Decision 06-12-038 December 14, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902 M) for Approval of Low-Income Assistance Programs for Program Years 2007 and 2008.	Application 06-06-032 (Filed June 30, 2006)
And Related Matters.	Application 06-06-033 (Filed June 30, 2006) Application 06-06-034 (Filed June 30, 2006) Application 06-07-001 (Filed July 3, 2006)

ORDER ADOPTING UTILITY BUDGETS FOR LOW INCOME ENERGY EFFICIENCY PROGRAMS AND CALIFORNIA ALTERNATE RATE FOR ENERGY

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ORDER ADOPTING UTILITY BUDGETS FOR LOW INCOME ENERGY EFFICIENCY PROGRAMS AND CALIFORNIA ALTERNATE RATE FOR ENERGY

This order adopts budgets, policies and program parameters for the Low Income Energy Efficiency (LIEE) and California Alternate Rate for Energy (CARE) programs of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) for 2007 and 2008. Their respective adopted budgets for 2007 and 2008 are as follows:

Adopted Budget Summary

2007 and 2008 Utility LIEE and CARE Adopted Budgets				
	2007		2008	
Utility	**CARE**	**LIEE**	**CARE**	**LIEE**
PG&E	$544,557,000	$77,733,500	$595,432,000	$77,733,500
SCE	$256,798,000	$32,609,290	$268,798,000	$32,609,290
SoCalGas	$127,304,243	$33,415,541	$131,003,059	$33,211,971
SDG&E	$48,751,885	$13,424,892	$50,985,233	$13,302,750
Total	$977,411,128	$157,183,223	$1,046,218,292	$156,857,511

The programs we fund today are designed to provide energy efficiency services and products to more than 150,000 low income households in California and discounted energy rates to more than 3.9 million low income customers in 2007. The utilities' estimates suggest LIEE programs together will reduce electricity demand in 2007 by more than 86 million kilowatt hours (Kwh) and natural gas demand by more than 3.6 million therms.

In addition to adopting utility budgets for LIEE and CARE programs, we adopt several policies to guide and inform CARE and LIEE program implementation, and signal our intent to investigate a number of policy and program issues in the coming year.

In general, we commend the utilities for their efforts to promote LIEE and CARE participation by qualified customers and their efforts to broaden the scope of LIEE program elements and improve LIEE program delivery.

I. Background

PG&E, SCE, SoCalGas and SDG&E filed these applications in June and July 2006 seeking approval of their respective proposed budgets for low income energy efficiency programs for 2007-08. LIEE programs are those that provide weatherization, lighting and appliances to qualifying low income customers at no cost to the participating customer. CARE is a tariffed rate that provides qualifying low income customers with a 20% discount on the otherwise applicable gas and electric rates.

The utilities propose the following budgets for their respective LIEE programs and the costs of administering their CARE programs in 2007:

2007 and 2008 IOU LIEE and CARE Proposed Budgets

	LIEE (millions)		CARE (millions)	
	2007	**2008**	**2007**	**2008**
PG&E	77.86	77.86	544.68	595.58
SCE	33.10	33.10	252.60	264.60
SoCal Gas	34.93	34.93	127.39	131.08
SDG&E	13.67	13.67	48.751	50.99

Source: CA IOU Low Income Budget Applications 2007-2008

The utilities plan to provide the following number of homes with LIEE services and products in 2007:

2007 and 2008 Estimated Number of Homes Treated with LIEE Services			
	Estimated 2006	**Proposed 2007**	**Proposed 2008**
PG&E	62,500	58,200	58,200
SCE	39,939	36,933	36,933
SoCalGas	48,000	44,700	44,700
SDG&E	12,882	10,440	10,440

Source: IOU Applications filed June 30, 2006

The utilities expect to provide CARE rates to the following number of customers in 2007:

PG&E 1.2 million or 77% of qualified customers

SCE 1.1 million or 83% of qualified customers

SDG&E 249,236 or 71% of qualified customers

SoCalGas 1.4 million or 78% of qualified customers

Several parties participated in this proceeding, including the Association of California Community and Energy Services (ACCES), Division of Ratepayer Advocates (DRA), Quality Conservation Services (QCS), Non-profit Housing Association of Northern California (NPH), Richard Shaw for ASSERT and Disability Rights Advocates (DR Advocates), which filed responses to the applications. The issues the parties raised in the prehearing conference and in responses to the applications include:

1. Whether the utilities presented or should present goal-based program plans rather than plans based on budgets;

2. How to manage and implement program details, and adopt new measures between Commission decisions and budget cycles in light of the suspension of the standardization team;

3. The impacts of Natural Gas Appliance Testing (NGAT) on program participation;

4. Whether and how the incentives for solar development should be incorporated into the LIEE program;
5. The need for cool centers and cool zones;
6. PG&E's proposal to remove caps for compact fluorescent lamps and exterior hardwired fixtures;
7. Program outreach, recertification and enrollment;
8. SCE's proposal to initiate a LIEE pilot program on Catalina Island;
9. Reallocating funds between budget categories;
10. Accessibility by disabled customers to telephonic enrollment, outreach efforts, LIEE programs and cool center facilities; and
11. Availability of capitation fees to community-based organizations serving disabled communities.

The scoping memo issued in this proceeding stated the Commission's intent to consider any or all of these issues and those addressed in the applications. It addressed proposals by some parties to integrate the California Solar Initiative (CSI) incentive program for low income customers with the LIEE proceeding and found that the Commission would resolve major program issues first in Rulemaking (R.) 06-03-004. We address the CSI matter further in this order.

The Commission conducted a workshop in Sacramento on September 13, 2006 to share information and ideas about the utility applications. At the workshop, the parties addressed the following issues:

- Multi-family and renter issues
- Program participation by disabled customers
- Program outreach, enrollment and certification
- NGAT

- Cool Centers
- Goals-based program budgets
- Addressing program changes between program applications
- Reallocating funds between budget categories

The Commission did not hold and no party sought hearings in these applications. Parties filed comments on October 3, 2006 and reply comments on October 11, 2006. SDG&E and SoCalGas filed comments jointly.

II. Program and Policy Issues Common to All Utilities

A. Framework for Considering LIEE and CARE Programs and Budgets

The subject applications provide an opportunity for the Commission to consider not only LIEE and CARE program changes but also policy issues and opportunities for program development, and increased participation by customers. The Commission will also consider the role of low income programs as part of the array of regulatory programs and policies designed to develop environmentally sound energy resources, promote effective and efficient management of the energy infrastructure, and assure reasonable rates for California energy customers. Energy programs to serve low income customers have a long history in California. Whatever the prevailing character of energy markets or regulatory regimes during that history, the complementary objectives of these low income programs have been to assure all customers have access to affordable energy services and energy efficient dwellings.

We consider the applications today with two overriding criteria in mind. The first is that the money the utilities will spend on LIEE and CARE programs should benefit low income customers by reducing their bills and assuring their comfort. In this context, we emphasize the need to provide the benefits of these programs to the largest number of households possible. To the extent cost-benefit information is available, our bias is to fund the most cost-effective programs first. We are willing to fund programs that may not be cost-effective if they provide other benefits, including non-energy benefits, to low income customers. Budget constraints motivate us, however, to favor programs that provide more and direct benefits to customers ahead of those that provide fewer or less tangible benefits. Accordingly, we intend to minimize utility spending on operations that are costly, studies that do not appear to provide essential program information and program elements that provide limited energy bill savings to customers. We plan to explore these issues more in-depth in the coming year.

For LIEE, we consider a second criteria and one that we have not emphasized as a primary objective in past years, namely that the money spent on LIEE programs should, where possible, promote energy efficiency and thereby contribute to resource adequacy. We have generally considered the main objectives of low income programs to be the provision of services and installations that lower the bills of low income customers and promote their safety and comfort. LIEE has been, for the most part, an equity program. We recognize, however, that LIEE programs benefit all California customers because those programs contribute to a more reliable and environmentally sound energy system. The Commission has found that energy efficiency is among the most important of the state's energy resources. In recent years, we have recognized LIEE as contributing to a sound energy strategy for California. In Decision (D.) 01-05-033, which implemented state legislation providing additional resources for LIEE programs, we found that LIEE programs could contribute to peak load savings. In D.04-09-060, we officially recognized the role of LIEE programs as part of the state's energy resource strategy by counting LIEE energy savings in utility energy efficiency program goals. In addition to promoting a less expensive, more reliable energy resource base, energy efficiency programs may reduce green house gasses and affect water conservation. In this order, we consider proposed LIEE programs, policies and strategies in the context of how they may contribute to a cleaner, cheaper and more reliable resource mix.

B. Goals-Based Budgeting and Participation Rate Goals

D.05-12-026 directs "each utility to establish, and work to achieve, penetration goals" rather than to plan LIEE program activities around a budget. The idea has been to focus on customer needs and strategic approaches to serving the needs of the greater community rather than simply hoping for the best with a given budget. In these applications, the utilities refer to this change of focus. SCE states that it is moving forward with a needs-based approach for its 2007 and 2008 programs and will be introducing new measures that increase bill savings and comfort for customers. SoCalGas characterizes its application as a goal driven program plan and budget, although it does not distinguish a budget based on goals from goals derived according to a budget. None of the utilities makes a convincing case that it has proposed targeted and aggressive goals and designed budgets around them. Indeed, utility budgets propose incremental changes to previous budgets and in some cases they have reduced the number of projected households they will serve.

At this point, the utilities' failure to develop a goals-based approach to planning and budgeting, however, is understandable. D.05-12-026 assumed that the utilities and the Commission would have the benefit of the needs assessment conducted by KEMA for the Commission. This needs assessment was designed to be a comprehensive evaluation of the successes and weaknesses of the LIEE programs using demographic information. The KEMA study was not published until several months after the filing of the utility applications and therefore could not have informed the utilities' proposals at the time of filing.

Some parties propose that the utilities be required to refile their applications consistent with D.05-12-026, and to incorporate the results of the KEMA study in their amended applications. ACCES in particular believes the utilities need to make program improvements that would emphasize customer needs and target populations and communities according to their needs. Richard Shaw suggests the Commission convene a series of workshops to address how the KEMA report findings should be recognized in LIEE programs and budgets and develop a comprehensive plan for future program development.

DRA also addresses the issue of goals-based planning, but from a slightly different perspective. DRA observes that the utility applications generally do not anticipate increasing the LIEE penetration rates in their territories. DRA observes that all of the utilities propose to reduce spending on LIEE program elements. PG&E's gas budget is about 20% lower than 2006 spending and PG&E proposes substantial reductions in spending for weatherization efforts, electrical appliances and outreach. SDG&E, SoCalGas and SCE propose to reduce the number of residences and installations, opting instead to increase energy savings for each customer. SDG&E plans to treat 10,440 residences in 2007, down from 12,882 in 2006 and to reduce its LIEE budget by almost 17% in 2007 from 2006 spending. SoCalGas would reduce the number of residences served from 48,000 in 2006 to 44,700 in 2007 and to reduce its LIEE budget by more than $6.5 million. DRA observes that the utilities' proposal to focus on more measures for each participant rather than a higher number of participants is contrary to the Commission's directive in D.05-12-026 that the utilities increase the number of customers served. DRA observes, however, that without a more precise definition of "goal-driven" planning and "penetration rates," it cannot comment much further on the utilities' plans.

We appreciate the utilities' efforts to increase energy savings and to deliver those energy savings more cost-effectively. However, we share DRA's concerns that the utilities are cutting back on the number of projected participants in LIEE programs. DRA is correct that the message we sought to project in D.05-12-026 is to improve participation, not just energy savings. Interestingly, although there was considerable discussion of penetration rates in this proceeding, the record includes virtually nothing to support setting any particular goal or penetration rate for any utility. This appears to be due at least in part to the difficulty of defining the universe of qualified customers and a realistic range of penetration rates over a given period. We expect the KEMA report to inform the discussion on this and to address the issues in more depth in the coming year.

C. California Solar Initiative

D.06-01-024 set forth policies for the CSI program, a program that provides incentives to individuals and businesses that install qualifying solar equipment on their premises. As part of the CSI, the Commission ordered the utilities to set aside 10% of their incentives budgets for solar investments made by low income customers and owners of affordable housing. ACCES suggests this issue be resolved in these applications or, alternatively, be the subject of workshops in the near future.

