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December 5, 2005

HAND DELIVERY

Docket Office
Docket Clerk
California Public Utilities Commission
505 Van Ness Ave., Room 2001
San Francisco, CA 94102

Re: Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing Post-2003 Low-Income Assistance Programs – R.04-01-006 and A.05-06-005 et al.

Dear Docket Clerk:

Enclosed for filing are an original and five (5) copies of:

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON ALJ WEISSMAN'S
DRAFT OPINION APPROVING 2006-2007 LOW INCOME PROGRAMS AND FUNDING
FOR THE LARGER ENERGY UTILITIES AND APPROVING NEW LOW INCOME
ENERGY EFFICIENCY PROGRAM MEASURES FOR 2006**

Please file the original document, date-stamp a copy, and return the endorsed copy in the stamped, self-address envelope provided for this purpose.

Very truly yours,

/s/

Chonda J. Nwamu

CJN/pak
Attachment

cc: Steven A. Weissman, ALJ
Dian Grueneich, Commissioner
Susan E. Brown, LIF
Mariana C. Campbell, ORA
Hazlyn Fortune, ORA
Sarita Sarvate, ED
Donna L. Wagoner, ED
All Parties on the Official Service Lists R.04-01-006 and A.05-06-005 et al

**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.

R.04-01-006

And Related Matters

A.05-06-005
A.05-06-009
A.05-06-012
A.05-06-013

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INCOME ENERGY EFFICIENCY PROGRAM MEASURES FOR 2006**

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Dated: December 5, 2005

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I. INTRODUCTION

In accordance with Rule 77.2 *et seq.* of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC"), Pacific Gas and Electric Company ("PG&E") hereby submits these Comments on the Draft *Opinion Approving 2006-2007 Low Income Programs and Funding for the Larger Utilities and Approving New Low Income Energy Efficiency Program Measures for 2006* (Draft Decision or DD). PG&E supports and appreciates the DD's approval of PG&E's proposed Low Income Energy Efficiency (LIEE) 2006 and 2007 budget, as well as approval of the proposed CARE administrative budget. In particular, PG&E appreciates the DD's acknowledgement that utilities will need to submit budget augmentation requests as a result of the various winter customer care programs being implemented to mitigate customers' high energy bills this winter. PG&E also supports the DD's movement to a three-year program cycle for low income programs consistent with the current Energy Efficiency program cycle. By these Comments, PG&E seeks to clarify a number of issues including the discrepancy in the utility testing requirements for weatherization of utility-heated homes that contain non-utility-fueled combustion appliances and various issues related to the implementation of the program changes set forth in the DD.

II. DISCUSSION

A. The DD Should Allow PG&E to Treat Customer Homes Which Have Both Non-PG&E-Fueled Combustion Appliances And PG&E Space-Heating In the Same Manner as the Other IOUs While the LIOB Considers This Issue

PG&E requests that the DD explicitly provide that it be permitted to treat customer homes which have utility space heating and non-utility fueled combustion appliances in the same manner as the other utilities, i.e., conduct only the Natural Gas Appliance Test (NGAT) in homes which have utility-fueled combustion appliances and not provide weatherization measures for homes which have non-utility-fueled combustion appliances. NGAT is the Commission-adopted test used by all the utilities for customers in the LIEE program who have utility-fueled combustion appliances. As written, the DD maintains the “status quo” on infiltration treatment for utility-heated homes that contain non-utility fueled combustion appliances while directing the Low Income Oversight Board (LIOB) to provide comments on the Standardization Team’s March, 2004 report. However, the “status quo” means that PG&E is following different policies and procedures and providing different services for these homes than the other utilities.

Currently, PG&E is the only utility required to conduct the Combustion Appliance Safety (CAS) Pre-Test in the homes of customers who have utility space-heating and also have non-utility-fueled combustion appliances (e.g., propane or kerosene appliances), in addition to conducting the standardized NGAT in the homes of customers who have utility-fueled combustion appliances.¹ The other utilities are only required to perform the Commission-adopted NGAT test in the homes of customers who have utility-fueled combustion appliances and, unlike PG&E, the other utilities are not required to provide the CAS test and do not provide weatherization measures to their utility-space-heated customers who also have non-utility fueled combustion appliances. PG&E performs CAS tests on propane and other non-natural gas

¹ D.03-11-020 mandated that PG&E continue providing infiltration measures to PG&E space heated homes with non-PG&E-fueled combustion appliances until the Commission ruled on the Standardization Team’s recommendations filed on March, 2004.

combustion appliances in the customer homes that qualify for non-infiltration measures (i.e., that use electric heat) so that these customers can receive all of the weatherization measures for which they qualify under the LIEE program. If a carbon monoxide (CO) problem associated with a non-natural gas appliance is identified, the customer is referred to their supplier and receives only non-infiltration LIEE program measures until the problem is corrected. If no CO problem exists, the home receives LIEE infiltration measures. Based on this current process, PG&E is the only utility required to conduct two separate types of appliance tests and provide weatherization measures to customers whose homes contain non-utility-fueled combustion appliances.

