

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE

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November 14, 2006

TO: PARTIES OF RECORD IN APPLICATION 06-06-002 ET AL.

This is the proposed decision of Administrative Law Judge (ALJ) Malcolm. It will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's "Rules of Practice and Procedure," accessible on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). Pursuant to Rule 14.3 opening comments shall not exceed 15 pages.

Comments must be filed either electronically pursuant to Resolution ALJ-188 or with the Commission's Docket Office. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to ALJ Malcolm at [kim@cpuc.ca.gov](mailto:kim@cpuc.ca.gov). All parties must serve hard copies on the ALJ and the Assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail or other expeditious method of service. The current service list for this proceeding is available on the Commission's website, [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

/s/ Angela K. Minkin, Chief  
Administrative Law Judge

ANG:jt2

Attachment

Decision **PROPOSED DECISION OF ALJ MALCOLM** (Mailed 11/14/2006)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SW Gas Corporation (U-905) for Approval of Program Years 2007-2008 Low-Income Assistance Program Budgets.

Application 06-06-002  
(Filed June 1, 2006)

Application 06-06-009  
(Filed June 1, 2006)

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

Application 06-07-008  
(Filed June 1, 2006)

Application 06-06-011  
(Filed June 1, 2006)

Application 06-06-007  
(Filed June 1, 2006)

And Related Matters.

**ORDER ADOPTING SMALL UTILITY BUDGETS  
FOR ADMINISTRATION OF LIEE AND CARE PROGRAMS**

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**ORDER ADOPTING SMALL UTILITY BUDGETS  
FOR ADMINISTRATION OF LIEE AND CARE PROGRAMS**

**I. Summary**

This decision approves 2007-2008 budgets and program elements for Low Income Energy Efficiency (LIEE) programs and California Alternate Rates for Energy (CARE) funding for six small energy utilities. LIEE programs involve weatherizing residences and providing other energy efficiency services at no charge to low income customers. CARE provides discounted electric and gas rates to low income customers. The applicant utilities are Alpine Natural Gas Company (Alpine), Bear Valley Electric Service (Bear Valley), PacifiCorp (PC), Sierra Pacific Power Company (Sierra), Southwest Gas Company (SW Gas), and West Coast Gas Company (WCG). These companies are sometimes collectively referred to as “small multi-jurisdictional utilities” or SMJUs.

This order authorizes the following LIEE and CARE budgets for each of the applicant utilities:

<b>BUDGET SUMMARY</b>				
<b>2007 and 2008 Utility LIEE and CARE Adopted</b>				
<b>Utility</b>	<b>2007</b>		<b>2008</b>	
	<b>CARE</b>	<b>LIEE</b>	<b>CARE</b>	<b>LIEE</b>
<b>Alpine</b>	\$9,350	\$23,650	\$9,925	\$26,300
<b>Bear Valley</b>	\$181,500	\$110,000	\$187,500	\$110,000
<b>PacifiCorp</b>	\$1,051,505	\$168,000	\$1,051,505	\$168,000
<b>Sierra Pacific</b>	\$395,035	\$110,000	\$410,709	\$110,000
<b>Southwest Gas</b>	\$8,933,330	\$1,080,000	\$8,933,330	\$1,080,000
<b>WestCoast Gas</b>	\$7,100	\$0	\$7,100	\$0
<b>Total</b>	<b>\$10,577,820</b>	<b>\$1,491,650</b>	<b>\$10,600,069</b>	<b>\$1,494,300</b>

The LIEE programs that are subject of these applications will provide services to 3,740 residences in California. The applicant utilities combined will

apply a 20% CARE discount to the electric and gas rates of 62,211 low income customers in California.

Overall, these applications presented little controversy. Most utility programs appear to be improving and with few exceptions the budget proposals presented in the applications for 2007 and 2008 do not differ substantially from existing budgets.

In addition to approving the SMJUS' budgets and program elements, the Commission also directs its staff to audit Bear Valley's LIEE accounts.

