

Application No. A.11-05-25

Exhibit No: _____

Witness: Wright, Gillian

**PREPARED REPLY TESTIMONY OF GILLIAN WRIGHT ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY'S ENERGY SAVINGS ASSISTANCE
PROGRAM AND CALIFORNIA ENERGY FOR ALTERNATE RATES PROGRAM
PLANS AND BUDGETS FOR PROGRAM YEARS 2012, 2013 AND 2014**

Before the Public Utilities Commission
of the State of California
December 9, 2011

I. INTRODUCTION

Pursuant to the September 26, 2011 Assigned Commissioner and Administrative Law Judge's Joint Scoping Memo and Ruling, Southern California Gas ("SCG") hereby submits this reply testimony to the opening testimonies of parties submitted on November 18, 2011. The organization of this testimony is as follows:

- A summary of SCG's opening testimony and the policy proposals raised, including those not addressed by intervenors;
- SCG's response to intervenor testimony regarding SCG's policy proposals;
- SCG's response to new policy proposals raised by intervenors that are outside the scope of SCG's direct testimony.

II. SUMMARY OF SCG'S OPENING TESTIMONY

The following summarizes my Opening Testimony on behalf of SCG's 2012-2014 California Alternate Rate for Energy ("CARE") and Energy Savings Assistance ("ESA") program plans and budgets submitted on May 16, 2011, which focused primarily on recommendations to revise certain Commission-adopted policies and processes beginning in 2012. SCG has noted the proposals where intervenor responses will be addressed in the next section.

- SCG proposed modifications to the categorical eligibility enrollment process by requesting the Commission revisit in workshops under which public assistance programs customers may categorically enroll in the CARE and ESA programs, to ensure the income eligibility guidelines are sufficiently similar between the categorical programs and the CARE and ESA programs.

- In addition, SCG requested authorization to 1) decline applications for CARE and where customers who voluntarily provide income information along with categorical enrollment information and whose total household incomes exceed the criteria for CARE; and 2) require categorically enrolled customers to provide income documentation in addition to providing proof of participation in one of the categorical programs when and if they are randomly selected for post-enrollment verification for the CARE program, and to remove the customer from the CARE program if their income does not qualify for CARE. SCG proposes to make minor modifications to the Commission’s adopted methodology for calculating the projected number of homes to be treated by the ESA program through 2020¹ by revising the calculation for projecting the “unwillingness” and “ineligible” estimates based on 2009-2010 program activity and by revising the calculation for estimating the number of homes to be treated by the Low Income Home Energy Assistance Program (LIHEAP) through 2020.
- SCG requested authority to recover \$3 million of overhead costs associated with proposed Customer Assistance Representative positions to be created using SCG meter readers displaced by the installation of advanced meters.
- SCG also requested that the date the Annual CARE and ESA program Income Eligibility Updates be changed from May 1st to April 1st of each year beginning in 2012.
- SCG also proposed an Advice Letter process for requesting mid-cycle program modifications to allow utilities flexibility to modify their programs more expeditiously than the current process requiring a Petition for Modification or Motion.

¹ See D. 08-11-031 at pp. 108-144.

- SCG also requested that the due date for the 2015-2017 CARE and ESA program Plans and Budgets be changed from May to July 2014 and that the Guidance Document for the 2015-2017 be issued by the Commission no later than December 31, 2013.
- SCG, along with the other Investor-Owned Utilities, proposed that the Joint Utility Quarterly Meetings be replaced by an annual Low Income Program public forum.

III. REPLY TO PARTIES' OPENING TESTIMONY

SCG provides the following in response to the opening testimony submitted by the parties to this proceeding on November 18, 2011 specific to SCG's proposed revisions to Commission-adopted policies and processes.