The Commission is reviewing this matter in a more recently opened docket, R.06-03-004, and has not yet resolved the basic parameters of the low income aspects of the CSI program. It is therefore unclear whether using the underlying structure of the LIEE program is the best way to implement this part of the CSI program. For that reason, the Commission has not reviewed in these applications the matter of whether and how to incorporate the solar incentives into the existing LIEE framework. Accordingly, we remove from utility LIEE budgets funds allocated to administering the low income portion of the CSI.

We note also that in September 2006, the California Legislature enacted SB 107, which underscores the state's commitment to renewable energy resources, including solar installations, and establishes a goal that each utility's energy portfolio be comprised of at least 20% of renewable energy resources by 2010. The Commission will consider the role of low income properties as it works toward implementing SB 107.

D. Gas Furnace Repair and Replacement

The utilities propose that they be permitted to undertake a comprehensive study of repair and replacement of gas furnaces. The study would assess costs and benefits, evaluate barriers and safety issues, and address issues related to landlords and renters. One issue involving gas furnace repair and replacement involves a Commission requirement that the utilities conduct a test for natural gas emissions from gas appliances at each LIEE customer residence prior to installing weatherization measures. The testing process, called "NGAT," is designed to promote safety by assuring that the utilities do not reduce the airflow in a building envelope in a way that might increase concentrations of gas emissions remaining in the house.

NGAT has been the subject of considerable controversy in this proceeding because many customers have been unable to receive weatherization measures as a result of failed NGAT tests. ACCES comments that it is especially concerned with one element of the NGAT referred to as the "Combustion and Ventilation Air (CVA) Evaluation." It observes that this test element has resulted in up to 15% of otherwise eligible dwellings to become ineligible for LIEE measures. The CVA Evaluation is not required for energy efficiency measures in residences that are not in the low income program. ACCES believes if safety were truly an issue in this regard, the CVA evaluation would be conducted for all buildings. DRA shares ACCES' concern and partly for that reason supports further study of the gas furnace issues generally. DRA observes that one way to resolve the problem is for the utility to install a new furnace where a dwelling fails the NGAT. Because of the complexities of this issue, DRA supports an effort to review the matter in more depth at a later time.

ACCES opposes the utilities' proposal to conduct yet another study of gas furnace issues. It states the Standardization Team previously studied the impacts of the NGAT and other issues related to the gas furnace program in isolation from other LIEE programs. It suggests instead that a Commission workshop may help resolve outstanding concerns about the gas furnace program and the NGAT. Richard Shaw also believes a workshop should be convened to identify issues that would inform study specifications. He suggests the Commission create a Furnace Study Workgroup that would be responsible to report to the Low Income Oversight Board (LIOB) on these issues.

The several related issues concerning gas furnace programs appear complex and broad. They have not, however, been adequately articulated by the utilities in the context of the study they would conduct. SoCalGas states the study would emphasize NGAT and program cost-effectiveness and PG&E refers to comparing the safety of old and new furnace models. These and other topics appear to be reasonable subjects of a study but we are not prepared at this time to authorize spending $150,000 on a study that is so poorly specified. On the other hand, we are convinced that several outstanding issues require resolution, among them, the wisdom of replacing furnaces as opposed to repairing them, whether a utility should replace or repair a furnace after a failed NGAT, and how and whether rental property should qualify for these programs. The parties to the workshop appeared to agree that this is an issue that requires more in-depth consideration in the near future.

We will direct Commission staff to conduct a workshop to focus specifically on these issues and to publish a report with its recommendations. After the workshop, Energy Division staff may authorize spending on a gas furnace study up to the amount budgeted in this decision, and only if the study is specified according to the staff's determination of relevant issues on the basis of workshop discussions and a collaborative effort by the parties. We will determine at a later date whether this work and the resolution of related issues will be accomplished in a new rulemaking. In the meantime, the utilities may not modify their gas furnace programs.

E. Access for Disabled Customers

DR Advocates observes that many disabled customers qualify for LIEE program benefits. It raises several issues regarding ways to promote participation by disabled customers.

Cool Centers and Cool Zones -- DR Advocates makes the point that many disabled customers are low income and many may be especially sensitive to heat. It proposes that all Cool Centers be accessible to people in wheelchairs and those with other disabilities. It reports that the utilities' existing Cool Centers appear to be accessible and that transportation services to them also appear accessible to the disabled. The utilities generally appear willing to accommodate special customer needs and to advertise accessibility in brochures. We encourage the utilities to continue to work with DR Advocates and those who own and operate cool centers in order to promote access by the disabled.

Outreach by Community-Based Organizations (CBOs) serving the Disabled -- DR Advocates raises concerns that very few CBOs that serve the utilities' disabled communities have contracted with their serving utilities to provide outreach and receive "capitation fees" for enrolling customers in LIEE and CARE programs. DR Advocates states it has recently worked with the utilities to remedy this problem and all have been very receptive. We encourage the utilities to continue to work with DR Advocates and CBOs that serve disabled communities to leverage opportunities to enroll disabled customers into LIEE and CARE programs. The findings made in later portions of this document regarding outreach program formats and elements would apply equally to disabled customers.

Website Accessibility -- DR Advocates observes that utility websites must be designed to permit the visually disabled to access the information on them. DR Advocates reports that it has been working with the utilities on this matter and all have been receptive to DR Advocates' suggestions. We encourage the utilities to continue to work with DR Advocates and other experts in this area to assure their websites are accessible to the disabled.

Use of TTY Equipment for Enrollment and Certification – DR Advocates proposes that the utilities that offer telephonic CARE and LIEE services be required to use and maintain TTY services for those with hearing disabilities. DR Advocates reports that the utilities have been responsive to this concern generally and we encourage the continued use of TTY equipment for processes that involve telephone contacts. We are especially concerned that disabled customers have the same quality of access as other customers and therefore expect the utilities' TTY systems to be answered in the same manner and with the same efficiency as other voice calls.

Large Print Format for Outreach Materials -- DR Advocates strongly recommends that all paper materials be available in large print for the visually impaired and that other key alternate formats, including electronic format, be available for customers with other disabilities. DR Advocates reports that the utilities have been responsive to the need for such formats and we encourage the utilities' continued responsiveness to the need of the visually impaired and customers with other disabilities for modified formats in outreach materials. We also direct the utilities to include in outreach materials a TTY number that is presented with the same prominence as other contact numbers.

Social Security Disability Income (SSDI) defined as "Fixed Income" – DR Advocates proposes that for purposes of an extended recertification process, which the utilities propose in their applications, SSDI be considered "fixed income." DR Advocates reports that the utilities appear supportive of this proposal and we will adopt it herein.

On the basis of DR Advocates' pleadings and statements at the workshop, we are satisfied that the utilities are working cooperatively to address the needs of the disabled. We commend them for that cooperative work and encourage future collaboration in this area with the objective of promoting better services for and increased participation by disabled customers in LIEE and CARE programs.

F. Water Conservation Programs

The Commission has increasingly expressed its interest in programs that would promote energy efficiency and water conservation concurrently and the utilities' cooperative efforts with water agencies. D.05-09-043 stated:

> " … we will direct the Assigned Commissioner to explore the issue of counting embedded energy savings associated with water efficiency by informal or formal procedural vehicles in our rulemaking proceeding …."

Subsequently, the scoping memo issued in R.06-04-010 included water issues in the exploration of energy efficiency issues and stated "the Commission should begin looking at the broader context for water-related savings, including the implementation of new water conservation measures not currently undertaken by either energy or water utilities, as well as related issues such as co-funding. " In that proceeding, the assigned commissioner has directed the energy utilities to file applications proposing pilot energy/water programs to run from July 2007 through June 2008. The applications are due no later than January 15, 2007. The assigned commissioner has encouraged the utilities to be creative, and to consider programs that could provide direct benefits to low income customers.

These programs should include low income customers. In this proceeding, however, the matter has not yet commanded the attention of the parties except SCE, which states an interest in studying opportunities for such programs. Unfortunately, SCE's application does not explain the types of programs it would investigate, how it would investigate them or otherwise justify the expenditure of funds (at levels SCE does not specify). It is nevertheless, a step in the right direction. Going forward, the design of the low income programs should incorporate water savings measures that could enhance the overall cost-effectiveness of the energy conservation programs while providing additional benefits to low income customers. In R.06-04-010, the Commission is working with the California Energy Commission, the utilities, and other parties to determine a reasonable approach to measuring resulting energy savings.

This order directs all four applicant utilities each to file a specific program proposal for water conservation efforts. Each proposal shall identify specific ways to implement such energy efficiency water conservation programs for low income customers, whether and how they might dovetail with other non-LIEE programs, which agencies they will work with, and a budget. If the proposals include studies, the studies must be described with specificity and must be justified from a budgetary standpoint. The utilities may not allocate funds to studies or related programs without having received a ruling from the ALJ or a letter from the Executive Director permitting program funding.

G. Non-Profit Group Living Facilities

Master-metered accounts that serve both the common areas and the dwelling units of a non-profit group living facilities are eligible for CARE. NPH states the utilities do not permit the application of a CARE rate to the common area of such facilities if the common area is separately metered. NPH proposes that the utilities' tariffs permit separately-metered common areas of a non-profit group living facilities to be served under CARE rates. NPH observes that there is no legal or policy reason to treat identically situated living areas differently simply because of how they are metered. DRA supports the idea but suggests the issue be addressed in a separate rulemaking.

PG&E seeks Commission clarification of this issue, although it does not appear to object to NPH's proposal. SCE opposes NPH's proposal on the grounds that it would unduly burden non-participating ratepayers by allowing nonprofit corporations to receive CARE discounts for accounts that would otherwise be ineligible for CARE. This is because some of the nonprofit's energy use may be for non-residential purposes.

Pub. Util. Code § 739.1(e) directs the Commission to require the utilities to offer CARE rates to nonprofit group living facilities … "if the Commission finds that the residents in these facilities substantially meet the Commission's low-income eligibility requirements and there is a feasible process for certifying that the assistance shall be used for the direct benefit….of the low-income residents in the facilities." In D.92-04-024 and D.92-06-060, this Commission found that the common areas of nonprofit group living facilities qualify for CARE rates if those facilities meet certain criteria. The utilities' tariffs provide for the discount but apparently the tariff is applied to exclude common areas that are separately metered.

We find no need to investigate this matter further. Our existing rules are adequate to protect non-participating ratepayers from abuse of the program. Specifically, our rules require, among other things, that the facility must: (1) be either a homeless shelter, transitional housing, short- or long-term care facility, or a group home for the physically or mentally disabled; (2) be occupied by residents all of whom meet the CARE income standards; (3) use at least 70% of their energy for residential purposes; and (4) provide at least one service to residents, other than lodging, such as meals, rehabilitation, counseling, etc. We agree with NPH that a facility with these qualities is not likely to be granted an unintended subsidy if its common areas are separately metered. "Common areas" in this context would include laundry facilities, kitchens, and living spaces. Those who live in the facility either use or directly benefit from common space. We will direct the utilities to modify their tariffs and application of them to provide that facilities and residents that would otherwise qualify for the

CARE discount shall not be penalized or distinguished in any way on the basis of the types of metering arrangements on the premises. Common areas with separate meters should qualify for the CARE discount just as all space in a residence qualifies for the discount if the customer qualifies.

H. Evaluation and Measurement of Program Results and Processes

All four utilities propose substantial budgets for studies to determine the effectiveness and relative costs and benefits of their LIEE and CARE programs, about $2.5 million, as follows:

Proposed IOU Measurement and Evaluation Budgets 2007-2008		
	LIEE	**CARE**
PG&E	$587,000	$400,000
SCE	662,500	111,000
SDG&E	197,143	63,074
SoCalGas	328,571	101,175

Money spent on studies is money that is not available to benefit low income customers directly. For that reason, we view these proposals critically and permit spending only where the reports will contribute to improved program delivery, whether that means more efficient operations, increased participation or additional energy savings.