## **II. Background**

The Commission has a long-standing commitment to low income programs. In recent years, we have stepped up efforts to provide LIEE services and CARE rates, partly in response to the state's energy crisis. The State's Energy Action Plan also articulates California's commitment to energy efficiency as an energy resource, which we have recognized in the case of low income programs by increasing authorized funding and promoting more aggressive utility efforts to get utility customers to participate in LIEE programs.

The subject applications seek authorization for LIEE and CARE budgets during 2007-2008, consistent with Decision (D.) 05-07-014, which adopted the current LIEE and CARE budgets. A ruling dated August 4, 2006 set forth a schedule for these applications. The ruling also sought comments on an appended report written by the Commission's Energy Division evaluating the utilities' CARE and LIEE programs and the budgets proposed in these applications. PacifiCorp, Sierra Pacific, SW Gas, and the Division of Ratepayer Advocates (DRA) filed opening comments. Sierra Pacific and SW Gas filed joint reply comments to those filed by the DRA. This decision resolves outstanding controversies and adopts CARE and LIEE budgets for each utility applicant.

**III. Customer Income Guidelines**

The utilities' CARE rates and LIEE programs are available to customers who meet certain income guidelines. For all applicants except SW Gas, customers qualify for the CARE and LIEE programs if their incomes are lower than 175% of Federal Poverty Income level (FPI). D.05-10-044 required SW Gas to increase the income guidelines for its CARE program, qualifying customers for CARE rates if their incomes are less than 200% of the FPI. For a family of four, the upper income limit at 175% of PPI is \$35,400. The upper income limit at 200% of FPI is \$40,500.

SW Gas and Sierra Pacific have overlapping territories and previously shared customer information for their CARE programs. To continue this coordination, Sierra Pacific and SW Gas request that the qualifying income level for their CARE and LIEE programs be permanently increased to 200%.

Energy Division's report, as well as DRA, recommend that SW Gas and Sierra Pacific study the likely effects of this change in income guidelines, raising concerns that the change could increase rates substantially to other customers. SW Gas and Sierra oppose delaying the change in income level, believing the adverse financial impacts on their non-CARE customers would not be substantial. SW Gas estimates approximately 700 more customers would be eligible for CARE if the guidelines were raised to 200%. The companies also noted that increasing the income guidelines would avoid confusion amongst contractors installing LIEE measures and eliminate additional administrative and outreach expenses.

SW Gas and Sierra Pacific's response to DRA and the Energy Division's concerns satisfy us that additional study is not required. The companies convince us that the increase in income guidelines will not increase the costs of

the programs substantially and that there are partially offsetting cost reductions. The consistency would reduce customer confusion and increase customer participation. Accordingly, we order changing the income qualification guidelines to 200% for Sierra Pacific and SW Gas. We do not change the income guideline from 175% to 200% for the other utilities at this time because we do not have evidence of the impact of such a program change on program costs, which would be passed on to other ratepayers.

#### **IV. CARE**

This section discusses the SMJUs' CARE participation, enrollment targets and procedures, outreach activities, and administrative budgets. Appendix A presents the proposed and adopted CARE budgets.

SMJUs vary greatly in their program history, their terrain and other geographic elements that present challenges. The characteristics of a utility's customer base and economy may affect the participation rates a utility is able to achieve. D.02-07-033 directed the utilities to seek a CARE participation goal of 100%. D.05-07-014 subsequently recognized that attaining a 100% participation rate would be a significant challenge and set targeted participation rates accordingly.

##### **A. CARE Participation Levels and Outreach Efforts**

###### **1. Alpine**

Alpine Natural Gas Company provides natural gas to approximately 1,000 customers in Calveras County. Alpine estimates that less than 4% of its residential customers are eligible for the CARE discount rate. As of December 31, 2005, 35 of Alpine's customers subscribed to CARE, which is an 88% participation rate. D.05-07-014 adopted a target for participation rate of



100% for Alpine. Energy Division's report suggests Alpine should be able to achieve this by year-end 2006 due to the small number of customers who qualify.

Alpine conducts outreach by providing notices on monthly billing statements, sending direct mail, and providing information about CARE to each new customer and to all customers in an annual letter.

The Commission approves Alpine's outreach budget and agrees with Energy Division that Alpine should improve its current outreach methods. Alpine should contact individual new customers or those who have previously been on CARE rates to inform them of program benefits to increase and maintain enrollment. Alpine might also consider posting CARE information around the community and distributing it at local events.

