

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Approval of the 2009-11 Low Income Energy Efficiency and California Alternate Rates for Energy Programs and Budget (U39M)	Application 08-05-22 (Filed May 15, 2008)
And Related Matters.	Application 08-05-024 Application 08-05-025 Application 08-05-026

**RESPONSE OF THE BLACK ECONOMIC COUNCIL, LATINO BUSINESS CHAMBER OF
GREATER LOS ANGELES AND NATIONAL ASIAN AMERICAN COALITION TO
SOUTHERN CALIFORNIA GAS COMPANY'S RESPONSE DATED DECEMBER 1**

The Black Economic Council, the Latino Business Chamber Of Greater Los Angeles and the National Asian American Coalition filed on November 29th, their full support for TELACU et al.'s request to deny So Cal Gas' efforts to temporarily suspend its ESAP program for four weeks due to lack of program funding.

For the information of the PUC and ALJ Kim, we are not a party to this action yet, but are a party and are very actively involved in low income issues in the major ongoing proceeding (A.1105017 et al). Secondly, Faith Bautista, the CEO and President of the National Asian American Coalition, is a long-time member of the Low Income Oversight Board. And, Len Canty, the chair of the Black Economic Council, has been nominated to fill one of the vacancies on the LIOB board. Further, Jorge Corralejo, chair of the Latino Business Chamber Of Greater Los Angeles, has been contacted by an affected contractor member of the Latino Business Chamber Of Greater Los Angeles regarding their concerns relating to the cutoff of funds as it affects small, minority sub-contractors and contractors and their employees as well as ratepayers during the holiday season.

The three parties also questioned COO Anne Smith at the Sempra rate proceedings on December 1st relating to this matter, but did not have sufficient information at the time to do effective follow-up.

We hope that COO Anne Smith will represent So Cal Gas at the December 6th hearing (See Transcript, TR1077-1078, Sempra rate proceeding before ALJ Wong, A.10-12-005, A.11-05-006)

So Cal Gas Attorney Kim Hassan has signed a well written and , on its face, partially convincing response. On its face, it appears that So Cal Gas is not responsible for the problem and should not be subject to sanctions. However, there are deeper questions implicit within the response that could lead to future actions that a) might prevent this from ever happening again and b) could ensure that during a great recession maximum assistance is provided to those eligible for the ESAP program.

For example, given the growing impact of the recession in California, it is difficult to understand why So Cal Gas should have not been prepared for what it claims is a “Black Swan” event. A “Black Swan” event, as stated by COOs of So Cal Gas and SDG&E on December 1st, is “a very, very, very low-probability, high -impact event that occurs very infrequently.”¹ However, the effects of the Great Recession include the growing number of long -term unemployed and declining wages; the increasing number of families threatened with foreclosure ; massive cutbacks in state and local government vital services; and current and future cutbacks in vital federal services.²

The Joint Parties contend that this was not a Black Swan event. It was predictable, although not a certain event. That is, the number of poor and near poor is increasing (New York Times, 11/23/11, “The Poor, the Near Poor and You”) . Further, cutbacks in local and federal services in California have been severe and are likely to be more severe as the Department of Finance submits its final report on December

¹ A.10-12-005, TR1104-1105

² New York Times, November 23, 2011, “The Poor, the New Poor and You”; New York Times, October 7, 2011, “More Bleak Job Numbers”; New York Times, October 9, 2011, “Recession Officially Over, U.S. Incomes Kept Falling”; San Francisco Chronicle, October 7, 2011, “Effects of long-term unemployment will linger”; Wall Street Journal, October 14,2011, “Bleak News For Americans’ Income”; New York Times, September 30, 2011, “A Rising Fear of an Extended Downturn”; Wall Street Journal, October 5, 2011, “Housing’s Job Engine Falters”; New York Times, November 25, 2011, “For Business, Golden Days; For Workers, The Dross.”

