PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION | **RESOLUTION E-3585**
December 17, 1998

RESOLUTION

RESOLUTION E-3585. PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, AND SOUTHERN CALIFORNIA GAS COMPANY REQUESTS APPROVAL FOR THE 1999 CALIFORNIA ALTERNATIVE RATES FOR ENERGY AND THE LOW INCOME ENERGY EFFICIENCY PROGRAMS. CONDITIONALLY APPROVED.

BY ADVICE LETTERS 2106-G/1089-E, 1337-E, 1124-E/1119-G, AND 2748, RESPECTIVELY, FILED ON OCTOBER 1, 1998

SUMMARY

1. On October 1, 1998, Pacific Gas And Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCal Gas) filed Advice Letters 2106-G/1089-E, 1337-E, 1124-E/1119-G, and 2748 (Advice Letters), respectively. These Advice Letters request approval for the 1999 California Alternative Rates For Energy (CARE) and the Low Income Energy Efficiency Programs (LIEE). These filings were made in compliance with Decision (D.) 98-05-018, dated May 8, 1998,[1] and the Assigned Commissioner's Ruling, dated September 23, 1998, in Rulemaking (R.) 98-07-037.[2]

2. On October 20, 1998, the Southern California Tribal Chairman's Association (SCTCA) filed protests to SCE's and SDG&E's Advice Letters. On October 21, 1998, the Office of Ratepayer Advocates (ORA), the Greenlining Institute/Latino Issues Forum (GILIF), and the Low Income Governing Board (LIGB) each filed a protest to the Advice Letters. On October 22, 1998, the Residential Service Companies' United Effort (RESCUE) filed a protest to the Advice Letters. Protests include, but are not limited to, concerns with certain proposed energy efficiency measures, allocation of LIGB costs and expenses, SDG&E's and SoCal Gas' request to do verification of customer eligibility instead of customer self certification, SoCal Gas' requirement that contractors receive

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[1] In Rulemaking (R.) 94-04-031 and (I.) Investigation 94-04-032.
[2] On July 23, 1998, the Commission opened its Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing Energy Efficiency, Low Income Assistance, Renewable Energy and Research Development and Demonstration.

training at its facilities, and a lack of justification for pilot and needs assessment programs. RESCUE requests a requirement for pay-for-performance competitive bidding. SCTCA is concerned that utility proposals do not seem to include tribal participation in outreach and education programs and request that a pilot be conducted in 1999 for reservation communities.

3. This Resolution conditionally approves Advice Letters 2106-G/1089-E, 1337-E, 1124-E/1119-G, and 2748.

BACKGROUND

1. In Decision (D.) 97-02-014,[3] the Commission described its vision of low-income energy efficiency programs.

2. 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.

3. 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) 2461 to, among other things, provide for the Public Goods Charge funds[4] to be transferred to the State treasury and used for programs run by an Independent Administrator (IA), starting July 1, 1999.

4. A 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.

5. On September 28, 1998, the Governor vetoed AB 2461. If it had passed, AB 2461 would have provided guidance on the implementation of public purpose programs.

6. In an October 1, 1998 ACR, in R.98-07-037, the Commission scheduled a Public Hearing to obtain input on the implementation of the programs required by Public Utilities Code Sections 381(c) and 382. The Commission did not reverse the earlier September 23, 1998 ruling. Structural alternatives for implementing the Commission's policy goals for low-income assistance programs were investigated at the Public Hearing.

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[3] In R.94-04-031/I.94-04-032, dated December 20, 1995, as modified by D.96-01-009 on January 10, 1996, p. 67

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

7. 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.

8. 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.[5]

FOR THE 1999 CARE PROGRAM:	
1	That the income guidelines and definition of income to determine eligibility of CARE and LIEE in calendar year 1999 continue to follow the current guidelines approved by the Commission in G.O. 153. It is the intent of the Low Income Governing Board (LIGB) to examine these issues and to make recommendations that would then take effect for the CARE program beginning in the year 2000.
2	That given the legislative mandate that the CARE program be needs based and uncapped, the LIGB resolves that participation goals for the CARE program statewide beginning in 1999 be 100% of eligible customers who wish to participate. And: That there be a voluntary, good faith effort on the part of the interim CARE administrators to increase the number of CARE program participants on individual meters in 1999. That based on experience gained to date and assessments to be performed in 1999, goals for participation will be set for the year 2000 and beyond, including possible incentives and penalties tied to these goals.
3	That CARE outreach activities be integrated, where appropriate, with the education and outreach activities of the LIEE, the Energy Education Trust, the electric restructuring call center, the California Board for Energy Efficiency and other related efforts.
4	That interim program administrators be directed to submit plans for effective outreach to the LIGB by October 1st to achieve improved participation rates in 1999, especially among hard-to-reach segments of the low-income population. Plans should consider facilitating cooperation and collaboration with third parties in identifying, referring and submitting applications of eligible customers to the interim program administrators. Plans should include quality control and training to ensure effective use of ratepayer funds for outreach, and include reimbursement of third parties for their costs in performing outreach activities
5	That the LIGB direct independent analysis and activities involving studies, market research, pilots and program evaluations regarding the CARE program. These

[5] Low Income Governing Board Recommendations for 1999 California Alternate Rates for Energy and Low Income Energy Efficiency Programs.

	activities are needed to help inform LIGB decisions and recommendations to the CPUC on the CARE program. The LIGB has the authority to choose an agent(s) to conduct these activities. The initial focus of these activities will be on program innovations that increase participation, particularly by under served market segments in the eligible population, in a cost-effective manner.
6	That the Commission require the interim program administrators to employ uniform self-certification for CARE program participants on individual meters, as opposed to up-front verification, for the 1999 program year. Self-certification shall be accompanied by regular post-enrollment monitoring, including random sampling verification procedures and targeted verification to screen out ineligible applicants and minimize fraud. As part of a self-certification procedure, a CARE applicant shall be required to sign an application certifying that his/her household income falls within the approved eligibility guidelines, and acknowledging that the utility may at some time in the future verify customer eligibility. The application form must state that the utility may request the customer to provide proof of eligibility at the time of any post-enrollment verification. 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 guidelines, the utility may render corrective billings.
7	That CPUC staff compile summary information on the CARE program for the last two reporting periods as has been previous practice and report to the CPUC, the LIGB and interested parties. And that 1999 CARE interim administrators shall file reports consistent with the current reporting requirements regarding the CARE program, as well as additional requirements as defined by the LIGB. The reporting timeframes for both the CARE and DSM programs should be modified to be based on a consistent reporting period. It is recommended that reporting on program activities reflect accomplishments achieved from January through December of the previous year and that reporting be done on May 1 of each year. Because utilities have filed a status report on their CARE program on August 1, 1998, which captures program data and achievements from May 1, 1997 through April 30, 1998, it is recommended that a report be filed on May 1, 1999 which covers the timeframe May 1, 1998 through December 31, 1998. Reporting requirements will include: a) Penetration rates and progress toward penetration goals set for 1999. b) Results of any market research, pilots and program evaluations conducted by the interim program administrators, including the cost-effectiveness of outreach and enrollment activities conducted by third-parties. c) Assessment of the 1999 self-certification process, especially regarding changes in the level of participation and the level of ineligibles.
8	That the LIGB wishes to ensure that there is an effective, accessible CARE complaint resolution process in place once the CARE program moves to independent program

	administration.
9	That the CPUC approve the 1999 CARE and LIGB budgets. These budgets should include funding of increased participation levels, administration and pilots, incentives, needs assessments and customer participation/market research. The budgets should include these subcategories: CARE Program Benefits CARE administration CARE pilots CARE Needs Assessment/Market Research LIGB operating budgets
10	That each CARE interim administrator file a 1999 CARE implementation plan by October 1, 1998, in OIR 98-07-037, which reflects their proposed implementation approach and explicitly includes the LIGB's recommended CARE policy guidelines and determinations as of August 31, 1998.