## **2. PacifiCorp**

PacifiCorp provides electric service to approximately 35,000 residential customers in the counties of Siskiyou, Modoc, Del Norte, Trinity and Shasta. PacifiCorp estimates that almost half of its customers are eligible for the CARE program. In 2005, only 49% of PacifiCorp's eligible customers subscribed to CARE (adjusted for the large prison population in PacifiCorp's territory). D.05-07-14 directed PacifiCorp to reach a 70% participation rate by the end of 2005. PacifiCorp contends the difficulty of reaching high participation rates results from: 1) the large number of low income customers; 2) the rural nature of its territory which makes it difficult to reach some customers; and 3) the lower cost of power and therefore the lower subsidy provided by the CARE rate.

DRA raises concerns that only 16% of PacifiCorp's eligible sub-metered tenants are CARE subscribers and suggests the company target this population in its outreach efforts. The Energy Division's report suggests the numbers may be miscalculated but agrees that the utility should focus outreach efforts in the

sub-metered population. PacifiCorp responds by agreeing to conduct a separate outreach effort for sub-metered tenants. In May 2006, the company developed new CARE program information and applications targeted towards landlords of sub-metered tenants, then followed up with a telephone call to the landlords, and found that many of the landlords assisted income-qualifying tenants with the application process for the CARE program. PacifiCorp has agreed to continue to its outreach among the sub-metered tenant population to increase participation levels.

We applaud PacifiCorps' quick response to Commission staff's concerns about sub-metered tenants. We adopt the Energy Division recommendation that PacifiCorp increase enrollment each year by 20% in 2007 and 2008, a goal PacifiCorp states is reasonable.

PacifiCorp states its general outreach efforts include bill inserts, direct mail solicitations, and newspaper and radio advertisements. In 2006, PacifiCorp also installed displays at various government agency offices, and distributed program materials and grocery bags at local agency offices.

The Energy Division and DRA recommend approval of PacifiCorp's outreach strategies and outreach budget. Despite aggressive outreach efforts, PacifiCorp has increased enrollment by only 5%. Energy Division suggests the problem is the high level of illiteracy in the areas PacifiCorp serves. PacifiCorp may need to tailor its outreach to engage this population, for example, by attending local community events where utility representatives can explain the program and investigating automatic enrollment for customers who are already in government means-tested programs. We recognize, as PacifiCorp explains, that radio and television advertising is expensive considering the number of eligible customers it may reach. We encourage PacifiCorp to continue its

partnerships with community-based agencies that administer the federal Low Income Home Energy Assistance Program (LIHEAP). We commend PacifiCorp for its continued outreach efforts, and adopt its proposed outreach budget for 2007 and 2008.

### **3. Sierra**

Sierra provides electric service to approximately 45,000 customers in California's several counties around the Lake Tahoe Basin. An estimated 2,300 of its 18,870 customers are eligible for CARE. D.05-07-014 directed Sierra to pursue a 70% CARE participation target, which it exceeded slightly by March 2006. Sierra expects to reach 76.4% by the end of the year and to achieve a 79.6% participation rate for 2007 and 82.7% participation for 2008.

Sierra conducts outreach with twice-yearly billing inserts in English and Spanish, mails postcards to residential customers, includes quarterly CARE messages printed on bills, and distributes posters and flyers in low-income community facilities. It contracts with Community-Based Organizations (CBOs) to enroll customers and pays them "capitation fees" for each customer they enroll. The company automatically enrolls customers receiving federal assistance in the form of LIHEAP. Sierra has also developed a website with CARE information. Sierra plans to contact master-metered mobile home parks to improve subscriber levels in those communities. Energy Division characterizes Sierra's outreach program as successful and creative.

We adopt Sierra's proposed CARE participation rates of 79.6% for 2007 and 82.7% for 2008 and encourage Sierra to continue to consider ways to share information with SW Gas and develop other ways to streamline enrollment. We approve Sierra's proposed outreach budget for 2007 and 2008 and applaud its outreach efforts.

