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Decision 89-07-062 July 19, 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Investigation on the Commission's own motion to comply with Senate Bill 987 and realign residential rates, including baseline rates, of California energy utilities.

I.88-07-009
(Filed July 8, 1988)

(See Decision 88-09-027 for appearances.)

Additional Appearances

Messrs. Orrick, Herrington & Sutcliffe, by Robert J. Glostein and Kathryn Doi, Attorneys at Law, for CP National Corporation; Christopher J. Warner, Attorney at Law, for Pacific Gas and Electric Company; and Mark A. Minick, Attorney at Law, for Southern California Gas Company; respondents.
Joel R. Singer, Attorney at Law, for Towards Utility Rate Normalization, interested party.
Judith Allen, Attorney at Law, for the Division of Ratepayer Advocates.

INTERIM OPINION

I. Introduction

A. Summary

This interim opinion concludes, in part, the Commission's proceeding to comply with the requirements of Senate Bill (SB) 987, which amended Public Utilities (PU) Code § 739. PU Code § 739 mandates that a baseline quantity of energy be priced below the price of other residential energy consumption. The origin and evolution of the energy baseline program was summarized in interim opinion Decision (D.) 88-10-062. The Commission had realigned the rates applicable to baseline volumes, the "Tier 1 rate," and the rates applicable to volumes in excess of the baseline quantity, the "Tier 2 rate," of the energy utilities last year. This was done in order to reduce rates charged for usage over baseline quantities by the statutory deadline of November 1, 1988.[1] By this order, the Commission further complies with SB 987 by setting eligibility and other non-rate related parameters of a program of assistance to low-income electric and gas customers. This program is in addition to direct assistance programs such as REACH and SAFE. Those programs address serious low-income ratepayer needs, and utilities are encouraged to continue direct assistance programs.

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1 Realignment was ordered in D.88-09-027 (Stipulation re: rates of Southern California Edison Company (Edison) approved) and D.88-10-062 (Realignment of Rates Ordered for Pacific Gas and Electric Company (PG&E), Pacific Power & Light Company (PP&L), Sierra Pacific Power Company (Sierra Pacific), CP National, Southern California Gas Company (SoCal), San Diego Gas & Electric Company (SDG&E), and Southwest Gas Company) (SW Gas). The rates of Southern California Water Company (Bear Valley Electric) were addressed in that company's general rate case.

In its final decision to be issued shortly in this docket, the Commission will establish the appropriate low-income discount and specify related implementation details.

B. Procedural History

A prehearing conference in this phase of the OII was held on December 28, 1988 during which dates for the service of testimony and for evidentiary hearings were set. Parties were directed to exchange summaries of their concept of a low-income assistance program. They were encouraged to attend an informal workshop chaired by the Commission Advisory and Compliance Division (CACD) on January 27, 1989 to discuss their ideas. Subsequently, the Assigned Commissioner issued a ruling outlining the issues and suggesting a rate discount as the means for assistance. In that February 9, 1989 ruling, the parties were required to propose a rate discount or differential as a minimum, to project the amount of continuing rate assistance, to allocate costs of the program on all but certain specified sales, and to estimate the potential number of participants. The resultant costs to non-participants under various eligibility criteria and assuming as a maximum benefit the differential between pre-existing Tier 1 and the residential rate at full realignment (i.e. no difference between Tier 1 and Tier 2 rates except for customer charge) were to be estimated. While the ruling stressed the need for consistency with the Commission's energy conservation goals, the amendment of any Commission-approved demand side management program or other non-rate type of customer assistance program was excluded from this proceeding.

Testimony was served by the respondent utilities on February 22, 1989, by the Commission's Division of Ratepayer Advocates (DRA) on March 15, and by interested parties on March 31. Review of the testimony showed that additional information was needed to accurately determine the rate effects of any low-income assistance program. On April 10, the assigned administrative law

judge (ALJ) issued a data request which required substantial research and calculation by the utilities. The data responses were sponsored by utility witnesses and are part of the record. Four days of evidentiary hearing were held beginning on May 15, 1989 in San Francisco. Of the respondent utilities, PG&E, SoCal, SDG&E, Edison, SW Gas, CP National, and PP&L presented testimony. Southern California Water Company (SoCal Water) and Sierra Pacific did not actively participate in the evidentiary hearings and are to take appropriate steps to comply with this decision.

C. Comments on ALJ's Proposed Decision

The ALJ's Proposed Decision was mailed to the parties on June 23, 1989. As noted in the ALJ's Ruling of June 12, 1989, the parties stipulated to a shortening of the 30-day Section 311 review period, provided they were allowed 20 days within which to file comments on the Proposed Decision. Pursuant to Rule 77.1 et seq. of the Commission's Rules of Practice and Procedure, the following parties filed written comments: PG&E, Edison, SDG&E, SoCal, PP&L, CP National, Southwest Gas, Western Mobilehome Association (WMA), the City of Long Beach, Towards Utility Rate Normalization (TURN), and DRA.

We have carefully considered these comments, and have corrected certain technical errors, as more fully reflected in this decision. There are some minor typographical and editorial changes (including in some cases clarifications of parties' positions) throughout the text, which will be obvious to those familiar with the issues raised in the written comments. However, many of the comments contained extensive reargument of the parties positions, and in accordance with Rule 77.3, we have accorded such comments no weight.

The more significant revisions are summarized below. Although the ALJ's Proposed Decision contained a discussion of the discount rate and other implementation details, and several parties' comments addressed these aspects of the Proposed Decision,

we reflect in this Interim Opinion only to those revisions which relate to eligibility criteria, administration (outreach and application/certification), monitoring, and issues relative to master metered ratepayers and submetered customers.

In response to several parties' comments we have deleted certain dicta appearing at page 33 of the ALJ's Proposed Decision regarding "an unwarranted diversity windfall."

In response to WMA's concerns, we have clarified that the submetered customer applying for program benefits is to have direct contact with the utility during the application process, rather than relying on the landlord as a conduit. In response to concerns raised by SDG&E, we specify that qualifying submetered tenants of master metered customers must reestablish their eligibility for program benefits every year, since they are not customers of the utility, and the latter will not be aware of tenant relocations. The ALJ's recommended three-year re-certification for all other customers is retained.

In response to SDG&E's comments, we also clarify that a customer applying for program benefits may be required to acknowledge that the utility may verify customer eligibility either randomly or where there is reason to believe that a false declaration has been made. The application form may state that the utility may request the customer to provide proof of eligibility.

In response to SDG&E's comments we have modified a Finding of Fact to discuss alternative methods of applying for program benefits.

In response to the comments of PG&E and SDG&E, the order provides that bill notice of the program shall commence with billings issued August 20, 1989 or as soon thereafter as reasonably practicable, but in no event later than September 19, 1989. We have modified Ordering Paragraph 3 accordingly.

In response to SDG&E's Comments, we have clarified that the program balancing account will accrue interest, consistent with existing Commission procedures for balancing accounts.

Ordering Paragraph 1 is revised to require allow respondent utilities to file sample program tariffs by advice letter on August 29, 1989. CACD is directed to convene and chair a workshop on August 14, 1989, to facilitate the filing of tariffs which contain substantially uniform formats and conditions of service. In addition, CACD shall convene workshops to examine the differences and the reasons for such differences in administrative costs among the respondent utilities and attempt to reach consensus on what the appropriate level of administrative costs is, including the question of how substantial deviations from that level are to be justified. At the conclusion of this examination, but no later than September 1, 1989, CACD shall make appropriate recommendations to the Commission (Ordering Paragraph 2).

In response to several parties' comments, the reporting due date mandated in this order is extended to July 1 of each year, and CACD's annual report due date is extended from June 30 to September 1 of each year.

II. Positions of the Parties

The parties sought to interpret SB 987 in order to rationalize a program of assistance to low-income energy ratepayers. The fact that the mandate to establish a program of assistance and the elimination of the baseline differential[2]

2 Former § 739 subsection (c) had required:

(Footnote continues on next page)

arose concurrently suggested to the parties that the program should exactly mitigate the increase in Tier 1 rates experienced by low-income ratepayers. Other than the fact that these two modifications to PU Code § 739 were made by the same legislation, no reason was advanced for limiting program benefits to the amount by which Tier 1 rates have increased.

The major elements of a program of assistance were identified in the parties' testimony as follows:

1. Size of discount to Tier 1 rates.
2. Maximum benefit or program cost.
3. Definition of "low-income" customer.
4. Application and certification process.
5. Estimated first year participation rate.
6. Administrative costs.
7. Recovery of program costs.

A. Pacific Gas and Electric Company

PG&E proposed a low-income baseline ratepayer assistance program consisting of a discounted Tier 1 rate. The Tier 1 rate would be discounted by the difference between the Standard Tier 1 rate and 85% of system average rate (SAR).[3] That difference is .621 cents per kWh for electric Tier 1 and 6.941 cents per therm for gas rates. Assuming average usage of baseline quantities, that

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(Footnote continued from previous page)

"The baseline rates shall apply to the first or lowest block of an increasing block rate structure which shall be the baseline quantity and shall be established for the residential consumption of gas or electricity at a differential of from 15% to 25% below the system average rate." (Emphasis added.)

3 The gas SAR consists of the sum of the utility's system average procurement rate and the system average transport rate.

yields a monthly benefit of $3.32 and $2.28, respectively. 85% of SAR was the maximum Tier 1 rate allowed by PU Code § 739 prior to its amendment by SB 987 although PG&E's Tier 1 gas rate was 110% of SAR before realignment. PG&E's low-income rate proposal would set program Tier 1 rates at their former statutory relation to SAR. Tier 2 rates for low-income ratepayers would be the same as for other residential ratepayers.

PG&E's objective is to ensure that none of the utility's low-income residential customers' monthly electric and/or gas bills increase as a result of the Commission's realignment of Tier 1 and Tier 2 rates permitted by SB 987. PG&E modified its low-income rate proposal in recognition that three primary methods for computing the program benefit had been introduced in the record. Those include PG&E's own 85% of SAR methodology, the DRA's residential average rate- (RAR) based method, and the ALJ's 10% or 15% discount of average bill method. PG&E recommends that the Commission adopt one of the three methods for discounting Tier 1 rates.

Increases in the Tier 1 rate as a percentage of SAR appear to be inevitable as a result of realignment. Therefore, the maximum benefit under PG&E's methodology would be equal to the difference between the average residential rate (which would equal the Tier 1 rate at the full realignment) and the former Tier 1 rate (the rate in existence before realignment November 1, 1988). PG&E recommends the Commission assess the low-income rate discount annually in the Energy Cost Adjustment Clause (ECAC) and Annual Cost Adjustment Proceeding (ACAP) proceedings, rather than define maximum benefit levels at this time. It points out that PG&E's and the DRA's rate proposals are linked to baseline reform (i.e., the subsidy grows as the Tier 1/Tier 2 rate differential shrinks) while a 15% discount off the average bill is not directly affected by rate realignment.

PG&E proposes that the definition of "low income" include ratepayers whose income does not exceed 150% of the federal poverty level. This definition is acceptable to PG&E so long as verification of eligibility is handled through the Department of Economic Opportunity (DEO) using the Home Energy Assistance Program (HEAP) criteria.[4]

Under the proposed arrangement, DEO would notify all recipients of state-administered public benefit programs who reside in PG&E's service territory of PG&E's low-income rate discount. Existing applications for the annual HEAP grant would be modified to ask the applicants if they wish to be on a low-income rate.

PG&E claims that some verification of eligibility is needed to avoid fraud. DEO would substantiate household income level by reviewing the documents supplied by an applicant for HEAP. The incremental cost to PG&E of verifying the eligibility of a ratepayer who indicates interest in the low-income discount on the application for HEAP assistance would be zero. DEO would charge PG&E $1.00 per application to verify the eligibility of someone who had not applied for the HEAP program, subject to adjustment as the ratio of HEAP/program applicants to HEAP-eligible ratepayers changes. PG&E maintains that certification of eligibility should be done at the start of the program, rather than after a fraud problem has arisen. The reason is the costs of recovering the

4 DEO's HEAP program provides yearly direct assistance checks to help low-income customers pay their utility bills. Ratepayers qualify either by virtue of being eligible for public benefits (Aid to Families with Dependent Children (AFDC), Supplemental Security Income/State Supplemental Payment (SSI/SSP), Veterans' and Survivors Pension Benefits, or Food Stamps), or by otherwise demonstrating a total household income of no more than 110% of the federal poverty level. DEO would use the state of California's "Medical Eligibility Data System" (MEDS) to verify whether a ratepayer or someone in the ratepayer's household is a recipient of any of the above-listed benefits.

discount received by ineligible ratepayers would be so excessive that they could not be justified. As a result the inflated costs of the program would never be recovered.

PG&E estimates that about 40% of eligible ratepayers would participate in the program during its first year of operation. One-half of these ratepayers would have requested the rate discount when they applied for the HEAP program. The other one-half would be beneficiaries of the utility's direct weatherization programs and PG&E's own outreach efforts. This participation rate is expected to grow over time.

Based on an assumed participation rate of 40% and eligibility set at 150% of poverty level, PG&E estimates administrative costs of $4,028,381 and 284,762 participants during the first year. This works out to about $14.15 per eligible low-income ratepayer.

Costs of the low-income program would be collected through a surcharge on all energy sales except for sales under the program rate, sales made pursuant to special contracts which provide a specific price per unit of energy, and gas throughput to utility electric generation (UEG), cogeneration, and wholesale customers. With regard to special contracts for electricity sales, PG&E would exempt all sales with a specific price term that is not indexed to the otherwise applicable tariff rate. As for special contracts for gas sales, PG&E would exempt only those specific-price volumes that are not included in the next ACAP's revenue allocation calculation. The only such volumes are sales to enhanced oil recovery (EOR) customers.

B. <u>Contra Costa County</u>

Contra Costa County (County) urges the Commission to assist low-income time-of-use (TOU) residential ratepayers by either authorizing a percentage discount on their bill or elimination of the monthly meter charge. The County's recommendation was limited to PG&E, its serving utility. The

County refers to the Commission's suggestion that PG&E examine the possibility of offering "fully paid up" TOU meters to low-income customers at no additional cost in PG&E's 1986 reasonableness review. (D.89-01-012, mimeo. p. 26.)

Under PG&E's main residential electric schedule, E-1, and its residential TOU schedule, E-7, a ratepayer is indifferent to the choice of schedule when 20% of electric consumption occurs during the on-peak period. Thus, a customer would realize lower electric bills under TOU rates than under the main residential schedule if on-peak usage were decreased from 20%. Assuming consumption of 750 kWh/month and only 5% of usage occurred on-peak, a customer would save $23.72 on the TOU schedule. The County believes that monthly benefits to low-income customers in excess of the program cost of $4.40 per ratepayer can be attained under its proposal. The County claims that a low-income TOU rate would leverage ratepayer funds by maximizing the potential savings for low-income customers, and would allow low-income customers benefit from TOU rates while reducing the risk of higher bills.

In support of its proposal, the County introduced the results of a 2-year Senior Citizen TOU Demonstration Program it had conducted with PG&E. The 92 program participants fell largely within the definition of "low income," as about 70% of the seniors had yearly incomes between $5,000 and $15,000 per year. Over 80% of the participants used less than 700 kWh and over 40% used less than 400 kWh per month. By the end of the program, about 85% of the participants had altered their consumption patterns to consume less than 20% on peak. This demonstrates that even low-usage customers can benefit from TOU rates, according to the County.

The County stressed that the success of such a program is contingent upon intensive customer education. It suggests that the utilities could market the low-income discount and the low-income TOU rate simultaneously. No budget for a TOU education program was included in the County's proposal.

C. Southern California Gas Company

Like the other major energy utilities, SoCal proposed a monthly bill subsidy designed to ensure that no low-income customer would be adversely affected by the flattening of the residential rate structure authorized by SB 987.[5] The per therm subsidy would increase with additional flattening of the residential rate structure. During 1989, the discount would be 3.262 cents per therm plus any additional reduction in the differential authorized in the ACAP. Assuming full Tier 1 use, the monthly benefit would total $1.32 per month. The maximum possible per therm subsidy that would be provided under the proposal, when SoCal achieves a flat residential rate structure, is 13.648 cents.[6] Based on the current flattening of SoCal's residential rate structure and current rates, the maximum subsidy (i.e. assuming full usage of a customers Tier 1 allowance) to low-income customers in Climate Zone 1 would be $2.02/month during the winter and $0.62/month in the summer. SoCal estimates that if 25% of eligible customers participate, under its subsidy proposal, bill subsidies would total $3.9 million per year. Assuming full participation and a flat residential rate structure, total subsidies would be capped at a level of $65 million annually. Maximum benefits under SoCal's proposal would be equivalent to an average 15% reduction in the bills of participating customers given the assumptions underlying SoCal's 1989 ACAP filing, according to SoCal.

