

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION *

**RESOLUTION E-3583
DECEMBER 17, 1998**

RESOLUTION

**RESOLUTION E-3583. PROPOSED OPERATING BUDGET FOR
THE LOW INCOME GOVERNING BOARD FOR 1999.
CONDITIONALLY APPROVED.**

BY ADVICE LETTER IG/IE, FILED ON OCTOBER 15, 1998

SUMMARY

1. By Advice Letter IG/IE, the Low Income Governing Board (LIGB or the Board) requests approval of the Board's 1999 proposed operating budget.
2. The Board requests 5% of the Low-Income Energy Efficiency Program (LIEE) budget and 2% of the California Alternative Rates for Energy Program (CARE) budget to be used for funding Pilot Programs in the amount of \$4,000,000 and a statewide Needs Assessment in the amount of \$2,000,000.
3. The Board also requests the Commission determine funding levels, funding sources (Public Purpose Funds or Regulatory Fees), and budget placement (the Board's budget or the Commission's budget) for support services.
4. A timely protest was filed by Sempra Energy (Sempra) on behalf of San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas).
5. This Resolution conditionally approves LIGB's Advice Letter IG/IE:
 - a) The Board will be authorized to use a portion of carryover funds from the 1998 budget for operating expenses for the first half of 1999 and will be required to submit a supplemental filing with a revised 1999 Operating Budget in accordance with the specifications outlined later in this Resolution;
 - b) The request for CARE/LIEE (\$4,000,000) funds for Pilot Programs is rejected due to lack of documentation. The Advice Letter contains no reference to specific proposed programs, time lines for completion, itemized costs, effectiveness measurement criteria, or how the data and analysis will be used in the future. In addition, there has been no analysis of possible impacts on

ratepayers of using CARE/LIEB funds, including the possible reduction of funding levels available for programs that have already been proposed;

- c) The request for CARE/LIEB funds (\$2,000,000) for Needs Assessment is rejected pending receipt of the supplemental filing containing a scope of work, time line, methodology, measurement and evaluation criteria, a line item budget for the study, analysis of ratepayer impact as a result of incurring these costs, and a recommendation on who will perform the work (and what tasks will be completed by the Board and what tasks will be completed by the utilities, and what tasks would require consultants). The Commission will consider the request for Needs Assessment studies once the supplemental filing is submitted; and
- d) The request for direction regarding support personnel will be addressed in a subsequent Assigned Commissioner Ruling or decision.

BACKGROUND

1. Commission Decisions (D.) 97-02-014 and (D.) 97-04-044 established the LIGB to advise the Commission on: low-income gas and electricity programs; and, in coordination with the utilities and interested parties, transferring administration of these programs to an Independent Administrator (IA). One of the primary responsibilities of the Board has been to assist in development of the request for proposal (RFP) articulating policy and programmatic guidelines for one or more administrators and submit it to the Commission for approval.
2. In D. 98-02-040, the Commission addressed the compliance filings of the California Board for Energy Efficiency (CBEE) and the LIGB. The decision adopted the LIGB's charter and by-laws, as well as rules regarding per diem, expense reimbursement and conflicts of interest (start-up documents).¹
3. D.98-05-018 extended the period in which utilities will continue to administer low income assistance programs to December 31, 1999. That decision required the utilities to work in consultation with the Low Income Governing Board (LIGB) to develop program plans and budgets.
4. The Commission, in structuring the implementation of its goals for energy efficiency and low income assistance programs, relied on the passage of Assembly Bill (AB)

¹ Commission D. 98-02-040 dated February 4, 1998, Attachment 3, Appendix A.

2461 to, among other things, provide for the Public Goods Charge funds² to be transferred to the State treasury and used for programs run by an IA, starting July 1, 1999.