#### **4. Bear Valley**

Bear Valley serves approximately 22,000 residences in the San Bernardino Mountains, many of which are vacation homes. Bear Valley estimates that about 27% of its 7,000 full-time customers are eligible for CARE rates. Bear Valley's participation rates have not reached the target level of 90% and the number of its enrolled CARE customers is declining. Its participation rate fell from 77% in 2004 to 70% in 2005 and Bear Valley does not expect increased CARE participation in 2007 and 2008.

Bear Valley asserts that the most cost-effective outreach method in its service area is through bill inserts and direct mailers due to its large service area. Bear Valley also includes information on its website.

Energy Division recommends the Commission set a 90% participation rate for Bear Valley in 2007 and 2008, which would add 110 more CARE customers to the utility expected estimate of 1,400 for 2006. We note, however, that outreach cost for Bear Valley increases dramatically per customer during the budget period and we do not wish the company to spend huge sums per customer to reach 100% participation rate. Bear Valley may be able to facilitate enrollment by using outreach efforts in community buildings and businesses, by employing "categorical enrollment," whereby customers may verify their incomes by providing documentation of participation in government subsidy programs that are means-tested, and by automatically enrolling LIHEAP program beneficiaries. We encourage Bear Valley to investigate these options to improve participation rates. We approve Bear Valley's requested budget of \$3,500 for outreach efforts.

#### **5. SW Gas**

SW Gas provides natural gas service to approximately 161,500 residential customers in the Lake Tahoe area and in the high desert and mountain areas of

San Bernardino County. SW Gas merged with Avista in April 2005. SW Gas' participation levels have increased in recent years as a result of aggressive outreach efforts. D.05-07-014 adopted a target of 85% participation rate for SW Gas, which had a 79% participation rate in 2005. SW Gas proposes a 93% participation rate for 2007, and 95% in 2008.

SW Gas's outreach materials are presented in various languages, including Spanish and has website information in Spanish, English and large print. SW Gas' outreach efforts include targeted mailings, posters, brochures, community events, data-sharing with overlapping electric utilities, and on-hold messages.

We applaud SW Gas' successful work in enrolling customers into CARE and adopt SW Gas' projected participation. SW Gas has had a successful and aggressive outreach programs and has coordinated its efforts successfully with Sierra. We approve its proposed outreach budget.

## **6. WCG**

WCG serves approximately 1,500 natural gas customers at Mather Field, in Sacramento County, and at Castle Airport, in Merced County. As of December 2005, 38 of an estimated 45 eligible customers subscribed to WCG's CARE rate. Due to the small number of WCG's eligible customers, the Commission has consistently set a participation target of 100% for WCG and the utility has always come close to meeting its target. The Energy Division recommends that WCG should aim for a participation rate of 100% in 2007 and 2008. We agree that WCG should be able to meet this target, assuming that WCG is able to identify the customers who qualify. We note, however, that outreach for WCG increases dramatically per customer during the budget period and,

consistent with Bear Valley, we do not wish WCG to spend huge sums per customer to reach 100% participation rate.

WCG's outreach program primarily consists of direct customer contact when service is initiated, quarterly CARE information on bills and "on-hold" recorded telephone messages.

The Commission approves WCG's outreach budget. Due to the small territory WCG serves and its successful enrollment efforts, the requested amount is reasonable.

## **B. CARE Enrollment Processes**

The utilities have procedures in place to enroll customers and certify their income status. For many of the utilities, customers may enroll in person, by mail or online. "Categorical enrollment" refers to the utility's acceptance of documentation of a CARE customer's participation in a government means-tested program as evidence of income. "Automatic enrollment" refers to the utility signing up a customer without the customer having to apply for CARE on the basis that the customer is a beneficiary of a government means-tested program. Currently, because of the requirements of government agencies to maintain its beneficiaries' privacy, utilities have access only to the names of customers who subscribe to federal energy rate subsidies in the LIHEAP program. "Self-certification" permits a customer to sign a statement that household income is below the relevant limit.

### **1. Alpine**

Alpine administers its CARE enrollments in-house. Because the cost is so small, Alpine does not record the hours its staff works on this element of the program. In 2005, Alpine enrolled six new CARE participants, with a budget of

\$50. Alpine seeks to increase its CARE enrollment processing budget from \$50.00 to \$100.00. We approve this increased budget amount.