Some of the proposed studies seem too expensive for the information they would provide. For example PG&E proposes to spend $100,000 on a "post-verification study" for CARE that would provide insight into why some customers do not respond to requests for income verification. The Commission has required the utilities to develop ways of enrolling customers that do not require income verification, namely categorical eligibility and automatic enrollment. Given the evolution of the programs in this direction – and the fact that $100,000 is equal to the average annual CARE rate discount for 265 customers in PG&E's territory, the study seems like an unwise expenditure. SCE proposes to spend $80,000 to evaluate Cool Centers. We are not convinced that such an evaluation would be useful at this point, especially since Cool Centers are so new. We have already addressed our concern that the gas furnace study should not be conducted until the Commission staff conducts meetings or workshops and is able to specify Commission objectives that would inform further study in this area.Commission staff has also questioned the usefulness of current bill savings studies, at least in the format they have been presented. These studies may be useful in the context of cost-benefit analyses but they are not supporting the programs in any way at this point and the utilities do not justify them. We therefore do not approve funding for such studies. This order addresses specific studies further in sections assessing each utility's budget proposals.

In our consideration of utility program studies, we have a responsibility to assure funds are spent according to policy objectives and priorities. We are not convinced that giving the utilities complete discretion in this area is optimal in this regard. Currently, Commission staff, rather than the utilities, is responsible to oversee the evaluation and measurement studies for utility energy efficiency programs except those for low income customers. We adopted this policy in order to eliminate any conflict or perception of conflict which occurs when a utility is responsible to evaluate its own performance. The only reason not to extend this practice and policy to low income energy efficiency programs is practical: the Commission staff may not have the resources to tackle all of the studies at this time. Nevertheless, we state our commitment here to assuring the contracts are fairly solicited and the studies are both needed and competently performed. To that end, we direct the utilities to receive approval in writing by the Energy Division Director or his designee before issuing a request for proposal which approves of the process and specifications of the request and also before signing a contract. This process would apply to any and all studies for the CARE and LIEE programs.

I. Process for Addressing Ongoing Program Modifications

LIEE program procedures, protocols and operations often require changes between budget cycles. For example, a utility may determine that a particular procedure discourages enrollment because it is too cumbersome. Often, these require changes to the utilities' LIEE Standards and Procedures Manuals. For significant or potentially controversial program changes, utility management may not be authorized or may not wish to make changes unilaterally. Until recently, the utilities and the Commission staff worked together on such matters in a group called the "Standardization Team." Currently, there is no formal or informal process for conferring on needed program changes.

Several parties address this in their comments. Richard Shaw and ACCES propose the Commission create a Technical Advisory Committee as a subcommittee of the legislatively-sanctioned LIOB. Pub. Util. Code § 382.1 permits the creation of such a committee to advise the LIOB. PG&E and DRA strongly support this idea.

SDG&E/SoCalGas state that deliberation over and implementation of changes to programs and procedures during the period between budget cycles should be accomplished without reinstating the Standardization Team. SDG&E/SoCalGas propose that the utilities work with each other, interested parties, and Energy Division staff to address program issues and necessary program changes.

We agree with the parties who suggest the creation of a group to advise and consult on program and operational modifications to CARE and LIEE programs. We therefore direct the utilities to sponsor quarterly public meetings at which parties may share ideas and information that would influence improvements to program elements, processes and practices. Processes for modifying programs would not change: where the utilities have discretion to make changes without Commission authority, these meetings would not change that discretion, although we encourage the utilities to use the meetings as a resource for improving LIEE and CARE programs and building consensus. The utilities and other parties would always have the right to file a petition to modify Commission orders where needed to affect program changes or where a party believes a utility decision is unlawful, inequitable or otherwise contrary to Commission policy. In the coming year, we intend to consider the adequacy of the utility meetings as a forum to facilitate program improvements and will consider other, more formal forums if necessary.

J. Senate Bill (SB) 580 Implementation

SB 580 requires the California Health and Human Services Agency (or Department of Heath Services, [DHS]) to facilitate the utilities' automatic enrollment of low income customers into CARE. To that end, the statute directs DHS to evaluate "how the use of established state and federal programs and databases may be optimized." DHS has not completed its evaluation, which the statute anticipated by April 1, 2006. The utilities are moving ahead with automatic enrollment to the extent they are able, as this Commission has required and consistent with the spirit of SB 580. Their efforts are impeded, however, because of a lack of access to customer information that may be considered confidential. Having the information and analysis referred to in SB 580 may facilitate the utilities' efforts in this area. We expect the utilities and our staff to work with DHS to ensure this evaluation is forthcoming and useful to utility efforts to enroll eligible customers into CARE.

K. Utility Reports and Program Information

The utilities have proposed changes to their regulatory reporting requirements with the stated intent of streamlining the reports. PG&E comments that it is willing to work with Commission staff and interested parties on additional reporting requirement changes that would provide useful information. DRA generally supports the proposed changes in reporting, in particular, the "rapid deployment report," which was required by SB x15 as a condition of additional funding for LIEE, a statutory provision that is now obsolete. It does suggest several changes to the reports. The utilities have been working with Energy Division to make the utility reports more useful and to eliminate unneeded reporting. D.01-12-020, dated December 11, 2001 O.P. 11, and Decision 01-05-033, dated May 3, 2001 "Rapid Deployment" O.P. 14, 16, 17, required the utilities to comply with specific reporting requirements. The revised tables created by consensus among the utilities, Energy Division, and DRA, shall replace the corresponding monthly LIEE and CARE tables, and annual LIEE tables that were submitted on January 10, 2002. The Energy Division shall schedule a workshop with interested parties at the beginning of 2007 to determine if there are further opportunities to streamline monthly and annual reporting. We encourage this work and herein authorize Energy Division to determine the types of reports, the format for those reports, and the dissemination of information from the reports that will be most useful to the Commission and the public.

The utilities also propose changing the due date for their updates to the reports they submit to the Commission regarding CARE estimated eligibility. The reports are currently due on September 15 of each year but the utilities have not been able to meet this deadline because of lacking data. The utilities have sought and received extensions of time. In order to obviate the need for these requests in the future, we change the reporting date to October 15 of each year, as requested.

Finally, we address the accounting and support for utility requests in this proceeding. We remind the utilities of the Commission's duty to assure the public interest is served when it resolves a regulatory matter, whether or not the matter raises controversies with outside parties. To that end, Commission staff and the ALJ must understand the utilities' requests and be prepared to assist the Commission in justifying those requests in a Commission order. In the case of these applications, the utilities' testimony and applications have required too much work on the part of Commission staff, especially considering how little controversy these applications have elicited from parties. The utility applications provided very little written support or explanation for expending substantial sums on various programs and budget categories. The utilities did not present budget information in comparable formats and appear to assume their applications are simply pro forma. In future applications, we expect the utilities to present more support for their budget requests and to coordinate their efforts in advance so their budget categories and entries are comparable. The utilities should meet with Commission staff well in advance of their next budget applications to determine ways to make their applications more useful and better justified. In the meantime, we intend to conduct financial audits of the utilities' LIEE and CARE accounts and programs, which our staff will oversee. The Commission has not conducted an audit of LIEE and CARE programs for several years and such a review will assure customers are protected and provide a foundation for management improvements.

III. LIEE Programs and Budgets

The four utility applicants have a variety of LIEE programs. They all provide weatherization measures, customer education and outreach, and replacement of various types of lighting and appliances. All except PG&E have developed "Cool Centers," which provide places of respite in public places during hot weather, allowing customers to save on air conditioning costs and remain comfortable. All four utilities state their commitment to more aggressive marketing and enrollment, and each has a set of protocols for streamlining enrollment. The utilities are also considering ways to implement "categorical eligibility," which permits a customer to demonstrate eligibility with documentation of participation in a government means-tested program rather than having to provide evidence of income. Their proposed budgets include funds for program evaluation and measurement and administration.

A. SCE

1. Program and Budget Summary

SCE proposes an LIEE budget of $33.1 million for each budget year. SCE also requests Commission authorization to carry forward or carry back funding into 2007 or 2008.

SCE notes that its current strategy is to provide more comprehensive services for each customer, which has increased the average cost for each residence. SCE states this strategy has been more efficient administratively but reduces the overall number of homes serviced in a year.

SCE plans to implement and, in some cases, modify the following LIEE program measures:

Central Air Conditioner and Window/Wall Air Conditioner Replacement and Maintenance – SCE would install energy-efficient air conditioners in the warmest climate zones. It would modify the program to include qualified renters and permit replacement of inoperable as well as operable air conditioners. It would also maintain air conditioners installed in the program;

Evaporative Cooler Installation and Maintenance – SCE would install evaporative coolers as an alternative to air conditioning and maintain those it installs;

Refrigerator Replacement – SCE would replace older inefficient refrigerators with high-efficiency units;

Installation of compact fluorescent light bulbs (CFLs), Torchieres and Porch Light Fixtures -- SCE would replace incandescent light bulbs with energy-efficient CFLs and replace traditional torchieres with energy efficiency ones;

Weatherization – SCE installs energy efficiency measures such as weather stripping, caulking, low-flow shower heads, electric water heater blankets, and minor home repair;

Energy Education -- SCE provides customers with a booklet about energy conservation, appliance safety, and information on other low income State and Federal programs like Low Income Home Energy Assistance Program (LIHEAP);

Catalina Island Pilot – SCE proposes to evaluate the need for gas measures on the island as part of a pilot program;

Heat Pump Installation and Replacement – SCE proposes to install and replace inoperable and inefficient heat pumps as part of a new program, which would be offered to renters as well as property owners;

Energy Efficient Pool Pumps – SCE would install and replace energy efficient pool pumps in the residences of renters as well as property owners;

Electric Tankless Water Heater Installation Pilot -- SCE proposes to investigate feasibility of installing electric tankless water heaters in qualifying low-income homes;

Water Measures – SCE proposes to investigate the viability of including water conservation measures into the LIEE program, in cooperation with water agencies;

Cool Centers -- SCE proposes to expand the Cool Center program in 2007 and 2008 at a cost of $596,000 per year, including $80,000 for a program evaluation. Cool Centers provide a pleasant air conditioned venue where low-income customers can learn about low-income and energy efficiency programs, energy conservation, and other available community programs.

ACCES supports SCE's proposal to make low income renters eligible for replacement or installation of new central air conditioning.

DRA supports a consideration of work on Catalina Island and suggests the Commission present a program proposal with some detail before any program is authorized.

SCE's proposal to spend $100,000 to assess the need for gas measures on Catalina seems extraordinarily expensive. These funds could provide gas energy efficiency measures to dozens of Catalina households. We applaud SCE's proposal to serve low income gas customers on Catalina Island but prefer that SCE use designated funds to serve Catalina's low income customers directly rather than conduct a study. Because SCE is already providing electrical LIEE measures on Catalina Island, it will have already identified qualified customers and need only add gas measures to its program. Consistent with DRA's recommendation, SCE should present a program proposal to DRA and the Energy Division.

SCE seeks $50,000 to study the feasibility of installing tankless water heaters. It does not explain why it requires a feasibility study to install a product that is widely available and in use all over the world. We recently authorized PG&E to study the feasibility of installing tankless water heaters. We encourage SCE to take advantage of PG&E's work in this area. We authorize SCE to spend $50,000 on installing tankless water heaters but not for a feasibility study.

We are concerned that SCE is reducing the number of homes it will serve in favor of spending additional funds per home. We recognize this program strategy may be more operationally efficient. On the other hand, the reverse could be true if SCE is providing less energy efficient products and services on the margin to fewer residences rather than focusing on LIEE services and installations that have a more pronounced impact on energy savings. We direct SCE to tailor its program to maximize customer participation to the extent it can accomplish energy savings objectives. We expect SCE to submit a modified marketing plan to the Energy Division that would rebalance program objectives accordingly. We intend to consider this issue in more depth over the next year or so as we consider LIEE goals and cost-effectiveness tests.

We also direct SCE to include in its energy education materials a discussion of the benefits of energy efficiency programs in efforts to reduce green house gasses and promote water conservation.

We herein authorize the following new LIEE measures for SCE: (1) air conditioning measures; (2) heat pumps; (3) evaporative cooler maintenance; (4) torchiere replacement; (5) pool pumps. Air conditioning services should be offered to renters. We approve SCE's proposal to spend up to $556,000 in each budget year for cool centers.

