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).
The purpose of this CAPP Program Notice (CAPP-PN) is to provide further direction to state energy utility companies regarding the distribution of CAPP benefits to customers. Specifically, this CAPP-PN provides additional guidance regarding the application of the “Waterfall” method to allocations for Community Choice Aggregators (CCAs) and Direct Access Electricity Load-Serving Entities (DAE LSEs) and establishes a threshold for defining the issuance of a meaningful benefit within the “Waterfall” benefit distribution method. In addition, this CAPP-PN provides specific instruction to the three Investor-Owned Utilities (IOUs) that partner with CCAs and DAE LSEs to ensure timely disbursement of CAPP benefits to customer accounts in compliance with CAPP directives.

BACKGROUND

CAPP-PN 2021-06 communicated the results of the CAPP Utility Survey, 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. These guidelines include a description of the “Waterfall,” a method state energy utility companies are instructed to use to prioritize the issuance of CAPP assistance across the four priority categories in accordance with Government Code Section 16429.5. The “Waterfall” method seeks to maximize each state energy utility company’s arrearage offset for customers in the highest priority group prior to applying CAPP benefits to accounts in the next-highest priority group.

In determining CAPP utility allocations, CSD structured allocations to ensure utility CAPP Allocations covered no less than 15 percent of arrearages in any priority group based on reported arrearages.

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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.
ADDITIONAL GUIDANCE

As implementation of CAPP progresses, many state energy utility companies have observed changes in customer arrearages eligible for CAPP relief. A number of arrearage totals captured by the CAPP Utility Survey have changed since the completion of the Survey due to customers submitting payments or seeking other forms of assistance to address past due balances.

While fluctuations in arrearage amounts and their impacts on total arrearages reported within energy utilities’ individual priority groups were anticipated, these changes in customer arrearages could raise specific issues that utility companies will need to navigate to ensure proper issuance of CAPP Benefits. The following highlights these specific issues and offers guidance to state energy utility companies to address:

1. Due to changes in customer arrearages across the four priority groups, a utility CAPP Allocation may result with the provision of a CAPP Benefit below the 15 percent minimum meaningful benefit threshold set by CSD within a particular priority group.

   Guidance: CSD will continue to use 15 percent as the meaningful benefit threshold as energy utilities apply the “Waterfall” method to determine how their allocations will be distributed across customer accounts. In instances where a state energy utility company determines that its CAPP Allocation falls below the 15 percent meaningful benefit threshold in any priority group, they are instructed to contact CSD to help identify, where possible, an alternate approach to applying customer benefits in the impacted priority group.

2. Applying “Waterfall” and customer prioritization to CCA or DAE LSE CAPP allocations.

   Guidance: IOUs are to disburse CAPP Benefits in accordance with “Waterfall” requirements. With the issuance of this CAPP-PN, the three IOUs that partner with CCAs and DAE LSEs are to apply the “Waterfall” method separately to each entity. As a result, the level of CAPP assistance to CCA and DAE LSE customers will vary and may extend beyond Priority Group #2, the customer group CAPP Allocations for IOUs will likely assist.

In applying the “Waterfall” method to each CCA, IOUs may encounter instances in which a CCA’s allocation exceeds total arrearages for Priority Groups #2 and #3. Under these circumstances, it will be necessary for CAPP assistance to be extended to customer arrearages for returned accounts receivable (ARs) that were reported by CCAs during the Utility Survey process and are no longer tracked by IOU billing systems. In this instance, IOUs are to contact CSD to receive instructions on how to work with the CCA to ensure customer benefits are appropriately applied.
Note: IOU billing systems shall serve as the authoritative source for confirming customer arrearages and the primary vehicle for disbursing CAPP Benefits except where CAPP Benefits are to be extended to arrearages associated with returned ARs.

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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