

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southwest Gas Corporation For Approval Of Program Years 2007-2008 Low-Income Assistance Program Budgets.

Application 06-06-002
(Filed June 1, 2006)

**RESPONSE
OF THE DIVISION OF RATEPAYER ADVOCATES**

Pursuant to Rule 44 *et seq.* of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") files its comments to the application of Southwest Gas Corporation ("Southwest Gas") for approval of its 2007-2008 Low-Income Assistance Program Budgets ("Application"). While DRA addresses most of the issues in these comments, there are some issues left unaddressed. The Commission should not treat DRA's silence on some issues as acceptance.

I. SUMMARY OF RECOMMENDATIONS

Ordering Paragraph 6 of D.05-07-014 directed Small Multi-Jurisdictional Utilities (SMJU) to file new applications no later than June 1, 2006, for budget years 2007 and 2008. Southwest is requesting a total of \$10,023,330 for each year of the PY 2007-2008 Low-Income Assistance programs, of which \$8,943,330 is for CARE activities (\$8,388,903 for Southwest's Southern California Division and \$554,427 for Southwest's Northern California Division) and \$1,080,000 for LIEE activities (\$870,750 for Southwest's Southern California Division and \$209,250 for Southwest's Northern

California Division). Southwest plans to continue with its CARE and LIEE programs for PY 2007-2008. Southwest Gas states that it is having problems with implementing its LIEE program in the South Lake Tahoe area due to its acquisition of the Avista service area.

Although DRA does not necessarily object to the Application, it needs more information before it can recommend Commission Approval. DRA recommends that Southwest Gas provide additional data and additional support for assumptions underlying the request in its Reply comments or in an addendum to the Application.

DRA recommends the following:

1. Southwest Gas should provide more detailed support for requested budget increases;
2. The Commission should allow Southwest Gas to integrate its Northern California programs with its South Lake Tahoe territory to alleviate the administrative problems;
3. Southwest Gas should attach performance management reports for its CARE/LIEE community base organizations to its annual low-income report for inspection by the California Public Utilities Commission;
4. The Commission should closely monitor Southwest Gas' "Low-Income Annual Report" to insure that Southwest Gas is able to maintain administrative cohesion while dealing with its expected influx of new CARE enrollments during PY 2007-2008; and
5. Southwest Gas LIEE rate should be raised to 200%.

II. BACKGROUND

Ordering Paragraph 6 of D.05-07-014 directs SMJUs to file new applications no later than June 1, 2006, for budget years 2007 and 2008. Southwest Gas is requesting a total of \$10,023,330 for each year. It requests \$8,943,330 for CARE activities (\$8,388,903 for Southwest's Southern California Division and \$554,427 for Southwest's Northern California Division) and \$1,080,000 for LIEE activities (\$870,750 for Southwest's Southern California Division and \$209,250 for Southwest's Northern California Division).

Southwest Gas has two service territories in California (defined “northern” and “southern”), which serves up to 170,000 customers statewide. Southwest Gas states that its northern service area grew in 2005 when the company acquired Avista Corporation’s (Avista) natural gas service territory in South Lake Tahoe California (D.05-03-010, dated March 17, 2005). On April 29, 2005, Southwest Gas completed the Avista acquisition and began serving customers in the South Lake Tahoe area. Southwest Gas filed Advice Letter No. 760 on May 10, 2006 to complete the integration of Southwest’s Northern California Public Purpose Programs (“PPP”), with its recently acquired South Lake Tahoe District Programs. In D.05-07-014, issued in Southwest’s Application 04-07-002, the Commission stated:

For the time being, Southwest Gas intends to continue the current program structure of Avista’s CARE and Low-Income Energy Efficiency Programs. When current program contracts expire, Southwest may integrate Avista’s current California Alternate Rates for Energy Program or Low-Income Energy Efficiency Program or both into Southwest’s current programs.¹

Furthermore, with the approval of Advice Letter No. 748-A, effective January 1, 2006, Southwest Gas combined the funding of its northern California and South Lake Tahoe Programs and implemented a single PPP surcharge applicable to both areas. Pursuant to D.04-08-010, the Commission requires Southwest Gas to file an advice letter with its proposed PPP surcharges by October 31 of each year, effective date of January 1 of the following year. Southwest Gas has calculated illustrative PPP surcharges to recover its recommended PY 2007-2008 low-income assistance program expenses, and estimated 2007 CARE program benefits using the 2006 Test Year sales forecast and Attrition Year rates adopted by the Commission in Resolution G-3385. The resulting

¹ P. 7, Opinion Approving Low-income energy efficiency and California alternate rates for energy (CARE) programs for 2005 for PacifiCorp, Southwest Gas Corporation, Sierra Pacific Power Company, Avista Corporation, Southern California Water Company (Bear Valley Electric Service), Alpine Natural Gas Operating Company and West Coast Gas Company.

projected 2007 PPP surcharges are \$0.12359 and \$0.02020 per therm in Southwest's Southern and Northern California Divisions, respectively.² Southwest Gas requests that it be allowed to update the calculation of its 2007 PPP surcharges at the time it submits its 2007 Attrition Year rate changes authorized in D.04-03-034 to reflect the most current amounts in the CARE Balancing Accounts.

