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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3515
DECEMBER 16, 1997**

RESOLUTION

RESOLUTION E-3515. SOUTHERN CALIFORNIA EDISON COMPANY (EDISON), PACIFIC GAS AND ELECTRIC COMPANY (PG&E), SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E), AND SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) SEEK COMMISSION APPROVAL OF THEIR 1998 LOW INCOME PROGRAM PLANS, SUBMITTED PURSUANT TO DECISION 97-09-117. APPROVED AS MODIFIED.

BY ADVICE LETTERS 1250-E, 2039-G/1696-E, 1047-E/1068-G, AND 2631 RESPECTIVELY FILED ON OCTOBER 1, 1997

SUMMARY

1. By Advice Letters 1250-E, 2039-G/1696-E, 1047-E/1068-G, and 2631, filed on October 1, 1997, Edison, PG&E, SDG&E, and SoCal, respectively, seek Commission approval of their proposed 1998 low-income energy efficiency programs, pursuant to Decision (D.) 97-09-117.¹

2. The Office of Ratepayer Advocates (ORA), the Low Income Governing Board (LIGB), The Utility Reform Network (TURN), the Geenlining Institute and the Latino Issues Forum (LIF) protested the advice letters of Edison, PG&E, and SDG&E which seek to use a portion the 1998 low-income energy efficiency funds to pay for the 1997 and 1998 LIGB start-up costs. Many of these protestants and SDG&E propose to increase the 1998 public goods charge (PGC) to fund the LIGB start-up costs.

3. The Residential Service Companies' United Effort (RESCUE), and SESCO, Inc. protested all four of the advice letters alleging the utilities are spending money allocated to reduce the energy use and energy bills of low-income customers without securing significant energy savings and the utilities have included funding for low-income energy efficiency program shareholder incentives be paid out of 1998 PGC. RESCUE and SESCO propose that the Commission order the utilities to undertake competitive bidding, on a pay-for-measured energy savings basis, and to remove shareholder incentives from the amounts to be paid with PGC funding.

¹ D.97-09-117 is dated September 24, 1997, in Rulemaking (R) 94-04-031 and Investigation (I) 94-04-032.

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4. The Insulation Contractors' Association (ICA), Winegard Energy, Inc. (Winegard), RESCUE, SESCO, TURN, and ORA protested SoCal's Advice Letter 2631 on the grounds SoCal should fund its 1998 low-income energy efficiency programs at the 1996 level of \$18 million, pursuant to our Interim Opinion On Nonbypassable Gas Surcharge,² instead of the \$11.6 million that was adopted in our decision on SoCal's Performance-Based Regulatory Mechanism (PBR).³
5. ICA and Energy Alternatives each filed a protest to PG&E's Advice Letter 2039-G/1696-E. ICA is concerned about how PG&E's program will be implemented and PG&E's proposed carbon monoxide testing program. ICA proposes that carbon monoxide alarms be installed in lieu of PG&E's proposed testing program and the current programs be rolled over to complete 1/2 of the required work over the first half of the year and the remainder of the work for the second half of the year be put out for bid. Energy Alternatives has a pending complaint filed against PG&E and opposes any approval of a roll-over of current PG&E contracts which might be implied by the Commission's approval of PG&E's Advice Letter.
6. This Resolution approves with modifications Edison Advice Letter 1250-E, PG&E Advice Letter 2039-G/1696-E, SDG&E Advice Letter 1047-E/1068-G, and SoCal Advice Letter 2631, filed on October 1, 1997.

BACKGROUND

1. Public Utilities Code Section 382⁴ states:

Programs provided to low-income electricity customers, including, but not limited to, targeted energy-efficiency services and the California Alternative Rates for Energy Program (CARE) shall be funded at not less than 1996 authorized levels based on an assessment of customer need. The Commission shall allocate funds necessary to meet the low-income objectives of this section.

2. In D.97-02-026, we adopt the recommendations of PG&E and the National Resources Defense Council (NRDC) that funding for gas public purpose programs should be established at 1996 authorized levels in order to be consistent with the treatment of electric utilities.⁵ We reiterated our stated policy that gas and electric utilities should be

² D.97-06-108, dated June 25, 1997, issued in R.94-04-031 and I.94-04-032.

³ D.97-07-054, dated July 16, 1997, issued in R.87-11-012 and Application 95-06-002.

⁴ Section references are to Public Utilities Code, except as noted.