We also authorize SCE to carry forward or carry back LIEE funding between the two budget years; however, it must receive the ALJ's written approval for how to allocate those funds if SCE proposes to allocate them to different program categories or to administrative overheads. SCE may continue to shift funds among budget categories with the exception that allocations may be to program areas only, not administrative overheads, regulatory compliance or measurement and evaluation work.

B. Program Administration

SCE proposes an increase to administrative costs by almost 80%, from $1.7 million in 2006 to $3.1 million in 2007 and 2008. SCE provides no justification for this increase. We reduce the amount to 20% over the 2006 administrative costs, bringing the adjusted amount to $2.13 million, which is generous considering the lack of explanation for an increase in funding in this expense category. SCE's administrative budget will include the $75,000 it seeks for regulatory compliance efforts.

C. Enrollment, Verification and Eligibility

SCE plans to simplify the application process by permitting "categorical eligibility," that is, customers who can provide documents proving participation in one of several state or federal programs do not need to provide additional income documentation requirement in order to qualify for enrollment in LIEE programs.

ACCES supports SCE's proposal for implementing categorical eligibility. We applaud SCE's efforts to permit categorical eligibility or enrollment and approve its proposed procedures to implement it.

D. Measurement and Evaluation

SCE seeks $742,500 for measurement and evaluation projects during each of the program years, including funding for a cool center evaluation, as follows:

Proposed Measurement & Evaluation of LIEE Program - SCE			
Statewide Studies – Contract Costs	**Total Cost**	**SCE Share**	**SCE Cost**
Impact Evaluation of the 2007 LIEE Program	$ 600,000	30%	$ 180,000
Process Evaluation of the 2007 LIEE Program	$ 150,000	30%	$ 45,000
Reserve for Additional Study Requirements	$ 300,000	30%	$ 90,000
Annual Bill Savings Analysis	$ 25,000	30%	$ 7,500
Subtotal	$ 1,075,000		$ 322,500
SCE-Specific Activities			
Market Characterization Studies		100%	$ 250,000
SCE labor for analysis and study/data management		100%	$ 90,000
Cool Center Evaluation			$ 80,000
Total			**$ 742,500**

SCE anticipates that the next Impact Evaluation Study, in the two-year cycle, will be in 2007 since the 2005 Impact Evaluation Study is currently underway. We agree that the impact evaluation study may be useful.

SCE recommends a Process Evaluation Study because one has not been conducted in several years and a bill savings study, which the utilities have conducted annually for several years. The utilities have not justified the process evaluation study and, as we stated earlier, the bill savings study has not been useful. We therefore do not authorize funding for the process evaluation study or the bill savings study. We will reconsider whether these studies should be conducted at a later time or if SCE provides information to justify spending ratepayer funds on them. Energy Division would have the discretion to approve of spending on such studies.

Along with the other utilities, SCE also proposes setting aside a budget for additional study requirements that may be needed before the end of 2008. We decline to authorize funding for unspecified studies at this time in order to economize and focus spending on direct customer installations ahead of administrative costs. SCE would allocate $250,000 for a market characterization study to conduct analyses of customer and measure characteristics. This study would update and supplement the KEMA needs assessment and we authorize funding for itWe have also stated our concern that SCE has not justified $80,000 in funding for a cool center study and we decline to include this amount in the budget.

With the adjustments made here, SCE's M&E budget would be reduced to $270,000. If the Commission or its Energy Division staff determines additional studies are required during the budget period, SCE should allocate funds from other budget categories with the written approval of the Energy Division or the assigned ALJ.

E. PG&E

1. Program and Budget Summary

PG&E proposes an LIEE budget of $77.9 million for each budget year. PG&E proposes that 70% of its budget be used for electric programs and 30% for gas programs, consistent with D.05-04-052. PG&E believes its proposed mix of LIEE measures will help PG&E meet and exceed the forecasted energy savings adopted as goals in D.04-09-060.

During 2007-2008, PG&E plans to continue offering LIEE measures approved for 2006, with some modifications, and add several new measures.

PG&E proposes several changes to existing program elements:

CFL Caps -- PG&E proposes to remove the cap on the number of CFLs that maybe installed, which currently is five for each residence;

Exterior Hardwired Fixtures -- PG&E proposes to remove the cap on the number of exterior hardwired fixtures that may be installed, which is currently three for each residence. PG&E believes this will not only improve energy efficiency but also safety;

AC System Installations and Maintenance – PG&E proposes to conduct a study of the viability of installing air conditioners in the warmest micro-climates. It would also implement a pilot program for tune-ups to existing air conditioning systems to improve efficiency.

Energy Education Workshops -- PG&E proposes to train local agency staff to facilitate energy workshops at which customers would participate in a survey, bill analysis or on-site visit as part of a post evaluation process.

Tankless Water Heater Pilot -- PG&E proposes to implement a tankless water heater pilot as part of its 2006 LIEE program. PG&E has not included funding for this pilot in its application but mentions the pilot since it may be launched during 2007.

Interior Hardwire Fixtures -- PG&E proposes to install interior hardwired fixtures for the first time.

Ceiling Fan Pilot Program -- PG&E proposes a pilot program that would replace existing ceiling fans in the warmest climate zones. PG&E would assess the costs and energy savings from this program element to determine whether to make it a regular measure.

PG&E's original application asked that it be permitted to recover NGAT costs through LIEE balancing accounts rather than through base rates. Following the filing of this application it signed a settlement that resolves this matter in its general rate case, A.05-12-002. PG&E subsequently reduced its budget request in this proceeding to $77.86 million.

DRA and QCS support lifting the cap on the number of CFLs that may be installed in a residence and the pilots PG&E proposes for new measures. We agree that this proposal is reasonable and may increase energy savings.

DRA proposes that PG&E immediately take additional steps to implement cool centers in its territory. PG&E replies that it would be premature for it to set up cool centers before it has conducted a micro-climate study to determine weather patterns in its territory. We are not convinced that PG&E requires a study of micro-climates before it begins work on developing cool centers. As an electric company, PG&E surely knows which population centers are warmest in Northern California. Moreover, the precision implied in a study identifying areas that are "most vulnerable to extreme temperatures" in this instance would contribute little to a successful program. Many areas in PG&E's territory are very hot during summer months, including some that are remote and others that are predominantly affluent. Areas with these qualities are not likely to be the best places for cool centers. PG&E should be setting up cool centers where customers are most likely to take advantage of them on the basis of their financial needs and proclivity to use them, not because one location is slightly warmer than another. We will direct PG&E to present Energy Division and interested parties with a plan for working with local governments to establish cool centers, some of which should be open by summer 2007. These centers should be accessible to disabled customers. PG&E may seek approval of its program proposal and associated budget using the advice letter process.

PG&E proposes $6 million for "in-house" education, which is apresentation to the LIEE customer by the LIEE contractor about energy conservation and the LIEE application process while the contractor is in the customer's home. The discussion is tailored to the customer's needs and interests and is an integral part of the process of evaluating the customer's home and installing some measures. Given that the amount averages to about $100 per home, it appears to be an extraordinary sum, almost six times the combined amount requested by SoCalGas and SCE. A studied review of the utilities' accounts suggests that the difference, however, is attributable to different accounting conventions between the utilities. For PG&E, the higher amount includes payments for work that is included in the other utilities' accounting for installation costs. We approve of PG&E's in-house education budget and look forward to accounting conventions that are more consistent across utilities.

We note that D.06-08-025 granted PG&E $62,000 to fund a study of installing tankless water heaters and we expect PG&E to apply the results of that study to its LIEE program. We will not authorize additional funds for studying the feasibility of installing tankless water heaters, although we do encourage PG&E to pursue this additional program element, which is a standard, cost-effective appliance in many residences in countries around the world.

We direct PG&E to include in its energy education materials a discussion of the benefits of energy efficiency programs in efforts to reduce green house gasses and promote water conservation.

We approve PG&E's proposals to remove the cap on the number of CFLs and exterior hardwired fixtures; to develop pilot programs for ceiling fan installations and air conditioning maintenance and; install interior hardwired fixtures. We also grant PG&E's request to permit it to shift funds between program categories except that PG&E may not shift funds into administrative overheads, regulatory compliance costs or EM&V costs without the written approval of the assigned ALJ. PG&E may carry over unused LIEE funds from previous periods but may not allocate those funds to these administrative functions.

2. Program Administration

PG&E seeks authority to retain its current program administrator, Richard Heath and Associates, Inc. (RHA) during the 2007 and 2008 program years. PG&E is considering re-bidding LIEE administration for 2008. PG&E currently has 20 separate contractors, including three appliance delivery companies, providing LIEE services in the 48 counties within its service area.

PG&E also contracts with several agencies that implement LIHEAP so that the state and federal program elements are coordinated and operate efficiently. PG&E states it will continue to work with community-based organizations and other non-profits to expand LIEE services.

PG&E proposes to pay RHA more than $4 million in 2007. We cannot tell from the information PG&E provides whether PG&E's administrative costs are more or less expensive than the other utilities because of how such costs are reported. We do have concerns, however, that its costs may be high if it relies on one firm and if that business relationship has edged out opportunities for LIEE work by other firms and local agencies, some of which may have close ties to targeted communities. For these reasons, we expect PG&E to conduct a competitive process for program administration services for 2008 and beyond PG&E shall work with the Commission's Energy Division staff to develop a solicitation for program administration in local communities, which would be open to any qualified agency, firm or CBO (including Richard Heath). During the time when PG&E is working on a request for proposal and prior to finalizing a new contract with the winning bidder, it may engage RHA to administer its programs and we do not intend for PG&E to abrogate its current contract with RHA, which extends through the end of 2007.

3. Enrollment, Verification and Eligibility

PG&E proposes to investigate categorically enrolling customers from local, state and federal programs, with similar income guidelines, into the LIEE program. Under this procedure, PG&E would accept a document verifying the customer's participation in a local, state or federal program as proof of income for purposes of demonstrating eligibility for the LIEE program. PG&E proposes that customers must have been qualified for these programs within a year from the date of their potential LIEE participation. PG&E expects that it will work cooperatively with Energy Division staff, DRA and other utilities to determine acceptable LIEE partners.

ACCES opposes PG&E's condition that customers must have been affirmatively qualified in relevant programs within a year and the condition that the government assistance provides the only household income. It believes these conditions are unnecessary and, in the case of verifying total household income, difficult to implement.

PG&E states it continues to use its CARE customer lists to locate potential LIEE participants. It does not, however, categorically enroll its CARE customers into the LIEE program because CARE customers are "self-certified" and are not required to provide documentation of their income at this time. ACCESS proposes that customers enrolled in CARE be deemed qualified for LIEE programs.

As a preliminary matter, we applaud the utilities' efforts to implement categorical enrollment. This effort will streamline procedures, especially where automatic enrollment is not possible. We agree with ACCES, however, that

PG&E's condition for categorical eligibility that customers have been qualified within the past year is unnecessary. That is, customers who can demonstrate that they receive government funds on the basis of need should not need to demonstrate that they have qualified for those funds within the past year as long as the customer remains in the relevant assistance program. ACCES' proposal in this regard would simplify procedures without creating significant risks.

We do not agree with ACCES that a customer's eligibility for CARE should automatically qualify for LIEE programs. CARE customers "self-certify" their income levels. In a case where a CARE customer's income exceeds the CARE program ceiling, the loss to remaining customers is relatively small and the utility may simply change the rate in subsequent periods. Where a customer whose income is higher than the LIEE program ceiling, accepts LIEE program benefits, the utility is likely to have installed equipment and made residential improvements that could not be removed from the premises.