## **2. PacifiCorp**

PacifiCorp permits customers to self-certify that they qualify for CARE, which PacifiCorp believes has dramatically increased enrollment from 4,588 subscribers in 2005 to 8,028 in April 2006, a 75% increase. The enrollment process is administered in-house rather than by a third party, which has reduced administrative costs. The Commission commends PacifiCorp for the work it has done to increase enrollment so dramatically in such a short time and adopts its proposed 2007-2008 budget for CARE enrollment processing.

## **3. Sierra Pacific**

Sierra Pacific's certification and verification procedures are conducted by the California Department of Community Services and Development. Sierra Pacific implemented self-certification in November 2005, which the company expects will maximize participation. Sierra's initiative has already dramatically increased enrollment in CARE. We commend Sierra for its efforts and adopt its proposed budget for its enrollment procedures.

## **4. Bear Valley**

Bear Valley processes CARE enrollment in-house. Energy Division recommends that Bear Valley investigate rejected applications to determine the causes for rejection. This evaluation could improve program operations and customer participation. We approve Bear Valley's budget for CARE processing.

## **5. SW Gas**

SW Gas processes CARE applications in-house. Southwest has worked on simplifying the income verification process by automating it. We approve

Southwest's processing, certification, and verification budget, which is reasonable considering the size of its territory and its rate of customer growth.

## **6. WCG**

WCG performs all CARE enrollment processes in-house. In 2005, the utility spent \$456 of its total authorized budget of \$1,000. For fiscal years 2007 and 2008, the company reduced its proposed budget amount for CARE enrollment processing to \$500.

We adopt WCG's budget for CARE enrollment processing. Consistent with Energy Division's recommendation, WCG should also investigate the reasons customers drop out of the program by contacting customers directly – this could or should improve participation rates.

## **C. CARE General Expenses**

General expenses are those that involve reports, program management, travel and other overheads. The following table outlines each utility's actual and proposed general expenditures. Bear Valley and Sierra do not request surcharge recovery for any CARE general expense because they have subsumed such costs in their base rates.

### **1. Alpine**

Alpine requests \$2,000.00 for its General Expenses. We adopt this amount as reasonable considering the size of the program.

### **2. PacifiCorp**

PacifiCorp does not seek an increase from its 2005 \$8,000 general expenses budget. We adopt the amount as reasonable in light of PacifiCorp's total budget and program goals.



### **3. SW Gas**

Southwest has proposed to double its budget for general expenses to \$34,000 in 2007 and 2008. SW Gas has not provided any information to explain the expected large increase. For this reason, Energy Division recommends a \$24,000 budget for this expense, which it believes should be adequate to support the incremental enrollment expected of about 15%.

We adopt Energy Division's recommended general expense budget of \$24,000. SW Gas should provide supporting information and data for significant increases to budget items in the future.

### **4. WGC**

WGC requests \$500 for general expenses in 2007 and 2008. We adopt WGC's proposed budget for general expenses, which is just slightly higher than its actual expenditures.

## **V. LIEE Goals, Budgets and Programs**

This section discusses the applicant utilities' proposals for their LIEE programs and budgets for 2007 and 2008. Generally, the LIEE program offers weatherization and other energy efficiency measures at no cost to qualifying customers. Table 3 shows the types of LIEE programs each utility offers and the number of customers each utility expects to serve in 2007.

Table 4 depicts each utility's LIEE program previous budgets, proposed budgets, and the adopted budgets.

### **A. Alpine**

D.03-03-007 authorized Alpine to conduct its LIEE program through referrals as part of Pacific Gas and Electric Company's (PG&E) LIEE program. This partnership provides education, gas appliance safety testing, weatherization measures, minor home repair, and furnace repair and replacement.

Alpine proposes a 13% reduction in its LIEE budget to \$23,572 because it spent less in 2005 than budgeted amounts. Alpine explains it needs less LIEE funding because many of its customers live in newly-constructed houses, which are built with weatherization measures that meet LIEE standards. Energy Division agrees with this change. We adopt Alpine's proposed LIEE budget.

