

Order Instituting Rulemaking
Regarding Polices, Procedures and
Rules for the Low-income Energy
Efficiency Programs of California's
Energy Utilities.

Rulemaking 07-01-042

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES
ON ORDER INSTITUTING RULEMAKING REGARDING POLICIES,
PROCEDURES AND RULES FOR THE LOW-INCOME ENERGY
EFFICIENCY PROGRAMS OF CALIFORNIA'S ENERGY UTILITIES**

I. INTRODUCTION

On January 25, 2007, the Commission issued an Order Instituting Rulemaking (OIR) to consider policies, rules and opportunities for the Low-Income Energy Efficiency (LIEE) programs of the California utilities. One of the Commission's objectives in the Rulemaking (R.07-01-042) is to investigate some issues further to enhance the LIEE programs (*see* OIR page 3). The OIR sets forth twelve issues for the Commission's scope of inquiry. (*see* pages 3-6).

The OIR invites comments from parties to determine which issues require the Commission's most immediate attention and the appropriate venues for their consideration. The OIR lists the following issues as priorities:

- Implementation of AB 2104;
- Program objectives and goal based program budgeting and planning;
- And review of gas furnace programs and Natural Gas Appliance Testing (NGAT).

Pursuant to the directions of ALJ Malcolm in the OIR, the Division of Ratepayers Advocates (DRA) submits these comments on the priorities and process for addressing issues regarding the LIEE programs. While DRA agrees that the priority issues listed in the OIR should be addressed expeditiously, we recommend that the Commission also consider as priority items three additional issues:

- Expansion of the scope and budget of LIEE programs;
- LIEE access for the disabled; and,
- Process for review and improvement of LIEE programs between 3 year budget cycles.

As an initial observation, DRA recommends that all issues be addressed through workshops and written comments, along with public participation hearings. Evidentiary hearings may or may not be necessary for certain issues.

II. DRA'S PRIORITY ISSUES

A. LIEE Program Expansion

The Commission must consider increasing the scope and funding of the LIEE programs. The OIR did not explicitly address this issue. The current scope and budget of the LIEE programs fail to meet the objectives of the programs. In approving budgets for utility LIEE programs for 2007 and 2008, the Commission reiterated that LIEE programs, similar to other energy efficiency programs, serve to reduce peak demand, reduce greenhouse gas emissions and provide a more reliable resource base. The Commission stated a renewed emphasis for LIEE programs to support State energy efficiency and resource adequacy efforts, in addition to the traditional LIEE objectives of lowering bills and promoting safety and comfort of low-income customers. (D. 06-12-038, pages 7-8).

DRA supports reducing the demand of low-income customers as an essential part of achieving overall State resource goals. However, with a budget that has remained essentially unchanged since 2002, LIEE program funding is insufficient to

meet prior objectives, and is woefully inadequate to achieve a greater role in overall energy efficiency efforts.

LIEE programs for PG&E, SCE, SoCalGas and SDG&E currently total approximately \$150 million per year, largely unchanged since 2002. Since 2002, the benefits of reducing energy use have increased significantly due to higher natural gas costs, higher costs of new generation facilities, consideration of greenhouse gas reductions, increased transmission needs and other factors. Within the past five years, the Commission has responded by tripling regular energy efficiency budgets, spending hundreds of millions of dollars annually on new solar energy and demand response programs, approving billions of dollars of new renewable energy contracts and other actions. Yet LIEE program funding, which is the primary means for over 5 million utility customers to participate in meeting State energy goals, has either not grown significantly or has not increased at all during the last 5 years. This is clearly an issue that the OIR needs to address.

Other factors beyond energy costs also demonstrate a need for the Commission to consider increases in the scope and funding of LIEE programs. Since 2002, the number of utility customers that qualify for LIEE programs has increased by 50%, from 3.5 million (D. 02-12-019, page 15) to over 5.3 million (KEMA study, September 5, 2006, Page 1-5). Current funding levels allow the utilities to serve *less than 3% each year* of the total number of customers that qualify, barely covering even the annual growth in qualifying households. The considerable increase in the number of low-income customers has also greatly increased the cost of providing CARE rate discounts. By decreasing the energy usage of low-income customers, LIEE programs will decrease the total cost of CARE discounts, which is of benefit to non-CARE customers.

In 2005, the Commission rejected ACCES' proposal for a 60% increase in LIEE funding, indicating that the pending expedited proceeding was not the appropriate forum to address such a proposal (D. 05-10-044, page 23). DRA suggests that this OIR *is* the appropriate proceeding. California's LIEE programs

should be an integral part of the State's strategy for meeting resource needs for the State, reducing greenhouse gas emissions, as well as improving the comfort and safety, and lowering the bills of low-income households. However, a budget of only \$150 million per year is insufficient for LIEE programs to fulfill the role that the Commission has established.

The issue of renter access is related to the issue of LIEE program expansion. As the OIR notes, LIEE programs as currently constituted may not adequately address the needs of tenants. (See OIR page 6). Improving the access of renters to LIEE programs will be an important aspect of any effort by the Commission to expand the impact of the LIEE program.

B. LIEE Access for the Disabled

R.07-01-042 must address the issue of LIEE access to disabled customers. Generally, a large number of disabled persons are also low-income utility customers. Disabled customers have a unique set of needs that raise concerns regarding: 1) access 2) equitable treatment 3) effective participation and 4) effective monitoring. These issues were raised in 2006, and the Commission indicated that initial utility efforts were encouraging and that utilities should continue to discuss and work on these issues with interested parties (D.06-12-038, pages 13-15). The Commission should follow up and continue to address these issues and to review the results of early efforts in this OIR's broad review of the California LIEE programs. And, as with renter access, increasing the availability and accessibility of LIEE programs for disabled customers will facilitate the expansion of LIEE programs.

C. Processes for Considering Program Improvements between Utility Budget Cycles

The OIR lists Processes for Considering Program Improvement between Utility Budget Cycles as an issue for the Commission to address. However, the OIR does not include it as a priority issue. Given that time is of essence for the Commission to establish and define processes that need to take place before each

three-year cycle, this should be a priority issue. In approving utility LIEE budgets for 2007 and 2008, the Commission addressed the need for a process for modifying and improving LIEE programs between budget cycles. The Commission required utilities to conduct quarterly meetings with interested parties, and indicated that it would soon review the adequacy of these meeting as a means of improving the programs (D. 06-12-038, pages 21-22). With LIEE moving to a three-year budget cycle, there is a greater need for effective processes for considering program improvement between budget cycles that will promote 1) effective communication between the Commission and the Utilities and 2) the effective participation of the community in the LIEE process.

III. COMMISSION’S PRIORITY ISSUES

DRA will briefly address how the Commission should go about exploring and investigating the priority issues already identified in the OIR.

A. Goals-based Program Budgeting and Planning

Established in D.05-12-026, the Commission directed the utilities to shift from budget-directed to goal-based planning.¹ While the Commission, in D.06-12-038 reiterated its commitment to goal-based planning, the proceeding was conducted without the benefit of the data and findings of the KEMA needs assessment.² This policy question should be reviewed and clarified further in the context of a finalized KEMA study. Effective goal-based budgets will be needed to establish effective “cost-accountability” for the LIEE program and periodic program compliance audits will assist the Commission in maintaining program efficiency.

¹ D.05-12-026 at 5.

² D.06-12-038 at 8.

B. Program Objectives and Priorities

LIEE program objectives are stated in the California Public Utilities Code sections 381.5 and 2790. However, these objectives may now be outdated, and with the LIEE program having expanded to all four (4) Investor Owned Utilities (IOUs) and five (5) Small Municipal Jurisdictional Utilities (SMJUs), a discussion around its current program objectives-including the role of the Low-Income Oversight Board (LIOB) is a topic of importance.

C. Gas Furnace Programs

NGAT has been a complicated and heated topic of discussion in past proceedings and this OIR is an appropriate and timely proceeding in which to address and resolve this issue. DRA is particularly concerned about the number of homes that may be excluded from LIEE due to NGAT testing restrictions, and the resulting decrease in the number of customers that receive the benefit of LIEE programs and the reduction in overall energy efficiency savings and benefits obtained by the State. This issue should be addressed through a review of the weatherization and installation standards and policy and procedures manuals.

D. Program Access for Master-Metered Customers (AB 2104, Lieber Energy: California Alternative Rates for Energy Program, 2006)

Given the legislative deadline of January 1st, 2008, the implementation of AB 2104 stands out as an issue needing immediate attention. As with other issues addressed in these comments, improving the access to LIEE programs by master-metered customers is an important means of expanding overall use and effectiveness of the programs.

IV. PROCEDURES FOR ADDRESSING OIR ISSUES

The issues should be addressed through a combination of comments, workshops and public participation hearings. It is important for the Commission to hear from the direct providers of LIEE services, from the customers of these services, and from utilities. While evidentiary hearings may be necessary to address

some issues, less formal processes will serve better to obtain information and perspectives from the broadest range of participants and interested parties.

V. CONCLUSION

DRA agrees that the priority issues contained in the OIR require the Commission's immediate attention. DRA also requests that the Commission include as priority issues: LIEE Program Expansion; LIEE access for disabled customers; and interim processes for considering program improvements between utility budget cycles. DRA appreciates the Commission's efforts and intent to improve the LIEE programs through this OIR, and looks forward to being an active participant.

Respectfully submitted,

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February 26, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON ORDER INSTITUTING RULEMAKING REGARDING POLICIES, PROCEDURES AND RULES FOR THE LOW-INCOME ENERGY EFFICIENCY PROGRAMS OF CALIFORNIA’S ENERGY UTILITIES**” in **R.07-01-042** by using the following service:

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

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Executed on February 26, 2007 at San Francisco, California.

/s/ Imelda C. Eusebio

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N O T I C E

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