4. Measurement and Evaluation

During 2007-2008, PG&E proposes funding for ten M&E studies, some of which would be conducted jointly with the other utilities, as follows:

Pacific Gas and Electric Company Proposed LIEE Measurement and Evaluation Studies				
Line No	**Statewide Studies – Contract Costs**	**Total Cost**	**PG&'E's Share of Costs**	**PG&E**
1	Impact Evaluation of the 2007 LIEE Program	$ 600,000	30%	$180,000
2	Process Evaluation of the 2007 LIEE Program	$ 150,000	30%	$ 45,000
3	Reserve for Additional Study Requirements	$ 300,000	30%	$ 90,000
4	Annual Bill Savings Analysis	$ 25,000	30%	$ 7,500
5	Natural Gas Furnace Study	$ 150,000	43%	$ 64,500
6	Energy Education Workshop Evaluation	0		$ 50,000
7	Air Conditioner Tune-Up Evaluation	0		$ 25,000
8	Ceiling Fan Evaluation	0		$ 25,000
9	Mircroclimate Study	0		$ 25,000
10	Market Characterization Study	0		$ 75,000
11	**Total**			**$587,000**

PG&E states its estimated Impact Evaluation costs reflect the two-year frequency for this study. We approve funding for this effort, which is needed to assess program results. Consistent with our discussion for SCE's M&E proposals, we do not fund a bill savings analysis or process study because PG&E has not justified them from the standpoint of program or ratepayer benefits.

PG&E also proposes to study the feasibility of furnace replacements as part of a joint effort with SDG&E and SoCalGas, which we have discussed previously. PG&E may not spend funds on this study until and unless the

Commission's Energy Division is satisfied that its specifications will lead to a study that reflects Commission priorities in this regard. PG&E is proposing five other studies to evaluate the cost effectiveness and feasibility of several LIEE program elements but provides almost no information about the need for the studies. As we stated earlier, we are not convinced PG&E must spend $50,000 to evaluate energy education workshops or $25,000 on a microclimate study at this time.

We retain funding for refining and updating the KEMA "Needs Assessment" or market characterization report, which we believe will be necessary to assure the usefulness of the report for future LIEE work. PG&E proposes to leave the funds in the budget for contingencies, which DRA supports. We decline to include any funding for unidentified budget amounts at this time.

With the adjustments discussed here, PG&E's M&E budget for 2007 would be $319,500 with corresponding reductions to 2008 for the Impact Evaluation and the gas furnace study. If the Commission determines additional studies are required during the budget cycle, we will direct PG&E to allocate funds to that effort from other budget categories.

F. SDG&E

1. Program and Budget Summary

SDG&E proposes an LIEE budget for 2007 of $13.6 million. Some highlights of SDG&E's proposals are as follows:

> **CFL Installations** -- SDG&E proposes to eliminate the cap on the number of CFLs that can be installed in the home and the cap on the number of exterior hardwire CFLs installed in a home. It would also begin hardwiring interior CFLs.

Air Conditioner and Heat Pump Maintenance and Diagnostics – SDG&E proposes to diagnose and maintain equipment on central air conditioners and heat pumps.

Tankless Water Heaters – SDG&E proposes to install tankless water heaters in houses that would otherwise have a standard gas water heater, which it expects may save 15-20 percent on water heater costs, an annual bill savings of $60 - $75.

Replacement of Halogen Torchieres -- SDG&E would replace traditional torchiere lamps with energy efficient compact fluorescent torchiere lamps for an estimated savings of 191 kWh of annual energy savings.

Outreach – Outreach and marketing activities include bill messages and newsletter articles; mass media advertising and press; brochures, targeted direct mail and telemarketing, community and neighborhood events and workshops.

SDG&E states its interest in focusing LIEE efforts on ways to reduce customer bills. Overall, SDG&E hopes LIEE programs will reduce gas use by 15% and reduce electricity use by 3%.

SDG&E requests that NGAT tests be funded as any other LIEE program cost, rather than through the general rate case. SDG&E states its request is logical because the funds required for NGAT testing are directly related to number of homes that receive infiltration measures under the LIEE program. SDG&E plans to conduct NGAT tests during the upcoming program years at a cost of $0.3 million in 2007 and 2008. We decline to modify accounting for this item at this time. We may reconsider the way these funds are spent following a more in-depth analysis of NGAT policy and the gas furnace program.

We also direct SDG&E to include in its energy education materials a discussion of the benefits of energy efficiency programs in efforts to reduce green house gasses and promote water conservation. Otherwise, we approve SDG&E's program budgets as proposed.

2. Program Administration

SDG&E seeks authority to retain its current program administrator, RHA during the 2007 and 2008 program years. It does not plan to conduct a competitive process for selecting a program administrator. While we appreciate the expertise this firm may have developed over the years by working on LIEE programs, we have concerns that its costs may be high because of its reliance on one firm and that this business relationship has edged out opportunities for LIEE work by other firms and local agencies, some of which may have close ties to targeted communities. Consistent with our discussion of PG&E's contract with RHA, we do not authorize SDG&E to renew RHA's contract without a competitive process. SDG&E shall work with the Commission's Energy Division staff to develop a solicitation for program administration in local communities, which would be open to any agency, firm or CBO. We do not intend here to suggest that SDG&E abrogate any existing contract with RHA. Its competitive bidding process should occur for the period following RHA's contract term.

3. Enrollment, Verification and Eligibility

SDG&E describes efforts to improve enrollment in LIEE programs. It permits customers to qualify for LIEE program benefits without providing income documentation if they have been identified through census analysis as highly likely to meet the income guideline for the LIEE program. SDG&E seeks authorization to continue targeted self-certification and enrollment within specific geographic locations, which it believes will result in participation by customers in 10,400 residences during 2007 and 2008.

SDG&E also seeks authority to implement "categorical eligibility," whereby participants in any of several local, state or federal means-tested program would only need to document participation in one of these programs to be eligible for LIEE benefits. SDG&E will work with the other utilities to determine how best to implement this "categorical eligibility" and to finalize a list of eligible means-tested programs.

ACCES opposes SDG&E's proposal to permit categorical eligibility only if a customer can demonstrate that the government funds are the only household income. ACCES observes that it may be impossible for customers to prove that they have no other income and may require complex determinations of what would be identified as "income."

We applaud SDG&E's work to streamline customer verification and enrollment procedures and its innovative approaches to using census data. We do agree with ACCES that customers should not be required to demonstrate that the government subsidy programs from which they benefit provide the only sources of household income. We are not sure how a customer would prove this circumstance and we believe the screening conducted by the relevant government agencies provides adequate protection against customer abuse. Otherwise, we approve of SDG&E's enrollment and verification procedures.

4. Measurement and Evaluation

SDG&E proposes to continue to produce studies and reports it has traditionally supervised, for example the 2005 Load Impact Evaluation and the Bill Savings Study. SDG&E also seeks funding for new studies, including the LIEE Process Evaluation, and an Independent Natural Gas Furnace Study. It seeks $22,500 to use at its discretion for studies it may require in the future but does not now anticipate.

PY 2007-2008 Proposed Measurement and Evaluation Studies and Reports	
Study / Report	**SDG&E's Share of Costs**
2005 Load Impact Evaluation	$ 90,000 (for 2007)
LIEE Process Evaluation	$ 22,500 (for 2007)
Bill Savings Study	$ 3,750 (for 2007 and 2008)
Independent Natural Gas Furnace Study	$ 32,143 (for 2007)
New Studies	$ 22,500 (for 2007 and 2008)
TOTAL	$ 170,793

We have already discussed the natural gas furnace study and our intent that all M&E studies be overseen and approved by our staff. We decline to provide any funding for unspecified studies at this time, and consistent with our discussion for PG&E and SCE, the utilities do not convince us that a process evaluation study or a bill savings analysis would provide ratepayer benefits. Other studies proposed by SDG&E are needed. With the adjustment made here, SDG&E's M&E budget for 2007 is $122,143. It would be zero in 2008 because SDG&E proposes conducting and accounting for most studies in 2007.

IV. SoCalGas LIEE Program Summary PY 2007 and PY 2008

A. Program Summary

SoCalGas proposes a budget of $33.3 million, which is the same as its 2006 budget. It plans to weatherize 44,700 residences and install 75 tankless water heaters.

SoCalGas proposes several changes to its programs. It would introduce a program to install tankless water heaters in residences that have a standard damaged or inoperable water heater that would otherwise qualify for a high efficiency storage tank system. SoCalGas expects water heaters to save customers about $60 - $75 every year in rates. We approve this program and believe it is a good addition to utility LIEE measures.

SoCalGas' planned outreach includes providing information in the billing package, conducting mass media and direct mail campaigns in English, Spanish and Asian languages; distributing a brochure and door hangers, providing information on its website, calling non-responsive CARE/LIEE customers, and participating in community events.

SoCalGas asks that NGAT costs be recovered along with other LIEE costs rather than in base rates through the general rate case. The estimated cost of NGAT is $1.6 million for testing about 89,000 residences in 2007 and 2008. SoCalGas states the Commission has required NGAT testing be completed for all LIEE homes with gas appliances. It observes that the amount of funds required for NGAT testing is directly related to the number of homes that receive infiltration measures under the LIEE program. We decline to modify accounting for this item at this time. We may reconsider the way these funds are spent following a more in-depth analysis of NGAT policy and the gas furnace program.

ACCES supports utility programs for the replacement of gas furnaces, and provides some evidence that many are more than 40 years old. ACCES believes these furnaces present air quality hazards to residents and cites a study recently undertake by the state's Air Resources Board. For this reason, ACCES opposes SoCalGas' proposal to modify its furnace replacement program. Specifically, SoCalGas would modify its criteria for replacement of gas furnaces in favor of putting resources toward furnace repair. ACCES believes this policy is unwise and is not supported by information on the age of furnaces or the likelihood that an aging furnace may require repeated repairs. As we discussed in the section on gas furnace issues, we believe the several interrelated issues concerning gas furnace programs deserve more in-depth consideration. For that reason, we are not prepared at this time to authorize changes to any gas furnace program. However, SoCalGas responds to ACCES' concerns by stating it proposes no change to its gas furnace program elements or practices.

In sum, we authorize SoCalGas' program budget as proposed with the exception that NGAT costs will not be included in the LIEE budget because they are already being recovered in base rates. We also direct SoCalGas to include in its energy education materials a discussion of the benefits of energy efficiency programs in efforts to reduce green house gasses and promote water conservation.

B. Enrollment, Verification and Eligibility

SoCalGas plans to continue targeted self-certification and enrollment for the LIEE program during 2007 and 2008. Customers living in specific geographic areas are permitted to enroll in the LIEE program by certifying that they meet the program's income eligibility requirements. SoCalGas estimates that with the help of targeted self certification it will be able to provide LIEE service to 44,700 homes each year for 2007 and 2008.

SoCalGas seeks authorization to enroll into the LIEE program all customers that are already enrolled in another local, state or federal means-tested program, if related income is the sole source of household income. SoCalGas believes that adoption of categorical eligibility for the LIEE program will help to further simplify the LIEE enrollment process and will help encourage more qualified hard-to-reach customers to enroll in the LIEE program We do agree with ACCES that customers should not be required to demonstrate that the government funding programs from which they benefit provide the only sources of household income. Otherwise, there is no controversy involving efforts to improve enrollment and verification processes and we approve them.

C. Measurement and Evaluation

SoCalGas lists several measurement and evaluation related studies for 2007-2008. The costs for these studies would be shared among the joint utilities.

2005 Load Impact Evaluation ($150,000 for 2007)

LIEE Process Evaluation ($37,500 for 2007)

Annual Bill Savings Study ($6,250 for 2007 and 2008)

Independent Natural Gas Furnace Study ($53,571 for 2007)

SoCalGas also proposes a reserve for additional studies, which would be available to all utilities. SoCalGas' proposed share of this reserve would be $37,500 for 2007 and 2008.

Consistent with our discussion of M&E costs for the other utilities, we reduce SoCalGas' request by $43,750 in 2007, and $6,250 in 2008 because we decline to fund unspecified studies, a process evaluation or a bill savings study. SoCalGas must receive authority from the Commission's Energy Division to conduct the natural gas furnace study, as previously discussed. Other studies are routine and required for program assessments. Accordingly, SoCalGas' adopted M&E budget for 2007 would be $203,571 and $0 for 2008.

V. CARE Budgets and Policies

Each of the applicant utilities has CARE rates that discount electricity and gas by 20%. Although the application of the rate itself requires no particular administrative work, the utilities must conduct targeted outreach and marketing efforts to maximize participation by qualified customers. They have implemented "automatic enrollment" where possible, by which a customer is enrolled in CARE without the customer having to apply for the discount. The utilities are also considering ways to implement "categorical eligibility," which permits a customer to demonstrate eligibility with documentation of participation in a government means-tested program rather than having to provide evidence of income.

