

**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

**COMMENTS OF PACIFIC GAS AND ELECTRIC
COMPANY (U 39 M) ON DRAFT DECISION OF
ALJ WEISSMAN**

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Dated: October 26, 2005

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I. INTRODUCTION

Pacific Gas and Electric Company ("PG&E") congratulates Administrative Law Judge Weissman for issuing the comprehensive Draft *Interim Opinion Approving Various Emergency Program Changes in Light of Anticipated High Natural Gas Prices in The Winter of 2005-2006* (Draft Decision or DD), which will allow energy customers to mitigate the impact of increasing natural gas costs on their energy bills this winter. ALJ Weissman received a huge amount of data on numerous low-income winter proposals and expeditiously drafted the DD, which lays out a winter plan to help low-income customers reduce their energy bills this winter. PG&E is pleased that the low-income program changes set forth in the DD will provide its customers with options that can significantly impact winter bills. By these Comments, PG&E seeks to clarify issues related to the implementation of the program changes set forth in the DD.

II. DISCUSSION

A. The DD Should Explicitly Confirm That The Utilities Are Authorized To Include The Additional Estimated CARE Costs Associated With Increased CARE Eligibility in Forecast Rates and Associated Revenue Allocations For Rates Effective January 1, 2006.

PG&E agrees with the DD's conclusion that the rate impacts of expanding CARE eligibility to 200 percent of the federal poverty guideline (FPG) for all residential customers are manageable. However, PG&E requests that the Interim Opinion confirm that PG&E and the other utilities are authorized to include the estimates of additional gas and electric CARE and FERA costs in their forecast gas and electric rates and associated revenue allocations for rates

effective January 1, 2006, consistent with PG&E's request in its Advice Letter 2664-G/2720-E. To implement this, PG&E requests that the findings of fact, conclusions of law and ordering paragraphs of the DD be modified as set forth in Appendix A

B. The Low Income Energy Efficiency “Hold Harmless” Policy Should Be Limited To Customers Who Inadvertently Receive Low Income Energy Efficiency Program Benefits This Winter In Good Faith.

PG&E supports the DD's proposal that utilities “hold harmless” from repayment customers who inadvertently receive benefits from utility low income programs offered this winter for which they fail to qualify. As discussed in various low-income winter filings and at the recent low-income Workshop, the temporary suspension of eligibility verification processes may result in ineligible customers receiving CARE and LIEE benefits this winter. PG&E agrees that customers who inadvertently receive low-income program benefits this winter should not be forced to disgorge the benefits received. However, PG&E proposes that the “hold harmless” policy be limited to customers who participate in its winter low-income programs in good faith. The addition of a good-faith requirement to the proposed “hold harmless” policy will serve as a disincentive for ineligible customers to knowingly engage in the fraudulent receipt of low-income benefits. Moreover, any reduction of fraud in utility low-income programs this winter will ensure that the maximum number of eligible customers will be served by utility LIEE programs.

C. PG&E's Balanced Payment Plan Already Ensures That Participating Customers Are Not Faced With High True-Up Payments Therefore The Changes Proposed In The DD Are Unnecessary.

The DD proposes changes to the utilities' levelized payment plans to avoid extreme true-up payments. The proposed changes are not necessary to accomplish this objective, as PG&E's current Balanced Payment Plan (BPP) already incorporates this design feature. Moreover, the proposed DD changes would create bill instability that would undercut the program's usefulness to customers seeking greater bill predictability, and confuse customers who joined the program based on different expectations. PG&E accordingly recommends the DD's changes not be adopted.

The DD requires gas utilities to adjust BPP payments no less frequently than once every three months in order to protect against a very large underpayment. Two aspects of PG&E's current BPP, however, already provide this protection. First, the BPP payments are based on a customer's payments for the prior twelve months, which will necessarily dampen and attenuate the impact of rapid bill increases like those expected for this winter. Second, under PG&E's current BPP, customer bills are reviewed at least three times a year and bill payments are adjusted when the calculated average bill varies by 15% or more from the existing BPP amount, but no more frequently than three times in twelve months. Once adjusted, a customer's bill is not subject to another readjustment for four more months. While these features will not shield customers entirely from the impact of high winter bills, they will protect customers who continue to participate in the program from experiencing the full impact of high winter bill true-up payments.

PG&E believes that its current BPP process provides reasonable balance between a customer's need for both predictable bill payments and protection against large bill true-ups. PG&E requests that the DD be modified to permit PG&E to retain the adjustment features of its current BPP.

D. The DD Should Be Modified to Clarify That the Winter Moratorium on Shut Offs Applies to CARE, Or For PG&E, Residential And Small Commercial Customers Who Pay 50% of their Outstanding Balance and Enroll in the Respective Utilities' Levelized Payment Plan.

The DD should be modified to clarify that the mandatory winter moratorium on shut-offs applies only to CARE, or for PG&E, residential and small commercial customers who both make a minimum 50% payment on their outstanding arrearage and enroll and continue to participate in utility's levelized payment plan.¹ The DD discusses the winter prohibition on shut offs in a number of places but does not consistently clarify that the winter moratorium on shut offs applies only to certain customer groups. For example, the DD Introduction provides that utilities are prohibited from shutting off service this winter to *low income customers* who pay at least 50% of their bills. The first sentence of OP 16, however, states that "utilities shall not shut off service

¹ Under PG&E's Winter Customer CARE and Relief Program, PG&E plans to suspend service shut-offs this winter for residential and small commercial customers who pay at least 50% of their bill arrearage and enroll (and maintain current payments) in BPP for the remainder of the past due amount as well as on-going billings.

during the winter months to *customers* that continue to make minimum bill payments.” The following sentence in OP 16 provides that “*CARE customers* shall not be disconnected if they agree to ...a plan to repay all past-due amounts within 12 months.” Because the DD does not consistently articulate which group of customers are to be subject to the winter shut-off moratorium, it creates an ambiguity that could be interpreted to mean all customers are eligible for the winter service shut-off prohibition. In extreme form, this would imply that each of PG&E’s more than 5 million gas and electric customers will have permission to pay just half of each of their monthly bills from November 2005 through April 2006 without consequence to themselves during that time period, creating the same (or potentially much greater) “steep price,” potential for undercollections and uncertain cost recovery the DD rejected.

In addition, to avoid the enormous post-winter catch-up bills that would result from customer paying only half of their winter bills, customers should be also be required to enroll in their utility’s BPP plan in order to avoid shut-offs or reestablish service.^{2/} Omission of this additional requirement would “lead to very high true-up payments, creating another kind of bill payment crisis” as the DD feared for the BPP. Introductory paragraph 8 suggests that the utilities must provide CARE customers who make winter minimum bill payments 12 month pay plans starting at the end of the winter. But, as the DD noted elsewhere, “[d]eferring recovery now requires betting gas prices will go down significantly after the winter.” Consequently, PG&E proposes to modify the first sentence of OP 16 as follows: “The utilities shall not shut off service during the winter months to CARE or, for PG&E, residential and small commercial customers who make a minimum payment of at least 50% of any past-due bill, and who enroll in and comply with their respective utilities’ levelized balance payment plans.” Ensuring that customers who make partial bill payments also enroll in BPP provides customers with added protection against huge payment true-ups in the future.

^{2/} PG&E recommends enrollment in BPP rather than development of a twelve month pay plan because BPP offers customers more assistance in establishing bill payments they will be able to pay.

III. CONCLUSION

Pacific Gas and Electric Company commends the Commission and ALJ Weissman for their expedited response to the increased natural gas prices facing California's ratepayers. PG&E respectfully requests that the Commission modify the DD consistent with these Comments and the proposed modifications set forth in Appendix A.

Respectfully Submitted,

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APPENDIX A
PG&E's Proposed Modifications to the Findings of Fact, Conclusions of Law
and Ordering Paragraphs

Proposed Modifications to the Findings of Fact

- *Finding of Fact 2. "Although the impact on other customers of increasing income eligibility may be measurable, it is small. **The utilities may recover the additional costs in their 2006 gas and electric rates on a forecast basis, subject to audit.**"*

Proposed Modifications to the Conclusions of Law

- *Conclusion of Law 1. "The utilities should expand CARE income eligibility to include all customers with income at or below 200% of Federal poverty guidelines, **and the additional costs should be recoverable in the utilities' 2006 gas and electric rates on a forecast basis, subject to audit.**"*
- *Conclusion of Law 3. "FERA income eligibility should be adjusted to accommodate changes in CARE eligibility, **subject to the same cost recovery as the changes in CARE eligibility.**"*
- *Conclusion of Law 7. Low Income Energy efficiency program customers should not be required to reimburse the utilities for weatherization services if the customers **participated in good faith** and are later found to lack income eligibility.*
- *Conclusion of Law 13. The utilities should not shut off service, during the coming winter months, to CARE or, for PG&E, residential and small commercial customers that **[delete "continue to"]** pay at least 50% of their past-due bills **and enroll in, and comply with, PG&E's Balanced Payment Plan or other utility levelized payment plan.***
- *Conclusion of Law 14. **[delete in its entirety]***

Proposed Modifications to Ordering Paragraphs

- *Ordering Paragraph 1. "Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E) and SouthWest Gas Company (SouthWest) shall allow all residential customers earning no more than 200% of poverty levels to enroll in the California Alternative Rates for Energy (CARE) program. **The utilities may include any additional reasonable costs associated with the change in CARE and FERA eligibility for 2006 in their forecast 2006 gas and electric rates and associated revenue allocations to be effective January 1, 2006, subject to audit by Energy Division.**"*
- *Ordering Paragraph 8. The utilities shall hold harmless from repayment any customer*

*receiving low-income energy efficiency program benefits this winter **in good faith** even if the customer is later found not to qualify based on income.*

- *Ordering Paragraph 16. The utilities shall not shut off service during the winter months to CARE or, for PG&E, residential and small commercial customers that pay at least 50% of their past-due bills and enroll in, and comply with the utility's balanced or levelized payment plan. [Delete "continue to make minimum bill payments CARE customers shall not be disconnected if they agree to ,and comply with, a plan to repay all past-due amounts within 12 months."] In addition, utilities waive reconnection fees and deposits for CARE customers during the winter months.*

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 26th day of October 2005, I served a true copy of:

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(U 39 M) ON DRAFT DECISION OF ALJ WEISSMAN**

By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.01-08-028 with an e-mail address.

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.01-08-028 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 26th day of October 2005 at San Francisco, California.

/s/
PATRICIA A. KOKASON