Southwest Gas states that it was the only SMJU to be included in the D.05-10-044 Winter Initiative which required the major Investor Owned Utilities (IOUs) to set its CARE income qualification at 200% of the Federal Poverty Income Level (FPI). Prior to the Winter Initiative, CARE income qualification was at 175% of the FPI. Southwest Gas also states that the changes mandated by the Winter Initiative required them to discontinue data sharing with other SMJUs since they no longer follow the same income eligibility guidelines. However, Southwest Gas states that it will continue data sharing with Southern California Edison (SCE) because they both share a common service territory in Southern California and use the same 200% FPI guidelines for CARE. Southwest is requesting that its LIEE FPI guidelines be raised from 175% to 200% to match its CARE FPI because it will allow for easier administrative management in its Southern California division.

In D.05-07-014, the Commission set an 85% penetration rate benchmark for PY 2005 for Southwest Gas with a target of 27,866 customers enrolled in its CARE program. Southwest Gas exceeded this benchmark by having 30,859 households enrolled as of December 31st, 2005. Due to the 200% FPI income guideline, Southwest Gas predicts its CARE enrollment will increase to 38,800 households by 12/31/2006. Southwest also has a projection of its CARE enrollment increasing to 47,156 households for 2007 and 49,279 households for 2008. Unlike Avista who outsourced its CARE program to a local Community Based Organization (CBO), Southwest Gas administers its own CARE

² Application of Southwest Gas Corporation (U 905 G) For Approval of Program Years 2007-2008 Low-Income Assistance Program Budgets, at 2.

program. Southwest Gas did not renew the Avista-CBO contract when it took control of Avista's former service area in South Lake Tahoe.

In D.05-07-014, ordering paragraph 3, the Commission ordered Southwest Gas to add self-certification to its CARE enrollment processes for the former Avista service area. Southwest Gas states that it planned to implement recertification in the fall of 2005, but its efforts were suspended due to the Winter Initiative until May 1, 2006. Southwest Gas stated that it is currently conducting self-certification for its CARE customers. Southwest Gas also plans to conduct automatic reminder calls in July 2006. Southwest Gas has also initiated automated random income verification processes for potential CARE customers as opposed to its former manual system.

In its LIEE program, Southwest Gas reports that it spent \$999,677 in 2004 and \$1,064,101 in 2005. These monies were recovered through the PPP surcharge. \$204,101 in unspent LIEE funds in 2004 were carried over to 2005 budget, and \$309,154 in LIEE funds were carried over from 2005 into the 2006 budget. Southwest Gas states that material, labor, and mileage, as well as other factors, increased the average amount of LIEE funds spent per home in 2005 over previous years. Southwest Gas admits that it has been difficult to locate potential LIEE customers in the North Lake Tahoe area due to demographics and income levels. Although the need is greater in South Lake Tahoe, there is a waiting list for LIEE assistance in the South Lake Tahoe area. Southwest LIEE program is handled by an outside agency. Southwest Gas contracts out to Richard Heath Associates (RHA), who subcontracts with Project Go for Northern California, and The Community Action Partnership of San Bernardino (CAPSBC) for Southern California.

III. DISCUSSION

A. DRA cannot recommend approval of Southwest Gas' CARE request of \$8,943,330 for PY 2007-2008 without more substantial data.

Table 3B of Southwest Gas Application shows total CARE cost for Northern and Southern California and South Lake Tahoe at \$4,002,298 in PY 2005. However, Southwest Gas is requesting \$8,943,330, more than double the PY 2005 amount, for

CARE for each PY 2007 and 2008. Almost all of the \$8,943,330 is being budgeted for subsidy. Southwest Gas states that this request was based on an increase in CARE customers partly due to the 200% FPI ordered in the Winter Initiative. It is doubtful that the 25% increase in income enrollment eligibility doubles the costs. In all likelihood, there are more components that justify such an increase. Although Southwest Gas does provide some data to support its request, DRA is unable to conclude and support the overall numbers that were provided. DRA opposes such a significant increase unless Southwest Gas provides adequate justification. Southwest Gas' figures are not consistent with historical costs and, therefore, DRA cannot recommend approval of these figures. Southwest Gas must provide more detail for requested budget increases.