FOR THE 1999 LIEE PROGRAM:	
	GENERAL MEASURE POLICY:
A.1	Require all Transitional Program Administrators (TPAs) to use the attached standard set of measures for installation as part of the 1999 LIEE program (see Appendix A in LIGB's September 8, 1998 Filing).
A.2	Require all TPAs to install all feasible measures from the standard set in an eligible customer's home if there are program funds available to serve that home.
A.3	Require all TPAs to determine that a measure is feasible only when its installation provides significant benefit to the customer(s) living in the home.
A.4	Require all TPAs to limit home repairs to a standard set of repair items and a maximum per-home expenditure of $750 - except when furnace replacement is a measure in which case the limit is $1,500 - with a program cap of 20% of each TPA's total program budget.
A.5	Require all TPAs that are dual-fuel utilities providing both gas and electric service to an eligible customer to install all feasible measures from the standard set in that customer's home if that utility has program funds remaining in either the gas or electric LIEE budget.
A.6	Allow all TPAs that provide only gas or electric service to an eligible customer who receives other utility service (gas or electric) from a municipal utility to limit feasible measures to those from the standard set that predominantly save the type of energy provided by the TPA.
	SPECIFIC MEASURE CHANGES:
B.1	Require all TPAs to replace refrigerators (or combinations of refrigerators and freezers) whenever 650 kWh per year can be saved by replacement, the customer will own the new refrigerator, and the existing unit(s) will be removed for recycling and de-manufacture.

B.2	Require all TPAs to offer compact fluorescent lights (CFLs) as a measure for eligible customers. Authorize replacement of an existing bulb up to a household limit of five bulbs, when the CFL will save at least 45 watts, the light is used four or more hours per day, the CFL fits.
B.3	Require all TPAs to install attic ventilation as a stand-alone measure in areas with high cooling loads when the home has sufficient insulation but inadequate attic ventilation.
	MARKETING AND INTAKE POLICIES:
C.1	Require all TPAs to target market in 1999 so that the highest-using one-third of income-eligible residential customers receive at least 35% of program funding.
C.2	Require all TPAs to collect and maintain information on all LIEE participants and their dwellings in order to profile customers served in 1999 by usage, geographic location, ethnicity, age, and owner/renter status and dwelling type.

9. By Resolution G-3245, dated December 3, 1998, the Commission denied without prejudice SoCal Gas' Advice Letter 2731-G, requesting approval to competitively bid the weatherization portion of its 1999 low-income program. While the Commission acknowledged the continuation of its goal to move towards the disbursement of funds to provide low-income energy efficiency by a competitive procurement process, the Commission noted protestents' concerns regarding the administration of a competitive bid process at this time.

10. In its Advice Letter, PG&E claims its proposal for its CARE program is per LIGB's recommendations. PG&E asserts its proposal for its LIEE program is generally per LIGB's recommended policy changes and measures with the exception of hard-wired porch fixtures, evaporative coolers, and heating system repair and replacement. PG&E believes there are substantial health and safety issues involved in implementing those LIGB recommended measures. PG&E proposes to conduct a targeted outreach effort to the hard-to-reach low and fixed income customers who may be eligible. PG&E requests the ability to augment its budget should the administrative and program costs of switching to a self-certification program exceed the budget forecasted. PG&E claims it is unable to accurately estimate these costs. PG&E proposes to include duct sealing and register sealing boot caulk as pilot programs in 1999 after the nature and extent of the pilot are further defined. PG&E recommends that any funds not yet encumbered for pilots and needs assessment by June 1999 be reallocated to the LIEE program. PG&E alleges that furnace replacement would decrease or eliminate the necessary funding for mandatory minor home repairs and did not include that measure in its advice filing. PG&E intends to continue to use existing methods of determining feasibility until the LIGB and the CPUC define the criteria for "significant increase in energy savings, significant increase in comfort and reduction in hardship." PG&E proposes that unspent 1998 funds be made available for 1999 programs. PG&E included a budget of $150,000 for Measurement and Evaluation Studies (M&E), $1.6 million for LIEE and CARE pilots, and $800,000 for LIEE and CARE needs assessment. PG&E proposes to allocate

100% of the costs for M&E, LIEE and CARE pilots, and LIEE and CARE needs assessment to the LIEE program. PG&E did not allocate any of LIGB's 1997, 1998 or estimated 1999 expenses to its gas department.

11. SCE, in its Advice Letter, asserts it incorporated into its proposed 1999 program seven of the ten LIGB recommendations for its CARE program unconditionally, and one conditionally. SCE's proposal is consistent with LIGB's recommendation for increased outreach to increase participation with hard-to-reach customers, if the Commission authorizes the increased spending level. SCE asserts LIGB's recommendations to direct analysis, studies, research and pilots to guide LIGB decisions and, after 1999, to assure an effective complaint procedure, are not applicable to its 1999 CARE program. SCE alleges it will explore the use of pilot programs directed by third parties to identify hard-to-reach customers. SCE claims it cannot implement any of LIGB's LIEE recommendations unconditionally. SCE alleges that the LIGB only had a very short time frame to formulate positions for the LIEE program. SCE points out that neither the advisory committee nor the utilities were given the opportunity to review the recommendations prior to the LIGB's two-day meeting where the recommendations were adopted. SCE alleges that this situation hampered the development of the completely-considered, sensible set of directions for the 1999 program operation changes. SCE proposes to adopt seven of the LIEE recommendations with modifications, and asserts that three are sufficiently flawed that they should be reconsidered and re-submitted for the subsequent program year. In response to LIGB recommendations:

A.1	(*)	SCE asserts that some of the standard measures in Recommendation A.1 need additional review or modification. SCE alleges that research is needed to determine the energy-saving potential of water heater pipe wrap and outlet gaskets; porch light fixture replacement should be limited to owner-occupied units; there is insufficient time to develop an in-home energy education program; and heating system repair and replacement is not offered by SCE as 85% of its electrically-heated dwellings occupied by low-income customers are apartments. SCE recommends a needs assessment be completed before resources are allocated to create and implement the high cost heating system measure.
A.2	(*)	SCE claims A.2 will prohibit utilities from lowering costs by making bulk purchases since the number of devices needed in a program year could not be anticipated.
A.3	(*)	SCE recommends that an analysis is needed to better understand the meaning and intent of "feasible" before it can adopt LIGB's recommendation A.3.
A.4	(*)	SCE can support this recommendation.
A.5	N/A	Not applicable to SCE.
A.6	(+)	SCE will encourage the referral of customers to SoCal Gas. SCE believes it should not install gas measures in 1999.
B.1	(*)	SCE proposes to pilot a refrigerator program for 1999 that targets homeowners

		only, contrary to the recommendation that includes renters.
B.2	(*)	SCE alleges the 45 watt differential between the compact fluorescent installed and the one replaced would prohibit change-outs that provide energy savings and increase comfort by providing customers with more light.
B.3	(+)	Attic ventilation should only be attempted when absolutely necessary, as when a home is insulated. SCE points out that the LIGB Advisory Committee rejected this measure.
C.1	(+)	SCE will target market to high users but doesn't believe that an arbitrary allocation of funds is necessary.
C.2	(*)	Implementation of this recommendation would be a cost-prohibitive procedure.

(*) SCE conditionally incorporated LIGB's recommendation.
(+) SCE did not incorporate LIGB's recommendation.

SCE intends to initiate pilots for refrigerator and porch lamp replacement. SCE recommends carrying over any unspent 1998 monies after completing 1998 obligations to apply to 1999 activities. SCE states that it intends to file for shareholder incentives in the Annual Earnings Assessment Proceeding (AEAP). SCE allocated 100% of the LIGB 1999 activities to the LIEE program.