5. September 23, 1998 Assigned Commissioner's Ruling (ACR), in R.98-07-037, established a procedural forum and a schedule for the energy efficiency and the low-income assistance programs.
6. On September 28, 1998, AB 2461 was vetoed by the Governor. This veto calls into question how the Commission's policy preferences, as expressed in D.97-02-014, for independent administration of these programs can be realized.
7. An October 1, 1998 ACR, in R.98-07-037, scheduled a Public Hearing to provide input on what the Commission should do to implement the programs required by Public Utilities Code Sections 381(c) and 382. The earlier September 23, 1998 ruling was not reversed. Structural alternatives for implementing the Commission's policy goals for low-income assistance programs were investigated at the Public Hearing.
8. The Public Hearing was held on October, 27, 1998. Various views were presented, but no consensus was reached on appropriate future action. The Assigned Commissioner indicated that he would consider the comments and form a recommendation to the full Commission at some later time.
9. The LIGB submitted its recommendations for 1999 program plans in a letter to the Commission and the utilities, dated September 1, 1998, as modified by the LIGB via a letter dated September 30, 1998.³
10. Pursuant to the September 23, 1998 ACR, the LIGB filed its Proposed Operating Budget for 1999 on October 16, 1998 in Advice Letter IG/IE. Included with the budget is a request for funds to use for Pilot Programs and a statewide Needs Assessment. These funds are requested from CARE and LIEE.
11. On October 1, 1998, Pacific Gas and Electric Company, Southern California Edison Company, SDG&E and SoCal Gas Filed Advice Letters 2106-G/1089-E, 1124-E/1119-G, and 2748, respectively, requesting approval for the 1999 California

² Provided for in Public Utilities Code Sections 381(c) and 382 for energy efficiency low-income programs.

³ Low Income Governing Board Recommendations for 1999 California Alternate Rates for Energy and Low Income Energy Efficiency Programs.

Alternative Rates for Energy (CARE) and the Low-Income Energy Efficiency programs (LIEE) (utility 1999 Program Year Advice Letters or utility advice filings).

12. On October 21, 1998, LIGB filed a protest and comments on the utility 1999 Program Year Advice Letters.

NOTICE

1. LIGB Advice Letter IG/IE was served on other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of the Assigned Commissioner's Ruling dated September 23, 1998. Public notice of this filing has been made by publication in the Commission's calendar.

PROTESTS

1. On November 4, 1998, Sempra filed a protest on behalf of SDG&E and SoCalGas. The protestants contend that LIGB's filing, in its current form, should be rejected or that LIGB should be required to file a new or supplemental advice letter because the filing is incomplete, the requested amounts are excessive, and the filing does not meet the requirements of GO 96-A. Sempra contends the following:
 - a) LIGB, in its protest to the utility 1999 Program Year Advice Letter filings, has asked that its 1999 Operating Budget be deemed "start-up" costs and be amortized in a "manner similar to that directed by Commission Resolution (Res.) E-3515" for the 1997 and 1998. In its protest to the utility advice filings, LIGB requests its 1999 operating expenses allocated to CARE be amortized starting in 2000 and the 1999 LIEE allocation amortized starting in 1999.⁴ Sempra does not agree that the LIGB's budget should be deemed start-up costs. They assert that the 1999 operating budget should come from current-year funds collected by the utilities and that "continuing to amortize the LIGB's operating budget lessens its accountability on how it budgets and spends ratepayer funds;"
 - b) LIGB has not justified its budget and that "the needs of low-income program participants and subsidizing ratepayers would be best served if the LIGB used a more prudent method to estimate its 1999 budget;"

⁴ This particular request is not contained in LIGB Advice Letter IG/IE, although, the issue of whether the Board is in "start-up" mode is pertinent in terms of setting its 1999 expense levels.

- c) the Commission should deny the LIGB's request to set aside \$6 million in low-income assistance program funds for undefined pilot studies and a statewide Needs Assessment. Sempra claims the request for the funding level seems arbitrary. The LIGB based its request on a recommendation adopted by its Advisory Committee on September 23, 1998, and, Sempra alleges, there was no foundation for the Advisory Committee's recommendation. Sempra asserts that no further research was done to define the scope or determine costs (neither the Advisory Committee nor the Board's Technical Consultants contacted any research firms and did not request input from utility in-house research staffs on the estimated cost of conducting the statewide Needs Assessments). Consequently, Sempra asserts, the request is excessive and unreasonable;
 - d) the filing is deficient because it lacks justification for, or assessment of, the effects of the Board's request on ratepayers, rates, and service offerings, as required by GO 96-A. The protestants assert that the Board's claim that the filing will not increase any tariff rate or change, cause withdrawal of service, or conflict with any rate schedules or rules is "unfounded and factually incorrect." Therefore, Sempra requests the Commission require the LIGB to file an advice letter in accordance with the requirements of General Order 96-A, Sections III C and VI.
2. Regarding the Pilot Programs and Needs Assessment funding request, Sempra requests that the Commission require the LIGB to:
- a) identify all pilots, studies, and research to be performed in Program Year 1999 (PY99);
 - b) define the purpose, timing, and research methods to be used;
 - c) clearly identify which studies the Board intends to administer and which the Board intends that the utilities will administer; and
 - d) specify the amounts to be removed, and the effects of removing funds from the utilities' program budgets.
3. The protestants further request that the Commission establish a deadline of no later than May 1, 1999 for the start of all pilots, studies, and research to be conducted by the utilities or the Board.

DISCUSSION

Proposed Operating Budget for 1999

1. The 1998 Operating Budget was \$2,023,395³ and the Proposed 1999 Operating Budget is \$2,701,380 (not including requested Commission Staff). There is no substantiation in this Advice Letter for such a funding level. The Commission adopted the Board's "start-up" documents, i.e. mission statement, charter and by-laws, in D. 98-02-040. The process of setting up the structure of the Board and adopting these governing principles is the start-up phase. The Board is no longer in a "start-up" mode, and has not adequately detailed the activities and tasks it must accomplish during the budget period. Therefore, without substantiation to the contrary, we do not have sufficient information to conclude an increase in expenses is reasonable.
2. In the protest filed by Sempra, it is noted that LIGB has requested that its 1999 Operating Budget be deemed a "start-up" expense and amortized in a manner similar to the 1997 and 1998 operating expenses.⁶ This request for amortization of the budget is not addressed in the Advice Letter IG/IE and, therefore, cannot be resolved in this Resolution. This issue is included in a protest filed by LIGB on the utility advice filings. The issue of amortization of the LIGB 1999 Operating Budget will be considered in the resolution addressing the Program Year 1999 utility advice letter filings.
3. The LIGB *Financial Tracking Report - 1998*, which was filed with the 1999 budget request, indicates a positive carryover balance. These funds should be applied to the 1999 expenses before allocating additional funds. This is consistent with the budget approval process from LIGB's 1998 Operating Expense Budget, where the 1997 carryover funds were applied before any current year funds were allocated.⁷
4. The LIGB should file a revised budget in a supplemental filing by February 26, 1999. The Board should submit the specified information as a compliance filing. The compliance filing should be filed at the Commission's Docket Office and served on the service list to this proceeding. This filing should include a budget which:

³ As adopted in D. 98-02-040. The Financial Tracking Report filed with the Board's 1999 budget in Advice Letter IG/IE lists the 1998 "Planned Budget" as \$1,991,395.

⁶ The 1997 and 1998 Board operating expenses were addressed in Commission Resolution E-3515 dated December 16, 1997. This allocated 30% of the LIGB's 1997 and 1998 operating expenses (\$54 million) to LIEB and 70% (\$125 million) to CARE, to be amortized over 4 years beginning in 1998 for LIEB and 1999 for CARE.

⁷ See D. 98-02-040, page 13.

- a) includes expenses by specific tasks. The current budget which simply lists the projected number of meetings is insufficient. The Commission needs some indication of the Board's plans to accomplish specific tasks over the course of a set number of meetings (i.e. the LIGB should tie the meeting schedule to a task-oriented agenda). The Board should be accountable for its time. Provision of the substantiation and justification for board expenses will allow for more efficient tracking of the Board's expenses;
 - b) has a standardized format which will be used consistently. The Board should coordinate with the California Board for Energy Efficiency (CBE) to adopt a budget format for use in all expense tracking and budget proposals; and
 - c) eliminates per diem for board member attendance at Advisory Committee Meetings (\$12,000 in the proposed 1999 budget) consistent with Decision 97-09-117.⁴ As discussed in this decision, we consider board member attendance at such meetings to be preparation work, for which we continue to deny per diem compensation."
5. Line item expenditures should be tracked in accordance with the aforementioned standardized budget format. This tracking report should be on file and available for examination by Commission staff.
 6. The Commission should authorize a 6-month budget up to one-half of the adopted 1998 Operating Budget, or \$1,011,698, which should come from the carryover balance. While this amount is one-half of the amount authorized for last year, we expect the expenses should be less than this reflecting the reduced tasks during 1999. If the remaining 1998 funds are insufficient to provide for the 1999 LIGB expenses, the Board expenses will be funded as set forth in the companion resolution addressing the utility advice filings.
 7. Authorization of monies for continued operation while a revised budget is developed and approved, does not preclude the Commission from taking necessary steps to ensure effective oversight and administration of the low-income programs. Options currently before the Commission include re-defining the Board's responsibilities or, possibly, elimination of the LIGB.

Request for Funding of "Pilot Programs" and "Needs Assessment" from CARE/LIEE

⁴ D.97-09-117 issued September 24, 1997, page 5.

8. We note that the request for \$6 million from CARE/LIEE funds reduces the monies available for other programs. Therefore, the request should be accompanied by an assessment of impacts similar to that required by General Order No. 96-A, Section III C, and VI. Use of CARE/LIEE funds for the proposed Pilot Programs and Needs Assessment may reduce the amount of money available for utility defined programs, thereby resulting in "a lesser service or more restrictive conditions at the same rate or charge..."⁹ LIGB should file an assessment of impacts on ratepayers, rates and service offerings.
9. The request for \$4 million to be used for Pilot Programs is not supported by any documentation of the proposed programs. Any request for program funding should include detailed descriptions of the proposed programs, justification for embarking on the programs, itemized estimated costs per program, time line for the studies, proposed standards for measuring and evaluating effectiveness, and how the results of these Pilot Programs will be used in the future. The request is denied to the extent monies are not earmarked in the resolution addressing the utility Program Year 1999 advice filings. The Commission feels it is not in the best interest of the ratepayers or the low-income program participants to authorize CARE/LIEE funds for programs which have not been thoroughly considered. In this case, it appears they have not even been defined.
10. The \$2 million requested for Needs Assessment will be evaluated when the Commission receives and reviews the supplemental filing containing:
 - a) specifics on the scope and purpose of the study;
 - b) methodology;
 - c) time line;
 - d) recommendations for measurement and evaluation standards;
 - e) a line item budget for the study;
 - f) an analysis of the ratepayer impact as a result of incurring these costs as part of the CARE and LIEE programs, i.e. any increase in the Public Purpose Surcharge or a reduction in services to customers (similar to that required by GO 96-A); and
 - g) an analysis and recommendation regarding who will administer the Needs Assessment, i.e. the Board, the utilities or the Commission, and who will perform each task.
11. The Commission agrees with the joint protestants that the lack of substantiation or specifics on program objectives or design, is unacceptable. In addition, the Commission notes there is no mention of which studies will be administered by the Board and which by the utilities, under the direction of the Commission. The Board

⁹ General Order No. 96-A, Section VI.

should do an in-depth analysis in consultation with the utilities and interested parties before making a recommendation to the Commission.