⁵ D.97-02-026, dated June 25, 1997, issued in R.94-04-031 and I.94-04-032, p. 2.

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treated 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. We also found that SoCal's position that we should significantly reduce authorized funding levels to be consistent with its performance-based ratemaking proposal does not comport with the Commission's policy of treating gas and electric utilities consistently with respect to the provision of public purpose programs.⁶

3. On June 5, 1997, utility filings pursuant to D.97-02-014, indicated the total low-income energy efficiency program proposed funding levels would be \$54,078.5 thousand, and the proposed CARE funding levels would be \$125,394.0 thousand.
4. The LIGB's current authorized funding levels for operating expenses are \$.839 million for 1997 and \$1.589 million for 1998, for a total of approximately \$2.5 million.
5. Our decision on SoCal's PBR excludes mandated social programs such as CARE and the low-income Direct Assistance Program (DAP) from the PBR because they are created by legislative or administrative mandate, and they are not within SoCal's control.⁷ The same decision, however, adopts SoCal's proposed funding reduction in DAP for 1998.⁸
6. In our Unbundling Decision, D.97-08-056, we establish the PGC level for 1998.⁹
7. The Commission is currently considering utility demand-side management programs applications. Pending in that proceeding, among other issues, is the treatment of shareholder incentives related to the implementation of those programs.

NOTICE

1. Edison Advice Letter 1250-E, PG&E Advice Letter 2039-G/1696-E, SDG&E Advice Letter 1047-E/1068-G, and SoCal Advice Letter 2631, filed on October 1, 1997, 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 this filing has been made by publication in the Commission's calendar.

⁶ D.97-02-026, mimeo, Findings of Fact 4 and 5, p. 8.

⁷ D.97-07-054, mimeo, p. 44.

⁸ D.97-07-054, mimeo, p. 67.

⁹ D.97-08-056, dated August 1, 1997, issued in A.96-12-009, A.96-12-011, and A.96-12-019.

PROTESTS

1. On October 20, 1997, Energy Alternatives filed a protest to PG&E's Advice Letter 2039-G/1698-E. Energy Alternatives presently has pending before the Commission a complaint regarding PG&E's administration of its low-income assistance program. Energy Alternatives opposes any approval of a roll-over of PG&E's current program into 1998 that might be implied by the Commission's approval of PG&E's Advice Letter.
2. On October 21, 1997, ICA filed a protest to PG&E's Advice Letter 2039-G/1698-E.
 - a) ICA asserts PG&E has proposed implementation of a carbon monoxide testing program. ICA alleges this testing program would cost approximately \$5 million. ICA believes the proposed program is not in compliance with Section 382. ICA is also concerned that PG&E may be shifting routine utility costs to be paid from PGC. ICA, however, recognizes that the low-income energy efficiency programs will tighten homes, increasing the carbon monoxide danger. ICA recommends PG&E install carbon monoxide detectors during the first phase of home contact in lieu of repeated testing, possibly at a great inconvenience to the recipient of the program.
 - b) ICA expresses concerns regarding the roll-over of PG&E's current programs into 1998. ICA recognizes the Commission's concern about creating a hiatus in the program that might result from PG&E putting its program out to bid at this late date. ICA proposes the Commission authorize a roll-over for 1/2 of the work to be done over a six month period and order the initiation of a rebid process for the second half of the work and year. ICA suggests such an order may ease a settlement process for the pending Winegard complaint.
3. On October 21, TURN filed a protest to Edison Advice Letter 1250-E, PG&E Advice Letter 2039-G/1696-E, and SDG&E Advice Letter 1047-E/1068-G. TURN asserts funding the LIGB start-up costs from surcharge funds set at the 1996 authorized levels violates Section 382. TURN requests that the Commission require the 1998 program funding levels be set at least equal to the 1996 levels and that the funding surcharge be increased to cover the incremental administrative costs identified in the utility advice letters. TURN points out that the Commission laid out in very clear terms in D. 97-02-014 (slip opinion, p. 50-52) that the funding of public purpose program research, development and demonstration costs is subject to rate freeze provisions. TURN points out that the Commission also stated with regards to funding for CARE

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program: "Any such increased costs associated with the program will be collected through the surcharge, subject to the rate limits imposed by AB 1890." Id., p. 71.

4. On October 21, 1997, LIF filed a protest to Edison Advice Letter 1250-E, PG&E Advice Letter 2039-G/1696-E, and SDG&E Advice Letter 1047-E/1068-G. LIF is also concerned that the Board start-up costs do not reduce the funding for the 1998 programs, which was set at the 1996 authorized levels. LIF points out that the low-income customers should be no worse off under restructuring than before.

5. On October 21, 1997 RESCUE and SESCO jointly filed a protest to Edison Advice Letter 1250-E, PG&E Advice Letter 2039-G/1696-E, SDG&E Advice Letter 1047-E/1068-G, and SoCal Advice Letter 2631.

- a) RESCUE and SESCO assert the utilities are spending the money allocated to help reduce the energy bills of low-income customers without securing significant energy savings. RESCUE and SESCO allege that under the utility proposals, the low-income customers would be better off if the utilities used the low-income energy efficiency funds to help pay down the low-income family's utility bill directly. They request that the Commission order the utilities to undertake competitive bidding, on a pay-for-measured energy savings basis, to drastically improve the cost-effectiveness of their low-income weatherization programs in 1998. They request that the Commission require the utilities use not less than 20% of the funds to implement a standard performance contracting approach that would pay contractors and community-based organizations at a set rate per life-cycle kWh or therm saved.
- b) RESCUE and SESCO point out that the Legislature did not establish a sunset for low-income energy efficiency and CARE programs. These protestants point out that the start-up costs of the LIGB relate to programs that could go on for many years. They propose the LIGB administrative costs be amortized over 15 years.

6. On October 21, 1997, ICA, RESCUE, SESCO, TURN, and Winegard jointly filed a protest to SoCal Advice Letter 2631. These protestants request SoCal fund its 1998 low-income energy efficiency programs at the 1996 level of \$18 million, pursuant to D.97-06-108, instead of the \$12 million that was adopted D.97-07-054. They allege that in 1998, based on SoCal's projections, SoCal would treat 15,500 residences per year, at a total cost of about \$835 each, of which \$123 goes for SoCal administrative overhead. Based on the 1996 funding level of \$18 million, these protestants claim SoCal could treat 10,000 more homes. Protestants are also worried that allowing SoCal to fund its 1998 program at the lower level will encourage the other gas utilities to request the same.

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7. On November 4, 1997, ORA filed a protest to Edison Advice Letter 1250-E, PG&E Advice Letter 2039-G/1696-E, SDG&E Advice Letter 1047-E/1068-G, and SoCal Advice Letter 2631.

- a) ORA agrees with TURN and the others that the administrative costs of the LIGB should not be deducted from the low-income program funds. ORA points out the PGC established in D.97-08-056 falls short of what is needed to both fund the low-income programs at the 1996 levels and provide funds to reimburse the utilities for the moneys they advance to pay the LIGB administrative expenses. The ORA requests that the Commission remedy this oversight by authorizing the utility 1998 low-income energy efficiency programs funded at the 1996 levels and requiring that the LIGB administrative costs not be deducted from the 1996 program amounts.
- b) ORA also agrees with the above protestants that SoCal should be funding its 1998 energy efficiency programs at the 1996 level. ORA points out the conflict between the recent Commission orders addressing the public purpose programs and SoCal's PBR. ORA requests that the Commission clarify the funding levels be at the 1996 levels, pursuant to the public purpose programs decisions.

8. On November 18, 1997, the LIGB filed a protest to Edison Advice Letter 1250-E, PG&E Advice Letter 2039-G/1696-E, SDG&E Advice Letter 1047-E/1068-G, and SoCal Advice Letter 2631. As raised in the protests by other parties, the LIGB is concerned with the impact on funding available for low-income energy efficiency and ratepayer assistance programs due to the utilities' deduction of funding for the LIGB administrative and start-up costs from the funds available for the programs. The LIGB asserts the intent of the legislature and the Commission was to provide services and programs at the 1996 funding level, not at that funding level less Board administrative costs. The LIGB points out the unbundling decision relied on a showing and information provided much earlier in 1997 and could not have contemplated the magnitude of the costs for the LIGB start-up activities. The LIGB points out that low-income customers should not be penalized for this unfortunate accident of timing in the many phases of the electric industry restructuring proceeding. The utilities offered the LIGB three solutions:

- a) PG&E proposes the LIGB operating expenses be amortized over 4 years. PG&E believes the costs savings from having a single, statewide administrator should more than offset the LIGB start-up costs. The LIGB does not support this proposal.
- b) Edison proposes these costs be recovered within the PGC and that this increment be given treatment similar to that afforded by Section 376. The

LIGB might support this approach, if the Commission, in a decision, permitted these costs to be classified as a Section 376 cost.

- c) SDG&E suggests the Commission could choose to take the LIGB operating expenses from "headroom." SDG&E points out that this approach may delay the point in time when rates could be reduced due to completion of the competitive transition cost collection and that the utilities may already be at risk for recovery of their competitive transition costs. The LIGB supports this proposal and asks the Commission require the PGC be revised annually to accommodate collection of the increased revenue requirement for low-income energy efficiency activities, similar to the treatment of the variable CARE costs.

9. On October 27, 1997, SDG&E responded to the protests filed by SESCO, LIF, and TURN.

- a) SDG&E claims it believes the Commission has repeatedly determined that the Board's operating costs can be funded from the 1998 PGC.
- b) SDG&E points out the assertions made by SESCO about SDG&E's low-income energy efficiency program are consistent with those filed in 1996 by SESCO which were summarily rejected by the Commission. SDG&E asserts that taking up competitive bidding for the 1998 programs would be counterproductive and would require transitioning the program twice in one year, increase the start-up costs, and not provide any measurable improvement over the current program.
- c) SDG&E asserts that its proposal for shareholder incentives for these programs is to fund the incentives from utility "headroom" and not from PGC funds.

10. On November 12, 1997, SDG&E responded to the ORA's protest. SDG&E disagrees that the LIGB's operating expenses cannot be funded with 1998 program funds. SDG&E points out that while it proposes to fund the LIGB operating expenses with 1998 program funds, it is proposing to increase an activity level over last year's program by 15% for energy education and 21% for weatherization.

11. On October 29, 1997, Edison responded to the protest filed by SESCO and RESCUE.

- a) Edison points out the Commission recognized the need to continue the current utility oversight of these programs and expressed its desire that these services for low-income customers would not be interrupted during the transition period. Edison alleges that SESCO's and RESCUE's proposal threatens California's ability to protect low-income customers

during the transition to a new administrative structure. Edison asserts the protestants' proposal is inconsistent with the Commission's long-standing policy on cost effectiveness requirements for low-income programs.

- b) Edison claims it is not requesting its shareholder incentive come out of the 1998 program funds, but instead be consistent with its approach filed in its Application 97-10-002, for approval of 1998 demand-side management program funding and related issues.
- c) Edison points out the proposal to capitalize the LIGB operating expenses over 15 years would not be in compliance with D.97-04-044, Conclusion of Law 11.

12. On November 19, 1997, Edison filed a response to ORA's protest. Edison claims that its proposal to deduct the LIGB operating expenses from its 1998 low-income energy efficiency programs is in compliance with Commission orders. Edison proposes that it is willing to work with the LIGB to find funding alternatives.

13. On October 28, 1997, PG&E filed a response to the protests filed by ICA, LIF, SESCO, RESCUE, TURN, and Energy Alternatives.

- a) PG&E points out administrative costs have always been a part of the low-income program funding. PG&E claims its proposal to include the LIGB operating expenses as part of its 1998 program is in compliance. PG&E asserts it will be weatherizing more homes for 1998 than were weatherized in 1996 so low-income customers will not be short-changed.
- b) PG&E claims it intends to use competitive bidding for the 1998 program. At that time, SESCO, along with other bidders will have an equal opportunity to bid on the program. PG&E asserts each bid will be reviewed on its own merits, whether or not it includes a standard performance requirement.
- c) PG&E claims it anticipates it will collect shareholder incentives outside of the PGC.
- d) PG&E alleges carbon monoxide alarms are not yet reliable and tend to produce false alarms.
- e) PG&E claims it will have a new general contractor on board by January 1, 1998. PG&E requests roll-over of its current contracts only to prevent a gap in service until its new contract can be implemented.

14. On December 5, 1997, PG&E filed a response to the late filed protest from the LIGB. PG&E claims the alternative submitted by SDG&E to recover the LIGB start-up costs from "headroom" is not supported by either PG&E or Edison. Instead, PG&E points out the benefits of its proposal to amortize these costs over a four year period. PG&E asserts that only its proposal to mitigate the potential harmful effects of deducting

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the LIGB's 1997 and 1998 start-up costs from the 1998 program funds is supported by all of the utilities.

15. On October 31, 1997, SoCal filed a response to the protest filed by Daniel W. Meek on behalf of ICA, RESCUE, SESCO, TURN, and Winegard. SoCal admits to receiving contradictory direction from the Commission regarding the funding level for its low-income energy efficiency programs. SoCal considers the PBR decision as the most definitive statement of its intent to set spending because it is the most recent decision establishing the expenditure levels. On November 12, 1997, SoCal filed a response to ORA's protest reiterating the above.

DISCUSSION

1. As currently proposed by the utilities, funding the LIGB 1997 and 1998 operating expenses from the 1998 low-income energy efficiency programs would reduce the available funds by an average of approximately 5%. This is a substantial impact on the 1998 programs.

2. The LIGB oversees both CARE and low-income energy efficiency programs. As we stated earlier, the low-income energy efficiency programs are proposed to be \$54,078.5 thousand, CARE to be \$125,394.0 thousand, for a total of \$179,472.5 thousand. Based on the total estimated program dollars, it is reasonable to allocate 30% ($\$54,078.5/\$179,472.5$) of the LIGB operating expenses to managing the low-income energy efficiency programs and 70% ($\$125,394.0/\$179,472.5$) to the CARE program.

3. PG&E's proposal to amortize these costs over the upcoming four year period will minimize the impact on these programs and is reasonable under the circumstances. Amortization over a fifteen year period is unreasonable given the many technological and industry changes that are occurring today.

4. The PGC was currently set in D.97-08-056. The CARE program is to be funded at least at the 1996 authorized levels, but is uncapped. Amortization of the low-income energy efficiency program's share of the 1997 and 1998 LIGB operating expenses can begin in 1998. However, since the PGC for 1998 has already been set, it is reasonable to begin the amortization of CARE's share of the LIGB operating expenses January 1, 1999. Since CARE is uncapped, CARE's share of the 1997 and 1998 operating expenses will be in addition to the actual CARE program and will be an increase in the PGC beginning in 1999.

5. The Commission was concurrently reviewing SoCal's proposed funding level for its 1998 program in its PBR proceeding and in the public purpose area of electric restructuring. While more up to date information and broader policy issues were

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addressed in the electric restructuring proceeding, the PBR decision did establish the expenditure level for the 1998 program. The PBR proceeding is the proper forum for addressing the funding level for the 1998 program.

6. The merits of SESCO's 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. Administration of these programs will be assumed by the LIGB's administrator before January 1, 1999. Low-income ratepayers will not be served by an interruption in the provision of these energy efficiency programs designed for their benefit. Nor would it be cost effective to unnecessarily put any programs out to bid for just a six month period, increasing administrative costs and creating two transition periods. Doing so could possibly create customer confusion and create a potential for disruption in these services. It is unreasonable, at this time, to require that any of these programs be put out to bid for a six month period.

7. The Commission is addressing shareholder incentives for energy efficiency and demand side management in Edison's Application (A.)97-10-002, PG&E's A.97-10-001, SDG&E's A.97-10-012, SoCal's A.97-10-011, R.94-04-031, and I.94-04-032. It is reasonable to apply the methodology adopted there to the low-income energy efficiency programs.

8. Section 2790 defines weatherization services that may be performed for low-income customers. Carbon monoxide testing is part of the routine service to ratepayers and is already authorized in rates. We agree that there is no justification for billing carbon monoxide testing, a normal part of routine gas service, to PG&E's low-income energy efficiency program. We are also surprised at PG&E's response to ICA's proposal for PG&E to install carbon monoxide alarms that would provide a level of assurance against a dangerous level of carbon monoxide and at the same time reduce inconvenience to customers from repeated PG&E visits. PG&E responded that these alarms are unreliable and produced false alarms. Clearly a false alarm is a minor inconvenience compared with the dangers of carbon monoxide poisoning.

9. The protests are denied, with the following exceptions:

- a) Amortization of the low-income energy efficiency program's share of the 1997 and 1998 LIGB operating expenses will begin in 1998;
- b) Amortization of CARE's share of the LIGB operating expenses will begin January 1, 1999, and CARE's share of the 1997 and 1998 operating expenses will be in addition to the actual CARE program and therefore an increase to the PGC beginning in 1999;

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- c) PG&E should remove carbon monoxide testing from its Direct Assistance Program, and instead provide carbon monoxide testing as part of its routine service; and
- d) We will apply the methodology adopted in the electric restructuring proceeding for shareholder incentives to the low-income energy efficiency programs.

FINDINGS

1. On October 1, 1997, Edison filed Advice Letter 1250-E, PG&E filed Advice Letter 2039-G/1696-E, SDG&E filed Advice Letter 1047-E/1068-G, and SoCal filed Advice Letter 2631 (Advice Letters), requesting approval of their 1998 low-income energy efficiency programs.
2. The ORA, the LIGB, TURN, SESCO, RESCUE, LIF, ICA, Energy Alternatives, and Winegard protested the Advice Letters.
3. It is reasonable to allocate the LIGB operating expenses between the programs the LIGB oversees. A four year amortization of the 1997 and 1998 LIGB operating expenses will minimize the impact of the Board's start-up costs on the programs and the PGC. Since CARE is uncapped and the PGC has already been set for 1998, amortization of the CARE's allocation of the operating expenses should begin January 1, 1999. The amortization of the low-income energy efficiency programs' share of the operating expenses should begin January 1, 1998.
4. The costs of carbon monoxide testing for PG&E is already provided for in rates and it is unreasonable to reduce low-income energy efficiency program funds by a similar amount.
5. The protests are denied, with the exception of granting a four year amortization period for the LIGB 1997 and 1998 operating expenses, increasing the 1999 PGC to begin amortization of the CARE's allocation of the LIGB's start-up costs, increasing the funds available for the low-income energy efficiency programs by denying PG&E's request to fund its carbon monoxide testing program with low-income energy efficiency program moneys, and applying the methodology adopted in the electric restructuring proceeding for shareholder incentives to the low-income energy efficiency programs.
6. The Advice Letters should be approved with the following modifications:

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- a) Amortization of the low-income energy efficiency program's share of the 1997 and 1998 LIGB operating expenses should begin in 1998;
- b) Amortization of the CARE's share of the LIGB operating expenses should begin January 1, 1999, and the CARE's share of the 1997 and 1998 operating expenses should be in addition to the actual CARE program and therefore an increase to the PGC beginning in 1999;
- c) The shareholder incentive methodology adopted in the electric restructuring proceeding, and A.97-10-002, A.97-10-001, A.97-10-012, and A.97-10-011, should be applied to the low-income energy efficiency programs; and
- d) PG&E should remove the costs of carbon monoxide testing from its direct assistance program, and instead provide carbon monoxide testing as part of its routine service.

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company (Edison) Advice Letter 1250-E, Pacific Gas and Electric Company (PG&E) Advice Letter 2039-G/1696-E, San Diego Gas & Electric Company (SDG&E) Advice Letter 1047-E/1068-G, and Southern California Gas Company (SoCal) Advice Letter 2631 (Advice Letters) are approved with the following modifications:

- a) The Low Income Governing Board's (LIGB) 1997 and 1998 operating expenses are allocated to the low-income energy efficiency program at 30% and to the California Alternative Rates for Energy Program (CARE) at 70%;
- b) Amortization of the low-income energy efficiency program's share of the 1997 and 1998 LIGB operating expenses shall begin January 1, 1998;
- c) Amortization of the CARE's share of the LIGB operating expenses shall begin January 1, 1999, and the CARE's share of the 1997 and 1998 operating expenses shall be in addition to the actual CARE program expenditures and therefore shall be an increase to the public goods surcharge beginning in 1999;
- d) The shareholder incentive methodology adopted in the electric restructuring proceeding and Application (A.)97-10-002, A.97-10-001, A.97-10-012, and A.97-10-011, shall be applied to the low-income energy efficiency programs when evaluating, calculating, and recovering the low-income energy efficiency shareholder incentives; and
- e) PG&E shall remove the cost of the carbon monoxide testing from its direct assistance program, and instead provide the carbon monoxide testing as part of its routine service.

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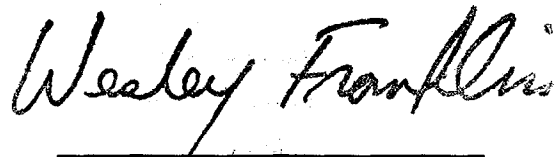
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2. The protests except for granting the above modifications, are denied.
3. The Advice Letters shall be marked to show that they were approved with modifications by Commission Resolution E-3515.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1997. The following Commissioners approved it:



WESLEY FRANKLIN
Executive Director

P. Gregory Conlon, President
Jessie J. Knight, Jr.
Henry m. Duque
Josiah L. Neeper
Richard A. Bilas
Commissioners