12. SDG&E claims it incorporated six of LIGB's recommendations for CARE programs in its proposal unconditionally. Three of the recommendations were incorporated conditionally. LIGB's recommendation to require self-certification for the CARE program was rejected, because SDG&E believes there is value in requiring applicants to provide income documentation before enrollment in the program. SDG&E is concerned that the adoption of LIGB's recommendations to integrate outreach and for the LIGB to direct independent analysis and activities will increase costs to the CARE program and that the funding of these recommendations would be charged as program costs. SDG&E proposes that changes to its Public Purpose Program (PPP) revenue requirement be consolidated into its Revenue Adjustment Proceeding (RAP). SDG&E proposes to assign, to its gas department, 100% of the 1997, 1998, and 1999 LIGB operating expenses allocated to the CARE program. SDG&E did not amortize its pro rata share of the estimated 1999 LIGB operating expenses. SDG&E projects an estimated $135,000 in program and transition shut-down costs for its CARE program and $150,000 for its LIEE program. SDG&E estimates include $100,000 for CARE pilots, studies and research and $285,757 for its LIEE program. SDG&E requests approval to carryover any unspent monies from its 1998 LIEE into 1999 to fund low-income administrative and/or implementation costs. SDG&E requests that LIEE shareholder incentives be reviewed as part of the AEAP and that there be no long-term program measurement and evaluation requirements. Pursuant to D.98-06-063, SDG&E proposes that incentives associated with electric low-income activities will come from headroom. SDG&E also proposes that

incentives associated with gas activities will be recovered through changes in rates. SDG&E proposes to continue its Energy Education For Low-Income Program which has been in place since 1988. SDG&E points out that the LIGB did not include a recommendation for the continuance of this program. SDG&E incorporated three of LIGB's recommendations for its LIEE program unconditionally, five of the recommended measures with conditions and did not incorporate three of the recommended measures. SDG&E is concerned with the following LIGB LIEE recommendations:

A.1	(*)	SDG&E asserts additional evaluation is needed to determine whether the installation of certain LIGB proposed measures will meet the LIGB's objectives.
A.3	(+)	The LIGB and interested parties did not have an opportunity to evaluate or discuss screening tools regarding LIGB's proposed definition of "feasibility" to use when installing measures.
A.4	(*)	SDG&E alleges that LIGB's proposed spending cap for home repairs may prevent the replacement of furnaces in homes that would otherwise qualify and that the LIGB did not present any justification for restricting repairs to 20% of the total program budget.
A.5	(*)	SDG&E proposes to establish a tracking mechanism to capture revenues and costs by department.
A.6	(+)	SDG&E did not incorporate LIGB's recommendation for self certification because SDG&E believes there is value in requiring applicants to provide income documentation before enrollment in the program.
B.1	(+)	SDG&E proposes a refrigerator program that is more permissive than LIGB's recommendation.
B.2	(*)	SDG&E proposes to continue its current policy regarding installation of fluorescent bulbs.
C.1	(*)	SDG&E asserts that the LIGB offered no basis for the allocation of funds to target high users nor did it determine how the proposed screening systems will address the Commission's equity objectives.

(*) SDG&E conditionally incorporated LIGB's recommendation.
(+) SDG&E did not incorporate LIGB's recommendation.

13. SoCal Gas, in its Advice Letter, asserts that it has incorporated all but one of LIGB's recommendations. SoCal Gas proposes to continue its up-front customer income verification program, instead of using the LIGB proposed self-certification mechanism. SoCal Gas is proposing to increase its CARE administrative expenses by $150,000 to increase outreach efforts. SoCal Gas stated that it may use the majority of that funding to undertake a competitively-bid outreach initiative program, with the remainder to be used for bill inserts and other cost effective measures. SoCal Gas proposes a level of $18 million for its LIEE program of which $900,000 is set-aside for pilot studies ($700,000 of

this is set aside for a duct sealing pilot program and the remainder for unspecified studies) and $350,000 is set aside for shareholder incentives. SoCal Gas proposes that any unexpended Program Year (PY) 1998 LIEE funds be authorized for carry-over expenditure in PY 1999. SoCal Gas' proposed budget did not include LIGB's operating expenditures for 1999. SoCal Gas requests that if the Commission establishes a mechanism for SoCal Gas to assist in funding LIGB expenses that its 1999 CARE and LIEE budgets be adjusted accordingly. SoCal Gas requests that LIEE shareholder incentives be reviewed as part of the Annual Earnings Assessment Proceeding and that there be no long-term program measurement and evaluation requirements. SoCal Gas requests flexibility in implementing LIGB recommendations A.1, A.4, A.6, B.1, and C.1. SoCal Gas requests a definition of "significant benefits" before it be required to implement Recommendation A.3. SoCal Gas has the same concerns with A.4 as SDG&E. SoCal Gas does not believe it is authorized to install electric measures as LIGB recommends in A.6. SoCal Gas does not believe it should be authorized to replace refrigerators as this weatherization measure is an electric one. SoCal Gas proposes an amendment to LIGB's Recommendation C. SoCal Gas will provide services on a "first enrolled basis," while marketing to a list of selected CARE customers, half of which will have above-average usage.

14. On November 13, 1998, LIGB submitted its Proposed Policy Rules for Independent Administration of the CARE and LIEE Programs.

NOTICE

1. Advice Letters 2106-G/1089-E, 1337-E, 1124-E/1119-G, and 2748 were served on other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A. Public notice of these filings have been made by publication in the Commission's calendar.

PROTESTS

1. On October 20, 1998, the SCTCA filed protests to SCE's Advice Letter 1337-E and SDG&E's Advice Letter 1124-E/1119-G. SCTCA believes that in order for a truly comprehensive outreach program to be effective, it must either be administered or coordinated by a tribal or intertribal organization. SCTCA asserts that it could reach its tribal members more effectively than a utility or a non-tribal organization. Additionally, SCTCA alleges that any energy education program must be administered by a tribal or intertribal organization in order to reach reservation residents most effectively. SCTCA requests a set-aside of remaining 1998 money for a tribal or intertribal organization to begin a pilot program for reservation communities in southern California.

2. On October 21, 1998, ORA filed a protest to the Advice Letters. In general ORA supports the LIGB recommendations. ORA limited its protest to areas of disagreement with LIGB recommended policy, or areas where ORA believes the need to place added emphasis.

a) ORA protests SoCal Gas and SDG&E's request for approval of up-front income verification. ORA alleges SDG&E has been using self-certification with random verification and reasoned judgment to weed out abuses and did not experience extensive abuses of the system. ORA asserts that SoCal Gas' up-front verification pilot program did not demonstrate that the program was cost effective. ORA further states that the pilot program discouraged eligible customers from applying for benefits. ORA points out that there is not a good comparison between other social programs such as general relief food stamps, supplemental security income, etc. ORA asserts those programs give hundreds of dollars in monthly assistance while the average CARE discount is only $10-15 per month. ORA recommends that customers sign a contract when signing up for CARE or LIEE programs indicating that the utility may verify the user's eligibility at some point in the future and if the verification establishes the user is unqualified, the user will be deleted from the program and billed for previous discounts received that the participant did not qualify for;

b) ORA does not believe PG&E's administrative budget will increase from switching to a self-certification program. ORA recommends that PG&E track its expenditures from the program inception to evaluate the reason for the variance between its proposed budget and the actual expenditures. ORA requests that PG&E be required to justify the need for an increase in costs and to show whether such increases are due to planning discrepancies, increased administrative costs, or increased costs due to increased program participants;

c) ORA protests SoCal Gas' request for $100,000 to conduct focused outreach to assist special needs customers. ORA suggests SoCal Gas instead trim its administrative costs and use funds from its over-budgeted administrative costs to address special needs;

d) ORA believes program transition and shut-down costs are legitimate expenses if the programs are transferred to an Independent Program Administrator (IPA) in the latter part of 1999. ORA recommends an allowance for these costs for all the utilities if the Commission does foresee this occurring;

e) ORA protests setting funds aside for pilots, studies, and research without any justification. ORA points out that the LIGB, when it directed the utilities to allocate funds for such programs, did not specify what types of pilots would be implemented, who would implement them, or what the objectives would be. ORA recommends that the LIGB identify the pilots, studies, and research to be performed, their purpose, timing and methodology, and present estimated costs before the Commission approves the set-aside amounts. ORA recommends a deadline be set for implementation of all pilots, studies, and research to begin on or before May 1, 1999. This would allow a 6 month period of time for data to be gathered, analyzed, and reported on before the next program year is designed. If implementation does not occur by May 1, 1999, the set-aside should revert immediately back to the program to be used for program costs. ORA recommends a consistent treatment for allocation between the utilities, the programs, and utility departments and/or amortization of these expenses;

f) For LIGB's recommended needs assessment, ORA recommends the utilities and LIGB justify what is being assessed, when, how, why, by whom, the modality of the outcome presentation and, and how the data will be used to further the program. ORA requests that SCE specify the percentage of its set aside that is to be used for market research and explain the purpose. Again, ORA recommends a deadline be set for implementation of the needs assessment and research to begin on or before May 1, 1999. This would allow a 6 month period of time for data to be gathered, analyzed, and reported on before the next program year is designed. If implementation does not occur by May 1, 1999, the set aside should revert immediately back to the program and be used for program costs. ORA recommends a consistent treatment for the allocation between the utilities, the programs, and utility departments and/or amortization of these expenses;