15th stating that the state will be unable to meet its revenue predictions and will therefore have to make a additional vital service cuts in the amount of two billion dollars.³

So Cal Gas' second reason for the four week suspension is not a reason its executives or managers would accept for themselves. Specifically, So Cal Gas states that it "did not believe that the four week suspension would result in customer eligible for measures not receiving program measures." We are unaware that any managers at So Cal Gas would accept , during the holiday season , a four to six week suspension of their compensation. Therefore, it is disingenuous for So Cal Gas to claim that its poor customers would readily accept a suspension in ESAP.

Further, Faith Bautista, CEO and President of the NAAC, a member of the LIOB board and a former member of the Sempra Consumer Advisory Council, informed the LIOB, in the presence of So Cal Gas and SDG&E officials, that the ESAP budget should be tripled. She stated that this was based on a recommendation of the community , given the Great Recession and the need for greater energy conservation.

Forward Looking Steps

Although we do not favor any sanctions at this time, we do favor requiring So Cal Gas to set forth a plan to triple its ESAP funding by April 1st and to make it retroactive to January 1, 2012. This will enable the vast majority of those eligible for ESAP programs to be fully assisted , including the large number not accounted since So Cal Gas have used the old Census Bureau definition of poor and near poor. It will also enable So Cal Gas to maximize energy conservation for all families within their region by the end of 2015 (the general rate case, which is pending, includes funding through to 2015).

The Joint Parties are not suggesting, given the present status of the So Cal Gas general rate case (evidentiary hearings are scheduled to end December 23rd), that this matter be part of the general rate case

³ New York Times, November 17th, 2011, "Sharp Decline in Revenue Is Forecasted For California." Also see San Francisco Chronicle, November 17th, 2011, "Budget Outlook Growing Weaker: 3.7 Billion State Shortfall Means Severe Cuts Likely."

at this time. So Cal Gas should, however, include revisions in its report that would allow it to be part of the pending rate case should there be a concurrence by all the major parties in the Sempra GRC and the approval of the ALJ Wong and assigned Commissioner Ferron, if possible. Primary other parties are DRA, TURN, UCAN and the Joint Parties.

We are pleased that So Cal Gas is amending its contracting practices with contractors.⁴ But, we fear that So Cal Gas' approach could be draconian, specifically if there are cutbacks in payments to contractors, a disproportionate percentage of whom are small minority contractors. Such cutbacks would be the equivalent to pledging a full commitment to Medicare and Medicaid while substantially reducing payments to doctors and health professionals. The result would be that the most qualified contractors would no longer be in business. Thereby, in the long term, this could raise rates in terms of both direct costs and the indirect costs of failure to secure energy efficiency as quickly as possible. This is why we recommend Anne Smith as COO and/or Mike Allman as CEO directly participate at the hearing on December 6th.

The Joint Parties therefore urge that the parties who have filed in this matter attend a meeting held by So Cal Gas with the forty plus contractors they are using to ensure fair payment procedures in the future.

The Joint Parties also favor the appointment of a different internal audit company in light of the record in the Sempra general rate case regarding So Cal Gas' continued use of Deloitte & Touche as its auditor despite Public company Accounting Oversight Board criticisms of dishonest, incompetent and potentially fraudulent practices.

⁴ The Latino Business Chamber of Greater Los Angeles, for example, is not clear that So Cal Gas, as it states, "worked diligently with contractors to try to avoid disruption in the program by gradually slowing the rate of spending." See So Cal Gas' third explanation under section B, Impact of ESA Program Suspension on Contractors and Customers.

Respectfully submitted,

December 2, 2011

/s/ Len Canty

Len Canty, Chairman
Black Economic Council

/s/ Faith Bautista

Faith Bautista, President and CEO
National Asian American Coalition

/s/ Jorge Corralejo

Jorge Corralejo, Chairman
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/s/Robert Gnaizda

Robert Gnaizda, Of Counsel

/s/ Shalini Swaroop

Shalini Swaroop, Senior Staff Attorney