B. The Commission should increase income eligibility for LIEE customers to 200% of the FPI.

The Winter Initiative has created certain problems for Southwest Gas in implementing its LIEE Programs. While the CARE eligibility increased from 175% to 200% of the FPI, LIEE eligibility remained intact at 175%. This disparity in numbers causes administrative confusion for Southwest Gas. Southwest Gas can no longer share CARE data with Sierra Pacific Power Company (SPPC) and Bear Valley Electric Services (BVES) due to the different eligibility levels. This lack of data sharing makes it difficult for Southwest Gas to identify low-income customers eligible for LIEE. The varied income levels also make it more difficult for Southwest Gas to enroll customers for LIEE. A customer may be eligible for CARE at 200% FPI, but ineligible for LIEE at 175% of FPI. This makes automatic enrollment in LIEE from CARE impossible and may lead to administrative "bottlenecks" for potential LIEE customers. DRA agree with Southwest Gas that the income eligibility levels for CARE and LIEE should be uniform to allow for better administrative cohesion of the program. DRA would like to state that it takes such position only with Southwest Gas, and not the larger utilities, because it lacks the same resources of the larger utilities to administer the low-income programs.

C. The Commission should closely monitor Southwest Gas' low-income annual report.

In D.05-07-014 Southwest Gas was ordered to achieve an 85% penetration rate for its CARE program. Southwest Gas has stated that it is still computing its 2006 CARE enrollment numbers, and expects it will reach a 86% CARE penetration rate with an estimated 38,800 customers enrolled. Southwest Gas states that the increase of the CARE rate to 200% of the federal poverty level has increased the number of eligible families for CARE. With these new FPI guidelines, Southwest Gas is projecting enrolling over 44,000 families in 2007 (93% Penetration Rate) and over 46,000 in 2008 (95% Penetration Rate). Southwest Gas' Low-Income Annual report should be closely monitored to insure that Southwest Gas is able to maintain administrative cohesion while dealing with this influx of new CARE enrollments.

D. There needs to be better oversight of Southwest Gas' Community Based Organization Measurement and Evaluation Reports by the Commission.

Southwest Gas currently contracts with Richard Heath Associates (RHA), who subcontracts with Project Go for Northern California, and The Community Action Partnership of San Bernardino (CAPSBC) for Southern California. Although there is currently no question on the ability of these organizations to conduct reasonable LIEE operations for Southwest Gas, DRA thinks that the performance management reports that Southwest Gas maintains for these organizations should be attached to its annual low-income report for inspection by the California Public Utilities Commission. Commission review of the activities of these external organizations must exist.

E. Southwest Gas problems with LIEE in the South Lake Tahoe area need to be monitored closely.

Southwest Gas states that there is currently a waiting list for LIEE Weatherization programs in the South Lake Tahoe area. Southwest Gas states that this is mostly due to lack of LIEE approved contractors that can do the work and the small weather time frame contractors have to complete the work. However, part of the problem is also due

to the fact that Southwest Gas is still trying to fully integrate the former Avista service area (South Lake Tahoe). Southwest Gas filed Advice Letter No.760 on May 10th, 2006 asking the Commission to fully integrate its Northern California and South Lake Tahoe PPPs immediately. Since Southwest Gas states in its advice letter that this integration will not increase rates or charges, there is no protest from DRA. DRA hopes that this integration will allow Southwest Gas to redistribute its resources to help alleviate the LIEE problems in the South Lake Tahoe area. However, this situation should be monitored closely.

IV. CONCLUSION

DRA does not object to Southwest Gas application for approval of its authorized 2007-2008 Low-Income Assistance Program Budgets, but recommends that Southwest Gas provide additional data and support for assumptions underlying the request, either in its Reply comments or in an addendum to its application.

DRA recommends the following:

1. Southwest Gas must provide more detailed support for requested budget increases;
2. The Commission should allow Southwest Gas to integrate its Northern California programs with its South Lake Tahoe territory to alleviate the administrative problems;
3. Southwest Gas should attach performance management reports for its CARE/LIEE community base organizations to its annual low-income report for inspection by the California Public Utilities Commission;
4. The Commission should monitor Southwest Gas “Low-Income Annual Report” to insure that Southwest Gas is able to maintain administrative cohesion while dealing with its expected influx of new CARE enrollments during PY 2007-2008; and

5. Southwest Gas LIEE rate should be raised to 200%.

Respectfully submitted,

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July 6, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document
“RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES” in
R.04-01-006 copy was served as follows:

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Executed in San Francisco, California, on the 6th day of July, 2006.

/s/ NELLY SARMIENTO

NELLY SARMIENTO

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