

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing post-2003 Low-Income Assistance Programs.

Rulemaking 04-01-006
(Filed January 8, 2004)

Application of PacifiCorp (U 901-E) for Approval of Program Year 2007 and 2008 Low-Income Assistance Program Budgets.

Application 06-06-003
(Filed June 1, 2006)

COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES

Pursuant to Rule 44 *et seq.* of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") files this response to PacifiCorp's application for approval of program year 2007 and 2008 Low-Income Energy Efficiency Programs, which was filed on June 1, 2006.

I. SUMMARY OF RECOMMENDATIONS

Pursuant to ordering paragraph 6 of D.05-07-014, PacifiCorp is requesting approval of a LIEE budget for 2007 and 2008 of \$168,000 annually. This is a \$51,000 increase from the approved LIEE budget of \$117,000 for 2006 and is slated to fund the new partnership with the Energy Demonstration Center in Eureka to serve Modoc County. The agency (or "CBO"¹) previously serving this area discontinued service due to extensive travel issues.

These proposed additional costs are to be reflected in an increase to the Public Purpose Program ("PPP") Surcharge. The LIEE program is administered locally through CBOs including the Del Norte County Senior Center in Crescent City and the Great

¹ Community Based Organization ("CBO").

Northern Corporation in Weed. PacifiCorp reimburses the CBOs for 50 percent of the cost of services, and an additional 15 percent is added to PacifiCorp's rebate to cover agency administrative expenses. The other 50 percent is funded through the Department of Energy's LIHEAP program. Since 1986, when the LIEE program began, over 1,800 homes, or 46 percent of all eligible homes have been treated.²

According to PacifiCorp's 12 month forecast ending December 2007 their total expenses in the CARE program are projected at \$1,051,505 which consist of \$70,000 for outreach, processing/verification, and general expenses, and \$981,505 for the CARE subsidy. Total revenues over the same period from the current S-100 surcharge are projected at \$656,10; a shortfall of \$395,396. The CARE account indicates that PacifiCorp has not recovered enough through the PPP surcharge to fund its CARE subsidy. As of April 30, 2006 the balance of the account was \$912,264. D.03-03-007, issued on March 13, 2003, approved the establishment of a balancing account ("CARE account") to fully recover CARE program costs effective April 30, 2003.³ PacifiCorp therefore proposes to change the schedule S-100 CARE surcharge from \$0.082 per kwh to \$0.188 per kwh to recover the total cost of maintaining the CARE program and to amortize the balance in the CARE account.⁴

DRA does not object to PacifiCorp's request for additional funding, but recommends that PacifiCorp continue to explore new outreach strategies in order to optimize penetration levels for both LIEE and CARE. PacifiCorp has increased its outreach efforts resulting in greater penetration, but has not fully optimized its potential

² In D.03-03-007 the Commission defined "treated homes" as residences that receive LIEE measures or energy education services and the subset of these homes that receive weatherization measures as "weatherized homes".

³ PacifiCorp initiated a CARE balancing account on July 19, 1989, when the CARE program began. As of October 31, 1994 there was a balance of \$940,292 in the CARE balancing account. This balance was addressed in A.92-12-006 a rate case proceeding that adopted a settlement agreement which increased the CARE surcharge from \$.00045 to \$.00082. The balance was amortized through December 1999 to reduce the balance to zero. (See p.5, PacifiCorp's Low-Income Annual Progress Report Outline, CARE and LIEE, January 2005 through December 2005)

⁴ PacifiCorp App.

to maximize enrollment. PacifiCorp also needs to provide supplemental information about its LIEE and CARE programs so that DRA can track the impact of PacifiCorp's outreach efforts on the penetration levels for its service area.

II. BACKGROUND

PacifiCorp's LIEE budget for 2005 was \$117,000 with actual expenditures at \$86,128. PacifiCorp underspent its LIEE budget by \$44,885 during the 2005 fiscal year.⁵ This balance will be applied toward the costs of offering the program in Modoc County during 2006. PacifiCorp's approved budget for 2006 is \$117,000. Actual expenditures through March 2006 were reported as \$22,936 and the projected spending through the remainder of 2006 is \$94,064 with the proposed expenditure for 2007 and 2008 at \$168,000 annually.⁶

No money is budgeted for LIEE internal outreach because that service is provided by the partnering agencies and the related costs are covered through Agency Administration fees. Weatherization costs include rebates on all measures provided by the partnering agencies which include weatherization, appliance replacement, and energy education which are not budgeted separately.