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5 SoCal calculates a subsidy amount equal to the difference between the differential that existed between the RAR and baseline (Tier 1) rate on October 31, 1988 and the differential between the currently effective RAR and Tier 1 rate.

6 SoCal correctly defines a flat residential rate structure as one wherein the difference between the Tier 1 rate and the average residential rate is entirely explained by the fact that residential customer charge revenues are credited against the revenues to be collected from the baseline rate.

SoCal's per therm discount would not be affected by changes in the customer's bill due to factors other than a reduction in the differential between the Tier 1 rate and the average residential rate that existed prior to baseline reform. That is, increases in the Tier 1 rate due to an increase in the average residential rate or an increase in the average bill because of a decrease in allocated baseline quantity would not be compensated for by SoCal's discount to the Tier 1 rate.

SoCal proposes an eligibility level of 150% of federal poverty level. This is the level used for some other SoCal low-income programs. About 25%, or one million, of SoCal's residential ratepayers would be eligible. The proposed qualification level was selected to provide a large customer base. This would tend to minimize administrative costs per participant. Also, the customer data base compiled for existing programs could be used, thus reducing the cost for outreach.

Ratepayers would apply for the subsidy by returning a form on which they have certified that they meet the income criteria. Random checks to verify eligibility would be performed by the Commission. Recertification would be required whenever a customer moves. Annual recertification of customers on master metered and submetered rates would be required. SoCal estimates the cost of eligibility certification to be $4.00 per customer and $45.00 to $60.00 per customer for income verification. Such costs do not justify income verification for each applicant, according to SoCal.

The administrative budget for this program was estimated to be approximately $1.65 million. This does not include the cost of verification. By contrast, the administrative cost for Commission-authorized demand side management programs for 1989 are projected to be $13.5 million.

SoCal proposes to recover the costs of this program through a flat monthly surcharge on the account of each non-participating core customer. Currently, the surcharge would range from 8 cents to 40 cents per month, depending on low-income ratepayer participation. SoCal observes that SB 987 prohibits the Commission from imposing the cost of the program on only one class of customers. It believes that programs that exclusively benefit residential customers should be funded exclusively by residential customers. As a compromise, SoCal proposes to levy the surcharge on core customers. Funding of the program by non-core customers would violate cost-based rate design principles, according to SoCal. SoCal proposes that the Commission authorize it to establish a balancing account to reconcile expected differences in the timing between program funding and cost incurrence.

D. San Diego Gas & Electric Company

Pursuant to D.88-10-062 (the interim opinion in this proceeding) SDG&E decreased its Tier 2 electric rates, effective November 1, 1988, with no corresponding increase to the Tier 1 rate. As ordered by D.88-12-085, its Test Year 1989 General Rate Case decision, SDG&E decreased non-baseline electric rates by 13% and baseline rates by 1%, thus achieving substantial realignment of electric rates. Currently, SDG&E's electric Tier 1 rate is 94% of its system average rate, whereas it was 85% prior to baseline reform.

SDG&E proposes to establish a new Tier 1 rate for low-income customers which will keep them economically indifferent to rate realignment. SDG&E proposes that no electric program tariff be authorized at this time since SDG&E's current Tier 1 electric rates are 1% lower than the Tier 1 rates in effect prior to baseline reform.

SDG&E would implement a rate discount for electric baseline rates at such time as baseline electric rates increase above those in effect before November 1, 1988. SDG&E would

establish a "benchmark baseline rate" to assure that low-income customers are indifferent to rate realignment. This would be the higher of either the Tier 1 rate in effect before baseline reform or a Tier 1 rate set at 85% of system average. In the case of gas rates, the benchmark would consist of a Tier 1 rate set at 85% of SAR with the TURN baseline allowance adjustment applied. The monthly gas program benefit, based on projected average Tier 1 usage, would total $4.12.

SDG&E would define as "low-income" ratepayers whose income does not exceed 130% of the federal poverty guidelines. It cites the HEAP program's reliance on eligibility for AFDC, SSI/SSP, Food Stamps, or in the alternative, annual household income no more than 130% of federally established poverty guidelines in support of its position. In order to limit the cost of this program, SDG&E proposes a ceiling funding level based on the maximum amount of rate realignment possible under current rates and the current estimate of qualifying low-income customers. This would amount to 58 cents per month, based on typical residential consumption. SDG&E has no empirical evidence of the tolerance of non-participant ratepayers for program costs.

The ceiling includes the rate subsidy, related administrative expenses, and existing authorized low-income programs.[7] Administrative expenses for the low-income rate assistance program are projected at $230,300. To accommodate future changes to general rate levels, this ceiling would be

7 The low-income programs authorized in SDG&E's 1989 General Rate Case include the Energy Education for Low Income (EELI) and Special Needs at a total annual cost of $550,000. The administrative expenses for SDG&E's Direct Weatherization Assistance, Low-Income Refrigerator Rebate, and EELI programs totaled $541,319. The participation levels in 1988 were as follows: DWA .4%, LIRR .06%. SDG&E's 1989 goal for EELI is 20,000 customers, or roughly 2% of residential customers.

implemented as a percent of retail revenues. This amounts to .7% of retail electric revenues and 1.7% of gas retail revenues, excluding non-core customers. This is based on qualifying criteria set at 130% of federal poverty guidelines, and would amount to 155,000 electric customers and 100,000 gas customers.

SDG&E proposes that its rate subsidy program be funded by all customers covered by balancing accounts. That would include all electric customers under the Electric Revenue Adjustment Mechanism (ERAM) balancing account and all core gas customers. SDG&E proposes that non-core gas customers be excluded. Non-core sales represent 60% of gas department sales. Within the non-core class 95% of the sales are for UEG and cogeneration. SDG&E would also exclude special contract sales under contracts which provide a specific price per unit of energy. Finally, baseline sales to low-income customers would be excluded. SDG&E proposes to allocate the subsidy pursuant to the Equal Percentage of Marginal Cost (EPMC) method for electric program costs, and on a cent per therm basis for gas program costs.

A balancing account would be used to track administrative and other program expenses. Coordination of the subsidy with updates in utility sales forecasts, revenue requirements, revenue allocation, and rate design would best be accomplished if the costs and benefits of this program were reviewed in the ECAC and ACAP proceedings.

E. Southern California Edison Company

Edison proposes to discount the Tier 1 rate paid by qualifying customers by the amount needed to reduce the Tier 1 rate to 85% of SAR. The low-income household whose monthly consumption is at or below the applicable baseline allowance would receive a bill equal that which it would have received without the realignment of the Tier 1/Tier 2 rates. If the household exceeded the baseline allocation, the maximum baseline rate discount would apply, plus the already lower Tier 2 rate which has resulted from

baseline reform. Under Edison's proposal, full Tier 1 usage in its most populous baseline zone would result in a $0.69 per month decrease to a low-income ratepayer's bill.

Edison proposes to define low-income households as those whose income is no greater than 130% of federal poverty guidelines. This criterion was selected because it is used to establish eligibility for the existing federal/state funded Energy Crisis Intervention Program and Edison Winter Energy Assistance Fund. Edison estimates that about 16% of residential households in its service territory will qualify for the program under its proposal. At a 150% of federal poverty guideline level, about 25% or 850,000 households would qualify, resulting in a revenue impact of about $950,000 under Edison's methodology and administrative costs of $1.75 million during the first 12 months. Costs could grow to as much as $57 million as Edison moves toward full EPMC revenue allocation and a lower baseline/non-baseline rate differential. Edison proposes that sales to customers with competitive alternatives be exempted from bearing any cost of the low-income subsidy program. These include all those on self-generation deferral rates and other special contracts.

Edison believes that total program costs should be capped at .5% of its present rate revenues. In the event that this limit is reached, Edison would raise the low-income Tier 1 rate to a level to keep the total subsidy from exceeding .5% of present rate revenues. Based on 1989 estimated sales, the program ceiling would be $30.9 million.

Edison would notify all residential customers of this program annually via a bill insert describing this program. Customers would establish their eligibility by returning a signed Application and Declaration (Application) form to Edison. No annual renewal would be required. Customers would be required to notify Edison when they no longer meet eligibility requirements. The Application would authorize verification by the utility at its

option and rebilling of accounts where the customer was found not to be eligible. The utility would verify on a random basis when conditions indicate that such random checks are cost-effective.

In the short term, Edison proposes to allow the undercollection in base rate revenue to flow through and to charge administrative costs as negative revenue to the ERAM. This would recover the subsidy from all customers subject to the Electric Revenue Adjustment Billing Factor (ERABF) on an equal-cents-per kWh basis. This would continue at least until Edison's next general rate case proceeding.

F. Pacific Power & Light Company

PP&L originally sought to be exempted from the Commission's implementation of a low-income assistance program. It now concurs that SB 987 mandates the establishment of an assistance program, but points out that the bill has no deadline for compliance. PP&L requests that implementation of a rate discount program of assistance be postponed for its customers. It recommends that the Commission consider this issue in PP&L's general rate case filing, which will be submitted in December 1989. Thus, PP&L is proposing a monthly benefit of $0.00 at this time.

The grounds for postponement include the inability of PP&L's customers to tolerate rate increases. This has forced the utility to forgo approximately $6.8 million in annual revenues as part of its Rate Stabilization Program, according to PP&L's witness. PP&L claims that by foregoing this rate increase, it is providing low-income ratepayers a subsidy approximately equal to the difference between the current and pre-realignment Tier 1 rate. PP&L will not raise rates although it has experienced about $5 million of unanticipated plant investment that was not considered in its 1986 general rate case. Moreover, the utility is faced with competition from alternate fuels.

PP&L is concerned that the Commission may apply uniform assistance standards to all California jurisdictional utilities.

In particular, it would object to the Commission's use of the ULTS criteria. PP&L described the income characteristics of its residential population. Using figures provided by PP&L's witness, it appears that the median 1988 household income in PP&L's service territory was roughly $18,750. The statewide median household income was $29,400. Approximately 30% of PP&L's California ratepayers may qualify for the program under an eligibility criteria of 150% of federal poverty guideline. The utility fears that any surcharge to fund a low-income assistance program will have a significant adverse impact on its customers.

PP&L's primary recommendation is that the Commission should consider its Rate Stabilization Program as an assistance program. If this is not acceptable, then PP&L wishes the Commission to adopt a program along its recommended lines, but to postpone implementation of the program until after full consideration of PP&L's financial posture in its December 1989 general rate case (GRC).

The low-income assistance program would provide a discount to Tier 1 rates equal to the difference between PP&L's pre-realignment Tier 1 rate from PP&L's current Tier 1 rate. PP&L had no specific recommendations on low-income eligibility criteria. It believes that at least 50% of its eligible low-income population would sign up for the program and that higher-than-average participation will be realized due to the active low-income organizations in the service territory. PP&L proposes that DEO certify eligibility. It estimates that about $50,000 of its $200,000 administrative costs would be used for certification & verification of eligibility.

PP&L has no fuel cost adjustment mechanism, and has requested the Commission to eliminate its ERAM mechanism. It seeks authorization to establish a deferred debit account system that would track program costs. The company's surcharge amounts and subsidy payments would be updated with each year's attrition filing

and its general rate case filings. DRA accepts the company's proposal for handling annual updates in its attrition filing and recommends review of the reasonableness of administrative expenses in each GRC.

G. CP National

CP National would utilize DRA's proposal to implement a low-income assistance program with one exception. Instead of a 10% of RAR minimum discount for CP National, the utility recommends a minimum benefit equivalent to 6% of RAR discounted off baseline. This would result in a $1.81 per month benefit. CP National believes its ratepayer base, of which 62% is residential usage justifies this difference. CP National states that application of the 10% RAR minimum would result in a "significantly higher" average surcharge on non-participants than the surcharge on other utilities' non-participant ratepayers.

Based on its use of self-certification to determine the eligibility of its telephone ratepayers for ULTS, CP National recommends either self-certification for program applicants or the use of social service agencies to screen applicants.

CP National's primary proposal for recovery of program costs would be to add those costs to the base cost amount of CP National's supply adjustment mechanism (SAM) balancing account. It would not object to using a new balancing account for cost recovery with respect to this program. In the absence of a scheduled rate case, CP National recommends use of its response to the ALJ data request to calculate program costs. Those costs would be entered in a balancing account, to be reviewed at the next general rate case.

The residential tariff of CP National's Needles District retains a lifeline allowance pursuant to former PU Code § 739. Hence, there were no Tier 1 rates to adjust in D.88-10-062. Since SB 987 requires a program assistance to low-income energy

ratepayers, without exception, an appropriate program should be authorized for the Needles District.

H. Southwest Gas Company

SW Gas proposes to set Tier 1 rates at their pre-realignment level. Currently authorized test year billing determinants and primary residential class revenue requirement would be used to calculate a LIA (Low-Income Assistance) rate as 85% of SAR, as was done prior to baseline reform. The program rate would be recalculated when class revenue requirements change. The revenue shortfall would be booked into a separate, interest-bearing account for future recovery. The balance would be collected on a cents per-therm basis from all non-low-income sales, excluding special contract sales. The LIA Account balance would be adjusted annually along with SW Gas' CFA, PGA, and SAM accounts in normal offset filings. Determination of eligibility should be done by a local community service agency, rather than the utility. The Commission might verify eligibility of high-volume ratepayers. A cap on the amount of subsidy to 0.25%-0.5% of total revenue is advocated. Although SW Gas wishes to extend LIA program benefits to residents of master meter mobilehome parks, it cannot guarantee that a landlord will pass the discount through. It opposes providing program benefits to non-permanent residents.

I. Western MobileHome Association

WMA supports the concept of a program of assistance to low-income ratepayers. WMA estimated that on a statewide basis, about 19% of all mobile home households have annual incomes at 125% or less of the federal poverty level.

WMA will recommend that all owners of submetered parks cooperate with the utilities' outreach efforts and will help explain the program's revised billing requirements to park owners and to companies that provide submeter billing services. However, WMA is opposed to any requirement that park owners be responsible

for soliciting, qualifying, or certifying residents for the program.

J. Division of Ratepayer Advocates

The Commission's DRA recommends that the program consist of a rate discount based on the relationship of the baseline rate to the RAR prior to the rate realignment, with a minium benefit of 10% of RAR and no cap on program costs.

DRA recommends the use of RAR over SAR in order to avoid any impact on the level of subsidy resulting from changes in a company's customer base or cost structure that do not otherwise have any effect on the alignment of residential rates. DRA proposes to discount the difference between the current Tier 1 rate (with customer charge) and the rate that would have been in effect based on the pre-realignment ratio of Tier 1 to RAR off the participating customers' baseline rate.

According to DRA, a minimum discount of 10% of RAR is necessary to make the program worthwhile administratively and to encourage participation at the outset of the program. The DRA has alternatively suggested a 15% minimum discount in the event the Commission believes that a higher level of minimum benefits is appropriate. While DRA does not believe that the low-income program mandated by SB 987 must be strictly linked to realignment, some connection between the rate discount and realignment is necessary to ensure that low-income customers are not worse off than they were prior to the realignment of rates pursuant to SB 987.

The maximum benefit level that automatically results under DRA's methodology with a complete flattening of rates would be an acceptable cap on ratepayer benefits. However, the DRA opposes a cap on program costs. The two most significant program cost factors may well be participation rate and changes in the Tier 1/Tier 2 differential. Since those cannot be predicted, a cap on program costs has little validity, according to DRA. It believes

that continual reevaluation of the level of subsidy would accomplish its goal of balancing the needs of low-income customers against the cost imposed on other ratepayers.

DRA states that the program should be funded on a cents per unit of energy basis. It reasons that a rate discount for low-income customers which is funded by other ratepayers is a subsidy program and a subsidy program is not by its nature cost-based. Consequently, it is difficult to attribute the costs of an equity program to any single class of customers. Moreover, benefits from this program are not limited to the residential class. A bill assistance program such as this would tend to reduce a utility company's uncollectibles, which benefits both the company and its customers. Therefore, DRA recommends allocation of program costs to all gas customer classes with the exception of UEG, cogen, EOR, special contracts where a specific price has been provided, wholesale customers, and low-income Tier 1 sales and street lighting. According to DRA, all electric customers should support the program, except for customers under special contract and low-income Tier 1 sales. Street lighting is listed because those costs are paid by taxpayers. Since these taxpayers are also ratepayers, collection of program costs from street lighting revenues would "double-charge" ratepayers, according to DRA.