**B. PacifiCorp**

PacifiCorp provides LIEE customers with insulation, showerheads, energy efficient refrigerators, and compact fluorescent lamps. Since early 2004, PacifiCorp has treated and weatherized approximately 129 homes. PacifiCorp plans to treat and weatherize 90 homes each year for 2007 and 2008. PacifiCorp contracts with community agencies to implement its programs.

Energy Division and DRA propose that that PacifiCorp increase its LIEE participation and observe that PacifiCorp spent less than its authorized LIEE budget in 2004 and 2005. PacifiCorp states the rural nature of its territory present particular marketing challenges. It believes its recent partnership with a CBO in Modoc County will improve participation. PacifiCorp also states it plans to spend the \$44,885 it did not spend in 2004 and 2005 to boost participation in 2007 and 2008, consistent with D.03-03-007.

We adopt PacifiCorp's LIEE annual budget of \$168,000, which represents an \$81,872 increase from the amount spent in 2005. We expect the budget amount will allow PacifiCorp to increase its LIEE participation significantly.

**C. Sierra**

Sierra has provided LIEE services to customers since 1986. Currently, it contracts with private firms to implement LIEE programs, with particular emphasis on identifying hard-to-reach customers.

DRA believes the company does not conduct adequate customer outreach. Sierra states that few of its customers qualify for LIEE programs and it has had a difficult time identifying local contractors to perform LIEE work. Energy Division finds that although Sierra does not provide newspaper ads or other means of media advertisement, the company nearly met its target of treating 70 residences.

Sierra seeks to increase its budget from \$100,000 to \$110,000 for 2007 and 2008. We adopt Sierra's proposed LIEE budgets for fiscal years 2007 and 2008. We commend Sierra for its efforts to improve program participation and encourage it to work with third parties on improving its outreach efforts.

#### **D. Bear Valley**

Bear Valley's LIEE program includes replacement of refrigerators, interior lighting, water heater insulation, low-flow showerheads, faucet aerators, insulation, weather-stripping, and caulking.

Bear Valley requests a budget of \$110,000 for program years 2007 and 2008. Since the program's inception in 2002, Bear Valley has treated 643 homes, although only ten of those have been weatherized. Bear Valley expects to provide LIEE services to 105 households in 2007 and requests approval to install interior hardwired fixtures and portable fixtures, such as torchieres. Because Bear Valley is an electric company and most of its customers heat with gas, it has weatherized very few residences.

We approve Bear Valley's LIEE budget. Consistent with Energy Division's recommendation, we encourage Bear Valley to conduct additional outreach and increase the number of residences it expects to weatherize. We adopt Bear Valley's proposal to install interior hardwired fixtures and portable fixtures. Both of these measures have been undertaken by or studied by the larger utilities

and appear to be promising program measures from the standpoint of energy efficiency.

#### **E. SW Gas**

SW Gas contracts with third parties to provide LIEE program services, including outreach, program evaluation, installation of efficiency measures, and education and reporting.

LIEE outreach efforts are combined with CARE program promotions and include targeted mailings, posters, brochures, community events, and website messages. Information is available in English, Spanish, and large print.

SW Gas provided LIEE measures to 844 homes in 2004, and 738 homes in 2005. According to SW Gas, the rising cost of material, labor, and mileage, in addition to the newly required testing protocols, increased the average amount spent per home in 2005. Southwest used the remaining funds of \$204,101 from 2004 and carried it over to the 2005 budget. The remaining \$309,164 from the 2005 budget was carried over to 2006.

We adopt Southwest's budget request for 2007 and 2008.

#### **F. WCG**

WCG is not required to operate an LIEE program because most residences in the area are new and therefore meet current California's energy efficiency standards. WCG does provide customers with conservation information and proposes to continue this effort through 2007 and 2008. We commend WCG's efforts to educate its customers about conservation and adopt its proposed budget for this work.

