

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 2009-2011.	Application 08-05-024 (Filed May 15, 2006)
Application of Southern California Gas Company (U 904 G) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2009-2011.	Application 08-05-025 (Filed May 15, 2008)
Application of Pacific Gas and Electric Company for Approval of the 2009-2011 Low Income Energy Efficiency and California Alternative Rates for Energy and Programs and Budget (U 39 M).	Application 08-05-022 (Filed May 15, 2008)
Application of Southern California Edison Company (U 388-E) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2009, 2010, and 2011.	Application 08-05-026 (Filed May 15, 2008)

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES
TO THE ADMINISTRATIVE LAW JUDGE'S
JUNE 25, 2008 RULING**

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**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES
TO THE ADMINISTRATIVE LAW JUDGE’S
RULING SEEKING FURTHER INFORMATION ON LARGE
INVESTOR-OWNED UTILITIES’ 2009-2011 LOW INCOME
EFFICIENCY/CARE APPLICATIONS**

In accordance to the Administrative Law Judge’s (“ALJ”) Ruling on June 25, 2008 seeking further information from large investor-owned (“IOUs”) and other parties, the Division of Ratepayer Advocates (“DRA”) hereby submits its response to questions 4,5,12, and 16.

DRA Responses

Question 4. Are there objective metrics by which the Commission can or should analyze the effectiveness of the IOUs' efforts at leveraging (working with outside groups) and integration (combining or synthesizing internal demand side programs)? Some examples might include: money saved, resources shared, consolidation of work efforts, work hours saved, reduction in customer confusion, and/or number of customers served. Explain your position.

Yes. The Commission should establish objective metrics by which to assess IOU leveraging efforts. Although the IOUs have provided more detailed plans for leveraging and integration in the responses served by the IOUs on July 1, 2008, DRA recommends that the Commission order the IOUs to take their efforts one step further by providing measurable estimates of how much money will be saved through each of the leveraging proposals.

Each leveraging opportunity identified by the IOUs in their July 1 responses should be accompanied with an estimate of ratepayer savings from that leveraging opportunity. The Commission should direct the IOUs to provide such estimates no later than July 21, 2008, to allow parties an opportunity to review them in advance of filing briefs on August 1, 2008.

Furthermore, review of how the IOUs' leveraging efforts are performing relative to the furnished estimates should be completed on an annual basis. The Commission should direct the IOUs to facilitate this review through providing complete leveraging reports (including money saved, resources shared, consolidation of work efforts, work hours saved, reduction in customer confusion, and/or number of customers served) as a part of the annual reports provided each May. Examples of leveraging report formats can be found on LIHEAP's website.¹

¹ <http://www.liheapch.acf.hhs.gov/lvstate.htm#toolkit>

Question 5. Is the information produced in pilot LIEE programs shared among the IOUs? How are the pilots assessed? How are the results of the pilots communicated to other parties? What information is used to determine if a pilot should become a new program element/measure?

Only SDG&E and PG&E propose pilots² in their 2009-2011 CARE/LIEE applications. However both IOUs fail to provide evaluation plans for the pilots, largely defeating the purpose of the pilots as a testing ground for full-fledged programs.

Outside of the data request process, DRA is not aware of any prescribed *formal* process that the IOUs use to communicate the results of pilots to parties³. The Commission should require the IOUs to submit formal pilot evaluation plans before gaining Commission approval to go forward with the pilots. The submission of pilot evaluation plans will allow for the opportunity to provide constructive feedback to the IOUs and Commission before implementing a pilot program.⁴

Question 12: Are there other programs that one IOU offers that the Commission should require all IOUs to offer because they are cost-effective, produce energy savings, or have other positive attributes for LIEE customers? Explain.

Yes. The In Home Display (“IHD”) pilot proposed by SDG&E in its May 15 filing may be a program that the Commission should require all IOUs to offer. In its protest, DRA offered guidance on how that pilot could be improved to ensure the results of the pilot are “used and useful.” DRA recommends that the Commission require SDG&E to modify its IHD pilot as DRA suggests and that the Commission direct PG&E and SCE to facilitate the same pilot in their service territories.