D.05-10-044 changed the upper limit of the CARE income eligibility guidelines from 175% to 200% of federal poverty guidelines, which increased substantially the number of customers eligible for utility CARE rates. For example, in SCE's territory the number of customers who may qualify for CARE rates increased from 1.153 million to 1.329 million. The increase reduced SCE's effective participation (or penetration) rate from 83% to 73%. This change in the income guidelines requires the utilities to increase outreach efforts, which the utilities' applications recognize.

A. SCE

1. Program Summary

SCE expects the CARE rate subsidy to be a total of $248 million, with 1.1 million of its customers participating in 2007. SCE states that during 2007 and 2008, it intends to maximize new customer enrollment and minimize attrition by CARE participants that do not to respond to invitations for recertification. As part of this effort, SCE would spend about $1.5 million in each of the program years for outreach and seeks about $4.2 million for administrative costs, including modifications to automated systems and information technology. SCE also requests flexibility to reallocate funding among budget categories on an "as-needed" basis to meet its CARE goals and objectives.

SCE plans to use a variety of ways to market the CARE program to potential subscribers, including targeted mailings, advertising in television and radio markets, bill inserts, brochures and local events. It plans to continue to collaborate with CBOs and faith-based organizations for this work, and to provide marketing materials in several languages.

SCE allocates $70,000 in 2007 and $80,000 in 2008 for regulatory compliance activities such as preparation of applications, advice letter filings, tariff revisions, comments on Commission decision and reports, and responding to data requests. It seeks $665,500 in 2007 and $500,500 in 2008 for administrative activities such as personnel, office supplies, software, printing hardware, training and other miscellaneous expenses.

SCE also proposes to increase the capitation fee it pays to third parties -- usually CBOs -- for their efforts to enroll new customers. SCE would increase the maximum capitation fee from $12 to as much as $15 for each approved application.

We authorize the change in capitation fees in order to assure CBO involvement in outreach and marketing. We also find that SCE's other administrative costs are reasonable with one exception. SCE proposes to spend about $1.8 million over two years on information technology and automated systems. It is difficult to understand from SCE's testimony what exactly these funds would support, which alone would be justification for disallowing a substantial portion of them. In its comments, SCE convinces us, however, that funds toward improvements to its billing system, information technology systems and processes relating to enrollment are essential to moving toward 100% enrollment of CARE customers. We do not rely on the extra-record information SCE provides in its comments to the proposed decision and remind SCE that we may not lawfully rely on information that is outside the record of the proceeding. We herein authorize SCE's proposed budget but in its next

CARE budget proposal, SCE must present a better breakdown of costs, offsetting cost savings and the number of customers that it expects would benefit from its system improvements or any other spending.

We also authorize SCE's proposal to move funds to promote efficient and effective program management, except that SCE is not authorized to move additional funds into administrative overheads except as authorized by the ALJ for information technology as provided above.

Finally, we approve SCE's proposal for a simple modification to how it accounts for and recovers CARE balances. That is, SCE may transfer year-end balances in the CARE balancing account (CBA) to the Public Purpose Programs Adjustment Mechanism (PPPAM) instead of allocating public purpose program charge revenues to the CBA.

2. Enrollment, Verification and Eligibility

SCE plans to enroll customers in the CARE program who are receiving other services from organizations that serve the low-income community. SCE believes that there will be a continued need to make contact with customers who are eligible but not participating in CARE or other state programs and plans some program changes accordingly.

SCE says its enrollment processes are designed to be simple and encouraging for customers. SCE uses data from the CSD to enroll customers automatically into CARE. Customers who qualify for automatic enrollment include those already signed up for such programs as MediCal, Food Stamps, Healthy Families, and other state assistance programs. Customers may also document their participation in state and federal programs to demonstrate eligibility.

Customers who are not automatically enrolled or certified may sign up over the phone or by mail. SCE plans to continue collaborating with SoCalGas, Southwest Gas Corporation and PG&E in sharing CARE participation data to enroll eligible CARE customers. SCE also intends to develop a probability model to indicate a customer's likelihood of being eligible for CARE and therefore exempt from the recertification process.

We applaud SCE's efforts to improve outreach and coordination with other utilities and agencies. We approve SCE's proposals to extend the recertification period for fixed income customers, phone verification, verification through categorical eligibility, and using the probability model.

3. Measurement and Evaluation

SCE proposes $55,000 for each program year for measurement and evaluation activities. SCE's share of the costs associated with updating CARE eligibility and penetration rates for the state's utilities is $13,500 for 2007 and 2008. SCE also plans to provide monthly information about participation at an annual cost of $30,000. SCE's plans to spend $12,000 per year for staffing costs related to implementing and managing its M&E activities during 2007 and 2008. We approve these costs.

B. PG&E CARE Program Summary

1. Program Summary

PG&E expects its CARE rate subsidy to be a total of $537 million, with 1.2 million of its customers participating in 2007. PG&E proposes an administrative budget of $7.7 million for 2007 and $7.6 million for 2008, up to $5 million for programs on the electric side and up to $2.7 million for gas programs. PG&E notes that this is an increase of approximately $0.2 million in CARE administrative costs, over 2006 adopted levels. PG&E estimates the CARE rate discount for 2007 at $537 million in 2007 and $588 million in 2008.

PG&E contracts with community agencies and CBOs to reach the various low-income communities that reside within its service area. Many have requested an increase in the existing $12 capitation fee, which is payment for signing up customers. PG&E notes that as more qualifying customers are enrolled in the CARE program, additional customers become harder to find. Accordingly, it requests an increase to $15.

PG&E states that it has improved enrollment of CARE customers, citing a 208% increase in CARE enrollment from January 2001 through April 2006. PG&E states that it will enhance its outreach campaign with particular focus in Hispanic, Asian, African American, Native American, disabled, senior and rural communities. PG&E estimates its outreach costs at $5.032 million for 2007 and 2008.

We approve of PG&E's CARE budget, including the increase in the capitation fee to $15 per customer and $1.6 million for the cost of processing, certification and verification activities. We also approve PG&E's proposal to have authority to shift funds between administrative categories as required to promote efficient and effective program administration.

2. Enrollment, Verification and Eligibility

PG&E has been able to automatically enroll over 3,000 PG&E customers into the CARE program with information from California Consumer Service Department (CSD) about customers who participate in federal means-tested programs. PG&E also shares information with the Sacramento Municipal Utility District (SMUD), SoCalGas and SCE regarding eligible customers in overlapping service areas. PG&E states it enrolled almost 5,000 customers into the CARE program during 2005 as a result of utility data sharing. PG&E expects to spend $150,000 on automatic enrollment activities in 2007 and 2008.

PG&E would extend the certification period for fixed income customers from two years to four years because customers on fixed incomes tend to remain in related programs for long periods. PG&E expects this policy change to mitigate the current high number of fixed income CARE customers that do not respond to a request for recertification and are dropped from the program. PG&E believes this policy will also save on mailing costs.

PG&E proposes to implement an on-line, web-based application that would allow potential CARE customers to complete and submit an application electronically. PG&E states some of the benefits of such an enrollment process include quicker response times for customers to receive the CARE discount, lower administrative costs, and improved accuracy. PG&E estimates the cost of related system upgrades is about $150,000, including routine maintenance.

PG&E also requests authority to automatically enroll qualified customers into the CARE program with information from local agencies about customer participation in other means-tested programs. PG&E also proposes to implement "categorical enrollment," whereby customers would be able to demonstrate eligibility by documenting participation in another low income program.

We applaud PG&E's efforts to implement categorical eligibility and automatic enrollment but reiterate the need for the company to provide adequate information to support increased funding for new initiatives. We approve PG&E's proposal to extend the recertification period from one or two years to four years for residential customers for fixed income customers, including those receiving SSDI. We approve funding in the amount of $150,000 for PG&E's

proposal system upgrades which would permit customers to submit online applications.

3. Measurement and Evaluation

PG&E proposes to study why about half of CARE customers fail to respond to requests to verify their incomes. PG&E expects the $100,000 study will help it determine how to improve responses to verification requests. PG&E plans to conduct surveys with customers that were dropped from the CARE program because they did not respond to CARE income verification requests. As discussed earlier, we are not convinced the cost of this study is worth the potential benefits, especially in light of trends toward categorical eligibility, extended certification and automatic enrollment. We deny funding for this study.

PG&E also includes $150,000 in 2007 and in 2008 for a needs assessment study, $100,000 each year for regulatory compliance, $300,000 each year for general administrative costs, and $100,000 each year for Energy Division Staff related costs. We reduce PG&E's administrative budget by $150,000 each year for the cost of the needs assessment study, which is no longer required because of the issuance of the KEMA needs assessment study.

C. SDG&E

1. Program Summary

SDG&E expects the CARE rate subsidy to be a total of about $46 million, with over 249,000 of its customers participating in 2007. SDG&E proposes an administrative budget of $2.753 million for 2007 and 2008. SDG&E states this budget increase from $2.3 million in 2006 will permit it to enroll more customers and in particular those who have recently become eligible as a result of the Commission increasing the maximum income level for participating in the program. SDG&E would allocate 27% of these costs to gas programs and 73% to electric programs.

SDG&E seeks continued flexibility to reallocate funds between budget categories during the program years. SDG&E states it intends to increase customer participation in CARE to 16,400 in 2007 and 9,955 in 2008. If these targets are met, 71% of qualified customers will be enrolled in 2007 and 73% will be enrolled in 2008.

SDG&E plans to continue traditional outreach efforts and implement new ones at a cost of $1.590 million in 2007 and $1.582 million in 2008. Outreach activities include direct mail, mass media campaigns, bill stuffers, advertising, participation in community outreach events, leaving door hangers at customer residences, and third party marketing. It plans to add 20 more informational kiosks in public places, such as libraries and senior centers. SDG&E conducts many of its outreach efforts in Spanish. SDG&E also proposes to increase to $15 the "capitation fee" it pays CBOs to enroll customers in CARE. The existing fee is $12 and was set in 2001.

SDG&E plans to recruit other agencies to expand CARE outreach and enrollment, and to target 47,600 customers that recently became eligible for the CARE program through the recent expanded income eligibility. SDG&E also plans to work with those who implement the 211 phone number, which provides information about local health organizations and human services to market CARE. SDG&E would allocate $12,500 annually to this effort.

SDG&E proposes a regulatory budget of $163,500 in 2007 and $169,000 in 2008. Its budget for Energy Division costs is $52,400 for 2007 and $55,000 for 2008. SDG&E's proposed budget for general administration costs for CARE is $300,500 for 2007 and $317,400 for 2008.

DRA supports SDG&E's more aggressive outreach efforts. No party objects to SDG&E's budget. We adopt it here and encourage SDG&E to continue its aggressive outreach efforts.

2. Enrollment, Verification and Eligibility

D.02-07-033 authorized the utilities to automatically enroll participants in means-tested state and federal programs into the CARE program. As part of this program, SDG&E reports that it has enrolled 1,399 customers. Recently, SDG&E expanded its automatic enrollment activities for CARE to include additional programs and states its intent to find other opportunities for automatic enrollment.

During 2007 and 2008, SDG&E plans to simplify CARE enrollment, recertification and income verification processes. The improvements include adding an automated telephonic outbound dialing system and the development of an internet option. SDG&E estimates that these new processes will allow it to enroll 9,700 customers in the CARE program during 2007 and 2008. SDG&E currently provides internet access to its CARE application forms and wishes to permit on-line enrollment. This improvement to SDG&E's existing internet system would cost some unspecified share of system upgrade costs equaling about $680,000. As discussed for PG&E and SCE, we are concerned that the costs of internet application process may not be worth the high costs of developing the application. SDG&E assumes 5,000 customers will use its on-line application service each year. We believe this is optimistic but because SDG&E provided some analysis of its proposal, the utility may undertake system upgrades if they would provide adequate benefits to customers and offset the costs of other enrollment processes. If SDG&E implements on-line enrollment, it shall track the costs, the number of customers using this enrollment option, and provide a report to the Commission and to other utilities of costs and benefits of the system. This report shall be included in SDG&E's next budget application.