A. Categorical Enrollment

Although most parties support the utilities' request for Commission workshops to revisit the public assistance programs under which a customer can qualify for CARE and the Energy Savings Assistance Program, some parties ask the Commission to reject the utilities' proposals to eliminate categorical eligibility.² SCG would like to clarify that it did not propose a wholesale elimination of categorical enrollment in advance of Commission workshops as asserted in the Opening Testimonies of the Division of Ratepayer Advocates ("DRA") and The Greenlining Institute ("Greenlining").³ Several parties⁴ also indicate that the utilities have not provided sufficient data to demonstrate the extent to which some categorically enrolled customers have total household incomes that exceed the CARE eligibility guidelines. SCG is only seeking authority to decline categorically enrolled customers whose income does exceed eligibility

² Prepared Direct Testimony of K. Camille Watts-Zagha on Behalf of the Division of Ratepayer Advocates at p. 1-1,, Testimony of Dmitri Belser on Behalf of the Center for Accessible Technology at p. 7, and Testimony of Eduardo Gallardo on Behalf of The Greenlining Institute at p.6

³ See the Prepared Testimony of K. Camille Watts-Zagha on behalf of the Division of Ratepayer Advocates at p. 1-1 and the Prepared Testimony of Eduardo Gallardo submitted on behalf of the Greenlining Institute at p. 6.

⁴ Prepared Testimony of Dmitri Belser on Behalf of the Center for Accessible Technology at p.8, Prepared Testimony of Hayley Goodson on Behalf of The Utility Reform Network, The Greenlining Institute, and the Center for Accessible Technology at p.6.

guidelines, either demonstrated through voluntarily reported income on the application, or through information supplied in post-enrollment verification. SCG believes the number of customers in participating in categorical programs whose incomes exceed the total household income limit for the CARE program is small but significant. However, if the opposing parties are correct that the number is small, then SCG would rarely have the opportunity to use this authority.

DRA challenges a statement made in SCG's Opening Testimony that it "did not believe the Commission intended for utility ratepayers to subsidize those households with incomes that exceed the CARE income eligibility guidelines "when the Commission explicitly sought to expand the eligible pool when it mandated automatic enrollment in 2002."⁵ However, DRA fails to recognize since the implementation of CARE automatic enrollment in 2002 and categorical eligibility in 2007, Senate Bill 685 was enacted which revised §739.1 (b) (1) of the Public Utilities Code that required the Commission to establish that the CARE program provide assistance to low-income electric and gas customers with annual household incomes **that are no greater than 200% of the federal poverty guideline levels.** (Emphasis Added).

Continuing to allow public assistance programs participants with incomes that exceed the CARE income guidelines is now contrary to this legislation. It also creates an inequity because customers who do not participate in one of the categorical enrollment qualifying public assistance programs but who have equivalent total household incomes are not permitted to enroll in CARE or the ESA program because they have incomes that exceed the programs' income guidelines.

SCG agrees with parties that continued focus on solutions to provide greater assistance to customers is necessary, balanced by the need to ensure those solutions do not place an undue

⁵ Testimony of K. Camille Watts-Zagha at p. 1-7.

cost burden on other customers who are struggling in the current economic climate. The Commission must strike a balance between assisting low income customers in need and not overly burdening other ratepayers with the costs of doing so.

B. ESA Program Eligibility Guidelines

The Commission, in Decision (“D.”) 05-10-044, established income eligibility guidelines to determine whether a household is eligible to participate in the ESA program and directed utilities to make the income eligibility requirements for the ESA program consistent with CARE.⁶ The Commission’s income eligibility guidelines require that when determining income eligibility, the ESA program must assesses the total household income. For purposes of the program income eligibility, income is defined as: “all revenues, from all household members, from whatever source derived, whether taxable or non-taxable, including, but not limited to: wages, salaries, interest, dividends, spousal support and child support, grants, gifts, allowances, stipends, public assistance payments, social security and pensions, rental income, income from self-employment and cash payments from other sources, and all employment-related, non-cash income.” GO 153 Section 2.1.52. (effective May 3, 2007). In D.99-07-016, the Commission determined that household income includes “income derived from such assets, such as interest and dividend, and income derived from the gain from their sale.” D.99-07-016, at Ordering Paragraph (“OP”) 3. In the same decision, the Commission determined that household income excludes “liquid assets,” “borrowed monies, or [] monies transferred from one checking, savings, or similar account to another account.” In its definition of income, the Commission also includes

⁶ D. 05-01-044 at p.13. Prior to 2005, the Commission, in Resolution E-3254, dated January 21, 1992, determined that it was reasonable to conform the Low Income Weatherization Program (the former name of the Energy Savings Assistance Program) to the ULTS/LIRA Standards and permitted the utilities to revise their LIW program levels accordingly. (Finding 5 and Ordering Paragraph 3.)

income sources such as public assistance payments, military family allotments, grants, and allowances.