DRA recommends use of the ULTS eligibility criteria and self-certification by applicants. It does not object to the use of the DEO as an agent for certification. The program discount should be offered to submetered users, but not to master meter customers with unsubmetered tenants. Low-income customers on optional TOU schedules should be extended program benefits through appropriate means.

DRA proposes that a separate balancing account should be set up for the program. Only incremental administrative expenses should be booked to the program balancing account and the balancing account treatment for administrative expenses should cease with

each company's next general rate case. DRA recommends a workshop to develop the concept of a monitoring committee to review the program.

K. Towards Utility Rate Normalization

TURN is a not-for-profit group which represents the interests of residential utility ratepayers. It continues to support an energy baseline program featuring inverted block rates that is generally available to all residential customers regardless of income. However, it recognizes that SB 987 mandates a targeted low-income assistance program and has intervened to provide a residential ratepayer perspective on the issues. TURN supports the positions taken by the DRA on most of the contested issues.

TURN believes that the objectives of offsetting the effects of baseline reform and providing a meaningful benefit to low-income customers can best be achieved through a rate discount that is equal to the greater of (1) 10% to 15% of the average residential bill or (2) 15% of the SAR. The latter criterion is the only one that can assure that no low-income customer ends up worse off as a result of SB 987. The DRA's RAR approach fails to do so, according to TURN.

TURN criticizes SoCal's proposal to collect the program surcharge from core customers as contrary to the Legislature's clear intent. It recommends collection of the surcharge from all customers, with the exception of wholesale customers and the UEG and cogeneration customers of the gas utilities. Although existing special contracts which include a stated rate must be excluded, future contracts should incorporate the surcharge. That is because to the extent rate discounts are necessary, TURN believes they should come from rate components not protected by a balancing account.

TURN reluctantly acquiesces to balancing account treatment for program administrative costs. It stressed the need to limit balancing account entries to incremental administrative

costs that have been incurred specifically for the program. Such recovery should be subject to strict annual reasonableness reviews to ensure, among other things, that costs being recovered are truly incremental and result from the program. Balancing account treatment of administrative costs should be limited to two years, after which time the costs should be forecasted on a test year basis for recovery through general rates.

Revenue losses due to program benefits should be recorded in a balancing account and amortized annually in the company's ECAC or ACAP proceeding. TURN recommends a separate balancing account, rather than the ERAM, for recovery of program costs. No ERAM-type account exists for the gas companies. The program surcharge should be based upon recorded costs only, with no forecasting of future period accruals at this time.

Finally, TURN recommends that the utilities be required to perform certain monitoring functions in order to allow the Commission to gauge the effectiveness of the program and to evaluate its effectiveness in meeting the needs of minority groups and seniors. An update of potential participants within each service area should be submitted within six months of this decision. Eighteen months after implementation of the program, the utilities should be required to update their estimates of the number of eligible customers and to report actual participation in detail. The information should include the number of customers participating and demographic information on participants such as household size, race, ethnicity, age, and income. The utility's outreach efforts should be described. These reports should be updated in each succeeding GRC.

Finally, TURN recommends that a program monitoring committee be established, made up of utility, consumer, and Commission staff representatives. The purpose of the committee would be to evaluate the implementation of the program, based on the monitoring reports, and to suggest methods for improvement.

III. Discussion

This interim opinion addresses only certain non-rate aspects of the low income program. Specific topics covered include: eligibility, application and certification procedures, and certain related issues concerning submetered customers. Not addressed are issues regarding the level or calculation of program benefits, or questions concerning which classes of customers are exempt from any rate surcharge ultimately adopted. These issues will be covered in the Commission's final order.

A. Master Meter Ratepayers and Submetered Customers

Master meter customers require special consideration because they purchase energy for multifamily service and for mobile home park service. They supply this energy to consumers who have no contractual relation with the utility. Those consumers' usage may or may not be submetered. PU Code § 739.5, Subsection (a) requires that whenever gas or electricity is provided by a master meter customer to such residential users, 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 directly from the utility.[8]

Master meter customers currently charge the lower Tier 1 rate to submetered customers for baseline quantities consumed. Existing billing practices will enable master meter customers to

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8 Pursuant to Subsection (a), the utilities' master meter schedules provide a sufficient differential to cover the reasonable average costs to master meter customers of providing submeter service. Subsection (b) requires master meter customers who receive any rebate from the utility to pass through to each user his proportionate share of the rebate. Subsection (e) requires the master meter customer to provide an itemized bill to each individual user in accordance with the format used by the utility to bill its residential customers.

pass through the program rate discount on Tier 1 quantities to qualifying low-income submetered consumers. Where consumers are not submetered, their energy bill and rent are bundled together. It would be extremely difficult to estimate usage and enforce the pass through of a rate discount. These end-users are not customers of the utility, there is no individual energy bill, and no party submitted a proposal that would ensure that these end-users would receive any benefit. Thus, we will extend this program of assistance only to eligible submetered consumers.

All of the utilities propose to make the program rate applicable to estimated Tier 1 quantity use by low-income submetered users.[9] That is, the master meter customer would be billed at the discounted Tier 1 rate based on the ratio of qualifying households to non-qualifying households. It would be the responsibility of the master meter customer to pass the low-income rate discounts through to the eligible low-income energy consumers.

Several parties noted that a low-income benefit creates an additional diversity benefit for master meter customers. Currently, a master meter customer receives a diversity benefit when that customer pays baseline rates and is able to collect revenue at the higher non-baseline rate because of differences in usage between submetered tenants. A low-income program creates additional diversity benefits. The master meter customer would be billed at the low-income rate for the full baseline allowance of a qualifying low-income customer. If that low-income customer uses less than the baseline allowance, the master meter customer pays

9 However, in their comments, PG&E noted that estimating use was administratively difficult and could be unfair to the master meter customers. A simple ratio would not capture the impact when some low-income customers are all-electric and others are medical customers, for example.

the low-income rate for some energy for which the master meter customer can collect the full baseline rate.

The diversity benefit provides an incentive for the ratepayer to help their submetered tenants to qualify for the program rate. WMA complained that the existing diversity adjustment excessively penalized its members. Parties generally agreed that a diversity adjustment should not be determined here. We concur. The diversity adjustment is a function of usage patterns and actual rate levels. Diversity adjustments can be comprehensively reviewed in the context of submetered rate design. The diversity issue should be considered the next time submetered rate design is reviewed, but no later than each utility's next general rate case.

Edison suggested that each year, the submetered customer should submit an application for the program rate to the master meter customer, who would then forward the forms to Edison.

SoCal proposed that each submetered customer submit an application form to the owner of the residential complex, i.e., the master meter ratepayer. SoCal would have the owner certify the number of qualifying low-income units eligible to receive the credit. Master meter customers would be assessed a monthly surcharge on all submetered accounts, reduced by the number of qualified low-income customers served. The non-low-income customers would be required to pay an equivalent surcharge to the master meter customer. This proposal is unnecessarily complex and will lead to customer confusion. It will not be adopted.

To summarize, master meter billing should be fully considered the next time master meter/submeter rate design is considered. Master meter ratepayers will circulate applications for the program to their submetered customers and the submetered customer will forward a completed application to the utility. The master meter customer will inform the utility when the low-income

customer moves. The utility will certify the eligibility of these submetered customers as it would for its own ratepayers.

B. Eligibility Criteria

The parties' recommendations ranged from a definition of "low income" as a household whose income did not exceed 130% of federal poverty level to a household which met the qualification criteria set for Universal Lifeline Telephone Service (ULTS). The fact that existing utility demand side management (DSM) programs employed 130% or 150% of federal poverty level as eligibility criteria was the basis for those recommendations. The DSM qualification criteria are not uniform, either as between types of programs or as between utilities.[10]

Moreover, utility witnesses testified that low-income program participants cannot be deemed automatically eligible for program benefits. This is because changes in eligibility status are likely to have occurred since the ratepayer first participated in the utility program.

Both DRA and TURN favor eligibility based on ULTS criteria. They apparently believe that increased consumer benefits from program uniformity outweigh the additional cost of greater eligibility.[11]

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10 130% was characterized as the criterion for HEAP eligibility. In fact, a ratepayer who is "categorically eligible" for HEAP may have income in excess of 130% or the ULTS guidelines. The ratepayer would still qualify for HEAP due to his status as a public welfare program recipient.

11 The income limitation for ULTS is set out in CPUC General Order 153 Section 3.1.1.1. That section requires the Commission to adjust the income limitation each year for inflation based on the federal consumer price index. 1984 was used as the base year. In 1984, the Commission established ULTS criteria at 150% of federal poverty level for a household of 2.3 persons. Not until 1986 did

(Footnote continues on next page)

The ULTS criteria should be adopted for the program. The Commission's goal of reaching needy ratepayers can best be furthered by an outreach program that is simple for ratepayers to understand. The telephone ULTS assistance program has been in existence for five years now. Phone customers are asked annually to consider whether they qualify for ULTS and are given the opportunity to subscribe to that service. Energy ratepayers, who most likely reside in a house where there is telephone service, would have a fairly clear idea whether their household qualifies for the program rate if the eligibility criteria are the same as the ULTS criteria. Moreover, customer confusion would be minimized if low-income assistance criteria are kept uniform for both telephone and energy utilities.

The utilities may still employ their DSM participant data banks as an outreach tool. Under the ULTS standard, all ratepayers who qualified for a utility low-income DSM program will qualify for the program. Use of the ULTS criteria gives the utilities the option of conducting a joint outreach program with the telephone utilities. We note that the ULTS criteria may be revised from time to time by the Commission in response to changing circumstances.

The smaller energy utilities sought to limit the extent of their programs by comparing their customer bases with those of the major energy utilities. They stressed the absence of large commercial and industrial customers in their largely rural service

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(Footnote continued from previous page)

the Commission modify the criteria to account for households of 3 persons or more. This was accomplished by Resolution No. T-11009. Although income criteria for households of 3 persons or more were adopted, the criteria for one- and two-person households remained at the previous 2.3-person level. Each year ULTS criteria are adjusted for inflation, and the more liberal income criteria for 1- and 2-person households is preserved.

territories. The differences in customer mix are minimized, however, by the exemption of UEG, cogen, and certain special contract customers from the program surcharge. The ULTS criteria and benefit level should apply to the small utilities as well as the larger ones.

An exception is appropriate in the case of PP&L. The company's evidence of income levels within its service territory persuades us that PP&L's ratepayers cannot bear a significant rate increase. At 125% of poverty level, 20% of PP&L's ratepayers would qualify for the program rate; at 150% of poverty level, 30% would qualify. It is reasonable to limit PP&L's program costs by setting the program eligibility criteria at 130% of federal poverty level. A reduction in eligibility level, rather than in program benefits, preserves our goal of affording significant rate assistance to low-income ratepayers. At the same time, the 130% level takes into account economic conditions in the service territory that make one ratepayer "low income" in relation to other ratepayers.

Finally, Edison's proposed Tariff Schedule No. D-LI provides under "Special Conditions" that Schedule No. D-LI may not be combined with any other rate schedule. This may refer to a schedule available to utility employees who receive discounted rates, among other things. It is not our intent to provide program benefits to any ratepayers who already are eligible for rates lower than those within the main residential rate.

C. <u>Administration</u>

1. <u>Outreach</u>

Each utility proposed a comprehensive outreach program. We encourage the utilities to use the outreach network and expertise gained in carrying out their low-income demand side management programs. Ratepayers on those lists are not automatically eligible for the program because their household composition and household income may have changed since they were found eligible for the DSM program. However, since the eligibility

criteria for those programs are within the ULTS limits, the utilities should target their outreach efforts to customers on the participant lists compiled for those programs.

It appears that eligibility standards for some publicly administered benefit programs may fall within the ULTS eligibility criteria. The utilities are encouraged to survey the range of public assistance programs, identify which programs have such criteria, and coordinate their public information efforts with the public agencies' efforts to reach eligible clients. Ideally, potentially qualifying ratepayers should be informed of the program at the same time they seek other forms of assistance.

The utilities should notify ratepayers of the program by notice enclosed with the monthly utility bill. The notice should be carried in bills issued on August 20, 1989 and afterwards for at least one billing cycle. The notice should be reissued during the billing cycle beginning on December 1, 1989 and two months before each utility's peak summer month. Bill notices for subsequent years will be scheduled in the program update proceedings.

With the exception of PP&L, the notice must state, "If your household qualifies for Universal Lifeline Telephone Service, you may also qualify for a discount on your energy bill under (utility's name) low income ratepayer assistance program."

Once the Commission makes its decision on the appropriate methodology, it will detail more precise requirements for customer notice. In the meantime, it is possible to describe some minimum notice requirements based on this Interim Opinion. We expect the respondent utilities to announce the availability of the program and allow ratepayers the option of signing up for the program even in advance of the Commission's Final Order. In order to expedite that process the notice shall detail eligibility, application, and certification requirements as this decision orders.

In addition, once the discount is in place we encourage the respondent utilities to compute and display the discount on

individual customer's monthly bills. This should conclusively demonstrate to participating low-income customers that they are receiving a tangible, meaningful benefit.

2. Application and Certification

The application and certification process was described more fully by some utilities than by others. None of the utilities has proposed a rigorous eligibility verification program. SoCal, SDG&E, Edison, CP National, TURN, and DRA all favor self-certification by the applicant. Based on the June 1988 Report on the Results of the Workshop held for ULTS, DRA states that a reliable verification program does not seem feasible at present. Obstacles to reliable verification include the difficulty of determining the existence of multiple incomes and the number of household members, the high cost of auditing, and the uncertainty of benefits from verification in the form of less fraud. Edison believed that verification of all customers would be too costly and would increase the burden on other ratepayers. SoCal estimated the cost of a true verification program to be $45 to $60 per ratepayer.

PG&E and PP&L wish to subcontract the task of certifying ratepayer eligibility to the DEO. The DEO would determine an applicant's eligibility based on whether the applicant was "categorically eligible" by virtue of being listed on the state's MEDS data bank and whether the ratepayer's total household income was within ULTS limits. If not so eligible, the applicant would demonstrate eligibility by including documentation of income with the program rate application. DEO would perform a limited verification of the applicant's income level by reviewing the documentation. DRA has no objection to this process.

PG&E states that the cost to PG&E of DEO's validation is less than a dollar per applicant. Use of DEO would enable PG&E to target a program information mailing to all those on the MEDS data base.

In addition, once the discount is in place about 168,000 of PG&E's customers qualified for the HEAP assistance administered by DEO last year. These customers, and others who receive HEAP application forms, will be able to indicate to DEO whether they are interested in the program. If found eligible under the ULTS income criteria, those ratepayers would also benefit from the program. At this time, HEAP applications are mailed only once a year, in September. In order to effectively assist ratepayers, DEO will have to conduct its outreach and verification process throughout the year. PG&E will coordinate its efforts with DEO.

DEO was criticized by DRA for the time it required to process HEAP applications. Some ratepayers did not receive their utility assistance checks for three months after they submitted their applications to DEO last year. PG&E had discussed this problem with DEO, and was assured that the same delay would not occur where DEO is merely certifying eligibility and not issuing checks. Given the utilities' sincere efforts to get the program underway, delay at DEO should be minimized. DEO should process applications so that a low-income applicant will be placed on a low-income rate schedule within one billing cycle from the date of application.

Coordination with DEO offers the prospect of higher initial participation in the program. PG&E estimated that using 150% of poverty level as the qualification criteria, about 386,000 customers would be eligible. Virtually all of PG&E's HEAP recipients, or 157,000 PG&E customers would participate in the program. It appears that the greater outreach available through the MEDS and HEAP programs justifies the partnership that PG&E has proposed with DEO. PG&E's authorization to work with DEO will depend on the success of DEO's outreach and validation efforts. If PP&L and DEO reach a similar arrangement, then PP&L would be authorized to spend up to $1.00 per non-HEAP applicant on verification by DEO.

The other utilities would not require documentation of eligibility to accompany application forms. However, they want authorization to verify customer information on a random basis or where the utility has reason to believe that a declaration of eligibility is fraudulent. Edison has drafted an Application and Eligibility Declaration (Application) for Low Income Rate which is basically reasonable.[12] It provides for self-verification by the ratepayer but puts the ratepayer on notice that proof of income must be made available at the request of the utility. Experience with the ULTS program suggests that customer misunderstanding could be minimized if "income" were defined to include income from all sources, whether taxable or not, on the Application. The accompanying Eligibility Provisions should be amended to provide examples of types of income and to specify what type of documentation may be required. The Application also notifies the ratepayer that the application may need to be renewed on an annual basis. Annual renewal should be limited, because of its administrative cost, to cases where fraud is reasonably suspected. Indeed, because of the automatic flow-through of program costs, at this time, all administrative activities such as rebilling should be determined to be cost-effective before they are undertaken.

