

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3182  
March 13, 1996

R E S O L U T I O N

RESOLUTION G-3182. SOUTHERN CALIFORNIA GAS COMPANY (SCG) REQUEST FOR AUTHORITY TO CONDUCT PILOT PROGRAM ON UP-FRONT INCOME VERIFICATION FOR CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE). BY ADVICE LETTER 2444-G-A-B, FILED SEPTEMBER 22, 1995.

SUMMARY

1. Southern California Gas Company (SCG) requests authorization to conduct a pilot study of up-front income verification in the low-income assistance program, California Alternate Rates for Energy (CARE).
2. This resolution approves Advice Letter 2444-G and supplements 2444-A and 2444-B. It authorizes SCG to implement a pilot program to test the impact of up-front income verification in the CARE certification and recertification process.
3. Protests were filed by California/Nevada Community Action Association (CAL/NEVA), and Toward Utility Rate Normalization (TURN) on behalf of Latino Issues Forum, Greenlining Institute, CAL/NEVA and Utility Consumers' Action Network (UCAN). TURN also filed a protest to supplemental filing 2444-B. The protests are rejected in so far as they requested the advice letter be rejected. However, some of the issues raised in the protests have been incorporated into the pilot study and will be measured before a final determination is made on the continuance of up-front income verification.

BACKGROUND

1. Currently, to enroll in SCG's CARE program, a customer must complete an application. The application allows the customer to self-certify eligibility. The customer is not required to submit income documentation unless requested by the company.
2. Decision (D.) 89-07-062 (32 CPUC 2d 334, 348) provides the initial discussion of the CARE application process (called LIRA at the time). In this decision, most of the utilities, including SCG, supported a self-certification process that would not require income documentation with the application, but reserved the right to verify income on a random basis or if ineligibility were suspected. The remaining utilities, including Pacific Gas and Electric (PG&E) and some smaller utilities were negotiating contracts with the California Department of Economic Opportunity (DEO) to administer the application and certification process.
3. The Division of Ratepayer Advocates (DRA) provided testimony supporting self-certification based on a workshop for Universal

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Lifeline Telephone Service (ULTS). The workshop found that obstacles to reliable verification include:

- a. determining the existence of multiple incomes and the number of members in a household, and
  - b. the high cost of auditing and uncertainty of benefits from verification in the form of less fraud.
4. The application process under DEO has been handled differently than in the self-certifying programs. The LIRA and Home Energy Assistance Program (HEAP) were combined on one application. Because HEAP has up-front verification, all applicants were income-verified before being enrolled in LIRA/CARE. DEO uses its "MEDS" database to determine categorical eligibility (enrollment in public assistance programs). If an applicant is not categorically eligible, income documentation must be provided. Use of DEO was expected to increase initial enrollment because of the HEAP program.
5. In 1995, by Advice Letter 1871-G/1491-E, PG&E discontinued its contract with DEO and "brought DEO's process" in house. Although PG&E's advice letter was not explicit, this meant that PG&E would administer its own application and certification process requiring income documentation for up-front verification.
6. The other utilities that do not use DEO have various means of selecting participants to verify income, including staff expertise and computer models that screen for certain indicators of ineligibility (see "Discussion" below).
7. D.93-12-043 authorized SCG to establish a Service Establishment Charge (SEC) of \$25 for residential customers and \$5 for customers applying for CARE. The customer is given the discount immediately upon setting up service and then has 90 days to return a CARE application that the utility mails to the customer. SCG sends monthly reminders to the customer to return the application. After 90 days, if the customer has not returned the application, the customer may be removed from the rate and backbilled for the full SEC fee.
8. Since the enactment of the SEC CARE rate, the level of participation in SCG's CARE program has significantly increased from 42 percent of the estimated eligible households in December, 1993, to 73 percent estimated eligible households in December, 1995. The increase can be attributed to the fact that all new customers are asked if they qualify for the SEC discount. Therefore, all new customers are informed of the program instead of relying on other forms of outreach.
9. SCG has estimated it will save \$38 million over the next 5 years with up-front verification.

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### NOTICE

1. This Advice Letter appeared on the Commission Calendar and copies were mailed to the utilities and interested parties on SCG's advice letter mailing list, in accordance with Section III of General Order 96-A.

### PROTESTS

1. The Commission received three protests to this advice letter. A protest was filed by TURN on behalf of Latino Issues Forum, Greenlining Institute, CAL/NEVA and Utility Consumers' Action Network (UCAN) on October 10, 1995. CAL/NEVA submitted an additional protest on October 10, 1995, to highlight issues that were not addressed in TURN's protest. Finally, TURN filed a protest to supplemental filing 2444-B on February 22, 1996.

2. TURN's protest addressed the following issues:

- a. Income verification issues are already under consideration in the Commission's rulemaking, R.94-12-001. SCG has not justified why up-front income verification should be expedited in an advice letter.
- b. SCG's advice letter lacks data to support SCG's claims of ineligibility and the cost-effectiveness of up-front verification.
- c. TURN points out that because SCG's SEC charge increased "...by 500 percent (from \$5 to \$25), low-income customers are in greater need of assistance."

3. CAL/NEVA's protest supports TURN's position and adds the following two points:

- a. There are many obstacles to enrollment. The obstacles include "language and/or cultural failure to understand the request for documentation and inability to provide necessary documentation..." These obstacles are identified in a variety of reports.
- b. Equitable verification procedures will be violated for customers who receive electric service from a Commission-regulated utility that does not require income documentation for its CARE program.

4. In TURN's second protest, it reiterated that the provisions SCG seeks are "unjustified and procedurally improper", and that SCG did not adequately address these issues in its response. TURN highlights that:

- a. The increase in the SEC "has yielded the expected growth in reliance on the CARE program, as the burden of that charge falls most heavily upon the utility's low-income customers."

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- b. SCG should wait for the issue to be resolved in the Rulemaking, R.94-12-001, or file an application with the Commission to make the program modification. TURN recommends the application process in order that the evidence be "tested through cross-examination or weighed against the evidence parties opposed to up-front verification would present if given the opportunity."
5. SCG filed a response to the October 10th protests on October 17, 1995. SCG filed a response to TURN's February 22nd protest on February 27, 1996.
6. In response to the protestants' claims of lack of evidence to support the need for up-front verification, SCG cited the comments it provided in R.94-12-001. SCG cited a survey of randomly selected participants where 11 percent of customers identified themselves as ineligible. SCG claims that 59 percent of participants failed to provide income documentation when the company conducted random verification.
7. In regards to the protestants' claim that the issue should be deferred to R.94-12-001, SCG claims it is unnecessary because PG&E currently conducts up-front verification. The company concludes that verification is appropriate to address in an advice letter because PG&E's program was authorized through Advice Letter 1871-G/1491-E.
8. SCG states that up-front verification will only be harmful to unqualified participants. Qualified participants will not find the program more restrictive. Additionally, up-front verification will be more efficient because SCG can share results with Southern California Edison (Edison).
9. In regards to TURN's claim that the program has a low participation rate, SCG states that TURN has used the state-wide average, not SCG's rate. SCG points out that its participation rate is significantly higher than the average, at over 70 percent.
10. Finally, SCG responded to TURN's later protest stating that the purpose of R.94-12-001 is to consider revisions to income eligibility criteria, not the income verification process.

#### DISCUSSION

1. CACD has worked extensively with SCG on this advice letter to determine if there is a need for up-front income verification, and if so, what data are necessary prior to the pilot and what data should be collected during the pilot.
2. CACD has reviewed the protests and considered, first, whether the advice letter is appropriate given the open rulemaking proceeding, and second, whether an advice letter is appropriate instead of an application. Although the comments in the Rulemaking included related issues, the purpose of the Rulemaking is to define income. TURN's concern about SCG's presentation of data is relevant only to the extent that CACD relies on these data in its analysis.

CACD is not basing its analysis or recommendations on SCG's evidence. In fact, CACD has not found SCG's data reliable. CACD has reviewed the reports cited by CAL/NEVA and SCG, and also followed up on all of the sources of data that SCG used. CACD has found no conclusive evidence on the ineligibility rates in low-income programs or barriers to enrollment in the CARE program. For this very reason CACD has concluded that a pilot program, with baseline data for comparison and interim check points, will offer all of the parties and the Commission valuable information. Thus, given CACD's approach to the data and involvement in the design of the pilot study, CACD believes that the remaining points raised in the protests will be adequately addressed in the pilot study, as discussed below.

3. CACD has not found that SCG's data conclusively demonstrates that the increase in enrollment is attributable to ineligibility versus simply an increase in penetration into the eligible population. CACD sees no reason why this program should not be obtaining 70 percent penetration levels, and more, into the eligible population.

4. CACD is concerned by the results of SCG's random verification efforts over the past year that have caused 59 percent of those sampled to be dropped from the rate. CACD questions whether this exceptionally high drop-off rate could have been prevented had SCG made verification efforts in the past. Any concerted effort that the utility has made has only been since enrollment grew with the SEC change. Thus, only when participation levels rose did the utility take action to control ineligibility.

5. SCG claims that post-enrollment verification is costly and upsets customers.

6. SCG justifies the change in its program by citing the ineligibility rates of other low-income programs and claims that income verification is consistent with other similar programs. SCG also sampled and surveyed its own customers in an attempt to establish a rate of ineligibility for its own program. CACD found much of SCG's examples of other programs unconvincing and inaccurate. However, SCG's data on eligibility shows reason for concern. SCG's survey results indicate that over half of the program participants could be dropped from the rate with large-scale random verification. The Commission does not want to see this happen without better data to determine if the cause is ineligibility or obstacles to providing proof of eligibility. The Commission also does not want ratepayers subsidizing ineligible participants. Thus, CACD believes it is time to collect comprehensive data on barriers to enrollment, eligibility, penetration rates for SCG, and cost savings with up-front verification.

7. As part of the analysis to determine the need for the pilot program, CACD has reviewed possible alternatives to up-front verification. The utilities primarily rely on computer models and staff expertise. The models screen all participants on various data points, i.e. average monthly consumption (kwh only), address, years

at residence, home ownership, and other variables that indicate income level. Staff expertise has developed in the areas of CARE administration and billing. The staff in these areas have developed expertise that allows them to quickly recognize inconsistencies in applications and bills that may indicate ineligibility.

8. The alternatives to up-front verification have pros and cons. All options have the potential to allow some ineligible customers on the rate and prevent some eligible customers from enrolling in the program. While we have data on the impact of alternative methods of income verification, we do not have information on up-front verification.

9. We must recognize that some participants will simply not be able to get the documents together. Some portion of the participants will have difficulty meeting the tasks of photocopying, filing and/or transportation. SCG does provide some assistance to customers to complete the application process, but we have no measure of how effective the assistance is. Therefore, we have included surveys and other follow-up techniques in the pilot to track customers who do not return their applications and recertifications to measure the barriers to enrollment and verification.

10. PG&E has found over the past year that it has consistently lost 2000 to 3000 participants per month at the time of recertification. This is under 1 percent per month. PG&E has not yet determined the cause of this trend but is planning to study it. PG&E's best guess in regards to this drop is that customers do not believe that they will really be dropped from the CARE rate if they do not complete recertification. These customers may reenroll when they find out that they have been dropped. SCG, as a piece of its pilot program, will measure the number of customers that reenroll after being dropped from the rate due to insufficient income documentation.

11. SCG had proposed a 2-year pilot program in Advice Letter 2444-B. CACD believes that a one-year study will be sufficient to capture the seasonal cycles of enrollment. Because customers have 90 days to return their applications, the pilot will have a 90-day phase-in period. Thus, SCG will request up-front income documentation beginning April 1, 1996, but the one-year cycle will run July 1, 1996 to July 1, 1997. CACD has developed the following schedule for the study starting at April 1, 1996: 20 months of up-front income verification, with an interim report at 11 months on the first 9 months of data, and a final report at 17 months on the full year of data. If SCG finds it wants to continue the up-front verification, it should file an advice letter with the final report. CACD will then have 3 months to review the report and prepare a resolution if the program will be continued. Outlines of the report formats should be submitted to CACD at 6 and 12 months. CACD should be sent data on a quarterly basis, and all protestants should be sent a copy of the final report. SCG should continue to send reminders to customers to return the applications as is done now.

12. The data and measurements for the report will be done according to the Advice Letter 2444-B. In addition, SCG will collect data on

the number of complaints it receives due to the income verification process, and the measures mentioned above in paragraph 10.

FINDINGS

1. Southern California Gas Company (SCG) has filed Advice Letter 2444-G-A,B requesting authorization to conduct a pilot program of up-front income verification for the CARE program.
2. SCG has a substantially higher level of participation than the other utilities that offer the CARE program.
3. SCG has a discount on its Service Establishment Charge for CARE participants. Notice of the discount works as an effective outreach method for the CARE program.
4. CACD had not seen conclusive evidence on the rate of ineligibility or barriers to enrollment and income verification in the CARE program.
5. The Advice Letter was protested by California/Nevada Community Action Association (CAL/NEVA), and Toward Utility Rate Normalization (TURN) on behalf of Latino Issues Forum, Greenlining Institute, CAL/NEVA and Utility Consumers' Action Network (UCAN).
6. CACD believes the proposed pilot program will provide all utilities and the Commission valuable information on the CARE program.
7. SCG will provide CACD with one year's worth of data to determine if rates of ineligibility and cost savings outweigh the barrier to participation caused by up-front income verification. SCG will file an advice letter with the final report if it wants to continue up-front verification.
8. The protests should be denied.

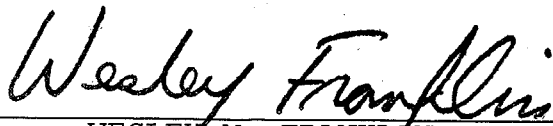
THEREFORE, IT IS ORDERED that,

1. Southern California Gas Company is authorized to conduct a pilot program of up-front income verification in the California Alternate Rates for Energy program, beginning April 1, 1996.
2. SCG shall notify its customers of the pilot program as soon as feasible and shall include notice with all applications for certification and recertification.
3. SCG shall file reports with CACD and the protestants as specified in paragraph 11 of "Discussion" above.
4. SCG shall file tariffs within 10 days to reflect that the pilot program will run for 20 months. The tariff filings shall be marked to show that they were approved by Commission Resolution G-3182.

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5. This Resolution is effective today. The protests are denied.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting of March 13, 1996. The following Commissioners approved it:



WESLEY M. FRANKLIN  
Executive Director

DANIEL Wm. FESSLER  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
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Commissioners