### **VI. Bear Valley's Accounting**

In viewing some of the documents presented by Bear Valley in this proceeding, we find some possible accounting discrepancies that merit further

consideration. In summary, Bear Valley may have improperly accounted for about \$84,000 of its 2006 budget. As background, Bear Valley has never funded LIEE programs with a ratepayer surcharge as other California energy utilities have. Currently its LIEE costs are not included in rates. They are tracked in a balancing account for future recovery, which Bear Valley's application states are to be reviewed in its general rate case. Bear Valley's LIEE programs were originally funded through the state's General Fund, pursuant to Senate Bill X15. The state stopped providing Bear Valley with access to these funds after 2004, consistent with the statute.

Subsequently, D.05-07-014 authorized Bear Valley to spend up to \$82,825 in 2005 on LIEE programs. Apparently, however, Bear Valley spent substantially more than its authorized budget in 2005. It filed a petition at the end of 2005 to modify D.05-07-014, seeking authority to recover money it spent during 2005 in excess of its authorized budget, and retroactively increase its 2005 budget. In D.06-04-011 we responded to the petition to modify and denied retroactive recovery, finding the law explicitly prohibits such ratemaking. D.06-04-011 did, however, grant an increase to Bear Valley's 2006 budget to \$177,160. This represented an increase of about \$84,000.

Information provided by Bear Valley in the subject application suggests that Bear Valley may have inappropriately accounted for or may plan to inappropriately account for a substantial portion of its 2006 LIEE budget. Bear Valley represents in a data request response dated July 11, 2006 that its 2006 LIEE program was, as of that date "just getting started after being on hold for funding."

Bear Valley in fact should not have had a funding problem. Between January 1, 2006 and April 2006, Bear Valley's authorized LIEE budget was

\$82,825. With the issuance of D.06-04-011 in April 2006, Bear Valley's budget increased to \$177,160. With a budget of \$177,160, which is more than twice Bear Valley's 2005 budget, Bear Valley reports that in 2006 it expects to treat almost the same number of residences it treated in 2005 for \$82,825. The same data request response states that Bear Valley expects to have "no carry over" for the 2007 budget even though at that point it had not even begun to spend any of its budget on LIEE programs. Bear Valley states it overspent its 2005 budget by about \$35,000.

This information raises concerns that need further inquiry. First, Bear Valley appears to confuse funds with spending authority. Bear Valley may not spend more during any budget period than the amount for which it has Commission authority. If it does, its shareholders are liable for those costs. It is well settled in law that the Commission may not retroactively "repay" the utility for spending funds that were unauthorized in a ratemaking period. The Commission made this clear in D.06-04-011 when it declined to increase Bear Valley's 2005 budget to permit Bear Valley to recover funds its spent in excess of its authorized budget. Similarly, Bear Valley may not use 2006 budgeted funds to pay for expenses incurred without Commission authority during 2005.

If Bear Valley has assigned portions of its 2006 budget to its 2005 spending, this accounting is improper and the Commission will not permit those expenses to be included in rates. We intend to audit Bear Valley to determine whether LIEE funds were spent appropriately and whether funds that were expended were authorized. We may conduct this inquiry in Bear Valley's general rate case or at another time in the near future. We direct our staff to conduct this inquiry to assure Bear Valley's accounting is consistent with the law and our orders.

**VII. Comments on Proposed Decision**

In accordance with Section 311 of the Public Utilities Code, the Administrative Law Judge assigned to this proceeding filed and published a proposed decision in this proceeding on November 14, 2006. Comments to the proposed decision were filed on \_\_\_\_\_ and reply comments were filed \_\_\_\_\_.

**VIII. Assignment of Proceeding**

Dian M. Grueneich is the Assigned Commissioner and Kim Malcolm is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. Applicant utilities timely filed for approval of CARE and LIEE budgets in compliance with D.05-07-014.
2. Increasing SW Gas' CARE income cut-off level to 200% of the federal poverty income level will provide additional benefits to SW Gas' low income customers without unduly burdening other SW Gas customers. The change may also lead to program cost reductions and avoid customer confusion that may occur if SW Gas' cut-off level differs from Sierra's.
3. Increasing Sierra's CARE income cut-off level to 200% of the federal poverty income level will provide additional benefits to Sierra's low income customers. The change may also lead to program cost reductions and avoid customer confusion that may occur if Sierra's cut-off level differs from SW Gas.
4. The characteristics of a utility's territory and customer base may affect the utility's ability to market CARE rates and LIEE services.
5. Applicant utilities propose reasonable budgets for administration and outreach of their respective CARE rate programs, as discussed herein.