However, in its testimony, National Consumer Law Center (“NCLC”), National Housing Law Project (“NHLP”) and California Housing Partnership Corporation (“CHPC”) recommend that “housing subsidies” be removed as a source of income in the Energy Savings Assistance Program income eligibility guidelines and that the list of income eligible buildings developed by the U.S. Department of Housing (“HUD”) for use in its weatherization assistance program (“WAP”) be used as a means to expedite enrollment in the Energy Savings Assistance Program⁷ which would “require conformity of the the Energy Savings Assistance Program definition of income to that agreed to by the U.S. Department of Energy (“DOE”) and HUD”.⁸ SCG may consider supporting a resource that would assist in identifying income-qualified customers for participation in the ESA Program. However, in order for such a resource to be useful, it must to align with current income eligibility guidelines for the ESA Program as established by the Commission.

C. Reply to Comments Objecting to the Proposed Minor Revisions to the Commission-Adopted Methodology For Calculating the Estimated Eligible Population of the ESA Program

1. SCG’s Proposed Revisions to the “Unwillingness Factor”

Several parties⁹ object to the utilities’ proposed revisions to the Commission-adopted Methodology for Calculating the Eligible Population for the ESA program¹⁰ specifically the proposed revisions to the “unwilling” and “ineligible” estimates and the estimates used to project low income households treated under the LIHEAP program. SCG specifically requested to revise

⁷ NCLC/NHLP/CHPC Testimony, at p. MS-9.

⁸ *Id.*

⁹ Testimony of C. Watts-Zagha on Behalf of DRA at p. 2-9; The Testimony of Alan Rago on Behalf of the Energy Efficiency Council at p. 7; Prepared Testimony of Enrique Gallardo on Behalf of the Greenlining Institute at pp.1-5.

¹⁰ See Prepared Direct Testimony of Gillian Wright on behalf of Southern California Gas at p. GAW-11.

the estimate for the number of customers “unwilling” to participate in the program and to also include the number of customers who are “ineligible” for the program based on information tracked during 2009-2010. SCG requested that a new “unwilling and ineligible” factor of 19% be used instead of the 5% unwillingness factor adopted by the Commission in D. 08-11-031.¹¹ The Commission permitted utilities to propose a revised “unwillingness” factor in their 2012-2014 Applications if they had more precise information on which to base the “unwillingness” calculation.¹²

None of the parties objecting to SCG’s proposed revision offers any factual basis for rejecting its proposal. Rather, their objections are based on statements such as “its too aggressive” and “that the estimates may be more dependent on the practices used by utilities and its service contractors.”¹³

SCG’s proposed revision to the unwillingness factor is based on factual information tracked during 2009-2010 and was based on better information than what was available during the Applications for the 2009-2010 program cycle. Therefore, SCG recommends that the Commission adopt its revisions to the unwilling and ineligible factor. However, as described in the testimony of Mark Aguirre, SCG is willing to consider an accelerated rate of work, taking into account the capacity that contractors have built during the 2009 – 2011 program cycle. SCG believes that its existing contractor base could maintain a level of 129,106 homes per year for 2012 – 2014, and would support this level of activity if the allocated budget is sufficient. The necessary budget is presented by witness Mark Aguirre.

¹¹ Ibid.

¹² D. 08-11-031 at p. 17.

¹³ Testimony of Alan Rago on Behalf of the Energy Efficiency Council at p.7, Testimony of Eduardo Gallego on Behalf of The Greenlining Institute at p. 3.

2. Proposed Revisions for Estimating the Number of Homes Served by LIHEAP

DRA objects to the utilities' proposed modification to the Commission's adopted methodology for determining the ESA program's eligible population which proposes to deduct the number of homes to be treated by LIHEAP from 2011-2020 to project the number of homes to be treated through the ESA program in order to meet the Commission's programmatic initiative.¹⁴ SCG's projection for the number of homes to be treated by LIHEAP from 2011-2020 is conservative because it is based on the actual number of homes treated by the program between 2002-2007 and estimates for the number of homes treated during 2009-2010 provided to the IOUs by the California Department of Community Services and Development. The estimates do not take into account increased LIHEAP activity resulting during the period of expanded LIHEAP funding due to the American Recovery and Reinvestment Act of 2009. Therefore, SCG's believes its request to modify the Commission's adopted methodology for determining the number of homes to be treated by the ESA program by deducting the estimated number of homes to be treated through LIHEAP for 2011-2020 is reasonable and should be adopted by the Commission.