SDG&E requests authorization to implement "categorical eligibility," under which the income verification process is simplified. In order to demonstrate eligibility, customers could provide documentation of participation in local, state or federal programs rather than being required to provide income documentation. To assure eligibility in identified state and federal means-tested programs is consistent with CARE requirements, SDG&E plans to work with other utilities on implementation protocols and the creation of a list of means-tested programs that would be acceptable for enrollment into the CARE program.

SDG&E would revise the recertification requirements for CARE customers on Social Security, Supplemental Security Income (SSI), SSDI and pensions, from every two years to every four years. SDG&E requests a budget for enrollment, recertification, and verification costs of approximately $279,849 in 2007 and $255,360 in 2008. DRA generally supports SDG&E's recertification and enrollment processes.

We applaud SDG&E's effort to improve its enrollment procedures and to increase participation and authorize its budget and associated changes in policies and practices. We approve its proposed budget.

3. Measurement and Evaluation

SDG&E proposes to conduct M&E studies at a cost of $59,400 in 2007 for its share of the cost of the needs assessment study and $3,600 in 2008 for its share of the annual CARE program eligibility update. For reasons already discussed, we reduce the M&E budget by $59,400 because the needs assessment study is not needed.

D. SoCalGas

1. Program Summary

SoCalGas' estimate of its subsidy cost of $122.7 million for PY 2007 and $126.4 million for PY 2008 is based on CARE program enrollment projections of 1.38 million in 2007 and 1.43 million in 2008.

SoCalGas proposes an annual administrative budget of $4.713 million for each program year, a $600,000 increase over the 2006 budget. SoCalGas states this increase will allow it to undertake the additional outreach activities needed to identify and enroll customers who are now eligible since the Commission increased the income ceiling to 200% of the Federal Poverty Guideline level.

SoCalGas states its objective for the next two years is to increase its CARE participation by 80,000 customers in 2007, which would result in 78% of eligible customers participating.

SoCalGas states it will improve its traditional outreach methods, evaluate and implement new efforts, and identify methods to facilitate the enrollment process with particular emphasis on customers that are difficult to reach. SoCalGas' outreach activities include bill inserts, calls to customer service centers, direct mail, mass media advertising, participation in community events and working with third parties to enroll customers. SoCalGas also requests $522,000 for each program year for third-party outreach activities. Third-party outreach establishes contracts with organizations proposing innovative and cost-effective methods to identify and enroll hard-to-reach customers in the CARE program. SoCalGas conducts many of its outreach efforts in Spanish.

Like the other utilities, SoCalGas proposes to increase the capitation fees to CBOs from $12 to $15 for each approved CARE referral.

SoCalGas seeks regulatory compliance costs of $206,000 and $213,000 for 2007 and 2008, respectively, and a budget for general administration of $514,000 and $530,000 for each program year, respectively.

We adopt SoCalGas' proposed budget with the exceptions discussed below and encourage its continued outreach efforts.

2. Enrollment, Verification and Eligibility

SoCalGas has several methods of CARE customer enrollment. It has automatic enrollment for participants of LIHEAP and receives information about such customers from CSD, which implements LIHEAP for the federal government. SoCalGas has enrolled 5,422 customers from CSD LIHEAP lists into the CARE program so far.

SoCalGas proposes to enroll customers by telephone during 2007 and 2008. Potentially eligible CARE customers would be contacted by an automated dialing system. SoCalGas proposes to implement "categorical eligibility" whereby customers would become eligible for CARE if they participate in another local, state, or federal means-tested program. SoCalGas would work with other utilities to implement categorical eligibility and create a list of means-tested programs that would qualify customers for participation in CARE.

Starting in 2007, SoCalGas plans to offer an internet-based CARE application. The online system would be implemented in two phases and is designed to expedite CARE enrollment by saving customers time and postage. The costs associated with an internet-based application are reasonable, about $1,000 in 2007 and $15,000 in 2008, which we approve.

CARE customers are required to recertify their eligibility every two years and sub-metered tenants recertify annually. SoCalGas observes that many customers are dropped from the CARE program because they fail to recertify.

SoCalGas seeks authorization to recertify certain customers on fixed incomes for a four-year term instead of the current two-year term. SoCalGas argues that the incomes for those customers on pensions, SSDI, SSI and Social Security do not change dramatically from year to year. Placing these customers on a four-year recertification cycle will ensure that many are not removed from the program because they fail to respond to the recertification request. SoCalGas has estimated that the internal process and technological changes needed to implement this request will cost $100,000, which is included in the billing system/programming budget. SoCalGas also seeks authority to improve the recertification process improvement by using a probability model to evaluate the likelihood that existing CARE participants would continue to qualify for the program. Customers who are found to be likely to still qualify would be excused from having to recertify their eligibility every two years.

In order to increase recertification levels SoCalGas proposes to make telephonic recertification available 24 hours a day with an automated system. SoCalGas also plans to call customers who have not responded to recertification requests sent by mail. Recertification by automated phone system would save on postage, document storage and processing costs, according to SoCalGas. It estimates expenses of $866,000 in 2007 and $873,000 in 2008 for customer processing costs, a reduction in SoCalGas' administrative budget of more than $120,000 compared to 2006 levels. We commend SoCalGas for the cost savings it has affected in its processes for customer certification and adopt its proposed budget with the exception of the additional $91,000 funds it requests for on-line applications, as discussed previously.

3. Measurement and Evaluation

SoCalGas estimates M&E costs of $5,175 for each program year. It would also allocate to its 2007 budget its $91,000 share for the joint-utility needs assessment study. Consistent with previous discussion, the utilities do not need funding for a needs assessment study because of the issuance of the KEMA needs assessment. SoCalGas' other studies are routine and we approve funding for them.

VI. Conclusion

This order adopts program elements, policies and budgets for 2007 and 2008 for the utility applicants' LIEE and CARE programs. We find that in general the utilities appear to have worked hard to develop sound programs and to promote program participation by qualifying customers. They have worked cooperatively with representatives of affected groups to promote effective program processes and develop ties with local communities. Although program participation levels could be higher, the utilities have clearly made progress in recent years. Workshop discussions suggest some frustration by community members in some LIEE program areas but less than we would expect given the number of program elements available, the difficulty of reaching some customers and the complexity of some program elements.

The main concerns we have regarding LIEE and CARE programs involve cost control, accountability and cost-effectiveness. The support the utilities' provided for their proposals was inadequate, even skeletal, for some program areas. As we stated earlier in this order, we are committed to assuring the use of program funds goes to benefit qualifying customers and, in the case of LIEE, toward reducing energy usage. Funds for administration, studies, and processes that are not cost-effective should be kept to a minimum. We know the utilities will take these concerns seriously and work toward minimizing unnecessary costs while focusing their efforts on program results.

The Commission has plenty of work ahead in its efforts to improve LIEE programs. We expect to issue a new rulemaking and to consider a variety of policy matters during the coming year. Among those issues will be the design of the gas furnace program and NGAT impacts, EM&V protocols, refining programs and budgets according to the needs assessment, procedures for making improvements to programs between budget cycles, opportunities to promote water conservation, and the implementation of AB 580. We will also begin work on implementing those elements of the California Solar Initiative that would provide incentives to low income customers and dwellings that house low income tenants.

In the meantime, we applaud the parties' cooperative work in this proceeding and encourage them to continue their efforts on resolving program details as well as major policy issues.

VII. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and Rule 14.2(a) of the Commission's Rules of Practice and Procedure. Comments were filed on December 4, 2006, and reply comments were filed on December 1, 2006. We note that several parties, including SCE, filed comments that included information that is outside the record of the proceeding. This is not an acceptable practice and is contrary to Rule 14.3 which provides that comments to proposed decisions "shall focus on factual, legal or technical errors." Rule 14.3 requires that errors include a citation to the record. Moreover, the Commission may not rely on new information presented in comments because it is not record evidence. Accordingly, the Commission has disregarded any information presented in comments that is not included in the record of the proceeding. We also assume that information provided in comments which does not cite to the record of the proceeding, as Rule 14.3 requires, is outside the record of the proceeding.

The Commission modified the ALJ's proposed decision to approve of PG&E's proposed customer education budget and the budgets proposed by the utilities for process improvements.This decision also includes numerous clarifications and corrections to the ALJ's proposed decision on the basis of comments.

VIII. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner in these proceedings and ALJ Kim Malcolm is the principal hearing officer.

Findings of Fact

1. Energy efficiency programs for low-income customers contribute to the reliability of the state's energy system and may provide a low-cost alternative to energy production.

2. Utility budgets presented in these applications are not "goals-based." This approach to budgeting for LIEE and CARE programs might have benefited from the KEMA needs assessment report, which the utilities did not have at the time they filed their applications.

3. The Commission is considering the policies and implementation of the low-income customer aspects of the CSI program in R.06-03-004 and considering the matter here would therefore be premature.

4. The utilities have not provided a plan for conducting a gas furnace study that would pursue Commission objectives and issues of special concern to parties representing affected groups.

5. The utilities have worked successfully and cooperatively with DR Advocates on program implementation matters concerning disabled customers.

6. SSDI is a form of fixed income.

7. Structures, information and services related to CARE and LIEE programs must be accessible to and tailored to the needs of disabled customers in order for utility programs to be provided on an equal basis to all qualified customers.

8. Existing Commission rules are adequate for providing CARE discounts to the common areas of nonprofit group living facilities that are separately metered.

9. The Commission's spending priorities include a preference for spending on customer programs directly rather than on studies and administration where possible.

10. It is the Commission's policy to promote energy efficiency programs that also promote water conservation.

11. The public, the utilities and interested parties may benefit from a forum that would develop changes in program protocols, operations and procedures between LIEE budget cycles.

12. The public would benefit from a process that permits any interested party to attend meetings with utilities to address possible LIEE program improvements.

13. Utility applications do not consistently present information in a format that is useful or provides a means of comparing program costs across utilities.

14. The utilities should not require studies of the impacts of installing tankless water heaters because such products are readily available and commonly in use.

15. SCE does not require extensive studies of how to serve low-income customers on Catalina Island, who already receive low-income products and services as SCE electric customers.

16. The "needs assessment" report conducted by KEMA may require additional refinement and updates in the coming two years in order to be useful for improving LIEE programs and setting priorities.

17. The Commission has stated its objective of providing LIEE products and services to as many customers as possible, which is a higher priority than offering more LIEE services to fewer customers.

18. SCE provides no justification for increasing its LIEE administrative budget by 50% over the approved 2005 administrative budget.

19. SCE's request for authority to implement new LIEE measures, including air conditioning measures, heat pump replacement, tankless water hearters, evaporative cooler maintenance, torchiere replacement, and pool pump replacement, is reasonable.

20. Renters should receive the benefits of air conditioning and heat pump measures.

21. The utilities have not provided adequate justification for setting aside large sums for unspecified studies.

22. SCE provides inadequate justification for spending $80,000 on a study of its cool centers, or for conducting a bill savings study or a process evaluation study.

23. PG&E's NGAT costs are the subject of a settlement in its general rate case, A.05-12-002, and PG&E reduced its budget in the subject LIEE application to reflect the settlement.

24. Lifting the cap on CFL installations per household may increase cost-effective energy savings in treated residences.

25. A micro-climate study is not required in order to assess the best locations for cool centers in PG&E's territory.

26. Cool centers are designed to provide safe, comfortable locations for low-income customers during hot weather and may provide opportunities for the sponsoring utility to share education about CARE, energy efficiency and LIEE programs.

27. PG&E has justified its proposal to spend $6 million on "in-house" energy education which appears to be substantially more expensive than SCE's or SoCalGas' program because of differing accounting conventions. The total costs for the utilities' home visits, however, appear to be comparable.

28. PG&E proposes to conduct a competitive process for hiring a program administrator to undertake work beginning in 2008.

29. PG&E does not adequately justify its proposal to fund various studies with the exception of the impact study and the gas furnace study.

30. PG&E's proposals for LIEE pilot programs and measure modifications are reasonable and may promote more efficient and effective programs.

31. SDG&E proposes to hire RHA as program administrator without a competitive hiring process and does not justify this process as one that would benefit ratepayers or program participants

32. SDG&E does not adequately justify its proposal to include NGAT costs in LIEE balancing accounts rather than base rates.

33. SDG&E does not explain how a customer could prove that a government subsidy provides the only source of income in the household.