Support Staffing Issues

12. The Commission is continuing to evaluate the issue of support services for the LIGB. On October 27, 1998, a Public Hearing was held to discuss future action on implementing the Commission's policy goals for low-income assistance programs. Although no consensus was reached, the Assigned Commissioner indicated that he would consider comments and form a recommendation at some later date. The issue of support for the Board will be addressed in conjunction with the evaluation of information related to the Public Hearing.

FINDINGS

1. On October 16, 1998, LIGB filed Advice Letter IG/IE requesting approval of the Board's 1999 proposed operating budget.
2. On November 4, 1998 Sempra, on behalf of SDG&E and SoCal Gas, filed a protest.
3. D. 98-02-040, dated February 4, 1998, adopted the LIGB mission statement, charter, by-laws, conflict of interest rules, and other documents necessary when establishing a board. Once the Board has developed and adopted these guidelines for its operation, it should be considered ready to carry out its responsibilities and, therefore, no longer in "start-up".
4. The Commission realizes that issues involving Board support staff have hindered progress towards preparation of the RFP for the Independent Administrator but the initial tasks of selecting Board members, adopting a mission statement, by-laws and charter have been completed.
5. A standardized format for the budget should be adopted for use in all Board budget reporting. The LIGB should coordinate with the CBEE to adopt a detailed and consistent budget format. This format should not include per diem for Board member attendance at Advisory Committee Meetings per D.97-09-117 dated September 24, 1997. These meetings are considered preparation for the Board members' duties.
6. The proposed 1999 Operating Budget for the LIGB is not sufficiently detailed. The Board should file a revised budget which ties the proposed number of scheduled meetings to a task oriented agenda, including what is to be accomplished during the sub-committee and advisory committee meetings.

7. The Board should track expenses monthly and have this information on file and available for examination and audit by Commission staff.
8. The Board should be authorized to use carry-over funds from the 1998 Operating Budget, up to an amount equal to \$1,011,698 (or one-half of the approved 1998 Operating Budget).¹⁰ While the Commission does not foresee the need to expend the full amount allocated, this will allow the Board to continue operations while these issues are resolved.
9. A revised 1999 Operating Budget should be filed as a supplemental filing no later than February 26, 1999. The expenditures during the first six months of the year should reflect the levels proposed in the revised budget.
10. Sempra's contention that 1999 Operating Budget should not be considered "start-up" and, therefore, should not be amortized, cannot be addressed in this Resolution. The request for amortization was not filed in the LIGB Advice Letter IG/IE. This issue will be addressed in the resolution considering the Program Year 1999 utility advice letter filings.
11. The Commission concurs with Sempra's contention that the Pilot Program and Needs Assessment funding request is deficient and that the request for \$6 million is "excessive and unreasonable" considering the lack of substantiation. The Commission further agrees with the recommendation that the request be denied pending submission of detailed proposals and ratepayer impact analysis.
12. The request for \$4 million for undefined Pilot Programs should be denied, to the extent to which such pilots are not earmarked in the resolution addressing the utility Program Year 1999 advice filings. The LIGB should, in coordination with the utilities and interested parties, evaluate and provide to the Commission proposals for pilots for Program Year 2000. These proposals should include:
 - a) detailed descriptions of the proposed programs;
 - b) itemized estimated costs per program;
 - c) timelines for the studies;
 - d) proposed standards for measuring and evaluating effectiveness;
 - e) how the results of these Pilot Programs will be used in the future; and
 - f) who will administer the Pilot Programs; the utilities or the Board.

¹⁰ D. 98-02-040, dated February 4, 1998, page 13. The adopted 1998 Operating Budget was \$2,023,395 but LIGB's AL IG/IE lists the approved budget as \$1,991,395.