D. DRA's Proposal to Require Utilities to Re-Run ESA Program Models with New Parameters, For A Few Different Scenarios, Is Unreasonable and Costly and Should Be Rejected.

SCG opposes DRA's suggestion to rerun the cost effectiveness analyses for the PY2012 to 2014 program application using different energy savings estimates, installation quantities, escalation rates, or other parameters.¹⁵ SCG believes that chasing an extra point or two above the arbitrarily set 0.25 benchmark is a costly exercise and that more fundamental issues surrounding the cost effectiveness methodology should be assessed and resolved before redoing

¹⁴ Testimony of K. Camille Watts-Zagha on Behalf of the Division of Ratepayer Advocates at p.2-10.

¹⁵ Testimony of K. Camille Watts-Zagha on Behalf of the Division of Ratepayer Advocates at p. 2-57.

these analyses. Rather, SCG supports a forward thinking review of the cost effectiveness analysis to inform the next program cycle.

E. The Commission Should Explicitly Authorize Joint Contracting On Statewide Program Activities To Further the Goals of the Low Income Programs.

Parties such as OPower, TELACU/ACCES/ Maravilla, NCLC/NHLP/CHPC, and Niagara Conservation Products have requested in Testimony that the Commission direct utilities to implement their proposals for conducting Statewide Pilot Programs. SCG believes that further Commission direction is needed to address any legal issues regarding joint-utility cooperation posed by the antitrust laws that could impede the utilities' ability to comply with these directives unless the Commission specifically grants the utilities immunity for such cooperation. Specifically, agreements between competitors such as the utilities concerning core element of the competitive process, including agreements on price and output, could be viewed as unlawful under the antitrust laws under certain circumstances, thus subjecting the ratepayers and shareholders to the significant costs of defending an antitrust lawsuit and the potential of treble damages if the lawsuit is successful.

SCG, therefore, has concerns regarding coordinating utilities' activities or otherwise work cooperatively in order to contract with third parties, absent direct and explicit Commission authorization to do so, as well as continued supervision by the Commission over such activities. SCG asks the Commission to address this issue in this Application and make certain explicit findings as follows:

A State Action Doctrine defense to an antitrust action exists where: (a) the challenged conduct is a result of directions clearly articulated and affirmatively expressed as state policy;

and (b) there is continued active supervision of the utilities' activities in this regard.¹⁶ Here, SCG understands and asks the Commission to explicitly state, that implementation of required statewide low income program activities as called for in the Commission's final decision regarding the utilities' 2012-2014 low income program activities represent a state policy goal and that the Commission intends the utilities to work collaboratively to achieve this goal. In particular, SCG asks the Commission for a finding that explicitly authorizes the utilities to engage in certain specific activities which they feel will be necessary to collaboratively implement the low income statewide activities as ordered by the Commission. These activities may include:

1. Joint and cooperative consultations between and among the utilities and low income program contractors or consultants to assist with the determination of contract requirements of their jointly administered and jointly funded low income programs.
2. Joint cooperative process among the utilities for the sourcing and negotiation (including program requirements, performance, price, quantity, and specifications) of joint contracts for low income programs to be managed and run by one lead utility, subject to approval and review by the other utilities.
3. Joint submission to the Commission for its approval of proposed low income contracts pertaining to the implementation of statewide programs; and

¹⁶ The state-action doctrine is an exemption to federal antitrust laws for actions taken by a state while operating in its sovereign capacity, or where the actions of private individuals are authorized, overseen or compelled by the state. The basic parameters of state-action immunity have been developed through a series of Supreme Court decisions which have relied upon principles of federalism and state sovereignty. *See e.g., City of Columbia v. Omni Outdoor Advertising, Inc.*, 499 U.S. 365 (1991); *Southern Motor Carriers Rate Conference, Inc. v. United States*, 471 U.S. 48 (1985); *Town of Hallie v. City of Eau Claire*, 471 U.S. 34 (1985); *Hoover v. Ronwin*, 466 U.S. 558 (1984).

4. Other joint and collaborative low income program activities as the utilities may determine is necessary for the implementation of statewide programs, subject to the Commission's oversight.

Finally, SCG believes the Commission intends to actively supervise and is supervising the Joint IOUs in this regard and asks the Commission for an explicit finding to that effect. It is important for the Commission to make these explicit findings to mitigate the risk of potential allegations of antitrust violations resulting from its adherence to Commission-ordered collaboration, and ultimately, to further the effective implementation of the statewide low income programs and activities.

IV. PILOTS PROPOSED

TELACU/ACCES/Maravilla's propose for an integrated multifamily pilot program TELACU's proposed pilot structure for multifamily dwellings appropriately integrates existing program offerings, and SCG supports this approach. Because the pilot would integrate multiple utilities and multiple programs, including local government entities that support various aspects of Energy Upgrade California for instance, details of the number of dwellings and roles and responsibilities should also consider the recommendations of these affected parties, if the Commission supports moving forward with this pilot.

OPower presents a promising approach to generating behavioral savings and promoting program participation for low income customers. SCG recommends that the pending pilots with PG&E and SDG&E be completed and assessed before launching an additional pilot for SCG, so that lessons learned can be incorporated for the more challenging arena of achieving discernible gas savings.¹⁷

¹⁷ Gas savings are more challenging because gas is generally much less costly than electricity, and reductions in use tend to be smaller.

V. CONCLUSION

For the reasons cited in this Reply Testimony, SCG requests that the Commission:

- a. Adopt SCG's request for the Commission to revisit the public assistance programs under which a customer can categorically qualify for CARE and the ESA program to ensure they align with the Commission-adopted and legislative income eligibility requirements and income definitions.
- b. Find SCG's proposed revisions to its categorical enrollment processes for CARE and the ESA program to be reasonable.
- c. Adopt SCG's proposed revisions to the Commission's methodology for estimating the ESA program's estimated eligible population for estimating the "unwilling and ineligible" population, and for estimating the number of low income households projected to be treated by LIHEAP from 2011-2020.
- d. Reject the NCLC's, NHLP's, and CHPC's recommendation to conform with the eligibility guidelines developed for the U.S. Department of Energy's WAP and HUD programs because they do not align with the Commission's eligibility guidelines and definition of income adopted for CARE and the ESA program.
- e. Reject DRA's proposal to require utilities to re-run ESAP cost effectiveness models and instead adopt the utility recommendation issues surrounding the cost-effectiveness model be should be assessed and resolved for incorporation for the 2015-2017 program cycle.
- f. Include findings in its final decision in this proceeding that explicitly authorizes the utilities to engage in certain specific activities which they feel

will be necessary to collaboratively implement the low income statewide activities as ordered by the Commission as outlined above.

- g. Adopted uncontested CARE and ESA program revisions proposed by SCG in its 2012-2014 Application, and summarized above, as proposed.

h. **STATEMENT OF QUALIFICATIONS**
 GILLIAN WRIGHT

My name is Gillian A. Wright. I am the Director of Customer Programs and Assistance for Southern California Gas Company (“SCG”). My business address is 555 West 5th Street, Los Angeles, California, 90113. My principal responsibilities include directing all activities involved with SCG’s general energy efficiency, low income, and other programs that serve special needs customers. Prior to this assignment, I have had director positions supporting SCG and SCG in commercial and industrial services, energy markets and capacity products and regulatory affairs. I joined Sempra Energy, the parent company of SCG and SCG, as a Regulatory Policy and Analysis Analyst in 1999. I held positions of increasing responsibility in Regulatory Affairs until my promotion to Director in 2003. Prior to joining the Sempra companies, I held positions of increasing responsibility as a consultant on energy industry economics. I received a Master of Public Policy degree from the John F. Kennedy School of Government at Harvard University in 1998, and a Bachelor of Arts degree in Economics from Reed College in 1992. I have previously testified before the California Public Utilities Commission.