g) ORA recommends the Commission determine the appropriate amount for the LIGB 1999 budget and the appropriate consistent methodology for allocating and/or amortizing the 1999 LIGB budget. ORA suggests that the Commission pronounce the proper vehicle for adjusting the utilities' budgets, for the adoption of the LIGB budget and the proper allocation methodology, such as requiring the utilities to file an amendment to their Advice Letter by a specific date;

h) ORA recommends the Commission begin to allocate a portion of the LIGB expenses to SoCal Gas;

i) ORA pointed out that the LIGB did not have time to clarify its definition of "feasible" and define "significant benefit." ORA alleges the utilities are concerned that the LIGB may be interpreting Public Utility Code Section 2790 differently than the Commission has done in the past. ORA asserts that the utilities have for the most part proposed to continue to use their previous definition of "feasible." ORA believes the LIGB's intent is that measures are not to be installed where they provide little or no benefit. ORA states it supports the LIGB's recommendation in concept, but is not protesting the utility proposals regarding this matter because the LIGB proposed policies cannot be implemented without a better definition of what constitutes a significant benefit. ORA recommends that when the missing piece is developed, the Commission should review it for consistency with past decisions, and resolve any discrepancies in policy and formally adopt a new standard of feasibility;

j) ORA is concerned about LIGB's recommended duct sealing pilot. ORA points out that details such as the cost of the pilot and the implications for future program design, based on pilot results is missing. ORA points out that SoCal Gas included $700,000 in its budget to conduct a duct sealing pilot but also failed to discuss who will perform the pilot and, what it proposes to gain from analysis of the pilot data. PG&E proposes to include duct sealing as a pilot when LIGB further defines the nature and extent of the pilot. ORA recommends the Commission request a detailed pilot proposal on duct sealing from the LIGB, in coordination with SoCal Gas and PG&E;

k) ORA recommends that the Commission disapprove of attic ventilation as a stand-alone measure for 1999, and instead request LIGB to consider the merits of conducting a pilot along with the pilot purpose and methodology, costs, etc. ORA recommends the investigation of possible legal responsibilities resulting from implementing this measure;

l) ORA recommends providing refrigerator replacements only to homeowners and renters who own their refrigerators. ORA asserts LIGB discussed giving replacement refrigerators to rental customers to empower the customers and suggests that some apartment owners might raise rents once a new refrigerator is in the unit. ORA believes the LIEE program was established to assist customers in need of rate assistance, not to empower them. ORA suggests the Commission could consider a co-payment arrangement to encourage apartment owners to replace inefficient refrigerators;

m) ORA believes the Commission should explore LIGB's proposal, to give at least 35% of the program funding to the highest-using 1/4 of income-eligible customers before implementing it as a statewide policy. ORA suggests that there is insufficient substantiation of the need to do this, and that the Commission should be apprised of the benefits and consequences to equity and other program objectives;

n) ORA agrees in concept with LIGB's proposal that each dual-fueled utility install all feasible measures from the standard set of measures in the customer's home if that utility has program funds remaining in either its gas or electric LIEE budget. ORA is concerned that this intermingling of funds could be particularly problematic during the rate freeze if companies are permitted to shift costs from the electric side to the gas side. At a minimum, ORA recommends that the Commission adopt an appropriate mechanism for tracking how much of the gas funds are used to support electric measures and vice versa. ORA alleges such information could be used to revise budgets so that funds collected from electric ratepayers more closely approximates what is actually spent on subsidizing electric energy efficiency. ORA recommends that the Commission not implement this recommendation until after the rate freeze;

o) ORA recommends that the Commission eliminate shareholder incentives for low-income energy efficiency programs. ORA believes that utilities as interim administrators should not be regarded or penalized in an incentive fashion for administering these programs; and

p) ORA recommends the Commission require the standardization of reporting requirements among the utilities. ORA believes the utilities can work out the details amongst themselves, should the Commission implement ORA's recommendation.

3. On October 21, 1998, GILIF filed comments on and a protest to the Advice Letters. GILIF protests SDG&E's and SoCal Gas' requests to use up-front income verification for determining eligibility. GILIF points out that a goal of the LIGB is to increase CARE penetration rates. GILIF believes up-front verification is one of the major obstacles to 100% penetration among eligible customers.

4. On October 21, 1998, LIGB filed comments and a protest to the Advice Letters. LIGB requests the Commission approve the portion of the utility implementation plans that the LIGB believes were filed in accordance with LIGB's CARE recommendations 1, 2, 3, 5, 7, 8, and 10.[6] LIGB requests a ruling modifying utility plans and budgets with respect to its CARE recommendations 4, 6, and 9:

a) LIGB requests the Commission require SCE, PG&E, SDG&E, and SoCal Gas to file detailed plans that respond to LIGB recommendations regarding their PY 1999 outreach plans, including how they intend to collaborate with third parties, on or before January 31, 1999.

b) LIGB recommends the Commission require all of the utilities to implement self-certification for the enrollment process and allow an increase in the budget for CARE programs, if the enrollment process increases participation and results in higher program costs. LIGB notes SoCal Gas and SDG&E request authority to use an up-front income verification process in lieu of self-certification. LIGB requests that self-certification be accompanied by regular post-enrollment monitoring, including random sampling verification procedures and targeted verification to screen out ineligible applicants and minimize fraud. LIGB asserts that standardization now of enrollment

[6] LIGB's recommendations were submitted to the Commission via a letter dated September 8, 1998.

procedures is intended to prepare for the transition to an independent statewide administrator.

c) LIGB points out that only PG&E budgeted for the LIGB-recommended pilots and studies at a level consistent with the LIGB's draft budget. LIGB proposes that LIGB-recommended pilots and studies be under the fiscal control of the utilities, while under the direction of LIGB. LIGB requests that the other utility budgets be amended to include the pilots and studies at the LIGB recommended level.

5. LIGB recommends the Commission approve the utilities' plans to implement its LIEE Recommendations A.2 and A.6.[7] LIGB requests a ruling that will modify utility plans and budgets with respect to its LIEE recommendations. In its protest, LIGB elaborates on its original recommendations and discusses why the Commission should adopt its recommendations over utility proposals:

A.1	LIGB believes it is important to increase the uniformity of measure implementation across all utilities. LIGB alleges such standardization is the beginning of the transition to an independent administration process. LIGB requests that the Commission require the utilities to justify the standard list of measures identified in its Recommendation A1. LIGB originally recommended the utilities apply three criteria to select measures: (1) cost-effectiveness (modified participants test); (2) administrative efficiency; and (3) factors other than economic (comfort, hardship, and safety).[8] LIGB requests the utilities work with LIGB in 1999 to refine the selection criteria, and recommends the utilities continue to apply their current procedures, expanded for the additional measures. LIGB points out it does not intend for every home to automatically receive all measures on the standard list, only those which are reasonable and appropriate using the utilities' existing criteria. LIGB recommends the Commission require that SDG&E include water heater pipe wrap, faucet aerators, evaporative coolers, evaporative cooler covers, and outlet gaskets in their standard set of LIEE measures. LIGB recommends the Commission require that SCE include water heater pipe wrap, outlet gaskets, porch light fixtures (at all feasible homes regardless of ownership), and repair or replacement of electric heating systems in its standard set of LIEE measures. LIGB asks that the Commission require SCE to make all reasonable efforts to implement an in-home energy education program. LIGB recommends that the Commission require PG&E to include hard wired porch lights, evaporative coolers, and heating system replacement in their standard set of LIEE measures. LIGB claims it does not recommend installing these measures in