The Eligibility Provisions which accompany the Application must be revised to conform with this decision. Also, the definitions of "household" and "head of household" appear to be derived from government programs intended to assist family units. The program is not so constrained. There may be non-related adults

12 In comments addressing the ALJ's Proposed Decision, WMA suggests this form be modified to reflect the fact that submetered residents should be in direct contact with the utility regarding eligibility, non-eligibility, and proof of eligibility. Edison should revise its tenant application form to address WMA's concerns regarding landlord involvement in the Income issue and in the Notification process (WMA Comments, p. 5).

living in a residence sharing utilities. Since one adult may not be "providing full support" of the other adult household members, the definition of head of household should be either revised or discarded to enable a non-related household of individually qualifying low-income persons to qualify for the program. Otherwise, the Application and the Eligibility Provisions in Exhibit 76 for the main Residential Rate (D) are reasonable. With these changes, the Applications in Exhibit 79 for Master Metered and Submetered Electric Service (DMS-1 or DMS-2) customers and the corresponding Tenant Application can also be found to be reasonable.

A customer applying for the program rate may be required to acknowledge that the utility may verify customer eligibility either randomly or where there is reason to believe that a false declaration has been made. The application form may state that the utility may request the customer to provide proof of eligibility.

Submetered customers will apply individually for program benefits. The utility will provide customer information and application/verification forms to the master meter ratepayer. Program notices will be distributed along with the monthly bill. The master meter ratepayer will provide applications for the low-income subsidy to the submetered customer. Completed forms will be returned by the submetered customer to the utility, which will make the appropriate billing changes. Master metered ratepayers will not be responsible for misrepresentations by submetered customers.

SoCal suggested that program participants be required to recertify their eligibility every three years. This suggestion was not opposed by any party and will be adopted. However, qualifying submetered tenants of master metered customers will be required to annually reestablish their eligibility with the utility, since submetered tenants are not customers of the utility, and the utility would be unaware of their relocation or other changes in circumstances.

Self-certification may be made on a form similar to that used by Pacific Bell for its ULTS. In the case of Edison and PG&E (contingent upon agreement with DEO), the ratepayer would return a form or call a number to indicate interest in the program. Subsequently, a certification form would be sent to the ratepayer. If the two-stage approach is adopted, the utility must record the number of requests for applications received and the number of completed certifications received. The reasonableness of these two-stage processes will be reviewed during the program update proceeding.

If a program participant wrongly declares his or her eligibility or fails to notify the utility when he or she no longer meets the eligibility requirements, the utility may render corrective billings in accordance with CPUC-approved tariffs.

The utilities have proposed administrative budgets consisting of these elements: general administration, certification and recertification, verification, outreach, billing and billing changes. The first year administrative costs range from an estimate of $45.00 per participating eligible ratepayer (PP&L) to $4.00 per eligible ratepayer (SDG&E). The other utilities estimated costs in the $7.00 to $19.00 range. Because of this wide disparity we will direct our CACD staff to convene workshops to examine these differences and the reasons for them, and to attempt to reach consensus on an appropriate range of administrative costs among respondent utilities.

Program administrative costs must be allocated between the gas and electric revenues of the two combined utilities, PG&E and SDG&E. PG&E proposes to allocate these costs based on the relative percentage of the gas and electric program payments. SDG&E would allocate administrative expenses on the basis of their relative retail revenues. DRA supports PG&E's position on the theory that the administrative cost burden should be matched to the benefits of the rate discount. This is not persuasive, because

under this subsidy program, the ratepayers who benefit are not required to assume the burden of program costs (except in Tier 2 rates). Program costs have been defined to include direct benefits and administrative costs. For policy reasons, certain classes of gas and electric transactions are to be exempt from bearing program costs. Also, this program should not be unduly complex to administer. In order to be consistent, administrative costs should be allocated between gas and electric operations in the same proportion as gas and electric program discounts.

D. Cost Recovery

Program discounts for low-income residential ratepayers and the administrative costs of the program comprise the costs of the program. All program benefits and administrative costs shall be recovered in rates. Since the utilities are not to be at risk for recovery of program costs, those costs will be recovered through a balancing account. The program balancing account will be an interest-bearing account. The interest rate and procedures for calculating interest will conform to existing balancing accounts covering base rate revenues.

Each utility should establish a low-income assistance balancing account to book actual program expenses incurred and actual revenues received through the program. The balance in the account should be trued up on an annual basis in the ECAC or GRC proceeding for electric sales and in the ACAP proceeding for gas sales. Coincident with each utility's general rate case cycle, the utility should propose to include the cost of administering the program in its administrative and general expense.

A new balancing account was recommended as the best means of revenue recovery. Only Edison, among all the parties, recommended using the ERAM account. It suggested that administrative costs be treated as negative revenue and charged directly to ERAM. The direct cost of the rate discount could also be recovered in ERAM as an undercollection of base rate revenue.

Edison claims that this would allow program costs to be spread on an equal cents per-kWh basis to all customers on tariffed rates through the ERABF.

We do not adopt Edison's ERAM proposal because Edison did not demonstrate that the residential class would not be unduly burdened by its proposal. Thus, Edison will establish a new program balancing account, as well.

E. Monitoring

TURN suggested that a committee of utility and consumer representatives be established to monitor the program. DRA responded that a workshop to define the responsibilities of such a committee should be convened. We agree that the program must be monitored, but we believe that the CACD is equal to the task. However, given the unprecedented nature of the program, the parties should meet informally with CACD to discuss what should be monitored. The Commission's goals are to ensure that administrative costs are reasonable, that ratepayer outreach programs be as effective as possible, that the utilities' employees are well prepared to explain the program discount to ratepayers and otherwise implement the program, and that the application and verification processes operate as smoothly as possible. As more particularly noted in the ordering paragraphs which follow, the CACD will monitor the appropriate indicators of success and should recommend any improvements it believes are necessary in the form of an annual report to the Commission no later than September 1, 1990.

In order to gauge the success of the first year's implementation and make necessary adjustments for subsequent heating seasons, the utilities should file reports with the Commission, as suggested by Edison. Each respondent utility should provide the following information, current through April 30, 1990, in the form of a report to the Commission no later than July 1, 1990:

Number of participating low-income ratepayers.

Updated estimate of eligible ratepayers.

Average Tier 1 and Tier 2 usage (recorded) by baseline territory.

Participants' Tier 1 and Tier 2 consumption by baseline territory.

Average bill (recorded) by baseline zone.

Average bill of participants, by Baseline territory.

Average monthly program benefit, by baseline territory.

Analysis of the most cost-effective outreach and customer education methods.

Discussion of how the utility is assured that minority and non-English speaking ratepayers are appropriately represented in the participant class.

Breakdown of administrative costs by these categories: outreach, certification, verification, billing, and general.

Compilation of the above information should enable the utilities to identify low-income ratepayers who have high energy use. This would enable the utilities to better target demand side management programs that are intended to assist low-income ratepayers.

The Commission will review the program in general in three years. A fair picture of program success and shortfalls should be available from the annual reports of the CACD and of the utilities by that time. Cost trends should be apparent. The Commission can reassess the program and make whatever changes are necessary to balance the interests of ratepayers as they appear three years from now.

F. Tariffs

In anticipation of the final decision in this proceeding, authorizing a methodology to be used for determining the program

rate, the utilities are authorized to file advice letters establishing tariffs for low income customers. At this time, absent a final decision on methodology, these tariffs will have rates and charges equivalent to those currently existing for residential customers. Once a final decision on a discount methodology is made by the Commission, the utilities will be authorized to modify the rates and charges in this tariff consistent with the Commission's final decision. Thus, utilities will be able to enroll eligible customers for this program immediately and have them on a low-income tariff in anticipation of the Commission's final decision on methodology.

Findings of Fact

1. SB 987 (Stats. 1988, Ch. 212) amended PU Code § 739 to require the Commission to establish a program of assistance to low-income electric and gas customers, the cost of which shall not be born solely by any single class of customers.

2. No party proposed extending program benefits to non-permanent residents. If non-permanent residents qualified for the program rate, they would receive the discount at their permanent residence.

3. PG&E, Edison, SW Gas, and PP&L proposed a program rate equal to 85% of the SAR which existed prior to November 1, 1988, the date on which Tier 1 rates were increased pursuant to SB 987.

4. SoCal's program rate would equal its Tier 1 rate minus the difference between (a) the differential that existed between the RAR and Tier 1 rate before realignment and (b) the differential between the currently effective RAR and Tier 1 rate.

5. DRA's program rate would equal the Tier 1 rate minus the difference between the current Tier 1 rate (with customer charge) and the rate that would have been in effect based on the pre-realignment ratio of Tier 1 to RAR. DRA recommends a minimum discount equal to 10% of the utility's RAR for each utility's

program rate. DRA has alternatively suggested a 15% minimum discount.

6. CP National would adopt DRA's program methodology, subject to a 6% of RAR minimum and de facto maximum benefit.

7. TURN advocates a program rate consisting of a Tier 1 rate discounted by the greater of (a) 10% to 15% of the average residential bill or (b) 15% to 25% of SAR.

8. PG&E modified its program proposal to recommend that one of these three primary methods be used to calculate a program rate: (a) 85% of SAR; (b) RAR with minimum 10%; or (c) 15% of average residential bill.

9. Low income program rates should be made available to submetered customers of master meter ratepayers. Low income program rates will not be available to sub-metered ratepayers because their energy bills are bundled with their rent and there is no way to enforce a pass through of the program discount to the consumer.

10. The program rate creates an additional diversity benefit for master meter customers. The diversity issue should be examined the next time submetered rate design is reviewed, but no later than each utility's next general rate case.

11. Eligibility criteria should be set at the level adopted for the Commission's ULTS for several reasons. The ULTS criterion provides a relatively well-defined base of ratepayers previously determined to be in need of rate assistance. Public familiarity with the ULTS program will assist ratepayers to determine their own eligibility and encourage ratepayers to promptly apply for the program benefit.

12. Eligibility for PP&L's program rate should be limited to households at or below 130% of federal poverty level because the average household income within PP&L's service territory is significantly below that of the state of California, and 130% would yield an eligibility rate roughly commensurate with that of the other utilities under the ULTS criterion.

13. Utilities should notify ratepayers of their program by a bill notice which has been approved by the Commission's Public Advisor, commencing with billings issued August 20, 1989, or as soon thereafter as reasonably practical, but in no event later than September 19, 1989. Customers shall be notified again subsequent to the issuance of the Commission's final order, as specified in that order.

14. The ratepayer should be able to apply for the program rate and self-certify eligibility by returning a form with the usual monthly payment to the utility (except in the case of PG&E and Edison), or by such other means of application as the utility may develop in its outreach programs. Other means of applying for the program rate may include, but not be limited to, walk-in applications, applications forwarded by community service organizations, and self-mailed applications.

15. PG&E may employ the services of DEO to validate the applicant's documentation of income level and Edison may require the ratepayer to complete a separate application and declaration of eligibility so long as this process does not interfere with the Commission's goal.

16. The PG&E or Edison ratepayer should receive an application form within 10 days of having indicated interest in the program to the utility. DEO should process applications so that a low-income applicant will be placed on a low-income rate schedule within one billing cycle from date of application.

17. PG&E's continued use of DEO should be subject to review to demonstrate the benefits of using DEO (higher participation rate than other utilities, lower incidence of fraud) and the reasonableness of the processing delay and expense of income validation by a third party. Edison's use of a two-stage application process is subject to analogous review.

18. The program should be provided pursuant to a tariff, whose format and contents will be approved by CACD in accordance with Ordering Paragraph 1.

19. Each utility should also prepare an application form as part of its filed tariffs to be reviewed by CACD. CACD should review application forms and procedures to assure that forms are easily comprehensible to low-income ratepayers, and that procedures facilitate participation by eligible low-income ratepayers.

20. The reasonableness of administrative expenditures should be reviewed annually beginning with the 1990 heating season. The results will be used to generate a forecast of administrative cost to be included in the surcharge.

21. The program should be monitored by the CACD. The CACD should monitor certain items, detailed in the decision, which are likely to indicate the success of the program and should recommend any improvements it believes are necessary in the form of an annual report to the Commission no later than September 1, 1990.

22. In order to gauge the success of the first year's implementation and make necessary adjustments for subsequent heating seasons, each respondent utility should provide certain information, current through April 30, 1990, in the form of a report to the Commission no later than July 1, 1990.

23. The Commission should review the program in general within three years of issuance of its final decision, and then make changes to the program as needed to balance the interests of ratepayers as they appear three years from now. In its order initiating this review, the Commission may solicit the comments of respondent utilities.

24. Program participants will be required to recertify their eligibility every three years, and utilities may verify customer eligibility either randomly or where there is reason to believe that a false declaration has been made. This verification may occur more often than every three years. Qualifying submetered tenants of master metered customers will be required to annually reestablish eligibility, since submetered tenants are not customers of the utility and it would be unaware of their relocation or other changes in circumstances.

25. There is a wide disparity in the administrative cost per eligible participant estimates of the respondent utilities in this proceeding, and further examination of the reasons for this disparity is required, consistent with the provisions of this order.

Conclusions of Law

1. Except for PP&L, it is reasonable to use ULTS eligibility criteria to define the class of low-income ratepayers eligible for the program.

2. Self-certification is the most reasonable approach to determining ratepayer eligibility.

3. The utilities should not be at risk for recovery of program benefits and for the reasonable amount of program administrative costs.

INTERIM ORDER

IT IS ORDERED that:

1. On August 29, 1989, the respondent utilities shall file a tariff by advice letter to provide a Low-Income program, containing eligibility, application, and certification information consistent with the preceding discussion and relevant findings. This tariff shall be in preparation for the final decision in this proceeding and will enable utilities to enroll customers in this program in advance of a final decision. The tariff shall contain conditions of service as provided by this order. The tariff filing shall be effective September 1, 1989. In order to ensure that respondent utilities' tariff filings and the advice letters mandated in this order (relative to the program balancing account and low-income tariff) contain substantially uniform formats and conditions of service, the respondent utilities shall attend a workshop, to be convened and chaired by the Commission Advisory and Compliance Division (CACD) on August 14, 1989, at a time and place to be announced by CACD. CACD shall be the final arbiter of any workshop dispute relative to the requisite tariff uniformity.

2. CACD shall convene a workshop to examine the differences and the reasons for such differences in administrative costs among the respondent utilities and attempt to reach consensus on what the appropriate level of administrative costs is, including the question of how substantial deviations from that level are to be justified. At the conclusion of this examination, but no later than September 1, 1989, CACD shall make appropriate recommendations to the Commission.

3. The respondent utilities shall notify their residential ratepayers of the program by bill notice for at least one billing cycle, beginning no later than August 20, 1989 or as soon thereafter as reasonably practicable, but in no event later than September 19, 1989. A notice shall be reissued during the billing cycle beginning on December 1, 1989, and two months before each electric and combined utility's peak summer month. Bill notices for subsequent years will be scheduled in the program revision proceedings.

a. With the exception of Pacific Power & Light Company, the notice must state, "If your household qualifies for Universal Lifeline Telephone Service, you may also qualify for a discount on your energy under (utility's name) low income ratepayer assistance program."

b. The notice shall include a form which could be returned with bill payment to apply for the program or, in the case of Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (Edison), to request an application form.

c. The notice shall detail eligibility, application, and certification requirements as specified in this order.

d. The notice shall provide a telephone number where questions about the program will be answered by knowledgeable people.

e. The notice shall be subject to the prior approval of the Commission's Public Advisor.

4. The utilities which employ self-certification should require no more than one billing cycle from receipt of a ratepayer's request for the program service to place the customer on the program schedule.

5. PG&E is authorized to process applications through the Department of Economic Opportunity so long as the utility can place the applicant on the program schedule within one billing cycle from the date of the application.

6. PG&E and Edison's two-step process, which requires the ratepayer to first request an application, and then submit it to the utility, shall be subject to review in the program update proceeding. It will be determined whether the delay caused by the two-step process was substantial, how ratepayer participation rates and benefits per month were affected, and whether any net savings resulted from the two-step process.

7. Each respondent utility shall file by advice letter a tariff to establish a program balancing account to accrue program costs as authorized by this order. The program balancing account shall be an interest-bearing account, in accordance with the preceding discussion.

8. The CACD will monitor the program. CACD shall prepare an annual report on the status of the program consistent with this order. The report will be submitted no later than September 1 of each year as a formal filing in this proceeding.

9. Each of the respondent utilities shall compile information concerning the program consistent with this decision and as required by CACD and submit it no later than July 1 of each year in the form of an annual report to the Commission and as testimony in the program update proceeding.

This order is effective today.