PG&E requests that the DD institute consistency among the utilities by permitting PG&E to discontinue the CAS test and discontinue providing infiltration measures to PG&E space-heated homes with non-PG&E-fueled combustion appliances until the LIOB provides comments on and the Commission rules on the Standardization Team's recommendations filed on March, 2004. The other utilities do not provide infiltration measures to homes with non-utility-fueled combustion appliances under the standardized LIEE program. Consistent with the current practice of the other utilities, the Standardization Team recommended that homes with utility space heating which use non-utility combustion fuels for other end uses *not* be provided infiltration reduction measures under the LIEE program and that these homes be referred to other non-IOU entities, such as LIHEAP agencies, for installation of infiltration-reduction measures.

As a consequence of conducting different types of tests dependent upon the customer's appliances, PG&E's program administration and oversight expenses are increased. At a time when PG&E is implementing an expensive winter initiative program to help its low income customers mitigate higher gas prices, it should not additionally be subject to added costs associated with increased oversight, training and scheduling that is required to continue providing two different types of tests for combustion appliances. Accordingly, PG&E requests that the DD be modified to allow PG&E to implement the same testing protocols and procedures as the other utilities for homes which use utility space heating but do not have utility combustion

fuel appliances for other end uses while the LIOB is considering the Standardization Team's March 2004 report.

B. PG&E Seeks Permission to File a 2006 LIEE Budget Augmentation Request Prior to the July 1 Application Filing If Necessary to Maintain Program Continuity

PG&E requests that the DD be modified to allow PG&E to file a 2006 LIEE budget augmentation request before the July 1, 2006 Application due date for the 2007-2008 Low Income Programs to allow for continuity of its LIEE program throughout 2006. Although PG&E has sufficient money in its current budget (including both annual authorized funding and unspent carryover from previous years) to implement the Winter Initiatives ordered in D.05-10-044, through April 30, 2006, PG&E will require additional funding in 2006 to maintain the LIEE program at its current level of operation. By the end of the first quarter 2006, PG&E will be able to better assess the costs and impacts of both the Winter Initiative program and the new measures adopted in this DD. At that time, PG&E will be able to provide a reasonable estimate of how much additional funding will be needed to continue operating the 2006 LIEE program throughout the year without decreasing services. PG&E requests that the DD be modified to allow PG&E to make a budget augmentation request prior to July 1, 2006 so that the Commission can address any reasonably foreseeable 2006 budget shortfall in time to avoid potential interruption of PG&E's 2006 LIEE program due to a funding deficiency.

Even though PG&E seeks explicit authority to request a 2006 LIEE budget augmentation prior to July 1, 2006, PG&E appreciates ALJ Weissman's setting an application due date of July 1, 2006 for the utility's Program Year (PY) 2007-2008 low income programs. A mid-year due date provides the utilities time to assess current programs, complete our Annual Earnings Assessment Proceedings filings that are due on May 1, and consider and prepare program applications that are driven by need rather than funding. The July due date also gives Commission staff several months to fully consider utility proposals so that they may be adopted in the fall, giving the utilities ample time to make any program changes for implementation in

January 2007. PG&E supports the DD's move toward a three-year funding cycle in line with the Energy Efficiency programs. PG&E is also pleased that the DD contemplates that the Needs Assessment results will be available to aid utilities in future program planning.

C. PG&E Requests that the Commission Expedite Adoption of the Standardization Team's 2006 Policy and Procedures (P&P) and Weatherization Installation Standards (WIS) Manuals Or Allow PG&E to Use the Proposed Duct Testing P&P and WIS Manual Sections in the Interim

The DD adopts duct testing and sealing as a measure for the 2006 program. However, the DD does not adopt the Standardization Team's proposed 2006 Policy and Procedures (P&P) and Weatherization Installation Standards (WIS) Manuals at this time. The utilities need Commission direction on the appropriate policies and procedures, including installation standards, to follow when implementing the new measures adopted in the DD. The utilities are currently using 2004 P&P and WIS Manuals that were written in 2003. The new duct testing measure is process driven and there is no standardized method for its implementation. PG&E proposes that the Commission either expedite adoption of the Standardization Team's 2006 P&P and WIS Manuals submitted to the Commission November 1, 2005 or, alternatively, permit PG&E to use the duct testing processes and standards proposed in the Standardization Team's 2006 P&P and WIS Manual presently submitted to the Commission for approval with assurance that it will not have to revisit completed homes later if revised rules covering the measure are adopted.

D. PG&E Requests That the DD Be Modified to Expressly Permit Fund Shifts Among LIEE Categories Consistent With the Permitted Fund Shifting Among CARE Categories.

The DD explicitly allows fund shifting among CARE funding categories but does not explicitly provide comparable fund shifting authority among LIEE categories. Previous low-income Decisions have not adopted the program budget of either CARE or LIEE at the line item level and the utilities have shifted funding among categories as necessary. Since this DD explicitly specifies that utilities may shift funding among CARE categories and makes no

mention of LIEE categories, PG&E requests that the Commission allow funding flexibility among LIEE categories.

Authorization to shift funding among LIEE categories is important because the “all feasible measures” requirements of the LIEE program make it difficult to accurately predict exact measure costs in advance. PG&E’s program managers estimate budget categories by understanding the typical housing stock and measure needs in PG&E’s service area based on previous program experience. PG&E program managers assess the percentage of customers that required a measure in previous years and note increasing and decreasing trends. For example, PG&E has noted that need for insulation has decreased over the years as more older homes have been retrofitted in California and insulation has become standard in newer homes. Conversely, the percentage of homes qualifying for new refrigerators has increased greatly in recent years. In planning their annual budget, PG&E program managers take into account past program trends and housing stock; however they constantly assess and reassess their initial assumptions as the program year progresses so that all participating homes each year will get all measures for which they qualify. The utilities need continued flexibility to shift funds among the LIEE categories so that they are able to adjust the allocation of funds consistent with the reality of the homes being treated. Accordingly, PG&E requests that the DD explicitly provide that the utilities are authorized to shift funds among LIEE categories to avoid unnecessary delayed or halted implementation of some measures due to lack of funding in a specific LIEE category.

III. CONCLUSION

Pacific Gas and Electric Company supports the Commission’s move in this DD to bring the low income program planning cycle more in synch with the three-year energy efficiency program planning. PG&E is also pleased to learn that the Needs Assessment will be available to aid in program planning. PG&E respectfully requests that the DD be modified consistent with the following requests: 1) PG&E requests permission to follow the same policies and procedures as the other utilities for treating utility space-heated homes that contain non-utility fueled combustion appliances; 2) PG&E requests permission to file an LIEE budget augmentation

request for 2006 prior to filing its July 1, 2006 application for program years 2007-2008; 3) PG&E requests that the Commission expedite adoption of the Standardization Team's 2006 Policy and Procedures (P&P) and Weatherization Installation Standards (WIS) Manuals or allow PG&E to use the proposed Duct Testing P&P and WIS Manual sections in the interim; and 4) PG&E seeks permission to shift funds among LIEE funding categories.

PG&E has provided proposed modifications to the DD's Findings of Fact, Conclusions of Law and Ordering Paragraphs in the attached Appendix A.

Respectfully Submitted,

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By: _____ /s/
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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 5, 2005

APPENDIX A

Pacific Gas and Electric Company's Proposed Modifications to the Findings of Fact, Conclusions of Law and Ordering Paragraphs in ALJ Weissman's DD (Mailed 11/15/2005) (Proposed language is in bold and italics)

Proposed Modifications to Findings of Fact:

Add a Finding of Fact: *The utilities' LIEE programs provide that qualified customers receive all feasible measures and, therefore, it is appropriate, if not essential to give all utilities LIEE spending flexibility.*

Add a Finding of Fact: *The utilities need approved policies and procedures and installation standards to follow when implementing the newly adopted LIEE measures.*

Add a Finding of Fact: *PG&E is the only utility currently required to perform two types of appliance tests as part of its LIEE program, the CAS and NGAT tests.*

Proposed Modifications to Conclusions of Law:

Add a Conclusion of Law: *We should grant LIEE fund shifting capability for all of the applicant utilities.*

Add a Conclusion of Law: *We should temporarily allow the applicant utilities to use the duct testing processes and standards proposed in the Standardization Team's 2006 P&P and WIS manual presently submitted to the Commission until such time as the 2006 P&P and WIS Manual is approved by the Commission.*

Add a Conclusion of Law: *We should grant PG&E permission to implement the same testing protocols and procedures as the other applicant utilities for homes which use utility space heating but do also have non-utility fueled combustion appliances.*

Proposed Modifications to Ordering Paragraphs:

OP 3: Add a sentence at the end of OP 3 as follows – *However, the applicant utilities may file such 2006 budget augmentation requests earlier to ensure 2006 program continuity.*

Add a new Ordering Paragraph after OP 10 – *The utilities may shift funds, as needed, among the LIEE categories.*

Add a new Ordering Paragraph – *The utilities are temporarily authorized to use the policies and procedures and installation standards related to duct sealing as proposed in the Standardization Teams proposed 2006 P&P and WIS manual until the Commission approves the 2006 P&P and WIS manuals.*

Add a new Ordering Paragraph – *Consistent with the practice of the other applicant utilities, PG&E is permitted to stop conducting CAS tests and only conduct the Commission adopted NGAT test in customers homes, and is also permitted to stop providing infiltration measures to homes with non-PG&E fueled combustion appliances.*

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 5th day of December 2005, I served a true copy of:

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[X] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.04-01-006 and A.05-06-005 et al with an e-mail address.

[X] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to all parties on the official service list for R.04-01-006 and A.05-06-005 et al without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 5th day of December 2005 at San Francisco, California.

/s/
PATRICIA A. KOKASON