[7] LIGB's recommendations were submitted to the Commission via a letter dated September 8, 1998.
[8] LIGB notes this process is spelled out more fully in the LIGB's November 13, 1998

	every household, or in circumstances that would be economically or physically impractical, but only if the measure meets the utilities' installation criteria at the location.
A.3	LIGB recommends that the Commission approve the utility-requested methods for determining whether a measure will be installed at any specific home. The LIGB requests that the utilities work with the LIGB to develop and refine new selection criteria for the PY 2000.
A.4	LIGB recommends the Commission require all utilities to limit home repairs to a standard set of repair items and a maximum per-home expenditure of $750 - - except when furnace replacement is a measure, in which case the limit is $1,500 - - with a program cap of 20% of each utility's (except SoCal Gas') total program budget. LIGB claims it does not oppose SoCal Gas' request to modify its recommendation.
A.5	LIGB claims all of the utilities either support and agree to implement Recommendation A.5 or are single fueled utilities. LIGB requests the Commission to implement its Recommendation A.5 and require monitoring and evaluation procedures to track expenditures on gas and electric measures separately.
B.1	LIGB does not oppose SDG&E's modification, because it allows increased customer access to the measure. LIGB suggests that measurement and evaluation analysis be conducted to test the savings derived from this approach, as compared to the 650 kWh/year savings criteria. LIGB requests the Commission require SCE to include refrigerator replacement for rental homes as well as owner occupied homes. However, the LIGB claims it recognizes the difficulties with that approach and suggests the utilities and LIGB continue refine their approach to this issue in the upcoming months.
B.2	LIGB recommends the Commission approve the utilities' plans to implement this recommendation. LIGB claims it does not oppose SCE's and SDG&E's proposals and recommends that measurement and verification surveys be conducted to reexamine the requirements for CFL installations.
B.3	LIGB recommends the Commission require all utilities to comply with its recommendation to install attic ventilation as a stand-alone measure. SCE proposed to install this measure only when necessary, as when required in conjunction with attic insulation. LIGB asks the Commission require SCE to install attic ventilation as a stand-alone measure to facilitate uniform measure implementation throughout the state. LIGB recommends the utilities track costs, savings, callbacks, and customer complaints regarding this measure as part of their measurement and evaluation process.
C.1	LIGB asserts PG&E and SoCal Gas included this recommendation in their proposals but SCE and SDG&E did not. LIGB requests the Commission require all of the utilities to make every reasonable effort to achieve target-marketing so that the highest-using 1/4 of the eligible residential customers

	receive at least 35% of the LIEE funding. The LIGB recommends the Commission determine whether target-marketing is inconsistent with established Commission policy objectives and take appropriate action to resolve the issue.
C.2	LIGB recommends the Commission adopt the utilities plans to implement LIGB's recommendation with the modification that SCE begin to correlate customer energy use data to other customer data.

6. The LIGB recommends the Commission adjust each utilities' budget to incorporate the LIGB's approved budget for 1999 and allocate a fair share of the 1999-and-after LIGB operating costs to SoCal Gas.

7. LIGB recommends the Commission approve utility budgets with set-asides for CARE and LIEE pilots, and statewide needs assessment not to exceed 5% of the LIEE program budget plus 2% of the CARE program budget. LIGB asserts it will compile a comprehensive list of pilots and needs assessment to be conducted in 1999 and submit it on or before January 31, 1999 for Commission review and approval. The LIGB proposes that it direct and coordinate the utility pilots and needs assessment, and promises that it will assure the work product is unbiased, credible, not duplicative of other work, and that it serves a statewide interest. LIGB recommends pilots and needs assessment funds not encumbered by June 30, 1999, be returned to the program budget. LIGB points out that only PG&E's budget incorporated the LIGB's recommended levels. LIGB believes it is essential to explore program ideas through pilot programs and needs assessment during the transition year. LIGB recommends a comprehensive needs assessment be conducted in 1999 to establish information about: (a) the level and distribution of energy burdens among different segments of the low-income population; (b) the factors that determine energy burdens; (c) analysis of the most effective strategies for increasing awareness of and participation in the CARE and LIEE programs; and (d) potential public policy directions to address low-income energy needs. LIGB recommends the utilities act as fiscal agents, holding and disbursing funds under LIGB's and the Commission's direction.

8. LIGB recommends the Commission ensure the utilities use the same method to recover their share of LIGB's 1999 operating expenses. LIGB asserts the 1999 LIGB expenses are "start-up" costs and should be amortized, beginning in 2000 for CARE and 1999 for LIEE. LIGB alleges its work will predominantly be to complete the transition from the current utility administration and are one-time costs associated with developing the rules, policies and infrastructure for the permanent administrators. LIGB asserts that without amortization of its 1999 operating expenses to begin in year 2000 for the CARE program, its operating costs will come from, rather than in addition to, the direct CARE program budget. LIGB requests, at a minimum, the Commission determine that these

operating expenses shall be in addition to the actual CARE program expenditures and be an increase to the public goods surcharge.

9. LIGB recommends against approving the low-income program transition and shutdown costs proposed by some of the utilities, claiming the Commission and the legislature have already recognized that transition costs exist and have set their policies for recovery of such costs accordingly. LIGB recommends the Commission insure legitimate low-income program transition and shutdown costs are not double-recovered from ratepayers. LIGB further recommends transition and shut-down costs for gas-related programs be included in the Commission's upcoming natural gas deregulation proceeding.

10. On October 22, 1998, RESCUE filed a protest to the Advice Letters. RESCUE claims the utilities should undertake competitive bidding, on a pay-for-measure-energy-savings basis. RESCUE claims such a process will drastically improve the cost effectiveness of LIEE programs. RESCUE alleges that PG&E has not indicated whether or not its 1999 DAP program will be competitively bid, that SDG&E proposes to continue its contract with a third party administrator that has never, to RESCUE's knowledge, been subject to competitive bidding, and that SCE proposes to continue its non-competitive procurement. RESCUE noted SoCal Gas' proposal to competitively bid its 1999 LIEE program, but points out that SoCal Gas' proposal did not include a "pay-for-performance" approach. RESCUE claims the utilities constantly ratchet down the unit prices for each measure resulting in shortcuts in quality and installation of measures where they are not needed. RESCUE believes that cost-effectiveness has declined overall. RESCUE requests the Commission not allow SoCal Gas to require that qualified and experienced contractors receive training from the utility. RESCUE alleges such a practice increases administrative costs by redundant training, and only serves to subsidize SoCal Gas' training facilities. Finally, RESCUE requests the Commission ensure PG&E will not use LIEE funds for combustion appliance safety testing which was litigated as part of PG&E's 1998 LIEE filing. RESCUE reminds the Commission that it concluded that the LIEE budget should not provide those funds.

11. On October 29, 1998, SCE filed a response the protests of SCTCA, ORA, and RESCUE:

a) SCE claims SCTCA's participation in LIGB's program planning process, was limited to oneLIGB meeting late in the process. SCE recognizes the difficulty and challenge of reaching the Native American population but claims it currently contracts with an Indian organization that has provided low-income services. SCE says it welcomes the opportunity to work with SCTCA. SCE asserts SCTCA's proposal to use carryover funds to a tribal organization to begin pilot programs for reservation communities is contrary to Commission practice and does not serve public policy. SCE alleges carry-overs are first needed to attend to commitments made in the prior year's program;

b) SCE alleges ORA's protest of continued shareholder incentives goes against long-standing Commission policy to provide shareholder incentives for LIEE programs. SCE claims its earnings request is consistent with D.98-06-063 and if shareholder earnings are addressed, they would be more appropriately considered in R.98-07-037; and

c) SCE asserts the proper forum for addressing competitive bidding and a pay-for-performance program is R.98-07-037 and not the advice letter process.

12. On November 2, 1998, Sempra Energy, on behalf of SDG&E, submitted a response to the protests of RESCUE, LIGB, GILIF, SCTCA, and ORA:

a) SDG&E alleges that the LIGB disregarded the comments of utility representatives knowledgeable in providing low-income services when developing their recommendations for PY 1999. SDG&E asserts there were few attempts on the part of LIGB to work with the utilities to provide feedback on program plans and to resolve issues prior to the submittal of the Advice Letters;

b) SDG&E believes it is good public policy to require CARE applicants to provide documentation of eligibility before receiving program benefits. SDG&E requests that if the Commission adopts self-certification, it require CARE applicants to provide documentation of their eligibility after enrollment;

c) SDG&E alleges it proposed a comprehensive plan to conduct research which will help in the design of an augmentation of its CARE efforts for 1999, in response to design changes recommended by LIGB. SDG&E asserts after this research is completed, it will determine how its augmented outreach efforts will be implemented and by which entities. SDG&E claims that, during discussions with LIGB, it asked LIGB to define "under-served" and "hard-to-reach" customers, claiming it needs those definitions to design an effective and comprehensive outreach plan. SDG&E believes the LIGB has changed its deadline of January 31, 1999 for utility submittal of detailed outreach plans, because the LIGB realized it had not adequately addressed many of the questions and concerns raised by the public, thus making it difficult for utilities to be more responsive to its request;