13. The request for \$2 million for a statewide Needs Assessment is denied pending submittal of a thorough, complete proposal for the study. This proposal will be filed as a supplemental filing in the form of a compliance filing no later than February 26, 1999 and should contain:
 - a) specifics on the scope and purpose of the study;
 - b) methodology;
 - c) task specific time line;
 - d) proposed measurement and evaluation criteria;
 - e) a line item budget for the study;
 - f) an analysis of ratepayer impact as a result of removing these funds from the CARE/LIEE monies (similar to that required by GO 96-A); and
 - g) specifics on who will administer Needs Assessment, i.e. the Board, the utilities or the Commission, and who will perform each task.
14. The Commission is continuing to evaluate the issue of support services for the Board and will issue instruction on this matter in a subsequent ACR or decision.
15. The protest filed by Sempra is granted to the extent as set forth above.

THEREFORE, IT IS ORDERED THAT:

1. The Low Income Governing Board (LIGB or the Board) is authorized to use up to \$1,011,698 of the 1998 Operating Budget carryover funds for the Board's continued operation through June 30, 1999.
2. The 1998 LIGB Operating Budget carryover funds shall first be applied to fund the first six months of the 1999 LIGB Operating Budget up to the level established above. If additional funds are required, they shall be funded in accordance with the procedures established in the resolution addressing the Advice Letters filed by Pacific Gas and Electric Company, Southern California Edison Company, SDG&E and SoCal Gas, 2106-G/1089-E, 1124-E/1119-G and 2748, respectively. Any remainder shall be set aside and applied to Needs Assessment studies if approved. If Needs Assessment studies are not begun by June 1, 1999 then any remaining carryover monies shall revert to 1999 program funds as an increase in funding levels. Additional funding, if needed, for Needs Assessment are to be funded as an addition to the CARE program costs to be allocated between gas and electric departments for dual-fuel utilities per the resolution addressing the utility advice filings.
3. The Board shall file a supplemental filing as a compliance filing, as instructed in the text of this Resolution, by February 26, 1999. The filing shall include a revised 1999

operating budget justifying and substantiating Board expenditures for the calendar year 1999. This budget shall:

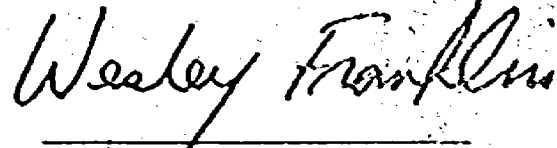
- a) be in a standardized format which the Board will use for all budgeting and tracking for 1999 and beyond;
 - b) include a methodology which will tie Board meetings to a task oriented agenda, thereby giving Board members specific targets for accomplishing the bigger goals of the LIGB;
 - c) exclude per diem allowances for Board member attendance at Advisory Committee meetings.
4. The Board shall track expenses monthly using the same budget format as above, and have this information available for examination by Commission staff.
 5. The request for \$4 million to come from the California Alternative Rates for Energy Program (CARE) and Low-Income Energy Efficiency Program (LIEE) monies to be used for Pilot Programs, is denied, to the extent monies are not set aside to do these Pilot Programs in the resolution approving the utility Program Year 1999 advice filings.
 6. The request for \$2 million to come from the CARE and LIEE monies to be used for a statewide Needs Assessment will be reconsidered upon receipt of a supplemental filing in the form of a compliance filing as instructed in this Resolution. This filing must be filed no later than February 26, 1999 and must include:
 - a) scope and purpose of the study;
 - b) methodology to be employed in the study;
 - c) task specific time-line;
 - d) proposed measurement and evaluation criteria;
 - e) line item budget for the study;
 - f) analysis of the effect on "ratepayers, rates and service offerings" of incurring these expenses, similar to that required by General Order 96-A, Section III.C and VI; and
 - g) who will be administering the Needs Assessment and who will be performing each task in the Needs Assessment.
 7. The issue of support services for the LIGB is not addressed in this Resolution.
 8. The protest filed by Sempra is granted to the extent as set forth above.

Resolution E-3583
LIGB/AL IG/IE/PMD

December 17, 1998

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the state of California held on December 17, 1998; the following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners