16429.5(f)(1) stipulates if CAPP funding is not sufficient to meet utility applicant requests, utility applicants shall prioritize the issuance of CAPP assistance in the following order:

1. Active residential customers with past due balances who are at risk of disconnection due to nonpayment;
2. Active residential customers with past due balances;
3. Inactive residential customers with past due balances; then
4. Commercial customers with past due balances.

CAPP UTILITY SURVEY RESULTS

With the release of CAPP-PN 2021-02, the CAPP Utility Survey was open for utility responses between August 2, 2021 and September 16, 2021. A total of 67 energy utility companies participated in the utility survey process and have expressed an intent to apply for CAPP assistance.

The following summarizes the various types of utility companies participating in CAPP:

- 8 IOUs
- 23 CCAs
- 33 POUs
- 3 Electric Cooperatives

NOTE: Eleven energy utilities have expressed an intent not to apply for CAPP assistance and are declining CAPP funds for reasons that include: 1) few to zero customers with delinquent balances that needed CAPP assistance; and 2) the utility secured other resources to address utility arrearages experienced by customers during the pandemic emergency. Utilities that did not participate in the survey are not eligible to apply for CAPP funding.

In total, the CAPP Utility Survey results indicate that 3,053,241 customers statewide accrued \$1,994,976,176 in energy utility debt during the pandemic relief period. The following offers a breakdown of total customers and total energy debt for each of the two major utility categories noted in Government Code Section 16249.5(d)(1) and (2):

- \$458,356,129 accrued by 560,589 customers of POUs/Electric Cooperatives

- Residential = \$311,367,083 accrued by 527,831 customers
- Commercial = \$146,989,046 accrued by 32,758 customers
- \$1,536,620,047 accrued by 2,492,652 customers of IOUs/CCAs
 - Residential = \$1,299,508,316 accrued by 2,372,458 customers
 - Commercial = \$237,111,731 accrued by 120,194 customers

Please refer to [CAPP-PN 2021-06-E](#) for the spreadsheet updated on Oct. 28, 2021, which contains a complete summary of reported energy utility arrearages and specific utility arrearage information for each state energy utility company that participated in the CAPP Utility Survey process.

CAPP ALLOCATION METHODOLOGY

Per Government Code Section 16429.5(c), CSD calculated each utility’s allocation based on its proportional share of the total reported statewide energy utility arrearages by utility category (either IOUs/CCAs or POU’s/Electric Cooperatives). CAPP Allocations were determined based on the following formula:

$$\begin{aligned}
 & \text{Utility Allocation} = \\
 & \frac{(\text{Utility's Total Arrearages/Total Statewide Arrearages Within Utility Category})}{x} \\
 & (\text{Total Allocation for that Utility Category})
 \end{aligned}$$

CAPP Allocations for each of the three IOUs that partner with CCAs were determined using the calculation described above and included arrearages for each CCA (within the IOU service area) reported during the CAPP Utility Survey process. To calculate a CCA’s allocation share of an IOU allocation, CSD divided each CCA’s reported arrearages by the partner IOU’s total arrearages to determine the percent of CCA-to-IOU arrearages, then multiplied the IOU’s allocation by this percentage to establish each CCA’s allocation share of an IOU allocation.

Please refer to [CAPP-PN 2021-06-E](#) for the spreadsheet updated on Oct. 28, 2021, which contains each utility applicant’s allocation determination and reported arrearages.

GUIDELINE FOR DISTRIBUTION OF CUSTOMER BENEFITS – “THE WATERFALL”

Because reported statewide energy utility arrearages of \$1,994,976,176 far exceed the total CAPP allocation of \$993.5 million, CSD estimates that CAPP allocations will offset approximately 49.8 percent of total statewide arrearages. The following outlines the anticipated impact of CAPP allocations designated for the two utility types noted in Government Code Section 16249.5:

- 65.13 percent of arrearages reported by POU’s/Electric Cooperatives will be offset by the designated CAPP fund allocation for this utility category; and

- 45.23 percent of arrearages reported by IOUs/CCAs will be offset by the designated CAPP fund allocation for this utility category.

Given that CAPP funding will not cover the total reported statewide energy utility arrearages, utility applicants will be required to prioritize the issuance of CAPP assistance across the four priority categories described earlier. Utility applicants shall apply CAPP benefits to customer accounts using the “Waterfall” method, which will:

- Serve customers in order of priority by distributing CAPP funds in a way that provides a meaningful benefit to all customers within a utility company’s highest customer priority group before providing a CAPP benefit to subsequent customer priority groups in the same manner; and
- Treat customers equitably by ensuring that all customers within a particular priority group receive the same level (percentage) of arrearage offset.

Utilities shall apply the Waterfall as follows:

- If a utility’s allocation only covers a percentage of arrearages that is less than 100 percent in the highest customer priority group, then that percentage will be the proportion of each customer’s arrearage offset (i.e., CAPP Benefit).

Example: if Utility A reports \$0 in Priority 1 arrearages and \$100,000 in Priority 2 arrearages with a CAPP Allocation of \$80,000 (80 percent of total arrearages), then each customer in Priority 2 will receive a CAPP benefit equal to 80 percent of their CAPP-eligible arrearages.

- If a utility’s allocation covers a percentage of the arrearages that is greater than 100 percent in a utility’s highest priority group, then:
 - 1) Every customer in the highest priority group will receive a CAPP benefit equal to 100 percent of the CAPP-eligible arrearages;
 - 2) Any allocation left over will be divided by the total arrearages for the next-highest priority group to obtain the percent of allocation-to-arrearages. If the percentage is less than 100 percent, that percentage will be applied as the CAPP benefit across all customer accounts in that group. If the percentage is greater than 100 percent, then each customer in that priority group will receive a CAPP benefit equal to 100 percent of their CAPP-eligible arrearages and this step will be repeated for the next-highest priority group.

Example: if Utility B reports \$100,000 in Priority 1 arrearages, but receives a total CAPP allocation of \$190,000, then each customer in Priority 1 will receive a benefit equal to 100 percent of their CAPP-eligible arrearages. Utility B will then apply the remaining \$90,000 allocation to Priority 2. If Priority 2 has \$180,000 in arrearages, then the remaining allocation of \$90,000 will cover 50 percent of Priority 2 arrearages, so each customer in Priority 2 will receive a CAPP benefit equal to 50 percent of their CAPP-eligible arrearages.

Example: if Utility C reports \$0 in Priority 1 arrearages and \$100,000 in Priority 2 arrearages but receives a total CAPP allocation of \$220,000, then each customer in Priority 2 will receive a benefit equal to 100 percent of their CAPP-eligible arrearages. Utility C will then apply the remaining \$120,000 allocation to Priority 3. If Priority 3 has \$80,000 in arrearages, then each customer will receive a benefit equal to 100 percent of their CAPP-eligible arrearages. Utility C will then apply the remaining \$40,000 allocation to Priority 4. If Priority 4 has \$100,000 in arrearages, then the remaining allocation of \$40,000 will cover 40 percent of Priority 4 arrearages so each customer in Priority 4 will receive a CAPP benefit equal to 40 percent of their CAPP eligible arrearages.

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All CAPP-PNs, along with release dates of crucial CAPP implementation phases and energy utility responses are posted on CSD's public-facing [website](#).

If you have questions or need additional guidance regarding CAPP, please contact CSD at CAPP@csd.ca.gov.

Sincerely,



DAVID SCRIBNER
Director