d) SDG&E claims that in the past, it has successfully partnered with a tribal agency in providing both weatherization and education services to reservation residents of 6 different reservations. SDG&E claims it trained two reservation Native American workers as a weatherization crew to make all of the weatherization installations on the reservations. SDG&E agrees that effective outreach to reservation residents can be accomplished through tribal and intertribal organizations and has made several attempts to contact and initiate discussions about potential 1999 activities. SDG&E points out that parties have not responded to SDG&E's attempts. SDG&E points out for PY 1999, it is not competitively bidding out administration of its LIEE program because the term of continued utility administration remains unclear. SDG&E claims it will make a determination about competitive bidding when the Commission makes a determination whether utility administration will continue for an extended period of time. SDG&E asserts it would welcome any qualified party to participate in its competitive bid process at that time;

e) SDG&E states it agrees with ORA that the process for these filings could be streamlined in future years, should the Commission respond to LIGB's policy recommendations before the utilities are required to file their program plans;

f) SDG&E recommends the Commission not allocate any resources to consider the merits of RESCUE's proposal for pay-for-performance measures. SDG&E states that the claimed energy savings from such a proposal are implausible in SDG&E's mild climate service territory; that the proposal is inconsistent with the intent or objectives of the underlying mandates of the LIEE programs because it would not provide services to all eligible households but only to those few where installations are expected to be cost effective; and that such a measure would exclude roughly 85% of SDG&E's legitimate program candidates;

g) SDG&E asserts that the LIGB recommendation to include water heater pipe wrap, faucet aerators, evaporative coolers, evaporative cooler covers, and outlet gaskets in SDG&E's standard set of LIEE measures is flawed because it is unlikely these measures would provide any energy savings benefits to its low-income customers due to the mild climate in SDG&E's service area. SDG&E claims it is concerned that including these measures in its standardized list will set up unrealistic expectations for its customers if it is highly unlikely these measures will be installed. SDG&E requests that the standard list of measures be incorporated into utilities' 1999 LIEE program only when those measures will provide benefit to all customers in all service territories;

h) SDG&E believes increasing its per home spending cap to $750 is unnecessary and unwarranted. SDG&E asserts its spending cap of $500 per home is sufficient to meet the needs of housing stock in its area. SDG&E alleges its actual expenditures per home average $50 and that 97% of SDG&E's LIEE customers can be served with its current spending cap. SDG&E believes that increasing the cap will decrease the program's cost efficiency contrary to LIGB's overall goals;

i) SDG&E is opposed to utilities acting only as fiscal agents in administering the pilots and needs assessments. SDG&E believes this creates contractual liabilities for the utilities associated with contracts over which the utilities have no control. SDG&E points out this procedure would also give the appearance of attempting to circumvent the state procurement requirements and staffing issues similar to those raised by the State Personnel Board;

j) SDG&E agrees with ORA comments that funds should not be set aside for pilots, studies, and research which have not been fully defined or justified. SDG&E believes the $6 million, requested to be set aside by LIGB, is excessive and unreasonable. With LIGB's budget request of $2.7 million, this would mean $8.7 million is unavailable for the delivery of services to low-income customers. SDG&E also agrees with ORA that a deadline of May 1, 1999 be established for the implementation of all pilots, studies and research and disagrees with LIGB's recommendation that funding for these activities should merely be encumbered by June 30, 1999;

k) SDG&E points out that 1999 will start the third year of LIGB's operation, and SDG&E believes the LIGB's 1999 activities should not be deemed start-up costs. SDG&E asserts that continuing to amortize the LIGB's operating costs lessens its accountability for its budgets and spending of ratepayer funds;

l) SDG&E opposes establishing a procedure whereby an explicit dollar amount is set aside specifically for one group or entity, without due consideration being granted to other potential parties or a determination of the most effective program efforts to be pursued. SDG&E asserts SCTCA's proposal to set aside the carryover funds for a tribal or intertribal organization to begin a pilot program for reservation communities would accomplish just that. SDG&E claims it is willing to hold discussions with SCTCA to determine how SDG&E might cooperatively work with them in providing assistance to eligible Native Americans;

m) SDG&E assets its requests for program shut-down and transfer activities is consistent with the treatment of similar activities by the California Board of Energy Efficiency and approved by the Commission. SDG&E points out that PU Code 375 allows for the recovery of reasonable employee-related expenses. SDG&E claims its request here is associated with responsibly shutting down and transferring programs rather than costs associated with respect to that, reductions in workforce or shifting of a workforce. SDG&E asserts instead, it is seeking recovery for completion of outstanding weatherization installation and inspection jobs, preparing program files or transfer, preparing regulatory filings associated with the 1999 accomplishments, responding to regulatory program verification of audit requests, etc;

n) SDG&E claims its proposal did not reflect the electric portion of CARE's share of LIGB's expenses in the 1999 program funding levels, pursuant to Commission Resolution E-3515;

o) SDG&E concurs with ORA that appropriate accounting and tracking mechanisms must be in place before LIGB's recommendation to install feasible measures in a home if the utility has program funds remaining in either the gas or electric LIEE budget is adopted; and

p) SDG&E believes that there has not been any changes that would warrant the Commission's rejecting its proposal to continue to earn shareholder incentives.

13. On November 5, 1998, PG&E submitted a response to the protests from GILIF, LIGB, ORA and RESCUE:

a) PG&E noted that the LIGB requests the Commission direct PG&E to include hard-wired porch lights, evaporative coolers, and furnace replacements. PG&E believes there are significant long-term liability issues involved with installation of major appliances or rewires free of charge, where the consequences of defective equipment or installation can be serious, and where these defects may not be detectable right after installation. PG&E believes safety and liability issues should be addressed first. PG&E claims furnaces are very expensive with little opportunity for energy savings;
b) PG&E alleges LIGB does not oppose SDG&E's and SCE's proposals to determine whether or not a customer is eligible for Compact Fluorescent Lights (CFL). PG&E notes the LIGB's suggestion that measurement and verification surveys be conducted to reexamine the requirements for CFL installations. PG&E does not believe surveys are necessary, instead it believes that CFLs should be provided as a replacement to incandescents where the CFL provides the same amount or more of light, but at a lower wattage;
c) PG&E says it is questionable whether 1999 can still be considered a start-up year for LIGB. PG&E recommends LIGB expenses be collected and expensed on a current-year basis, and not put current costs onto future ratepayers;
d) PG&E points out that refrigerator replacement will not impact ORA's concerns with PG&E's Combustion Appliance Safety (CAS) testing program. Refrigerators are an electric appliance with no combustion air issue;
e) PG&E points out that eliminating shareholder incentives is a major policy recommendation, and should not be addressed in this forum;
f) PG&E notes that in Resolution E-3515, at page 10, the Commission stated: "[t]he merits of SESCO and RESCUE's proposed changes to the current utility administration of these programs will be addressed by the LIGB during the low-income energy efficiency design phase." PG&E points out that this issue has not yet been addressed by LIGB. PG&E believes that, with the tight time table of an advice letter with the present expectation that utilities will continue to be administrators for only one year, there is not time to adequately address the RESCUE pay-for-performance proposal;
g) PG&E notes that, with significant changes in the 1999 program, it has elected to put the 1999 program out to bid instead of renegotiating contract change orders to reflect the changes. PG&E points out the bid process takes several months for drafting and issuing an RFP, etc. PG&E intends to extend the 1998

contract into the first quarter of 1999, similar to the experience in each of the recent past years, to avoid program interruptions; and

h) PG&E alleges it has not included CAS testing in the LIEE balancing account and instead has requested funds for CAS testing in its 1999 Test Year General Rate Case.

14. On November 9, 1998, SCE submitted a response to the protest filed by the LIGB. First, SCE believes the LIGB assumes a role that is contrary to the Commission's policy and second, LIGB makes program-specific recommendations that SCE believes are not in the best interest of its low-income customers:

a) SCE points out the LIGB states that it expects the utilities to act as "fiscal agents" of the LIGB. SCE alleges this does not comply with the Commission's policy decision that the LIGB serve in an advisory capacity and that doing so would appear to resurrect many of the same legal issues that the Commission previously encountered with the unions;
b) SCE states it recognizes the value of LIGB's desire to increase statewide program uniformity, but SCE is concerned that it doesn't make sense to do so in a state with geography, climates, and customers needs as diverse as exist in California. SCE notes that PG&E, SDG&E and SCE identified specific items in LIGB's standard list of measurers that did not make sense to adopt as a standard measure for programs run in its specific service territory. SCE claims the excluded measures in its filing were based on a lack of viability, or on the ability to produce benefits to its customers; and
c) SCE points out that implementing LIGB's recommendations to set aside $6 million for as-yet wholly undefined and unplanned outreach programs and needs assessment activities impacts SCE's ability to meet the needs of its low-income customers. LIGB's proposal would tie up $2.4 million of ratepayer dollars for 1999. SCE proposes instead to set aside $257,000 for these purposes in its program funds that SCE believes will be more than adequate to accomplish the LIGB objectives in 1999.

15. On November 25, 1998, RESCUE supplemented its protest, claiming it received new information. RESCUE alleges that on November 2, 1998, PG&E announced its intent to implement a new round of competitive bidding for its entire 1999 LIEE program. RESCUE revises its request and asks the Commission order SDG&E and SCE to implement price-based competitive bidding for 1999 LIEE programs and indicate to LIGB the Commission's preference for the implementation of "pay-for-performance" bidding to the PY 2000. RESCUE asserts continually rolling over a contract, without competitive bidding, is contrary to the Commission's desire to let market forces improve efficiency in the provision of public purpose services. RESCUE claims that without competitive bidding, it is impossible to determine if a program is competitively priced.

While SoCal Gas asserts that there isn't a fee for its training from the contractors, RESCUE points out that there are days or even weeks of unnecessary time that the contractors can not be used to earn money. RESCUE requests the Commission delete the mandatory requirement in favor of an experience and qualifications requirement, supplemented if necessary by not more than a full day "mini-course" on unique characteristics of the SoCal Gas program.

16. On December 4, 1998, Sempra Energy, on behalf of SoCal Gas, filed a response to the supplemental protest of RESCUE. Sempra points out that in Resolution G-3245, the Commission denied SoCal Gas' request to competitively bid its 1999 program, so that for SoCal Gas the issue of pay-for-performance bidding is moot for PY 1999. SoCal Gas believes that its request to require its contractors to have LIEE training by SoCal Gas is a critical factor in the quality control and successful delivery of its LIEE services.

17. On December 4, 1998, Sempra Energy, on behalf of SDG&E, filed a response to the supplemental protest of RESCUE. Sempra points out that a pay-for-performance program, as has been proposed, would either fail to achieve the claimed energy savings or it would target SDG&E's highest using LIEE eligible customers, thus excluding roughly 85% of SDG&E's LIEE program candidates. SDG&E asserts this is contrary to the Commission's equity objectives as expressed in D.94-10-059 which are to assist low-income customers "who are unlikely or unable to participate in other residential programs."[9] SDG&E asserts its current program does not discriminate against low-income customers whose usage is less than others. SDG&E alleges RESCUE's pay-for-performance program alternatives would not either realistically achieve significant energy savings or comply with the Commission's current equity objectives for LIEE. SDG&E points out that in until the Commission and the LIGB have had an opportunity to evaluate the impacts of "pay-for-performance programs" on the Commission's equity objectives for low-income programs, this form of competitive bidding should not be adopted for LIEE programs. To competitively bid its 1999 programs, SDG&E alleges it would need between four and six months. SDG&E points out that even the most experienced bidder, would need ramp up time. SDG&E believes that even under the best of circumstances, the new contract would only be fully operational for a maximum of six months. SDG&E believes that under these circumstances, incurring the costs to rebid its LIEE program would not be prudent. SDG&E asserts there are many ways to determine if contract pricing is competitive. SDG&E points out that surveys of other utility programs, surveying local material suppliers to determine of material costs are reasonable, and post-installation inspections are all ways to evaluate pricing without having to go out to bid.

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[9] D.94-10-059 is an interim decision on Demand Side Management Shareholder Incentives, Performance Adder Incentive Mechanisms, and the Incentive Structure for the Direct Assistance Program.

DISCUSSION

1. Many parties filed lengthy protests to the Advice Letters. After taking into consideration the protests and the recent legislative climate, the Commission should authorize the continuation of 1998 programs for the first five months of 1999, including the 1998 shareholder incentive mechanism and 1998 enrollment processes, with exceptions noted below. The Commission should provide for public comment on its Proposed Resolution E-3586 addressing the remaining changes in the CARE and LIEE programs for the PY 1999, to begin June 1, 1999. Up to 5/12ths of the proposed 1999 program funds for the LIEE program and the CARE administrative expenses (including but not limited to the LIGB operating expenses) should be authorized to fund the continuation of the 1998 programs into 1999. The CARE program is based on need and is therefore uncapped.

2. In D.97-02-014, the Commission reiterated its goal to treat gas and electric utilities consistently with respect to public purpose programs in order to ensure fair and equal access to programs by customers and to promote a level playing field between electricity and gas suppliers in a competitive market.[10] ORA's proposal to allocate a portion of LIGB's operating expenses is meritorious. Beginning with the 1999 program year, SoCal Gas should contribute, along with SDG&E, PG&E and SCE, to the funding of LIGB's operating expenses in the following manner:

PG&E	30%
SCE	30%
SDG&E	15%
SoCal Gas	25%

3. Per companion Resolution E-3583, the LIGB 1999 operating expenditures are not considered a start-up cost. Therefore, the 1999 LIGB operating expenditures should not be amortized and should be included as a program cost for 1999. For PY 1999, including the continuation of the 1998 programs into 1999, the split of Board expenses between the LIEE and CARE programs should continue to be on a 30/70% basis pursuant to Resolution E-3515. The portion of these expenses allocated to the CARE program for 1999 should be an increase to the 1999 public goods charge, consistent with Public Utilities (PU) Code Section 382.

4. PG&E allocated 100% of its share of 1997, 1998 and 1999 LIGB operating expenditures for both the CARE and LIEE programs to its electric department. SDG&E allocated 100% of its share of 1997, 1998 and 1999 LIGB operating expenditures

[10] D.97-02-014, dated February 14, 1997, issued in R.94-04-031 and I.94-04-032.

allocated to its CARE program to its gas department. The LIGB develops recommendations for both gas and electric programs. For the dual-fuel utilities, it is reasonable to allocate the LIGB operating expenditures to their gas and electric departments, proportionally based on the respective gas and electric CARE and LIEE budgets.

5. The Commission believes that a 1999 needs assessment would be beneficial. As the Commission discusses in companion Resolution E-3583, the LIGB is to submit a supplemental filing on February 26, 1999, which should include, at a minimum, the specifics addressed in that resolution. Any additional funds required for needs assessment should be an increase to the 1999 CARE costs and split between dual-fueled utilities' gas and electric departments as indicated above. If the needs assessment studies are not begun by June 1, 1999, funds set aside for those studies should also be used as an increase to 1999 LIEE program funds.

6. Unspent 1998 program funds should first be used to fund weatherization projects begun in 1998, but finished in early 1999, and then should be applied as an addition to the 1999 program funds, as we have done in previous years.

7. The Commission is open to exploring outreach, measurement and evaluation, and other pilots. However, neither LIGB nor the utilities provide specificity and justification for conducting such programs in 1999.[11] Furthermore, there may not be enough time to the implement such pilot programs for 1999, at this late date. The Commission notes that in the past, SDG&E successfully partnered with a tribal agency in providing both weatherization and energy education services to reservation residents, that SDG&E continues to attempt discussions with tribal agencies regarding 1999 activities, and that SCE currently contracts with an Indian organization that has provided low-income services. We also note that SCTA did not attend LIGB meetings until after the 1999 planning process had occurred. Parties and the LIGB are encouraged to work together and propose pilots for the PY 2000, pursuant to Resolution E-3583.

8. The Commission, in D.98-06-063, approved a shareholder incentive mechanism for the LIEE programs, consistent with the shareholder incentive mechanism for the LIEE programs the Commission adopted in D.94-10-059. The utilities request the shareholder incentive mechanism adopted for 1998 be continued for the 1999 programs. The Commission has intended that these incentives be adopted on an interim basis and will further address these issues in a subsequent proceeding. For the time being, the Commission should continue the 1998 mechanism for the 1999 program.

[11] See companion resolution, Resolution E-3583, responding to LIGB's Advice Letter 1-E/1-G.