CARE provides for a twenty percent discount on bills to eligible customers whose incomes are below 175 percent of the federal poverty income guideline.⁷ Forty-six percent of customers in PacifiCorp's service territory are currently eligible for the CARE program. In D.03-03-007, the Commission established enrollment targets for CARE for

⁵ PacifiCorp's (U 901-E) Application for Approval of Program Year 2007 and 2008 Low-Income Assistance Budget, Exhibit 1, Tables 1-6. ("PacifiCorp App.")

⁶ Id.

⁷ According to data analyzed by the Energy Division, PacifiCorp has a low-income concentration higher than the statewide average. This, according to PacifiCorp contributes to the low participation rates in its California service territory. D.89-07-062 an interim order issued in July 1989 provided guidelines for the CARE program which allowed PacifiCorp to limit its program to households at or below 130 percent of the federal poverty level, compared with 150 percent of the Federal poverty income guideline for all the other California utilities. D.02-01-040 issued in January 2002 increased the income limits for the PacifiCorp program from 130 percent to 175 percent, significantly increasing the number of customers eligible for the program and skewing the penetration rates/targets. (D.05-07-014)

PacifiCorp and the other small utilities for 2003 and 2004. PacifiCorp failed to meet its target and in 2005 requested an enrollment target lower than that adopted for 2004. PacifiCorp's goal for CARE in 2005 was to increase the penetration rate through continued outreach. (The local non-profit agencies that administer LIHEAP and LIEE refer customers to PacifiCorp for self-certification through CARE.)⁸

In D.05-07-014 the Commission directed PacifiCorp to initiate self-certification (and a self-recertification program) in order to increase penetration rates. However, even with self-certification, PacifiCorp states that it may not be able to achieve the Commission's recommended target of 70 percent representing 10,902 enrolled participants for PY2005. PacifiCorp maintains that it will take several months to put self-certification procedures in place and thinks it unlikely that self-certification itself, even with continued aggressive outreach efforts, will cause participation levels to rise significantly.⁹

The Department of Consumer Services and Development ("CSD") certifies PacifiCorp's CARE applications and sends them to the utility on a weekly basis. CBOs under contract with CSD help customers fill out CARE applications while they are filling out their LIHEAP applications. PacifiCorp implemented a recertification program in January 2004 that requires its CARE customers to recertify after participating in the program for two years. Certification and verification costs for 2005 were \$18,059 for processing services paid to CSD. PacifiCorp estimates that the proposed costs for certification and verification for 2006 will be \$12,000.

⁸ See p. 38, Opinion Approving Low Income Energy Efficiency and California Alternative (CARE) Programs for 2005 for PacifiCorp, et al.

⁹ Id., p.16

III. DISCUSSION

A. PACIFICORP MUST CLARIFY THE IMPACT OF ITS SELF-CERTIFICATION

PacifiCorp has set no specific targets for CARE and LIEE enrollment for 2007 despite its goal to increase the CARE penetration rate through continued outreach and anticipates continued increases through 2007 and 2008. Measures to increase participation include continuing the self-certification process and outreach efforts for the CARE program.

PacifiCorp initiated a self-certification process pursuant to D.05-07-014. The self-certification process began in December 2005 with self-certifying applications mailed to all residential customers. The self-certification applications are processed through PacifiCorp's business center and customers are then enrolled in the CARE program. PacifiCorp reports that it increased its self-certification efforts in the first quarter of 2006, resulting in an increase in participation to 8,028 as of April 30, 2006. PacifiCorp uses random sampling to verify eligibility of the customers who self-certify and works with the various partnering agencies on this verification effort.

Although the impact of self-certification cannot yet be measured, PacifiCorp should provide information about the actual cost for implementing self certification from November 2005 through April 2006. PacifiCorp should also explain how it, or CSD, handles the documentation for CARE customers who do not send in self-certification documentation. If these customers are automatically dropped from the CARE Program, then PacifiCorp should provide data showing the number of customers dropped from CARE due to non-responsive self certification. If, as PacifiCorp's May 1, 2006 report states, this information is not available because the applications are processed by CSD, then PacifiCorp should make arrangements to obtain the information and include it in its annual report.

According to PacifiCorp's 2005 Low-Income Progress Report Outline of CARE and LIEE, only 16 percent of eligible sub-metered tenants are enrolled in the CARE program. PacifiCorp should explain how the CARE applications for sub-metered tenants

are processed. While submetered tenants are a relatively small group, the participation rates for this segment are very low. PacifiCorp should target outreach efforts to this specific group and investigate what factors are contributing to the low participation rates. One factor that might contribute to the problem is the relationship between landlord and submetered tenants. PacifiCorp should, as part of its investigation, inquire as to whether landlords require their tenants to submit their CARE applications to them, and if so, explain how PacifiCorp ensure that the landlords actually forward the applications.

B. PACIFICORP'S OUTREACH STRATEGY SHOULD OPTIMIZE PARTICIPATION OF ELIGIBLE CARE CUSTOMERS

PacifiCorp works with community based organizations such as Del Norte Senior Center and Great Northern Corporation to provide CARE and LIEE information and applications. PacificCorp has combined CARE and LIEE information in outreach literature to capture additional customers. PacifiCorp's CARE outreach activities include radio ads, newspaper ads, direct mail, bill inserts, and customer newsletters.

PacifiCorp's CARE applications are certified and verified by CSD. PacifiCorp's 2005 report fails to provide information regarding total verification and recertification applications requested and received, the total recertified, the total denied as ineligible, the total returned to the participant as incomplete, and the number removed because they did not return the applications. Furthermore, PacifiCorp's report does not adequately describe the process for recertifying submetered tenants of the master metered complexes. PacifiCorp should provide this information in its annual report for further review.

PacifiCorp explains in their data response to Energy Division that participation rates are affected by the recertification process, customer moves, and promotional activities.¹⁰ It further explains that participation rate increases due to a promotional activity may not appear for a month or two due to delays in customers completing their

¹⁰ PacifiCorp Response to CPUC Data Request, May 26, 2006.

application and data received from CSD. The rural nature of their service area makes it difficult to reach customers. Lower cents/kWh of rates in comparison to other parts of the state also makes CARE less advantageous. PacifiCorp also has a high percentage of low -income eligible customers. Almost 50 percent of residential customers qualify for CARE leaving about 50 percent of non-qualifying customers to subsidize the program costs. The percentage of qualifying customers would increase further if income guidelines were increased beyond 175 percent of the federal poverty income guideline, with even fewer customers remaining to subsidize CARE costs. As such, DRA does not recommend that the Commission increase eligibility rates because it would burden non-care customers.

C. PACIFICORP'S SHOULD INCREASE ITS LIEE ENROLLMENT

PacifiCorp estimates that 40 percent of the eligible homes in its service area have been weatherized through its LIEE program. PacifiCorp has not set specific LIEE completion goals for 2006, 2007, or 2008. According to PacifiCorp's data response to the Energy Division dated May 26, 2006, the number of homes eligible for LIEE decreased significantly between 2003 (3,023) and 2004 (2,330) and slightly in 2005 (2,222). Because homes can only be weatherized every ten years, DRA will assume that this contributes partly to the flat numbers. However, PacifiCorp should further explain why there has not been an increase in weatherization services. The number of homes treated since 2002, including the years for which PC provides eligibility data (2003-2005) is very low compared to the number of homes actually eligible. PacifiCorp reports treating an average of 61 homes for an average of 2525 eligible homes between 2001 and 2005. The charts provided in the data request¹¹ are problematic and would be more accurate if it were done by percentage of eligible homes rather than number of units with 100 as the controlling variable. PacifiCorp should explain why it has portrayed the data in this fashion or reproduce the charts showing penetration rates against the percentage of

¹¹ PacifiCorp Response to CPUC Data Request, May 26, 2006

eligible homes. PacifiCorp's under-spending for LIEE in 2004 and 2005 also suggests that they are not optimizing the impact of the program. In its data response from the Energy Division dated June 26, 2006, PacifiCorp reports that it estimates that it will treat 90 homes in 2007 and 2008 respectively. PacifiCorp should also provide information in its annual report showing how many of these projected new homes are in Modoc County and how many are in the counties already served by the CBOs that PacifiCorp partners with.

PacifiCorp reports that it under-spent its LIEE budget by \$44,885 during the 2005 fiscal year. Pursuant to both D.03-03-007 and D.03-12-016, PacifiCorp was to establish an energy efficiency education program and apply some or all of the carryover resulting from under-expenditures from prior years to this effort. PacifiCorp should include information in its annual report on the status of its energy efficiency education program and its impact on participation rates.

IV. CONCLUSION

To the extent that PacifiCorp may have exhausted the yield from the outreach methods it is currently using, it should continue to explore new outreach strategies and enhance current efforts. PacifiCorp may consider interfacing with other utilities with respect to alternative outreach strategies. A systemic problem with LIEE outreach seems to be that PacifiCorp has no direct role because its LIEE program is handled entirely by the CBOs who are not accountable to the Commission. The Commission should implement some accountability measure.

PacifiCorp can or should develop an action plan to survey those who did not recertify for CARE and find out why. The Commission, in D.03-03-007, issued on March 13, 2003, approved the establishment of a CARE Account to fully recover CARE program costs effective April 30, 2003. DRA does not oppose PacifiCorp's request for approval of the annual CARE budget of \$70,000 for Program Years 2007 and 2008 annually for outreach, processing/verification, and general expenses, and \$981,505 for the CARE discount. Nor does DRA oppose PacifiCorp's proposed change the schedule

S-100 CARE surcharge from \$0.082 per kwh to \$0.188 per kwh to recover the total cost of maintaining the CARE program and to amortize the balance in the CARE account.

DRA recognizes that PacifiCorp faces considerable challenges but nevertheless finds that PacifiCorp, despite extraordinarily eligibility rates due to high low-income concentrations, can do more to assist customers living near the poverty line in meeting costs and conserving energy. While PacifiCorp appears to have increased its efforts and has shown results trending towards greater penetration, it has not demonstrated that it has fully optimized its potential to maximize penetration levels for both LIEE and CARE.

V. RECOMMENDATIONS

- A. DRA does not object to PacifiCorp's request for additional funding, but recommends that PacifiCorp continue to explore new outreach strategies in order to optimize penetration levels for both LIEE and CARE. DRA recommends that PacifiCorp consider setting up some metrics for their outreach goals and include a progress report in their annual report.
- B. PacifiCorp needs to provide supplemental information about its LIEE and CARE programs so that DRA can track the impact of PacifiCorp's outreach efforts on the penetration levels for its service area.
- C. PacifiCorp should provide information about the actual cost for implementing self certification from November 2005 through April 2006.
- D. PacifiCorp should explain how it, or CSD, handles the documentation for CARE customers who do not send in self certification documentation. If these customers are

automatically dropped from the CARE Program, PacifiCorp should provide data showing the number of customers dropped from CARE due to non-responsive self certification.

- E. PacifiCorp should explain how the CARE applications for sub-metered tenants are processed. PacifiCorp should target outreach efforts to this specific group and investigate what factors are contributing to the low participation rates. PacifiCorp should, as part of its investigation, enquire as to whether landlords require their tenants to submit their CARE applications to them, and if so, explain how PacifiCorp goes about ensuring that the landlords actually forward the applications.
- F. PacifiCorp has not set specific LIEE completion goals for 2006, 2007, or 2008. PacifiCorp should set such goals and include a progress report in its annual report. The annual report should show how many of the new homes treated are in Modoc County and how many are in the counties served by the CBOs that PacifiCorp already partners with.
- G. PacifiCorp should provide additional information about why the LIEE penetration rates remain low. If this data is maintained by the CBOs, PacifiCorp should obtain such data from them. PacifiCorp may also consider working more closely with the CBOs on LIEE, including setting up an in-house program to monitor the CBOs LIEE programs so that PacifiCorp, and in turn DRA, can develop a better sense of the barriers that are presented and develop a basis upon which to set realistic goals.

- H. PacifiCorp should include information in its annual report on the status of its energy efficiency education program and its impact on participation rates.

Respectfully submitted,

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July 6, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES**” in R.04-01-006, A.06-06-003 by using the following service:

[X] **E-Mail Service:** sending the entire document as an attachment to an e-mail message to all known parties of record to this proceeding who provided electronic mail addresses.

[X] **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on July 6, 2006 at San Francisco, California.

/s/ NANCY SALYER
Nancy Salyer

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

R.04-01-006, A.06-06-003
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