The IHD pilot affords an excellent opportunity to understand how real time information feedback may affect energy use in California’s low-income communities. The IHDs have the potential to reduce the cost of energy for low-income ratepayers

² All four IOUs however discuss Marketing Education and Outreach (ME&O) “pilots” (even if they do not apply the word “pilot” to ME&O) and DRA's concerns expressed here extend to those ME&O experiments as well.

³ It should be noted that the Utilities have many informal avenues to present pilot evaluations to the public including 1) LIOB Meetings 2) Quarterly Meetings 3) Workshops 4) Community Outreach Meetings.

⁴ PG&E is requesting a total of \$2,994,375 for pilot programs for the 2009-2011 budget years. SDG&E is requesting a total of \$375,000 for pilot programs for the 2009-2011 budget years.

through simple, cost-effective information sharing. Looking forward to future program years, IHDs will offer additional benefits when coupled with Advanced Metering Infrastructure (“AMI”) technologies. One of these benefits is the ability to share real-time energy cost information with customers by coupling AMI and IHD and thereby allowing ratepayers to make informed decisions about their energy use. The IHD pilot as proposed by SDG&E and improved upon by DRA will help inform all parties of the actual benefits resulting from AMI and IHD.

Question 16: How did you calculate your energy savings figures?

DRA asked the question in its workshop proposal of June 27, 2008: Why do IOUs suggest it will cost more per unit of energy saved in 2009? The ALJ Ruling of July 17, 2008 posed similar questions.

DRA does not support LIEE proposals that will cost ratepayers more money and save them less energy in 2009 than in prior periods. Each IOU with an electric fuel source estimates that it will cost more money to save less energy in 2009. DRA presents the increases in cost per unit of energy saved as proposed by the IOUs for 2009 compared with 2007 and 2005 for each IOU below.⁵

PG&E

PG&E’s PROPOSED INCREASES IN 2009

	Over 2005		Over 2007	
	\$ per mWh saved	\$ per therm saved	\$ per mWh saved	\$ per therm saved
PG&E	18%	71%	14%	31%

In particular, PG&E data indicates that, compared to its 2007 report of funds spent and energy saved, it would cost 14% more per mWh saved and 31% more per therm saved in 2009, than it did in 2007. PG&E gives several reasons for the cost increase, one

⁵ DRA believes comparing the application proposal to 2007 is more meaningful than comparing to 2008, because 2007 is the last full year of data. Additionally, the 2005 comparison is important because the 2005 savings allow comparison between two years (2005 and 2009) that utilize more similar energy savings estimates.

of which is that 2009 energy savings estimates are different (and lower) for its 2009 proposal, utilizing the 2005 Impact Evaluation data. In contrast, the PG&E’s 2007 report used larger savings estimates generated from the 2001 Impact Evaluation.⁶ To test this assumption, DRA compared the 2009 projections to 2005 year where the estimates are the same. Unfortunately this makes the picture even worse, as the increases over 2005 are 18% per mWh saved and 71% per therm saved.

PG&E’s second explanation for the proposed increase in cost per unit of energy saved is inflation. DRA compared the unit costs for measures offered in 2007 and in 2009. In 2007, PG&E paid \$64 million to install its measures. If PG&E were to install those same measures in the same quantities in 2009, using 2009 per-unit costs, it would cost over \$102 million, or 59% more. From 2007 to 2009, the rate of inflation is significantly lower than 59%. As such, PG&E’s justification of inflation for this cost increase is invalid.

Finally, PG&E suggests that Relief for Energy Assistance Through Community Help (“REACH”) increases its costs but does not provide the corresponding energy savings.⁷ Although DRA believes the PG&E REACH program serves a crucial need, DRA does not recommend funding REACH through LIEE.⁸

SCE

SCE’s PROPOSED INCREASES IN 2009

	Over 2005		Over 2007	
	\$ per mWh saved	\$ per therm saved	\$ per mWh saved	\$ per therm saved
SCE	44%	n/a	16%	n/a

SCE gives several reasons for the cost increase it proposes. Like PG&E, SCE asserts that its 2009 energy savings estimates are different (and lower) utilizing the 2005

⁶ PGE Response to June 17 ALJ Ruling, June 27, 2008, p. 2.

⁷ PGE Response to June 17, 2008 ALJ Ruling, June 27, 2008, p. 2.

⁸ DRA Protest June 19, 2008, p. 32.

Impact Evaluation data.⁹ In contrast, SCE’s 2007 report used savings estimates generated from the 2001 Impact Evaluation. Again, DRA tested this assumption by comparing the 2009 projections to 2005. Like PG&E, the comparison reflects a worse picture, as the increases over 2005 are 44% per mWh saved.

SCE’s second explanation for the cost increases is its new focus on energy education, for which SCE will not claim energy savings. Although SCE states that it anticipates that 82% of the educational kits will result in additional LIEE enrollment, DRA does not believe the kits should qualify as meeting the Commission’s programmatic initiative because SCE fails to provide any projected cost savings associated with these kits.

A more likely reason for the significant cost increases that SCE did not state in its application is the nearly 100% increase in per-unit costs for SCE’s LIEE measures in 2009. DRA applied the 2009 per-unit costs to the measures installed through the SCE program in 2007. Instead of \$15 million that SCE expended in 2007, those installations would cost \$30 million using SCE’s 2009 per-unit estimates.

SDG&E

SDG&E’s PROPOSED CHANGES IN 2009

	Over 2005		Over 2007	
	\$ per mWh saved	\$ per therm saved	\$ per mWh saved	\$ per therm saved
SDGE	-8%	-52%	2%	-30%

SDG&E’s 2009 portfolio does not reflect a significant increase in cost per unit of energy saved. During this topic at the July 17 workshop, SDG&E’s program may be contrasted with other programs, to explain differences, and provide examples of how other IOUs may lower their costs. SDG&E should prepare to address these issues during the July 17 workshop.

⁹ SCE Response to June 17, 2008 ALJ Ruling, June 27, 2008, p. 10.

SOCALGAS

SoCalGas' PROPOSED DECREASES IN 2009

	Over 2005		Over 2007	
	\$ per mWh saved	\$ per therm saved	\$ per mWh saved	\$ per therm saved
SCG	n/a	-48%	n/a	-42%

SoCalGas 2009 portfolio does not reflect an increase in cost per energy saved. During this topic at the July 17 workshop, SoCalGas' program may be contrasted with other programs to explain differences and SoCalGas may provide examples of how other IOUs may lower their costs. SoCalGas should prepare to address these issues during the July 17 workshop.

Question 16.b: Should the energy savings calculations be different depending on the segment of the population a measure will serve? For example, will energy savings differ among high and low users?

Yes. Household characteristics help predict needs and potential for savings.

“The savings achieved by the program are directly related to the characteristics of the target population, as well as the specific interventions promoted through the program. Energy consumption patterns and length of tenancy at the location served by LIEE are both key factors that affect the magnitude and retention of program savings.”¹⁰

However, the IOUs' applications give little evidence of tailoring their programs to the unique characteristics of households in their service territories. The Commission should require savings estimates by household characteristics to assure that the LIEE program is tailored to meet specific needs so that California households will receive more

¹⁰ West Hill Impact Evaluation Final Report, January 2008, p. 33.

benefits. Data is available from the IOUs recently completed two ratepayer-funded low-income studies, costing approximately \$2 million.¹¹

The tables below, reprinted from the 2005 Impact Evaluation, illustrate how the household usage differs according to household characteristic. The first row of each table shows the total households included in the study. The following rows show how the range of usage differs should a household – for example – have Central A/C or room A/C, or be a renter or be living alone. Because usage differs, the potential for savings will also differ. DRA reiterates that the IOUs should utilize this type of information to estimate how savings will differ by household characteristic.

¹¹ For KEMA Phase 2 cost of \$1,500,000 see <http://docs.cpuc.ca.gov/Published/Rulings/26846.htm>. West Hill Impact Evaluation for PY2005 is estimated to cost \$540,000.

Impact Evaluation Table 4-8: Annual kWh Statistics by Electric Heating and Cooling Equipment¹²

Equipment	Number of households	Mean kWh	Median kWh	25 th percentile kWh	75 th percentile kWh
All households studied	39,825	5,431	4,665	3,124	6,859
Households with Central A/C	9,174	6,885	6,069	4,166	8,599
Households with Room A/C	4,206	5,408	4,559	3,045	6,780
Households with Electric Space Heat	3,621	36,267	4,811	2,742	8,312
Households with Electric Water Heat	2,121	8,837	7,640	4,886	11,540

¹² West Hill Impact Evaluation Final Report, January 2008, p. 41.

Impact Evaluation Table 4-9: Annual kWh Statistics by Housing Type and Demographics¹³

Characteristic	Number of households	Mean kWh savings	Median kWh savings	25 th percentile kWh	75 th percentile kWh
All households studied	39,825	5,431	4,665	3,124	6,859
Multi-family housing units	8,880	3,738	3,163	2,223	4,577
Mobile homes	1,630	6,565	5,327	3,714	8,086
Renters	18,990	4,539	3,770	2,543	5,639
Senior heads of household	11,406	5,177	4,278	2,767	6,579
Households with income under \$22K	23,667	5,246	4,447	2,936	6,639
Lives alone	10,643	4,484	3,692	2,423	5,618

Additionally, these tables also show why simply averaging usage (the mean column) does not adequately reflect differences by characteristic. Instead, breaking the usage up into 4 groups by median and quartile provides a more informative indicator of how household characteristics change impacts. Any further energy savings estimates by customer segment should be provided by quartile, not simply by average. Additionally,

¹³ West Hill Impact Evaluation Final Report, January 2008, p. 42.

DRA requested estimates of household bill savings by quartile,¹⁴ but the IOUs reported they were unable to estimate bill savings by quartile.

PG&E

Because PG&E plans to offer AC Room Replacements, Evaporative Coolers, Envelope and Air Sealing Measures, Attic Insulation, and Exterior Porch Light measures only to high users, it is misleading to lump all savings estimates together across all users.¹⁵

SCE

As noted in the June 17, 2008 ALJ Ruling, SCE plans to meet its penetration target of 25% by providing 13,375 households in 2009 with an energy education kit, for which SCE will claim alleged savings resulting from Compact Florescent Lamps (“CFLs”), reduced to account for those households that do not install or utilize the CFLs. At the workshop scheduled in this proceeding, SCE should explain the characteristics of these homes that will be considered “treated” via the one-size-fits-all customer education kit.

Question 16(c): If your answer to b) is yes, should these changes become part of the impact evaluation study you propose in your budget applications?

First, any impact evaluation study authorized through these applications must require an evaluator in place prior to programs being launched in order to adequately collect pre-installation data. This evaluation approach is becoming standard practice in Energy Efficiency programs. Secondly, an impact evaluation study must inform the program and guide refinements *during*, and not after, the program cycle. Third, any impact evaluation must be accompanied by a triggering mechanism that will require program refinements should projected savings not be realized.

PG&E and SCE

Although customer segmentation must inform the program design, DRA opposes PG&E and SCE’s joint customer segmentation study. Prior to such a study, PG&E and SCE should include in their program design how they used the *utility-specific* household

¹⁴ DRA Data Requests to the IOUs of May 29 and May 30, 2008.

¹⁵ PGE Response to June 17, 2008 ALJ Ruling, June 27, 2008, p. 4.

characteristics provided in the KEMA Needs Assessment¹⁶ and the West-Hill Impact Evaluation. Furthermore, PG&E is already in the process of developing similar customer segmentation data. In its June 2, 2008 Prepared Testimony in its Demand Response application, PG&E states, it “is currently developing a foundational segmentation of its residential customer accounts.”¹⁷

Conclusion

DRA’s answers to the ALJ’s ruling are contained above. In its brief or other filing opportunities, DRA reserves the right to further address the issues related to the above answers, as well as those relating to those questions unanswered by DRA. DRA appreciates the opportunity given by the ALJ to comment on the above issues.

Respectfully submitted,

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July 7, 2008

¹⁶ By way of example, DRA references KEMA’s utility-specific characterization results in Chapter 4 of the needs assessment, including: housing density, climate region and climate zone, race/ethnicity, language, literacy, income, household size, elderly/disabled, employment status, tenure, home ownership, dwelling type, size of dwelling, and age of dwelling.

¹⁷ PG&E DR Application Prepared Testimony 4-17

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES TO THE ADMINISTRATIVE LAW JUDGE’S JUNE 25, 2008**” in **A.08-05-024, et al**” by using the following service:

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Executed on **July 7, 2008** at San Francisco, California.

/s/ HALINA MARCINKOWSKI

Halina Marcinkowski

N O T I C E

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