6. Applicant utilities propose reasonable budgets for administration and outreach of their LIEE programs with the exception that SW Gas does not justify its request for \$34,000 for general expenses.

7. The Commission did not authorize Bear Valley to spend more than \$82,825 on LIEE programs in 2005.

8. Bear Valley was authorized in D.06-04-011 to spend up to \$117,000 in 2006 on LIEE programs.

### **Conclusions of Law**

1. The income cut-off for customers to qualify for the CARE rates of Sierra and SW Gas should be set at 200% of the federal poverty income level as set forth herein.

2. The proposed 2007-2008 CARE budgets of applicant utilities should be adopted as set forth herein.

3. The proposed 2007-2008 LIEE budgets of applicant utilities should be adopted as set forth herein with the exception that SW Gas budget for general expenses should be set at \$24,000.

4. The law does not permit the Commission to retroactively increase rates or budgets to permit a utility to recover expenses that were unauthorized, as discussed in D.06-04-011.

5. Bear Valley is not authorized to recover 2005 LIEE expenses in excess of \$82,825 or to apply 2006 budget funds to 2005 expenses.

6. The Commission should audit Bear Valley's LIEE accounts to assure that its ratepayers do not assume liability for unauthorized spending.



**O R D E R**

**IT IS ORDERED** that:

1. The income cut-off for customers to qualify for the California Alternate Rates for Energy (CARE) rates of Sierra Pacific Power Company is set at 200% of the federal poverty income level as set forth herein.
2. The income cut-off for customers to qualify for the CARE rates of Southwest Gas Corporation is set at 200% of the federal poverty income level as set forth herein.
3. The proposed budget for the administration of the CARE rate program of Sierra Pacific Power Company is approved as set forth herein.
4. The proposed budget for the administration of the CARE rate program of PacifiCorp is approved as set forth herein.
5. The proposed budget for the administration of the CARE rate program of Bear Valley Electric is approved as set forth herein.
6. The proposed budget for the administration of the CARE rate program of Alpine Natural Gas Operating Company is approved as set forth herein.
7. The proposed budget for the administration of the CARE rate program of West Coast Gas Company is approved as set forth herein.
8. The proposed budget for the administration of the CARE rate program of Southwest Gas Corporation is approved as set forth herein.
9. The proposed budget for the administration of the Low Income Energy Efficiency (LIEE) program of Sierra Pacific Power Company is approved as set forth herein.
10. The proposed budget for the administration of the LIEE rate program of PacifiCorp is approved as set forth herein.

11. The proposed budget for the administration of the LIEE program of Bear Valley Electric is approved as set forth herein.

12. The proposed budget for the administration of the LIEE rate program of Alpine Natural Gas Operating Company is approved as set forth herein.

13. The proposed budget for the administration of the LIEE program of West Coast Gas Company is approved as set forth herein.

14. The proposed budget for the administration of the LIEE program of Southwest Gas Corporation is approved with the exception that its general expense budget shall be set at \$24,000, as set forth herein.

15. Because all outstanding matters are herein resolved, these consolidated proceedings are closed.

16. The Executive Director shall direct Commission staff to conduct an audit of Bear Valley, as set forth herein, which shall be completed in time for the Commission to consider the results prior to the date the Commission authorizes recovery of expenses entered into Bear Valley's LIEE accounts.

17. Application (A.) 06-06-002, A.06-06-009, A.06-06-003, A.06-07-008, A.06-06-011, and A.06-06-007 are closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

**INFORMATION REGARDING SERVICE**

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a copy of the Notice of Availability to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the copy of the Notice of Availability is current as of today's date.

Dated November 14, 2006, at San Francisco, California.

/s/ JOYCE TOM

Joyce Tom

\*\*\*\*\* SERVICE LIST \*\*\*\*\*

Last Update on 14-NOV-2006 by: LIL

A0606002 LIST

A0606003,A0606007,A0606009,A0606011,A0607008

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