9. Despite the uncertainties surrounding when and how the Commission will effectuate its goal of moving the low-income assistance programs to independent administration, standardized reporting measures should be implemented as soon as possible. Standardized reporting will provide the Commission and parties with the ability to compare programs and assist in achieving transition of the programs. The utilities should be moving towards standardized reporting. The utilities should propose standardized reporting guidelines to the LIGB. The utilities should be prepared to use any standardized reporting requirements, authorized by the Commission, for PY 2000.

10. The Commission recognizes the ambitious milestone schedule for LIGB and the utilities for this year. The Commission notes protestants' concerns that the LIGB did not provide adequate opportunities for parties to assist in developing its work products. The Commission is disappointed that the LIGB did not seek input and suggestions to a greater degree from the utilities and other interested parties, and consider this information before submitting proposals to the Commission. In the future, the LIGB is expected to solicit comments and recommendations from the utilities and interested parties and adopt a timeline which allows for evaluation and incorporation of these responses, as appropriate. The LIGB, in the future, should provide thorough substantiation of its recommendations in its work products.

FINDINGS

1. On October 1, 1998, PG&E, SCE, SDG&E, and SoCal Gas filed Advice Letters 2106-G/1089-E, 1337-E, 1124-E/1119-G, and 2748), respectively, requesting approval for the 1999 CARE and LIEE programs.

2. Taking into consideration the protests and recent legislation, the Commission should authorize the continuation of the 1998 programs, including the 1998 shareholder incentive mechanism and 1998 enrollment procedures, with exceptions noted below, for the first five months of 1999 and solicit public comment on its Draft Resolution E-3586, addressing the remaining changes in the CARE and LIEE programs for the PY 1999, to begin June 1, 1999.

3. Shareholder incentives and the treatment of costs associated with the AEAP should be addressed in a subsequent proceeding.

4. With the continuation of 1998 programs into the first five months of 1999, it is reasonable to authorize up to 5/12ths of the proposed 1999 program funds for the LIEE program and the CARE administrative expenses (including but not limited to the LIGB operating expenses). The CARE program is based on need and is therefore uncapped.

5. SoCal Gas has not been contributing to LIGB's operating expenses. LIGB's functions benefit SoCal Gas ratepayers. Beginning with the 1999 program year, SoCal Gas should contribute, along with SDG&E, PG&E and SCE, to the funding of LIGB's operating expenses. The following is a reasonable manner to allocate these expenses:

PG&E	30%
SCE	30%
SDG&E	15%
SoCal Gas	25%;

6. Resolution E-3515 allocated LIGB's operating expenses between the LIEE and CARE programs on a 30/70% basis This allocation is appropriate to use for allocating PY 1999 programs. The portion of these expenses allocated to the Care program for 1999 shall be an increase to the 1999 public goods charge.

7. LIGB functions benefit both gas and electric programs. For the dual-fuel utilities, LIGB operating expenditures should be allocated between their gas and electric departments, proportionally based on the respective gas and electric CARE and LIEE budgets.

8. It is reasonable for any unspent 1998 program funds, after providing for measures started in 1998 and completed in early 1999, be used as an increase to 1999 LIEE program funds.

9. It is reasonable that any funds required for needs assessment in 1999, be an increase to the 1999 CARE costs and split between dual-fueled utilities' gas and electric departments as indicated in Finding of Fact #6 above. If the needs assessment studies are not begun by June 1, 1999, any funds set aside for those studies should be used as an increase to 1999 program funds.

10. It is unreasonable to attempt pilot and new measurements and evaluation programs for PY 1999. Parties and the LIGB should be encouraged to work together and propose pilot, and measurement and evaluation programs for the PY 2000, per the guidelines established in companion Resolution E-3583.

11. The Commission notes that in the past, SDG&E successfully partnered with a tribal agency in providing both weatherization and energy education services to reservation residents, that SDG&E continues to attempt discussions with tribal agencies regarding 1999 activities, and that SCE currently contracts with an Indian organization that has provided low-income services. We also note that SCTA did not attend LIGB meetings until after the 1999 planning process had occurred.

12. Standardized reporting should assist the Commission in comparing programs and assist in any future transition of the programs.

13. The Commission is disappointed in the degree to which the LIGB sought feedback and suggestions from the utilities and other interested parties, and the LIGB's apparent lack of evaluation and analysis of such feedback before making its recommendations to the Commission.

14. ORA, RESCUE, LIGB, SCTCA, and GILIF protested the Advice Letters. ORA's, RESCUE's, LIGB's, SCTCA's, and GILIF's protests should be granted to the extent set forth in this resolution. The remaining issues should be deferred to Resolution E-3586.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas And Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCal Gas) (Utilities) Advice Letters 2106-G/1089-E, 1337-E, 1124-E/1119-G, and 2748 (Advice Letters), respectively are conditionally approved with respect to the following:

   a) Utilities shall continue their 1998 California Alternative Rates for Energy (CARE) and Low-Income Energy Efficiency (LIEE) programs, including the 1998 shareholder incentive mechanism and 1998 enrollment procedures, with exceptions noted below, for the first five months of 1999;

   b) Up to 5/12ths of the proposed 1999 program funds for the LIEE program and the CARE administrative expenses (including but not limited to the Low Income Governing Board (LIGB) operating expenses) is authorized to be spent on continuation of the 1998 programs into 1999;

   c) Shareholder incentives, including any associated costs, such as those proposed by PG&E for the 1999 ORA audit costs, shall be addressed in a subsequent proceeding;

   d) Beginning with the 1999 program year, SoCal Gas shall contribute, along with SDG&E, PG&E and SCE, to the funding of LIGB's operating expenses in the following manner:

PG&E	30%
SCE	30%
SDG&E	15%
SoCal Gas	25%;

   e) For program year (PY) 1999, including the continuation of the 1998 programs into 1999, the split of LIGB expenses between the LIEE and CARE programs shall continue to be on a 30/70% basis, pursuant to Resolution E-3515. The portion of the expenses allocated to the CARE program for 1999 shall be an increase to the 1999 public goods charge;

   f) For the dual-fuel utilities, LIGB operating expenditures shall be allocated between their gas and electric departments, proportionally based on the respective gas and electric CARE and LIEE budgets;

g) Unspent 1998 program funds shall first be used to fund weatherization programs begun in 1998, but finished in early 1999, and then shall be used as an increase to 1999 program funds;

h) Any funds needed for needs assessment in 1999 shall be an increase to the 1999 CARE costs and split between dual-fueled utilities' gas and electric departments as in f) above. If the needs assessment studies are not begun by June 1, 1999, funds set aside for those studies shall be used as an increase to 1999 program funds;

i) Pilot and new measurement and evaluation programs are not authorized for PY 1999, including any pilots for reservation communities. Parties, including representatives from Native American communities, and the LIGB are encouraged to work together and propose pilot and/or measurement and evaluation programs for the PY 2000, per the guidelines established in companion Resolution E-3583; and

j) By May 1, 1999, the utilities shall present a standardized reporting guideline proposal to the LIGB for its consideration and be prepared to implement standardized reporting for PY 2000. The LIGB shall submit its recommendation on standardized reporting to the Commission on June 1, 1999 in Rulemaking 98-07-037.

2. The remaining issues will be addressed in Resolution 3586:

a) standardized measures;
b) selection criteria;
c) home repair spending caps;
d) use of gas funds by electric programs and vice versa;
e) compact fluorescent lights;
f) attic ventilation as a stand alone measure;
g) targeting the 25% of the highest energy users with 35% of the program funds;
h) enrollment procedures;
i) transition costs;
j) measurement and evaluation studies;
k) refrigerator replacement;
l) outreach plans; and
m) competitive bidding and pay-for-performance programs.

3. The Low-Income Governing Board (LIGB) shall seek comments and recommendations from utilities and interested parties on its proposed work products. The

LIGB shall adopt a timeline which allows for evaluation and incorporation of these suggestions and concerns, as appropriate.

4. The LIGB is directed to provide thorough substantiation of its recommendations to the Commission.

5. The protests are granted to the extent as set forth above. Remaining protests will be addressed in Resolution E-3586.

6. Utilities shall file new advice letters to reflect the actual 1999 LIGB budget after the revised 1999 LIGB budget, to be filed on February 26, 1999, is adopted.

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 Franklin

WESLEY M. FRANKLIN
Executive Director

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