Dated July 19, 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners

Commissioner Patricia M. Eckert, being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Victor Weisser, Executive Director

Revised 1a

ALJ/ECL/LTC/vdl

Decision 89 07 062 JUL 19 1989 Signed 7/19

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion to comply with Senate Bill 987 and realign residential rates, including baseline rates, of California energy utilities.	I.88-07-009 (Filed July 8, 1988)

(See Decision 88-09-027 for appearances.)

Additional Appearances

Messrs. Orrick, Herrington & Sutcliffe, by Robert J. Glostein and Kathryn Doi, Attorneys at Law, for CP National Corporation; Christopher J. Warner, Attorney at Law, for Pacific Gas and Electric Company; and Mark A. Minick, Attorney at Law, for Southern California Gas Company; respondents.
Joel R. Singer, Attorney at Law, for Towards Utility Rate Normalization, interested party.
Judith Allen, Attorney at Law, for the Division of Ratepayer Advocates.

INTERIM OPINION

I. Introduction

A. Summary

This interim opinion concludes, in part, the Commission's proceeding to comply with the requirements of Senate Bill (SB) 987, which amended Public Utilities (PU) Code § 739. PU Code § 739 mandates that a baseline quantity of energy be priced below the price of other residential energy consumption. The origin and evolution of the energy baseline program was summarized in interim opinion Decision (D.) 88-10-062. The Commission had realigned the rates applicable to baseline volumes, the "Tier 1 rate," and the rates applicable to volumes in excess of the baseline quantity, the "Tier 2 rate," of the energy utilities last year. This was done in order to reduce rates charged for usage over baseline quantities by the statutory deadline of November 1, 1988.[1] By this order, the Commission further complies with SB 987 by setting eligibility and other non-rate related parameters of a program of assistance to low-income electric and gas customers. This program is in addition to direct assistance programs such as REACH and SAFE. Those programs address serious low-income ratepayer needs, and utilities are encouraged to continue direct assistance programs.

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1 Realignment was ordered in D.88-09-027 (Stipulation re: rates of Southern California Edison (Edison) approved) and D.88-10-062 (Realignment of Rates Ordered for Pacific Gas and Electric Company (PG&E), Pacific Power and Light Company (PP&L), Sierra Pacific Power Company (Sierra Pacific), CP National, Southern California Gas Company (SoCal), San Diego Gas & Electric (SDG&E), and Southwest Gas Company) (SW Gas). The rates of Southern California Water Company (Bear Valley Electric) were addressed in that company's general rate case.

In its final decision to be issued shortly in this docket, the Commission will establish the appropriate low income discount and specify related implementation details.

B. Procedural History

A prehearing conference in this phase of the OII was held on December 28, 1988 during which dates for the service of testimony and for evidentiary hearings were set. Parties were directed to exchange summaries of their concept of a low-income assistance program. They were encouraged to attend an informal workshop chaired by the Commission Advisory and Compliance Division (CACD) on January 27, 1989 to discuss their ideas. Subsequently, the Assigned Commissioner issued a ruling outlining the issues and suggesting a rate discount as the means for assistance. In that February 9, 1989 ruling, the parties were required to propose a rate discount or differential as a minimum, to project the amount of continuing rate assistance, to allocate costs of the program on all but certain specified sales, and to estimate the potential number of participants. The resultant costs to non-participants under various eligibility criteria and assuming as a maximum benefit the differential between pre-existing Tier 1 and the residential rate at full realignment (i.e. no difference between Tier 1 and Tier 2 rates except for customer charge) were to be estimated. While the ruling stressed the need for consistency with the Commission's energy conservation goals, the amendment of any Commission-approved demand side management program or other non-rate type of customer assistance program was excluded from this proceeding.

Testimony was served by the respondent utilities on February 22, 1989, by the Commission's Division of Ratepayer Advocates (DRA) on March 15, and by interested parties on March 31. Review of the testimony showed that additional information was needed to accurately determine the rate effects of any low-income assistance program. On April 10, the assigned administrative law

judge (ALJ) issued a data request which required substantial research and calculation by the utilities. The data responses were sponsored by utility witnesses and are part of the record. Four days of evidentiary hearing were held beginning on May 15, 1989 in San Francisco. Of the respondent utilities, PG&E, SoCal, SDG&E, Edison, SW Gas, CP National, and PP&L presented testimony. Southern California Water Company (SoCal Water) and Sierra Pacific did not actively participate in the evidentiary hearings and are to take appropriate steps to comply with this decision.

C. Comments on ALJ's Proposed Decision

The ALJ's Proposed Decision was mailed to the parties on June 23, 1989. As noted in the ALJ's Ruling of June 12, 1989, the parties stipulated to a shortening of the 30-day Section 311 review period, provided they were allowed 20 days within which to file comments on the Proposed Decision. Pursuant to Rule 77.1 et seq. of the Commission's Rules of Practice and Procedure, the following parties filed written comments: PG&E, Edison, SDG&E, SoCal, PP&L, CP National, Southwest Gas, WMA, the City of Long Beach, TURN, and DRA.

We have carefully considered these comments, and have corrected certain technical errors, as more fully reflected in this decision. There are some minor typographical and editorial changes (including in some cases clarifications of parties' positions) throughout the text, which will be obvious to those familiar with the issues raised in the written comments. However, many of the comments contained extensive reargument of the parties positions, and in accordance with Rule 77.3, we have accorded such comments no weight.

The more significant revisions are summarized below. Although the ALJ's Proposed Decision contained a discussion of the discount rate and other implementation details, and several parties' comments addressed these aspects of the Proposed Decision, we reflect in this Interim Opinion only to those revisions which

relate to eligibility criteria, administration (outreach and application/cetification), monitoring, and issues relative to master-metered ratepayers and submetered customers.

In response to several parties' comments we have deleted certain dicta appearing at page 33 of the ALJ's Proposed Decision regarding "an unwarranted diversity windfall."

In response to WMA's concerns, we have clarified that the submetered customer applying for program benefits is to have direct contact with the utility during the application process, rather than relying on the landlord as a conduit. In response to concerns raised by SDG&E, we specify that qualifying submetered tenants of master metered customers must reestablish their eligibility for program benefits every year, since they are not customers of the utility, and the latter will not be aware of tenant relocations. The ALJ's recommended three-year re-certification for all other customers is retained.

In response to SDG&E's comments, we also clarify that a customer applying for program benefits may be required to acknowledge that the utility may verify customer eligibility either randomly or where there is reason to believe that a false declaration has been made. The application form may state that the utility may request the customer to provide proof of eligibility.

In response to SDG&E's comments we have modified a Finding of Fact to discuss alternative methods of applying for program benefits.

In response to the comments of PG&E and SDG&E, the order provides that bill notice of the program shall commence with billings issued August 20, 1989 or as soon thereafter as reasonably practicable, but in no event later than September 19, 1989. We have modified Ordering Paragraph 3 accordingly.

In response to SDG&E's Comments, we have clarified that the program balancing account will accrue interest, consistent with existing Commission procedures for balancing accounts.

Ordering Paragraph 1 is revised to require allow respondent utiliites to file sample program tariffs by advice letter on August 29, 1989. CACD is directed to convene and chair a workshop on August 14, 1989, to facilitate the filing of tariffs which contain substantially uniform formats and conditions of service. In addition, CACD shall convene workshops to examine the differences and the reasons for such differences in administrative costs among the respondent utilities and attempt to reach consensus on what the appropriate level of administrative costs is, including the question of how substantial deviations from that level are to be justified. At the conclusion of this examination, but no later than September 1, 1989, CACD shall make appropriate recommendations to the Commission (Ordering Paragraph 2).

In response to several parties' comments, the reporting due date mandated in this order is extended to July 1 of each year, and CACD's annual report due date is extended from June 30 to September 1 of each year.

II. Positions of the Parties

The parties sought to interpret SB 987 in order to rationalize a program of assistance to low-income energy ratepayers. The fact that the mandate to establish a program of assistance and the elimination of the baseline differential[2] arose concurrently suggested to the parties that the program should

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2 Former § 739 subsection (c) had required:

"The baseline rates shall apply to the first or lowest block of an increasing block rate structure which shall be the baseline quantity and shall be established for the residential consumption of gas or electricity at a differential of from 15% to 25% below the system average rate." (Emphasis added.)

exactly mitigate the increase in Tier 1 rates experienced by low-income ratepayers. Other than the fact that these two modifications to PU Code § 739 were made by the same legislation, no reason was advanced for limiting program benefits to the amount by which Tier 1 rates have increased.

The major elements of a program of assistance were identified in the parties' testimony as follows:

1. Size of discount to Tier 1 rates.
2. Maximum benefit or program cost.
3. Definition of "low-income" customer.
4. Application and certification process.
5. Estimated first year participation rate.
6. Administrative costs.
7. Recovery of program costs.

A. PG&E

PG&E proposed a low-income baseline ratepayer assistance program consisting of a discounted Tier 1 rate. The Tier 1 rate would be discounted by the difference between the Standard Tier 1 rate and 85% of system average rate (SAR).[3] That difference is .621 cents per kWh for electric Tier 1 and 6.941 cents per therm for gas rates. Assuming average usage of baseline quantities, that yields a monthly benefit of $3.32 and $2.28, respectively. 85% of SAR was the maximum Tier 1 rate allowed by PU Code § 739 prior to its amendment by SB 987 although PG&E's Tier 1 gas rate was 110% of SAR before realignment. PG&E's low-income rate proposal would set program Tier 1 rates at their former statutory relation to SAR. Tier 2 rates for low-income ratepayers would be the same as for other residential ratepayers.

3 The gas SAR consists of the sum of the utility's system average procurement rate and the system average transport rate.

PG&E's objective is to ensure that none of the utility's low-income residential customers' monthly electric and/or gas bills increase as a result of the Commission's realignment of Tier 1 and Tier 2 rates permitted by SB 987. PG&E modified its low-income rate proposal in recognition that three primary methods for computing the program benefit had been introduced in the record. Those include PG&E's own 85% of SAR methodology, the DRA's residential average rate- (RAR) based method, and the ALJ's 10% or 15% discount of average bill method. PG&E recommends that the Commission adopt one of the three methods for discounting Tier 1 rates.

Increases in the Tier 1 rate as a percentage of SAR appear to be inevitable as a result of realignment. Therefore, the maximum benefit under PG&E's methodology would be equal to the difference between the average residential rate (which would equal the Tier 1 rate at the full realignment) and the former Tier 1 rate (the rate in existence before realignment November 1, 1988). PG&E recommends the Commission assess the low-income rate discount annually in the Energy Cost Adjustment Clause (ECAC) and Annual Cost Adjustment Proceeding (ACAP) proceedings, rather than define maximum benefit levels at this time. It points out that PG&E's and the DRA's rate proposals are linked to baseline reform (i.e., the subsidy grows as the Tier 1/Tier 2 rate differential shrinks) while a 15% discount off the average bill is not directly affected by rate realignment.

PG&E proposes that the definition of "low-income" include ratepayers whose income does not exceed 150% of the federal poverty level. This definition is acceptable to PG&E so long as verification of eligibility is handled through the DEO using the

Home Energy Assistance Program (HEAP) criteria.[4]

Under the proposed arrangement, DEO would notify all recipients of state-administered public benefit programs who reside in PG&E's service territory of PG&E's low-income rate discount. Existing applications for the annual HEAP grant would be modified to ask the applicants if they wish to be on a low-income rate.

PG&E claims that some verification of eligibility is needed to avoid fraud. DEO would substantiate household income level by reviewing the documents supplied by an applicant for HEAP. The incremental cost to PG&E of verifying the eligibility of a ratepayer who indicates interest in the low-income discount on the application for HEAP assistance would be zero. DEO would charge PG&E $1.00 per application to verify the eligibility of someone who had not applied for the HEAP program, subject to adjustment as the ratio of HEAP/program applicants to HEAP-eligible ratepayers changes. PG&E maintains that certification of eligibility should be done at the start of the program, rather than after a fraud problem has arisen. The reason is the costs of recovering the discount received by ineligible ratepayers would be so excessive that they could not be justified. As a result the inflated costs of the program would never be recovered.

PG&E estimates that about 40% of eligible ratepayers would participate in the program during its first year of

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4 DEO's HEAP program provides yearly direct assistance checks to help low-income customers pay their utility bills. Ratepayers qualify either by virtue of being eligible for public benefits (Aid to Families with Dependent Children (AFDC), Supplemental Security Income/State Supplemental Payment (SSI/SSP), Veterans' and Survivors Pension Benefits, or Food Stamps), or by otherwise demonstrating a total household income of no more than 110% of the federal poverty level. DEO would use the state of California's "Medical Eligibility Data System" (MEDS) to verify whether a ratepayer or someone in the ratepayer's household is a recipient of any of the above-listed benefits.

operation. One-half of these ratepayers would have requested the rate discount when they applied for the HEAP program. The other one-half would be beneficiaries of the utility's direct weatherization programs and PG&E's own outreach efforts. This participation rate is expected to grow over time.

Based on an assumed participation rate of 40% and eligibility set at 150% of poverty level, PG&E estimates administrative costs of $4,028,381 and 284,762 participants during the first year. This works out to about $14.15 per eligible low-income ratepayer.

Costs of the low-income program would be collected through a surcharge on all energy sales except for sales under the program rate, sales made pursuant to special contracts which provide a specific price per unit of energy, and gas throughput to utility electric generation (UEG), cogeneration, and wholesale customers. With regard to special contracts for electricity sales, PG&E would exempt all sales with a specific price term that is not indexed to the otherwise applicable tariff rate. As for special contracts for gas sales, PG&E would exempt only those specific-price volumes that are not included in the next ACAP's revenue allocation calculation. The only such volumes are sales to enhanced oil recovery (EOR) customers.

B. Contra Costa County

Contra Costa County (County) urges the Commission to assist low-income time-of-use (TOU) residential ratepayers by either authorizing a percentage discount on their bill or elimination of the monthly meter charge. The County's recommendation was limited to PG&E, its serving utility. The County refers to the Commission's suggestion that PG&E examine the possibility of offering "fully paid up" TOU meters to low-income customers at no additional cost in PG&E's 1986 reasonableness review. (D.89-01-012, mimeo., p. 26.)

Under PG&E's main residential electric schedule, E-1, and its residential TOU schedule, E-7, a ratepayer is indifferent to the choice of schedule when 20% of electric consumption occurs during the on-peak period. Thus, a customer would realize lower electric bills under TOU rates than under the main residential schedule if on-peak usage were decreased from 20%. Assuming consumption of 750 kWh/month and only 5% of usage occurred on-peak, a customer would save $23.72 on the TOU schedule. The County believes that monthly benefits to low-income customers in excess of the program cost of $4.40 per ratepayer can be attained under its proposal. The County claims that a low-income TOU rate would leverage ratepayer funds by maximizing the potential savings for low-income customers, and would allow low-income customers benefit from TOU rates while reducing the risk of higher bills.

In support of its proposal, the County introduced the results of a 2-year Senior Citizen TOU Demonstration Program it had conducted with PG&E. The 92 program participants fell largely within the definition of "low income," as about 70% of the seniors had yearly incomes between $5,000 and $15,000 per year. Over 80% of the participants used less than 700 kWh and over 40% used less than 400 kWh per month. By the end of the program, about 85% of the participants had altered their consumption patterns to consume

less than 20% on peak. This demonstrates that even low-usage customers can benefit from TOU rates, according to the County.

The County stressed that the success of such a program is contingent upon intensive customer education. It suggests that the utilities could market the low-income discount and the low-income TOU rate simultaneously. No budget for a TOU education program was included in the County's proposal.

C. Southern California Gas Company

Like the other major energy utilities, SoCal proposed a monthly bill subsidy designed to ensure that no low-income customer would be adversely affected by the flattening of the residential rate structure authorized by SB 987.[5] The per therm subsidy would increase with additional flattening of the residential rate structure. During 1989, the discount would be 3.262 cents per therm plus any additional reduction in the differential authorized in the ACAP. Assuming full Tier 1 use, the monthly benefit would total $1.32 per month. The maximum possible per therm subsidy that would be provided under the proposal, when SoCal achieves a flat residential rate structure, is 13.648 cents.[6] Based on the current flattening of SoCal's residential rate structure and current rates, the maximum subsidy (i.e. assuming full usage of a customers Tier 1 allowance) to low-income customers in Climate Zone 1 would be $2.02/month during the winter and $0.62/month in the summer. SoCal estimates that if 25% of eligible customers

5 SoCal calculates a subsidy amount equal to the difference between the differential that existed between the RAR and baseline (Tier 1) rate on October 31, 1988 and the differential between the currently effective RAR and Tier 1 rate.

6 SoCal correctly defines a flat residential rate structure as one wherein the difference between the Tier 1 rate and the average residential rate is entirely explained by the fact that residential customer charge revenues are credited against the revenues to be collected from the baseline rate.

participate, under its subsidy proposal, bill subsidies would total $3.9 million per year. Assuming full participation and a flat residential rate structure, total subsidies would be capped at a level of $65 million annually. Maximum benefits under SoCal's proposal would be equivalent to an average 15% reduction in the bills of participating customers given the assumptions underlying SoCal's 1989 ACAP filing, according to SoCal.

SoCal's per therm discount would not be affected by changes in the customer's bill due to factors other than a reduction in the differential between the Tier 1 rate and the average residential rate that existed prior to baseline reform. That is, increases in the Tier 1 rate due to an increase in the average residential rate or an increase in the average bill because of a decrease in allocated baseline quantity would not be compensated for by SoCal's discount to the Tier 1 rate.

SoCal proposes an eligibility level of 150% of federal poverty level. This is the level used for some other SoCal low-income programs. About 25%, or one million, of SoCal's residential ratepayers would be eligible. The proposed qualification level was selected to provide a large customer base. This would tend to minimize administrative costs per participant. Also, the customer data base compiled for existing programs could be used, thus reducing the cost for outreach.

Ratepayers would apply for the subsidy by returning a form on which they have certified that they meet the income criteria. Random checks to verify eligibility would be performed by the Commission. Recertification would be required whenever a customer moves. Annual recertification of customers on master metered and submetered rates would be required. SoCal estimates the cost of eligibility certification to be $4.00 per customer and $45.00 to $60.00 per customer for income verification. Such costs do not justify income verification for each applicant, according to SoCal.

The administrative budget for this program was estimated to be approximately $1.65 million. This does not include the cost of verification. By contrast, the administrative cost for Commission-authorized demand side management programs for 1989 are projected to be $13.5 million.

SoCal proposes to recover the costs of this program through a flat monthly surcharge on the account of each non-participating core customer. Currently, the surcharge would range from 8 cents to 40 cents per month, depending on low-income ratepayer participation. SoCal observes that SB 987 prohibits the Commission from imposing the cost of the program on only one class of customers. It believes that programs that exclusively benefit residential customers should be funded exclusively by residential customers. As a compromise, SoCal proposes to levy the surcharge on core customers. Funding of the program by non-core customers would violate cost-based rate design principles, according to SoCal. SoCal proposes that the Commission authorize it to establish a balancing account to reconcile expected differences in the timing between program funding and cost incurrence.

D. SDG&E

Pursuant to D.88-10-062 (the interim opinion in this proceeding) SDG&E decreased its Tier 2 electric rates, effective November 1, 1988, with no corresponding increase to the Tier 1 rate. As ordered by D.88-12-085, its Test Year 1989 General Rate Case decision, SDG&E decreased non-baseline electric rates by 13% and baseline rates by 1%, thus achieving substantial realignment of electric rates. Currently, SDG&E's electric Tier 1 rate is 94% of its system average rate, whereas it was 85% prior to baseline reform.

SDG&E proposes to establish a new Tier 1 rate for low-income customers which will keep them economically indifferent to rate realignment. SDG&E proposes that no electric program tariff be authorized at this time since SDG&E's current Tier 1 electric

rates are 1% lower than the Tier 1 rates in effect prior to baseline reform.

SDG&E would implement a rate discount for electric baseline rates at such time as baseline electric rates increase above those in effect before November 1, 1988. SDG&E would establish a "benchmark baseline rate" to assure that low-income customers are indifferent to rate realignment. This would be the higher of either the Tier 1 rate in effect before baseline reform or a Tier 1 rate set at 85% of system average. In the case of gas rates, the benchmark would consist of a Tier 1 rate set at 85% of SAR with the TURN baseline allowance adjustment applied. The monthly gas program benefit, based on projected average Tier 1 usage, would total $4.12.

SDG&E would define as "low-income" ratepayers whose income does not exceed 130% of the federal poverty guidelines. It cites the HEAP program's reliance on eligibility for AFDC, SSI/SSP, Food Stamps, or in the alternative, annual household income no more than 130% of federally established poverty guidelines in support of its position. In order to limit the cost of this program, SDG&E proposes a ceiling funding level based on the maximum amount of rate realignment possible under current rates and the current estimate of qualifying low-income customers. This would amount to 58 cents per month, based on typical residential consumption. SDG&E has no empirical evidence of the tolerance of non-participant ratepayers for program costs.

The ceiling includes the rate subsidy, related administrative expenses, and existing authorized low-income

programs.[7] Administrative expenses for the low-income rate assistance program are projected at $230,300. To accommodate future changes to general rate levels, this ceiling would be implemented as a percent of retail revenues. This amounts to .7% of retail electric revenues and 1.7% of gas retail revenues, excluding non-core customers. This is based on qualifying criteria set at 130% of federal poverty guidelines, and would amount to 155,000 electric customers and 100,000 gas customers.

SDG&E proposes that its rate subsidy program be funded by all customers covered by balancing accounts. That would include all electric customers under the Electric Revenue Adjustment Mechanism (ERAM) balancing account and all core gas customers. SDG&E proposes that non-core gas customers be excluded. Non-core sales represent 60% of gas department sales. Within the non-core class 95% of the sales are for UEG and cogeneration. SDG&E would also exclude special contract sales under contracts which provide a specific price per unit of energy. Finally, baseline sales to low-income customers would be excluded. SDG&E proposes to allocate the subsidy pursuant to the Equal Percentage of Marginal Cost (EPMC) method for electric program costs, and on a cent per therm basis for gas program costs.

A balancing account would be used to track administrative and other program expenses. Coordination of the subsidy with updates in utility sales forecasts, revenue requirements, revenue allocation, and rate design would best be accomplished if the costs

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7 The low-income programs authorized in SDG&E's 1989 General Rate Case include the Energy Education for Low Income (EELI) and Special Needs at a total annual cost of $550,000. The administrative expenses for SDG&E's Direct Weatherization Assistance, Low-Income Refrigerator Rebate, and EELI programs totaled $541,319. The participation levels in 1988 were as follows: DWA .4%, LIRR .06%. SDG&E's 1989 goal for EELI is 20,000 customers, or roughly 2% of residential customers.

and benefits of this program were reviewed in the ECAC and ACAP proceedings.

E. Southern California Edison Co.

Southern California Edison (Edison) proposes to discount the Tier 1 rate paid by qualifying customers by the amount needed to reduce the Tier 1 rate to 85% of SAR. The low-income household whose monthly consumption is at or below the applicable baseline allowance would receive a bill equal that which it would have received without the realignment of the Tier 1/Tier 2 rates. If the household exceeded the baseline allocation, the maximum baseline rate discount would apply, plus the already lower Tier 2 rate which has resulted from baseline reform. Under Edison's proposal, full Tier 1 usage in its most populous baseline zone would result in a $0.69 per month decrease to a low-income ratepayer's bill.

Edison proposes to define low-income households as those whose income is no greater than 130% of federal poverty guidelines. This criterion was selected because it is used to establish eligibility for the existing federal/state funded Energy Crisis Intervention Program and Edison Winter Energy Assistance Fund. Edison estimates that about 16% of residential households in its service territory will qualify for the program under its proposal. At a 150% of federal poverty guideline level, about 25% or 850,000 households would qualify, resulting in a revenue impact of about $950,000 under Edison's methodology and administrative costs of $1.75 million during the first 12 months. Costs could grow to as much as $57 million as Edison moves toward full EPMC revenue allocation and a lower baseline/non-baseline rate differential. Edison proposes that sales to customers with competitive alternatives be exempted from bearing any cost of the low-income subsidy program. These include all those on self-generation deferral rates and other special contracts.

Edison believes that total program costs should be capped at .5% of its present rate revenues. In the event that this limit is reached, Edison would raise the low-income Tier 1 rate to a level to keep the total subsidy from exceeding .5% of present rate revenues. Based on 1989 estimated sales, the program ceiling would be $30.9 million.

Edison would notify all residential customers of this program annually via a bill insert describing this program. Customers would establish their eligibility by returning a signed Application and Declaration (Application) form to Edison. No annual renewal would be required. Customers would be required to notify Edison when they no longer meet eligibility requirements. The Application would authorize verification by the utility at its option and rebilling of accounts where the customer was found not to be eligible. The utility would verify on a random basis when conditions indicate that such random checks are cost-effective.

In the short term, Edison proposes to allow the undercollection in base rate revenue to flow through and to charge administrative costs as negative revenue to the ERAM. This would recover the subsidy from all customers subject to the Electric Revenue Adjustment Billing Factor (ERABF) on an equal-cents-per kWh basis. This would continue at least until Edison's next general rate case proceeding.

F. Pacific Power and Light

Pacific Power & Light (PP&L) originally sought to be exempted from the Commission's implementation of a low-income assistance program. It now concurs that SB 987 mandates the establishment of an assistance program, but points out that the bill has no deadline for compliance. PP&L requests that implementation of a rate discount program of assistance be postponed for its customers. It recommends that the Commission consider this issue in PP&L's general rate case filing, which will

be submitted in December 1989. Thus, PP&L is proposing a monthly benefit of $0.00 at this time.

The grounds for postponement include the inability of PP&L's customers to tolerate rate increases. This has forced the utility to forgo approximately $6.8 million in annual revenues as part of its Rate Stabilization Program, according to PP&L's witness. PP&L claims that by foregoing this rate increase, it is providing low-income ratepayers a subsidy approximately equal to the difference between the current and pre-realignment Tier 1 rate. PP&L will not raise rates although it has experienced about $5 million of unanticipated plant investment that was not considered in its 1986 general rate case. Moreover, the utility is faced with competition from alternate fuels.

PP&L is concerned that the Commission may apply uniform assistance standards to all California jurisdictional utilities. In particular, it would object to the Commission's use of the ULTS criteria. PP&L described the income characteristics of its residential population. Using figures provided by PP&L's witness, it appears that the median 1988 household income in PP&L's service territory was roughly $18,750. The statewide median household income was $29,400. Approximately 30% of PP&L's California ratepayers may qualify for the program under an eligibility criteria of 150% of federal poverty guideline. The utility fears that any surcharge to fund a low-income assistance program will have a significant adverse impact on its customers.

PP&L's primary recommendation is that the Commission should consider its Rate Stabilization Program as an assistance program. If this is not acceptable, then PP&L wishes the Commission to adopt a program along its recommended lines, but to postpone implementation of the program until after full consideration of PP&L's financial posture in its December 1989 general rate case (GRC).

The low-income assistance program would provide a discount to Tier 1 rates equal to the difference between PP&L's pre-realignment Tier 1 rate from PP&L's current Tier 1 rate. PP&L had no specific recommendations on low-income eligibility criteria. It believes that at least 50% of its eligible low-income population would sign up for the program and that higher-than-average participation will be realized due to the active low-income organizations in the service territory. PP&L proposes that DEO certify eligibility. It estimates that about $50,000 of its $200,000 administrative costs would be used for certification & verification of eligibility.

PP&L has no fuel cost adjustment mechanism, and has requested the Commission to eliminate its ERAM mechanism. It seeks authorization to establish a deferred debit account system that would track program costs. The company's surcharge amounts and subsidy payments would be updated with each year's attrition filing and its general rate case filings. DRA accepts the company's proposal for handling annual updates in its attrition filing and recommends review of the reasonableness of administrative expenses in each GRC.

G. CP National

CP National would utilize DRA's proposal to implement a low-income assistance program with one exception. Instead of a 10% of RAR minimum discount for CP National, the utility recommends a minimum benefit equivalent to 6% of RAR discounted off baseline. This would result in a $1.81 per month benefit. CP National believes its ratepayer base, of which 62% is residential usage justifies this difference. CP National states that application of the 10% RAR minimum would result in a "significantly higher" average surcharge on non-participants than the surcharge on other utilities' non-participant ratepayers.

Based on its use of self-certification to determine the eligibility of its telephone ratepayers for ULTS, CP National

recommends either self-certification for program applicants or the use of social service agencies to screen applicants.

CP National's primary proposal for recovery of program costs would be to add those costs to the base cost amount of CP National's supply adjustment mechanism (SAM) balancing account. It would not object to using a new balancing account for cost recovery with respect to this program. In the absence of a scheduled rate case, CP National recommends use of its response to the ALJ data request to calculate program costs. Those costs would be entered in a balancing account, to be reviewed at the next general rate case.

The residential tariff of CP National's Needles District retains a lifeline allowance pursuant to former PU Code § 739. Hence, there were no Tier 1 rates to adjust in D.88-10-062. Since SB 987 requires a program assistance to low-income energy ratepayers, without exception, an appropriate program should be authorized for the Needles District.

H. Southwest Gas

Southwest Gas proposes to set Tier 1 rates at their pre-realignment level. Currently authorized test year billing determinants and primary residential class revenue requirement would be used to calculate a LIA (Low-Income Assistance) rate as 85% of SAR, as was done prior to baseline reform. The program rate would be recalculated when class revenue requirements change. The revenue shortfall would be booked into a separate, interest-bearing account for future recovery. The balance would be collected on a cents per-therm basis from all non-low-income sales, excluding special contract sales. The LIA Account balance would be adjusted annually along with SW Gas' CFA, PGA, and SAM accounts in normal offset filings. Determination of eligibility should be done by a local community service agency, rather than the utility. The Commission might verify eligibility of high-volume ratepayers. A cap on the amount of subsidy to 0.25%-0.5% of total revenue is

advocated. Although SW Gas wishes to extend LIA program benefits to residents of master meter mobilehome parks, it cannot guarantee that a landlord will pass the discount through. It opposes providing program benefits to non-permanent residents.

I. Western MobileHome Association

Western Mobilehome Association (WMA) supports the concept of a program of assistance to low-income ratepayers. WMA estimated that on a statewide basis, about 19% of all mobile home households have annual incomes at 125% or less of the federal poverty level.

WMA will recommend that all owners of submetered parks cooperate with the utilities' outreach efforts and will help explain the program's revised billing requirements to park owners and to companies that provide submeter billing services. However, WMA is opposed to any requirement that park owners be responsible for soliciting, qualifying, or certifying residents for the program.

J. Division of Ratepayer Advocates

The Commission's Division of Ratepayer Advocates (DRA) recommends that the program consist of a rate discount based on the relationship of the baseline rate to the RAR prior to the rate realignment, with a minium benefit of 10% of RAR and no cap on program costs.

DRA recommends the use of RAR over SAR in order to avoid any impact on the level of subsidy resulting from changes in a company's customer base or cost structure that do not otherwise have any effect on the alignment of residential rates. DRA proposes to discount the difference between the current Tier 1 rate (with customer charge) and the rate that would have been in effect based on the pre-realignment ratio of Tier 1 to RAR off the participating customers' baseline rate.

According to DRA, a minimum discount of 10% of RAR is necessary to make the program worthwhile administratively and to encourage participation at the outset of the program. The DRA has

alternatively suggested a 15% minimum discount in the event the Commission believes that a higher level of minimum benefits is appropriate. While DRA does not believe that the low-income program mandated by SB 987 must be strictly linked to realignment, some connection between the rate discount and realignment is necessary to ensure that low-income customers are not worse off than they were prior to the realignment of rates pursuant to SB 987.

The maximum benefit level that automatically results under DRA's methodology with a complete flattening of rates would be an acceptable cap on ratepayer benefits. However, the DRA opposes a cap on program costs. The two most significant program cost factors may well be participation rate and changes in the Tier 1/Tier 2 differential. Since those cannot be predicted, a cap on program costs has little validity, according to DRA. It believes that continual reevaluation of the level of subsidy would accomplish its goal of balancing the needs of low-income customers against the cost imposed on other ratepayers.

DRA states that the program should be funded on a cents per unit of energy basis. It reasons that a rate discount for low-income customers which is funded by other ratepayers is a subsidy program and a subsidy program is not by its nature cost-based. Consequently, it is difficult to attribute the costs of an equity program to any single class of customers. Moreover, benefits from this program are not limited to the residential class. A bill assistance program such as this would tend to reduce a utility company's uncollectibles, which benefits both the company and its customers. Therefore, DRA recommends allocation of program costs to all gas customer classes with the exception of UEG, cogen, EOR, special contracts where a specific price has been provided, wholesale customers, and low-income Tier 1 sales and street lighting. According to DRA, all electric customers should support

the program, except for customers under special contract and low-income Tier 1 sales. Street lighting is listed because those costs are paid by taxpayers. Since these taxpayers are also ratepayers, collection of program costs from street lighting revenues would "double-charge" ratepayers, according to DRA.

DRA recommends use of the ULTS eligibility criteria and self-certification by applicants. It does not object to the use of the DEO as an agent for certification. The program discount should be offered to submetered users, but not to master meter customers with unsubmetered tenants. Low-income customers on optional TOU schedules should be extended program benefits through appropriate means.

DRA proposes that a separate balancing account should be set up for the program. Only incremental administrative expenses should be booked to the program balancing account and the balancing account treatment for administrative expenses should cease with each company's next general rate case. DRA recommends a workshop to develop the concept of a monitoring committee to review the program.

K. TURN

Towards Utility Rate Normalization (TURN) is a not-for-profit group which represents the interests of residential utility ratepayers. It continues to support an energy baseline program featuring inverted block rates that is generally available to all residential customers regardless of income. However, it recognizes that SB 987 mandates a targeted low-income assistance program and has intervened to provide a residential ratepayer perspective on the issues. TURN supports the positions taken by the DRA on most of the contested issues.

TURN believes that the objectives of offsetting the effects of baseline reform and providing a meaningul benefit to low-income customers can best be achieved through a rate discount that is equal to the greater of 1) 10% to 15% of the average

residential bill; or 2) 15% of the SAR. The latter criterion is the only one that can assure that no low-income customer ends up worse off as a result of SB 987. The DRA's RAR approach fails to do so, according to TURN.

TURN criticizes SoCal's proposal to collect the program surcharge from core customers as contrary to the Legislature's clear intent. It recommends collection of the surcharge from all customers, with the exception of wholesale customers and the UEG and cogeneration customers of the gas utilities. Although existing special contracts which include a stated rate must be excluded, future contracts should incorporate the surcharge. That is because to the extent rate discounts are necessary, TURN believes they should come from rate components not protected by a balancing account.

TURN reluctantly acquiesces to balancing account treatment for program administrative costs. It stressed the need to limit balancing account entries to incremental administrative costs that have been incurred specifically for the program. Such recovery should be subject to strict annual reasonableness reviews to ensure, among other things, that costs being recovered are truly incremental and result from the program. Balancing account treatment of administrative costs should be limited to two years, after which time the costs should be forecasted on a test year basis for recovery through general rates.

Revenue losses due to program benefits should be recorded in a balancing account and amortized annually in the company's ECAC or ACAP proceeding. TURN recommends a separate balancing account, rather than the ERAM, for recovery of program costs. No ERAM-type account exists for the gas companies. The program surcharge should be based upon recorded costs only, with no forecasting of future period accruals at this time.

Finally, TURN recommends that the utilites be required to perform certain monitoring functions in order to allow the

Commission to gauge the effectiveness of the program and to evaluate its effectiveness in meeting the needs of minority groups and seniors. An update of potential participants within each service area should be submitted within six months of this decision. Eighteen months after implementation of the program, the utilities should be required to update their estimates of the number of eligible customers and to report actual participation in detail. The information should include the number of customers participating and demographic information on participants such as household size, race, ethnicity, age, and income. The utility's outreach efforts should be described. These reports should be updated in each succeeding GRC.

Finally, TURN recommends that a program monitoring committee be established, made up of utility, consumer, and Commission staff representatives. The purpose of the committee would be to evaluate the implementation of the program, based on the monitoring reports, and to suggest methods for improvement.

III. Discussion

This interim opinion addresses only certain non-rate aspects of the low income program. Specific topics covered include: eligibility, application and certification procedures, and certain related issues concerning submetered customers. Not addressed are issues regarding the level or calculation of program benefits, or questions concerning which classes of customers are exempt from any rate surcharge ultimately adopted. These issues will be covered in the Commission's final order.

A. Master Meter Ratepayers and Submetered Customers

Master meter customers require special consideration because they purchase energy for multifamily service and for mobile home park service. They supply this energy to consumers who have no contractual relation with the utility. Those consumers' usage may or may not be submetered. PU Code § 739.5 subsection (a)

requires that whenever gas or electricity is provided by a master meter customer to such residential users, 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 directly from the utility.[8]

Master meter customers currently charge the lower Tier 1 rate to submetered customers for baseline quantities consumed. Existing billing practices will enable master meter customers to pass through the program rate discount on Tier 1 quantities to qualifying low-income submetered consumers. Where consumers are not submetered, their energy bill and rent are bundled together. It would be extremely difficult to estimate usage and enforce the pass through of a rate discount. These end-users are not customers of the utility, there is no individual energy bill, and no party submitted a proposal that would ensure that these end-users would receive any benefit. Thus, we will extend this program of assistance only to eligible submetered consumers.

All of the utilities propose to make the program rate applicable to estimated Tier 1 quantity use by low-income submetered users.[9] That is, the master meter customer would be

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8 Pursuant to Subsection (a), the utilities' master meter schedules provide a sufficient differential to cover the reasonable average costs to master meter customers of providing submeter service. Subsection (b) requires master meter customers who receive any rebate from the utility to pass through to each user his proportionate share of the rebate. Subsection (c) requires the master meter customer to provide an itemized bill to each individual user in accordance with the format used by the utility to bill its residential customers.

9 However, in their comments, PG&E noted that estimating use was administratively difficult and could be unfair to the master meter customers. A simple ratio would not capture the impact when some low-income customers are all-electric and others are medical customers, for example.

billed at the discounted Tier 1 rate based on the ratio of qualifying households to non-qualifying households. It would be the responsibility of the master meter customer to pass the low-income rate discounts through to the eligible low-income energy consumers.

Several parties noted that a low-income benefit creates an additional diversity benefit for master meter customers. Currently, a master meter customer receives a diversity benefit when that customer pays baseline rates and is able to collect revenue at the higher non-baseline rate because of differences in usage between submetered tenants. A low-income program creates additional diversity benefits. The master meter customer would be billed at the low-income rate for the full baseline allowance of a qualifying low-income customer. If that low-income customer uses less than the baseline allowance, the master meter customer pays the low-income rate for some energy for which the master meter customer can collect the full baseline rate.

The diversity benefit provides an incentive for the ratepayer to help their submetered tenants to qualify for the program rate. WMA complained that the existing diversity adjustment excessively penalized its members. Parties generally agreed that a diversity adjustment should not be determined here. We concur. The diversity adjustment is a function of usage patterns and actual rate levels. Diversity adjustments can be comprehensively reviewed in the context of submetered rate design. The diversity issue should be considered the next time submetered rate design is reviewed, but no later than each utility's next general rate case.

Edison suggested that each year, the submetered customer should submit an application for the program rate to the master meter customer, who would then forward the forms to Edison.

SoCal proposed that each submetered customer submit an application form to the owner of the residential complex, i.e., the

master meter ratepayer. SoCal would have the owner certify the number of qualifying low-income units eligible to receive the credit. Master meter customers would be assessed a monthly surcharge on all submetered accounts, reduced by the number of qualified low-income customers served. The non-low-income customers would be required to pay an equivalent surcharge to the master meter customer. This proposal is unnecessarily complex and will lead to customer confusion. It will not be adopted.

To summarize, master meter billing should be fully considered the next time master meter/submeter rate design is considered. Master meter ratepayers will circulate applications for the program to their submetered customers and the submetered customer will forward a completed application to the utility. The master meter customer will inform the utility when the low-income customer moves. The utility will certify the eligibility of these submetered customers as it would for its own ratepayers.

B. Eligibility Criteria

The parties' recommendations ranged from a definition of "low income" as a household whose income did not exceed 130% of federal poverty level to a household which met the qualification criteria set for Universal Lifeline Telephone Service (ULTS). The fact that existing utility demand side management (DSM) programs employed 130% or 150% of federal poverty level as eligibility criteria was the basis for those recommendations. The DSM qualification criteria are not uniform, either as between types of programs or as between utilities.[10]

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10 130% was characterized as the criterion for HEAP eligibility. In fact, a ratepayer who is "categorically eligible" for HEAP may have income in excess of 130% or the ULTS guidelines. The ratepayer would still qualify for HEAP due to his status as a public welfare program recipient.

Moreover, utility witnesses testified that low-income program participants cannot be deemed automatically eligible for program benefits. This is because changes in eligibility status are likely to have occurred since the ratepayer first participated in the utility program.

Both DRA and TURN favor eligibility based on ULTS criteria. They apparently believe that increased consumer benefits from program uniformity outweigh the additional cost of greater eligibility.[11]

The ULTS criteria should be adopted for the program. The Commission's goal of reaching needy ratepayers can best be furthered by an outreach program that is simple for ratepayers to understand. The telephone ULTS assistance program has been in existence for five years now. Phone customers are asked annually to consider whether they qualify for ULTS and are given the opportunity to subscribe to that service. Energy ratepayers, who most likely reside in a house where there is telephone service, would have a fairly clear idea whether their household qualifies for the program rate if the eligibility criteria are the same as the ULTS criteria. Moreover, customer confusion would be minimized if low-income assistance criteria are kept uniform for both telephone and energy utilities.

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11 The income limitation for ULTS is set out in CPUC General Order 153 Section 3.1.1.1. That section requires the Commission to adjust the income limitation each year for inflation based on the federal consumer price index. 1984 was used as the base year. In 1984, the Commission established ULTS criteria at 150% of federal poverty level for a household of 2.3 persons. Not until 1986 did the Commission modify the criteria to account for households of 3 persons or more. This was accomplished by Resolution No. T-11009. Although income criteria for households of 3 persons or more were adopted, the criteria for one- and two-person households remained at the previous 2.3-person level. Each year ULTS criteria are adjusted for inflation, and the more liberal income criteria for 1- and 2-person households is preserved.

The utilities may still employ their DSM participant data banks as an outreach tool. Under the ULTS standard, all ratepayers who qualified for a utility low-income DSM program will qualify for the program. Use of the ULTS criteria gives the utilities the option of conducting a joint outreach program with the telephone utilities. We note that the ULTS criteria may be revised from time to time by the Commission in response to changing circumstances.

The smaller energy utilities sought to limit the extent of their programs by comparing their customer bases with those of the major energy utilities. They stressed the absence of large commercial and industrial customers in their largely rural service territories. The differences in customer mix are minimized, however, by the exemption of UEG, cogen, and certain special contract customers from the program surcharge. The ULTS criteria and benefit level should apply to the small utilities as well as the larger ones.

An exception is appropriate in the case of PP&L. The company's evidence of income levels within its service territory persuades us that PP&L's ratepayers cannot bear a significant rate increase. At 125% of poverty level, 20% of PP&L's ratepayers would qualify for the program rate; at 150% of poverty level, 30% would qualify. It is reasonable to limit PP&L's program costs by setting the program eligibility criteria at 130% of federal poverty level. A reduction in eligibility level, rather than in program benefits, preserves our goal of affording significant rate assistance to low-income ratepayers. At the same time, the 130% level takes into account economic conditions in the service territory that make one ratepayer "low income" in relation to other ratepayers.

Finally, Edison's proposed Tariff Schedule No. D-LI provides under "Special Conditions" that Schedule No. D-LI may not be combined with any other rate schedule. This may refer to a schedule available to utility employees who receive discounted rates, among other things. It is not our intent to provide program

benefits to any ratepayers who already are eligible for rates lower than those within the main residential rate.

C. Administration

1. Outreach

Each utility proposed a comprehensive outreach program. We encourage the utilities to use the outreach network and expertise gained in carrying out their low-income demand side management programs. Ratepayers on those lists are not automatically eligible for the program because their household composition and household income may have changed since they were found eligible for the DSM program. However, since the eligibility criteria for those programs are within the ULTS limits, the utilities should target their outreach efforts to customers on the participant lists compiled for those programs.

It appears that eligibility standards for some publicly administered benefit programs may fall within the ULTS eligibility criteria. The utilities are encouraged to survey the range of public assistance programs, identify which programs have such criteria, and coordinate their public information efforts with the public agencies' efforts to reach eligible clients. Ideally, potentially qualifying ratepayers should be informed of the program at the same time they seek other forms of assistance.

The utilities should notify ratepayers of the program by notice enclosed with the monthly utility bill. The notice should be carried in bills issued on August 20, 1989 and afterwards for at least one billing cycle. The notice should be reissued during the billing cycle beginning on December 1, 1989 and two months before each utility's peak summer month. Bill notices for subsequent years will be scheduled in the program update proceedings.

With the exception of PP&L, the notice must state, "If your household qualifies for Universal Lifeline Telephone Service, you may also qualify for a discount on your energy bill under (utility's name) low income ratepayer assistance program."

Once the Commission makes its decision on the appropriate methodology, it will detail more precise requirements for customer notice. In the meantime, it is possible to describe some minimum notice requirements based on this Interim Opinion. We expect the respondent utilities to announce the availability of the program and allow ratepayers the option of signing up for the program even in advance of the Commission's Final Order. In order to expedite that process the notice shall detail eligibility, application, and certification requirements as this decision orders.

In addition, once the discount is in place we encourage the respondent utilities to compute and display the discount on individual customer's monthly bills. This should conclusively demonstrate to participating low-income customers that they are receiving a tangible, meaningful benefit.

2. Application and Certification

The application and certification process was described more fully by some utilities than by others. None of the utilities has proposed a rigorous eligibility verification program. SoCal, SDG&E, Edison, CP National, TURN, and DRA all favor self-certification by the applicant. Based on the June 1988 Report on the Results of the Workshop held for ULTS, DRA states that a reliable verification program does not seem feasible at present. Obstacles to reliable verification include the difficulty of determining the existence of multiple incomes and the number of household members, the high cost of auditing, and the uncertainty of benefits from verification in the form of less fraud. Edison believed that verification of all customers would be too costly and would increase the burden on other ratepayers. SoCal estimated the cost of a true verification program to be $45 to $60 per ratepayer.

PG&E and PP&L wish to subcontract the task of certifying ratepayer eligibility to the DEO. The DEO would determine an

applicant's eligibility based on whether the applicant was "categorically eligible" by virtue of being listed on the state's MEDS data bank and whether the ratepayer's total household income was within ULTS limits. If not so eligible, the applicant would demonstrate eligibility by including documentation of income with the program rate application. DEO would perform a limited verification of the applicant's income level by reviewing the documentation. DRA has no objection to this process.

PG&E states that the cost to PG&E of DEO's validation is less than a dollar per applicant. Use of DEO would enable PG&E to target a program information mailing to all those on the MEDS data base.

In addition, about 168,000 of PG&E's customers qualified for the HEAP assistance administered by DEO last year. These customers, and others who receive HEAP application forms, will be able to indicate to DEO whether they are interested in the program. If found eligible under the ULTS income criteria, those ratepayers would also benefit from the program. At this time, HEAP applications are mailed only once a year, in September. In order to effectively assist ratepayers, DEO will have to conduct its outreach and verification process throughout the year. PG&E will coordinate its efforts with DEO.

DEO was criticized by DRA for the time it required to process HEAP applications. Some ratepayers did not receive their utility assistance checks for three months after they submitted their applications to DEO last year. PG&E had discussed this problem with DEO, and was assured that the same delay would not occur where DEO is merely certifying eligibility and not issuing checks. Given the utilities' sincere efforts to get the program underway, delay at DEO should be minimized. DEO should process applications so that a low-income applicant will be placed on a low-income rate schedule within one billing cycle from the date of application.

Coordination with DEO offers the prospect of higher initial participation in the program. PG&E estimated that using 150% of poverty level as the qualification criteria, about 386,000 customers would be eligible. Virtually all of PG&E's HEAP recipients, or 157,000 PG&E customers would participate in the program. It appears that the greater outreach available through the MEDS and HEAP programs justifies the partnership that PG&E has proposed with DEO. PG&E's authorization to work with DEO will depend on the success of DEO's outreach and validation efforts. If PP&L and DEO reach a similar arrangement, then PP&L would be authorized to spend up to $1.00 per non-HEAP applicant on verification by DEO.

The other utilities would not require documentation of eligibility to accompany application forms. However, they want authorization to verify customer information on a random basis or where the utility has reason to believe that a declaration of eligibility is fraudulent. Edison has drafted an Application and Eligibility Declaration (Application) for Low Income Rate which is basically reasonable.[12] It provides for self-verification by the ratepayer but puts the ratepayer on notice that proof of income must be made available at the request of the utility. Experience with the ULTS program suggests that customer misunderstanding could be minimized if "income" were defined to include income from all sources, whether taxable or not, on the Application. The accompanying Eligibility Provisions should be amended to provide examples of types of income and to specify what type of

12 In comments addressing the ALJ's Proposed Decision, WMA suggests this form be modified to reflect the fact that submetered residents should be in direct contact with the utility regarding eligibility, non-eligibility, and proof of eligibility. Edison should revise its tenant application form to address WMA's concerns regarding landlord involvement in the Income issue and in the Notification process (WMA Comments, p. 5).

documentation may be required. The Application also notifies the ratepayer that the application may need to be renewed on an annual basis. Annual renewal should be limited, because of its administrative cost, to cases where fraud is reasonably suspected. Indeed, because of the automatic flow-through of program costs, at this time, all administrative activities such as rebilling should be determined to be cost-effective before they are undertaken.

The Eligibility Provisions which accompany the Application must be revised to conform with this decision. Also, the definitions of "household" and "head of household" appear to be derived from government programs intended to assist family units. The program is not so constrained. There may be non-related adults living in a residence sharing utilities. Since one adult may not be "providing full support" of the other adult household members, the definition of head of household should be either revised or discarded to enable a non-related household of individually qualifying low-income persons to qualify for the program. Otherwise, the Application and the Eligibility Provisions in Exhibit 76 for the main Residential Rate (D) are reasonable. With these changes, the Applications in Exhibit 79 for Master Metered and Submetered Electric Service (DMS-1 or DMS-2) customers and the corresponding Tenant Application can also be found to be reasonable.

A customer applying for the program rate may be required to acknowledge that the utility may verify customer eligibility either randomly or where there is reason to believe that a false declaration has been made. The application form may state that the utility may request the customer to provide proof of eligibility.

Submetered customers will apply individually for program benefits. The utility will provide customer information and application/verification forms to the master meter ratepayer. Program notices will be distributed along with the monthly bill.

The master meter ratepayer will provide applications for the low-income subsidy to the submetered customer. Completed forms will be returned by the submetered customer to the utility, which will make the appropriate billing changes. Master metered ratepayers will not be responsible for misrepresentations by submetered customers.

SoCal suggested that program participants be required to recertify their eligibility every three years. This suggestion was not opposed by any party and will be adopted. However, qualifying submetered tenants of master metered customers will be required to annually reestablish their eligibility with the utility, since submetered tenants are not customers of the utility, and the utility would be unaware of their relocation or other changes in circumstances.

Self-certification may be made on a form similar to that used by Pacific Bell for its ULTS. In the case of Edison and PG&E (contingent upon agreement with DEO), the ratepayer would return a form or call a number to indicate interest in the program. Subsequently, a certification form would be sent to the ratepayer. If the two-stage approach is adopted, the utility must record the number of requests for applications received and the number of completed certifications received. The reasonableness of these two-stage processes will be reviewed during the program update proceeding.

If a program participant wrongly declares his or her eligibility or fails to notify the utility when he or she no longer meets the eligibility requirements, the utility may render corrective billings in accordance with CPUC-approved tariffs.

The utilities have proposed administrative budgets consisting of these elements: general administration, certification and recertification, verification, outreach, billing and billing changes. The first year administrative costs range from an estimate of $45.00 per participating eligible ratepayer (PP&L) to $4.00 per eligible ratepayer (SDG&E). The other

utilities estimated costs in the $7.00 to $19.00 range. Because of this wide disparity we will direct our CACD staff to convene workshops to examine these differences and the reasons for them, and to attempt to reach consensus on an appropriate range of administrative costs among respondent utilities.

Program administrative costs must be allocated between the gas and electric revenues of the two combined utilities, PG&E and SDG&E. PG&E proposes to allocate these costs based on the relative percentage of the gas and electric program payments. SDG&E would allocate administrative expenses on the basis of their relative retail revenues. DRA supports PG&E's position on the theory that the administrative cost burden should be matched to the benefits of the rate discount. This is not persuasive, because under this subsidy program, the ratepayers who benefit are not required to assume the burden of program costs (except in Tier 2 rates). program costs have been defined to include direct benefits and administrative costs. For policy reasons, certain classes of gas and electric transactions are to be exempt from bearing program costs. Also, this program should not be unduly complex to administer. In order to be consistent, administrative costs should be allocated between gas and electric operations in the same proportion as gas and electric program discounts.

D. Cost Recovery

Program discounts for low-income residential ratepayers and the administrative costs of the program comprise the costs of the program. All program benefits and administrative costs shall be recovered in rates. Since the utilities are not to be at risk for recovery of program costs, those costs will be recovered through a balancing account. The program balancing account will be an interest-bearing account. The interest rate and procedures for calculating interest will conform to existing balancing accounts covering base rate revenues.

Each utility should establish a low-income assistance balancing account to book actual program expenses incurred and actual revenues received through the program. The balance in the account should be trued up on an annual basis in the ECAC or GRC proceeding for electric sales and in the ACAP proceeding for gas sales. Coincident with each utility's general rate case cycle, the utility should propose to include the cost of administering the program in its administative and general expense.

A new balancing account was recommended as the best means of revenue recovery. Only Edison, among all the parties, recommended using the ERAM account. It suggested that administrative costs be treated as negative revenue and charged directly to ERAM. The direct cost of the rate discount could also be recovered in ERAM as an undercollection of base rate revenue. Edison claims that this would allow program costs to be spread on an equal cents per-kWh basis to all customers on tariffed rates through the ERABF.

We do not adopt Edison's ERAM proposal because Edison did not demonstrate that the residential class would not be unduly burdened by its proposal. Thus, Edison will establish a new program balancing account as well.

E. Monitoring

TURN suggested that a committee of utility and consumer representatives be established to monitor the program. DRA responded that a workshop to define the responsibilities of such a committee should be convened. We agree that the program must be monitored, but we believe that the CACD is equal to the task. However, given the unprecedented nature of the program, the parties should meet informally with CACD to discuss what should be monitored. The Commission's goals are to ensure that administrative costs are reasonable, that ratepayer outreach programs be as effective as possible, that the utilities' employees

are well prepared to explain the program discount to ratepayers and otherwise implement the program, and that the application and verification processes operate as smoothly as possible. As more particularly noted in the ordering paragraphs which follow, the CACD will monitor the appropriate indicators of success and should recommend any improvements it believes are necessary in the form of an annual report to the Commission no later than September 1, 1990.

In order to gauge the success of the first year's implementation and make necessary adjustments for subsequent heating seasons, the utilities should file reports with the Commission, as suggested by Edison. Each respondent utility should provide the following information, current through April 30, 1990, in the form of a report to the Commission no later than July 1, 1990:

Number of participating low-income ratepayers.

Updated estimate of eligible ratepayers.

Average Tier 1 and Tier 2 usage (recorded) by baseline territory.

Participants' Tier 1 and Tier 2 consumption by baseline territory.

Average bill (recorded) by baseline zone.

Average bill of participants, by Baseline territory.

Average monthly program benefit, by baseline territory.

Analysis of the most cost-effective outreach and customer education methods.

Discussion of how the utility is assured that minority and non-English speaking ratepayers are appropriately represented in the participant class.

Breakdown of administrative costs by these categories: outreach, certification, verification, billing, and general.

> Compilation of the above information should enable the utilities to identify low-income ratepayers who have high energy use. This would enable the utilities to better target demand side management programs that are intended to assist low-income ratepayers.

The Commission will review the program in general in three years. A fair picture of program success and shortfalls should be available from the annual reports of the CACD and of the utilities by that time. Cost trends should be apparent. The Commission can reassess the program and make whatever changes are necessary to balance the interests of ratepayers as they appear three years from now.

F. Tariffs.

In anticipation of the final decision in this proceeding, authorizing a methodology to be used for determining the program rate, the utilities are authorized to file advice letters establishing tariffs for low income customers. At this time, absent a final decision on methodology, these tariffs will have rates and charges equivalent to those currently existing for residential customers. Once a final decision on a discount methodology is made by the Commission, the utilities will be authorized to modify the rates and charges in this tariff consistent with the Commission's final decision. Thus, utilities will be able to enroll eligible customers for this program immediately and have them on a low-income tariff in anticipation of the Commission's final decision on methodology.

Findings of Fact

1. SB 987 (Stats.1988, Ch.212) amended PU Code § 739 to require the Commission to establish a program of assistance to low-income electric and gas customers, the cost of which shall not be born solely by any single class of customers.

2. No party proposed extending program benefits to non-permanent residents. If non-permanent residents qualified for the

program rate, they would receive the discount at their permanent residence.

3. PG&E, Edison, SW Gas, and PP&L proposed a program rate equal to 85% of the SAR which existed prior to November 1, 1988, the date on which Tier 1 rates were increased pursuant to SB 987.

4. SoCal's program rate would equal its Tier 1 rate minus the difference between (a) the differential that existed between the RAR and Tier 1 rate before realignment and, (b) the differential between the currently effective RAR and Tier 1 rate.

5. DRA's program rate would equal the Tier 1 rate minus the difference between the current Tier 1 rate (with customer charge) and the rate that would have been in effect based on the pre-realignment ratio of Tier 1 to RAR. DRA recommends a minimum discount equal to 10% of the utility's RAR for each utility's program rate. DRA has alternatively suggested a 15% minimum discount.

6. CP National would adopt DRA's program methodology, subject to a 6% of RAR minimum and de facto maximum benefit.

7. TURN advocates a program rate consisting of a Tier 1 rate discounted by the greater of (a) 10% to 15% of the average residential bill, or (b) 15% to 25% of SAR.

8. PG&E modified its program proposal to recommend that one of these three primary methods be used to calculate a program rate: (a) 85% of SAR; (b) RAR with minimum 10%; or (c) 15% of average residential bill.

10. Low income program rates should be made available to submetered customers of master meter ratepayers. Low income program rates will not be available to sub-metered ratepayers because their energy bills are bundled with their rent and there is no way to enforce a pass through of the program discount to the consumer.

11. The program rate creates an additional diversity benefit for master meter customers. The diversity issue should be examined the next time submetered rate design is reviewed, but no later than each utility's next general rate case.

12. Eligibility criteria should be set at the level adopted for the Commission's ULTS for several reasons. The ULTS criterion provides a relatively well-defined base of ratepayers previously determined to be in need of rate assistance. Public familiarity with the ULTS program will assist ratepayers to determine their own eligibility and encourage ratepayers to promptly apply for the program benefit.

9. Eligibility for PP&L's program rate should be limited to households at or below 130% of federal poverty level because the average household income within PP&L's service territory is significantly below that of the state of California, and 130% would yield an eligibility rate roughly commensurate with that of the other utilities under the ULTS criterion.

10. Utilities should notify ratepayers of their program by a bill notice which has been approved by the Commission's Public Advisor, commencing with billings issued August 20, 1989, or as soon thereafter as reasonably practical, but in no event later than September 19, 1989. Customers shall be notified again subsequent to the issuance of the Commission's final order, as specified in that order.

11. The ratepayer should be able to apply for the program rate and self-certify eligibility by returning a form with the usual monthly payment to the utility (except in the case of PG&E and Edison), or by such other means of application as the utility may develop in its outreach programs. Other means of applying for the program rate may include, but not be limited to, walk-in applications, applications forwarded by community service organizations, and self-mailed applications.

12. PG&E may employ the services of DEO to validate the applicant's documentation of income level and Edison may require the ratepayer to complete a separate application and declaration of eligibility so long as this process does not interfere with the Commission's goal.

13. The PG&E or Edison ratepayer should receive an application form within 10 days of having indicated interest in the

program to the utility. DEO should process applications so that a low-income applicant will be placed on a low-income rate schedule within one billing cycle from date of application.

14. PG&E's continued use of DEO should be subject to review to demonstrate the benefits of using DEO (higher participation rate than other utilities, lower incidence of fraud) and the reasonableness of the processing delay and expense of income validation by a third party. Edison's use of a two-stage application process is subject to analogous review.

15. The program should be provided pursuant to a tariff, whose format and contents will be approved by CACD in accordance with Ordering Paragraph 1.

16. Each utility should also prepare an application form as part of its filed tariffs to be reviewed by CACD. CACD should review application forms and procedures to assure that forms are easily comprehensible to low-income ratepayers, and that procedures facilitate participation by eligible low-income ratepayers.

17. The reasonableness of administrative expenditures should be reviewed annually beginning with the 1990 heating season. The results will be used to generate a forecast of administrative cost to be included in the surcharge.

18. The program should be monitored by the CACD. The CACD should monitor certain items, detailed in the decision, which are likely to indicate the success of the program and should recommend any improvements it believes are necessary in the form of an annual report to the Commission no later than September 1, 1990.

19. In order to gauge the success of the first year's implementation and make necessary adjustments for subsequent heating seasons, each respondent utility should provide certain information, current through April 30, 1990, in the form of a report to the Commission no later than July 1, 1990.

20. The Commission should review the program in general within three years of issuance of its final decision, and then make changes to the program as needed to balance the interests of ratepayers as they appear three years from now. In its order

initiating this review, the Commission may solicit the comments of respondent utilities.

21. Program participants will be required to recertify their eligibility every three years, and utilities may verify customer eligibility either randomly or where there is reason to believe that a false declaration has been made. This verification may occur more often than every three years. Qualifying submetered tenants of master metered customers will be required to annually reestablish eligibility, since submetered tenants are not customers of the utility and it would be unaware of their relocation or other changes in circumstances.

23. There is a wide disparity in the administrative cost per eligible participant estimates of the respondent utilities in this proceeding, and further examination of the reasons for this disparity is required, consistent with the provisions of this order.

Conclusions of Law Except for PP+L,

1. It is reasonable to use ULTS eligibility criteria to define the class of low-income ratepayers eligible for the program.

2. Self-certification is the most reasonable approach to determining ratepayer eligibility.

3. The utilities should not be at risk for recovery of program benefits and for the reasonable amount of program administrative costs.

INTERIM ORDER

IT IS ORDERED that:

1. On August 29, 1989, the respondent utilities shall file a tariff by advice letter to provide a Low Income program, containing eligibility, application and certification information consistent with the preceding discussion and relevant findings. This tariff shall be in preparation for the final decision in this proceeding and will enable utilities to enroll customers in this program in advance of a final decision. The tariff shall contain conditions

of service as provided by this order. The tariff filing shall be effective September 1, 1989. In order to ensure that respondent utilities' tariff filings and the advice letters mandated in this order (relative to the program balancing account and low-income tariff) contain substantially uniform formats and conditions of service, the respondent utilities shall attend a workshop, to be convened and chaired by the Commission Advisory and Compliance Division (CACD) on August 14, 1989, at a time and place to be announced by CACD. CACD shall be the final arbiter of any workshop dispute relative to the requisite tariff uniformity.

2. CACD shall convene a workshop to examine the differences and the reasons for such differences in administrative costs among the respondent utilities and attempt to reach consensus on what the appropriate level of administrative costs is, including the question of how substantial deviations from that level are to be justified. At the conclusion of this examination, but no later than September 1, 1989, CACD shall make appropriate recommendations to the Commisison.

2. The respondent utilities shall notify their residential ratepayers of the program by bill notice for at least one billing cycle, beginning no later than August 20, 1989 or as soon thereafter as reasonably practicable, but in no event later than September 19, 1989. A notice shall be reissued during the billing cycle beginning on December 1, 1989, and two months before each electric and combined utility's peak summer month. Bill notices for subsequent years will be scheduled in the program revision proceedings.

a. With the exception of PP&L, the notice must state, "If your household qualifies for Universal Lifeline Telephone Service, you may also qualify for a discount on your energy under (utility's name) low income ratepayer assistance program."

b. The notice shall include a form which could be returned with bill payment to apply for

the program, or, in the case of PG&E and Southern California Edison (Edison), to request an application form.

c. The notice shall detail eligibility, application, and certification requirements as specified in this order.

d. The notice shall provide a telephone number where questions about the program will be answered by knowledgeable people.

e. The notice shall be subject to the prior approval of the Commission's Public Advisor.

3. The utilities which employ self-certification should require no more than one billing cycle from receipt of a ratepayer's request for the program service to place the customer on the program schedule.

4. PG&E is authorized to process applications through the Department of Economic Opportunity (DEO) so long as the utility can place the applicant on the program schedule within one billing cycle from the date of the application.

5. PG&E and Edison's two-step process, which requires the ratepayer to first request an application, and then submit it to the utility, shall be subject to review in the program update proceeding. It will be determined whether the delay caused by the two-step process was substantial, how ratepayer participation rates and benefits per month were affected, and whether any net savings resulted from the two-step process.

6. Each respondent utility shall file by advice letter a tariff to establish a program balancing account to accrue program costs as authorized by this order. The program balancing account shall be an interest-bearing account, in accordance with the preceding discussion.

7. The CACD will monitor the program. CACD shall prepare an annual report on the status of the program consistent

with this order. The report will be submitted no later than September 1 of each year as a formal filing in this proceeding.

8. Each of the respondent utilities shall compile information concerning the program consistent with this decision and as required by CACD and submit it no later than July 1 of each year in the form of an annual report to the Commission and as testimony in the program update proceeding.

This order is effective today.

Dated JUN 1 9 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners

Commissioner Patrick M. Eckert, being necessarily absent, did not participate.