34. SDG&E does not adequately justify its proposed M&E studies with the exception of the impact study and the gas furnace study.

35. SoCalGas does not adequately justify its proposal to include NGAT costs in LIEE balancing accounts rather than base rates.

36. SoCalGas has not proposed changes to its gas furnace program that are consistent with existing LIEE policies or procedures.

37. While the proposals of SCE, PG&E, SoCalGas and SDG&E to implement "categorical eligibility" for LIEE and CARE programs may improve customer participation in the programs and reduce program administration costs, SCE's appears to be the most efficacious.

38. The proposals of SCE, PG&E, SoCalGas and SDG&E to increase to $15 "capitation fees," those paid to third parties for enrolling utility customers into CARE programs, are reasonable and may increase the numbers of customers who enroll in CARE rates.

39. SCE has adequately justified its proposal to develop capability to enroll CARE customers using the internet.

40. SCE's new CARE process and plans are reasonable, including its proposals to extend the recertification period of customers of fixed incomes, to implement phone verification and categorical eligibility, and to develop a probability model that would facilitate eligibility findings.

41. SCE's request to modify its CARE ratemaking procedures is reasonable.

42. PG&E adequately justifies its proposal to implement on-line enrollment at a cost of about $150,000 including system maintenance

43. PG&E's proposal to increase the period between CARE recertification from two to four years for fixed income customers, including those on SSDI, is reasonable.

44. PG&E's proposal to implement CARE on-line enrollment is reasonable.

45. "Automatic enrollment" is the process whereby customers who are participants in qualified state or federal means-tested programs do not have to apply for a CARE rate but nevertheless are charged the discounted CARE rate.

46. SoCalGas hasjustified its proposal to increase its information technology budget to fund on-line CARE enrollment and other system enhancements in support of its CARE processing proposals.

Conclusions of Law

1. The Commission staff should conduct a workshop on gas furnace issues that would inform a gas furnace study and future related policies. Utility gas furnace programs should not be modified at this time because the Commission does not have adequate information about related impacts on safety, customer comfort and program costs.

2. The utilities should be ordered to provide the CARE discount to common areas of nonprofit group living facilities without regard to metering arrangements as long as the facility meets the criteria set forth by the Commission and Code Section 739.1.

3. Utility studies should be overseen by Commission staff to assure they are required, cost-effective and conform to Commission objectives and spending priorities.

4. The utilities should be required to make LIEE and CARE structures, information and services available to disabled customers so as to promote equal access to and treatment of disabled customers and prospective customers.

5. The utilities should consider SSDI a form of fixed income that would make a customer eligible for an extended CARE recertification period.

6. The utilities should begin work on proposals for low income energy efficiency programs that promote water conservation for the Commission's future consideration.

7. The Commission should direct the utilities to meet regularly with interested parties to confer on LIEE program protocols, procedures and operations between LIEE budget cycles, as set forth herein.

8. Pub. Util. Code Section 382.1 provides that the LIOB, not this Commission, has the authority to create a more formal committee if it is an entity of the LIOB. The utilities should convene informal meetings to facilitate improvements to the LIEE and CARE programs.

9. The utilities should use quarterly meetings to collaborate with members of the interested public before modifying any program procedure, rule or operation. They should confer with the Energy Division staff before making any changes for which there exists or may exist controversy by affected communities or individuals other than LIEE contractors.

10. Future utility LIEE budget applications should include more justification for increased spending and new programs, formats that are consistent across utilities and explanations of information presented in tables.

11. SCE should provide LIEE gas measures to customers on Catalina Island but does not require a feasibility study. It should present a proposal to and receive approval from Commission Energy Division staff.

12. The Commission should authorize SCE's proposed new LIEE measures and allow renters to be eligible for air conditioning and heat pump measures.

13. Consistent with Commission policy, SCE's LIEE program should emphasize increased participation of low-income customers ahead of the provision of a larger number of LIEE measures to a smaller number of customers. SCE should be required to submit a modified marketing plan to the Energy Division that recognizes this policy priority.

14. The Commission should authorize SCE's proposed budget for cool centers.

15. The ratemaking treatment for SCE's CARE program should be modified as requested.

16. SCE's administrative budget should be set at $2.13 million, which is a 20% increase over the approved administrative budget for 2006.

17. Utility M&E budgets should not include funding for unspecified studies.

18. SCE should not spend $80,000 on a study of cool centers at this time or fund a study on bill savings or a process evaluation.

19. PG&E's proposal to lift the cap on the number of CFL installations per household should be approved.

20. PG&E should present Energy Division and interested parties with a plan and budget for establishing cool centers and the plan should anticipate the opening of some cool centers by summer 2007. PG&E should use the advice letter process to receive authority to implement and fund its cool center program.

21. PG&E's proposals to implement a pilot air conditioning tune-up and a ceiling fan pilot program should be approved.

22. PG&E's proposal to install interior hardwired fixtures should be approved.

23. PG&E's proposal to remove the cap o the number of exterior hardwired fixtures per home should be approved.

24. PG&E should be granted $6 million to continue its in-home education program

25. PG&E should be required to conduct a competitive process for hiring a program administrator for the period following December 31, 2007, as set forth herein.

26. PG&E should be provided funding for an impact study and a gas furnace study and a needs assessment. It should conduct the gas furnace study with the collaboration and approval of Commission staff as set forth herein.

27. SDG&E should be required to conduct a competitive process for hiring a program administrator for the period beginning in 2008, as set forth herein, and should not be required to interrupt its existing contract with RHA which terminates at the end of 2007.

28. SDG&E should be provided funding for a needs assessment study, an impact study and a gas furnace study but not other studies. It should conduct the gas furnace study with the collaboration and approval of Commission staff as set forth herein.

29. SDG&E should not be permitted to recover NGAT costs in LIEE balancing accounts.

30. SDG&E customers should not be required to prove that a government subsidy provides the only source of income in the household as a condition of participating in an LIEE program.

31. SoCalGas should not be permitted to recover NGAT costs in LIEE balancing accounts.

32. SoCalGas' existing policies for installing and repairing gas furnaces should be retained at this time.

33. SoCalGas should be provided funding for a needs assessment, an impact study and a gas furnace study but not other studies. It should conduct the gas furnace study with the collaboration and approval of Commission staff as set forth herein.

34. The capitation fees of SDG&E, SoCalGas, PG&E and SCE should be increased to $15.

35. SDG&E, SoCalGas, SCE and PG&E should be authorized to implement categorical eligibility as set forth herein.

36. SCE's budget for information technology should be approved as set forth herein.

37. The Commission should authorize SCE's CARE processes and plans

38. PG&E's budget for CARE processing, certification and verification work should be set at $1.6 million its budget to implement on-line enrollment of CARE customers should be set at $150,000.

39. PG&E's proposal to extend the CARE recertification period from two years to four years for fixed income customers should be approved.

40. The applicant utilities should be authorized to implement automatic enrollment, as set forth herein.

41. If SDG&E implements on-line enrollment for CARE customers, it should be ordered to provide a report on the costs and benefits of the system as part of its next budget application.

42. SoCalGas' budget for billing system and programming should be increased by $91,000 for 2007 and 2008 to fund on-line enrollment and other expenditures for information technology and its billing system.

43. Because there are no additional matters to address in these consolidated proceedings, they should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (SCE) is authorizedbudgets for 2007 and 2008 for its low income energy efficiency (LIEE) programs and a budget for administering its California Alternate Rate for Energy (CARE) program as set forth in Table 1 and Table 2. SCE shall implement its LIEE, Cool Center and CARE programs consistent with the findings and conclusions of this order.

2. Pacific Gas and Electric Company (PG&E) is authorized budgets for 2007 and 2008 for its LIEE programs and a budget for administering its CARE program as set forth in Table 3 and Table 4. PG&E shall implement its LIEE and CARE programs consistent with the findings and conclusions of this order.

3. San Diego Gas & Electric Company (SDG&E) is authorized budgets for 2007 and 2008 for its LIEE programs and a budget for administering its CARE program as set forth in Table 5 and Table 6. SDG&E shall implement its LIEE and CARE programs consistent with the findings and conclusions of this order.

4. Southern California Gas Company (SoCalGas) is authorized a budget for its LIEE programs and a budget for administering its CARE program as set forth in Table 7 and Table 8. SoCalGas shall implement its LIEE and CARE programs consistent with the findings and conclusions of this order.

5. PG&E, SDG&E, SCE and SoCalGas shall interpret their tariffs and Commission policy to provide the CARE discount to common areas of nonprofit group living facilities without regard to metering arrangements as long as the facility meets the criteria set forth by the Commission and Pub. Util. Code § 739.1. If a utility's tariffs require modification to affect this policy, the utility shall file tariff modifications in compliance with this order within ten days of the effective date of this order.

6. SCE, PG&E, SoCalGas and SDG&E shall receive written approval from the Commission's Energy Division Director or his designee prior to issuing any request for proposal, awarding any contract to any consultant or issuing any report for LIEE or CARE programs.

7. The utilities shall convene meetings to facilitate program improvements as set forth herein. The meetings shall occur no less often than every 90 days and shall be noticed to all parties to these consolidated proceedings and shall be open to the public. Notes from those meetings shall be taken and provided electronically or on paper to members of the Low Income Oversight Board, attendees to the meetings, Energy Division staff and any other party requesting the notes.

8. SCE is authorized to amend its CARE ratemaking treatment as set forth herein.

9. SCE, SoCalGas, SDG&E and PG&E shall collaborate with Energy Division on reporting requirements and shall comply with the reporting requirements set forth by the Commission's Energy Division unless a Commission order provides otherwise.

10. Utility submissions of information on CARE eligibility shall be made no later than October 15 of each year.

11. The Executive Director shall direct Commission staff to conduct or oversee financial audits of the utilities' LIEE and CARE programs. These audits shall be completed no later than February 1, 2008 so that the utilities may review them prior to filing LIEE and CARE budget proposals for 2009-2011. The assigned Commissioner or Administrative Law Judge has the authority to modify this date as needed.

12. SCE shall no later than February 15, 2007, submit to Energy Division a marketing plan that emphasizes increased participation in LIEE programs rather than increased measures in fewer residences, as set forth herein.

13. PG&E shall no later than February 15, 2007, submit an advice letter to Energy Division with a plan and proposed budget for working with local governments to establish cool centers and shall open some cool centers by summer 2007.

14. PG&E shall present a plan to Energy Division no later than March 15, 2007 for conducting a competitive bidding process for its LIEE administrator for hiring the LIEE administrator for 2008.

15. The utilities may carry over funds from previous periods to the 2007-2008 budget periods but may not allocate carry-over funds to administrative overhead costs, regulatory costs or the costs of studies as set forth herein.

16. The utilities may shift funds between CARE categories so as to promote the efficient and effective implementation of the CARE program.

17. The utilities may shift funds between LIEE programs so as to promote the efficient and effective implementation of the CARE program but may not shift additional funds to administrative overhead costs, regulatory costs or the costs of studies as set forth herein.

18. SDG&E shall present a plan to Energy Division no later than March 30, 2007 for conducting a competitive bidding process for its LIEE administrator and, unless Richard Heath and Associates wins a contract through a competitive process, shall not extend the existing contract with Richard Heath and Associates past December 1, 2007.

19. SDG&E and SoCalGas shall not enter the costs of natural gas appliance testing in LIEE balancing accounts.

20. If SDG&E implements on-line enrollment for CARE customers, it shall provide a report on the costs and benefits of the system as part of its next budget application.

21. SDG&E, SCE, PG&E and SoCalGas shall implement automatic enrollment and categorical eligibility as set forth herein and to the extent they are able to procure necessary customer information.

22. SDG&E, SCE, PG&E and SoCalGas shall increase to $15 their "capitation fees," or payments to third parties for enrolling customers into low income programs.

23. SCE, SDG&E, PG&E and SoCalGas shall file applications for 2009-2011 LIEE and CARE budget authority and program modifications no later than April 30, 2008. Those applications shall propose specific program participation goals in specific population sectors or segments and shall develop budgets designed to meet those goals.

24. Application (A.) 06-06-032, A.06-06-033, A.06-06-034, and A.06-07-001 are closed.

25. This order is effective today.

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

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners