

May 1, 2009

Administrative Law Judge Kimberly Kim
California Public Utilities Commission
505 Van Ness Avenue, Room 5003
San Francisco, CA 94102-3214

Re: Low Income Energy Efficiency Program Annual Report
For January 1, 2008 - December 31, 2008 Period

Dear Judge Kim:

Pacific Gas and Electric Company hereby encloses its 2008 Low Income Energy Efficiency Program Annual Report. This report is submitted to the Commission in compliance with the reporting requirements set forth in Decision 05-10-041. That decision settled all outstanding issues concerning shareholder incentives earned by PG&E for the demand-side management (DSM), energy efficiency, and low income energy efficiency (LIEE) programs for program years 1994 through 2001 as well as all future earnings which could be claimed for various past and future program years related to Annual Earnings Assessment Proceedings. Decision 05-10-041, Ordering Paragraph 2, approved PG&E's April 4, 2005 settlement agreement, but requires PG&E to continue "to provide annual reports on the previous year's energy efficiency and LIEE programs." (Settlement Agreement at page 9.)

Should you have any questions concerning this report, please contact me at (415) 973-6646.

Very truly yours,

 /s/

DANIEL F. COOLEY

DFC:pjd

cc: Karen Watts-Zagha
Sarita Sarvate
Kelly Hymes
Natalie Walsh
Vial Electronic Mail: All Parties of Record in R.08-07-011, A.08-05-022, et al.,
and A.08-06-031

Enclosure

**LOW INCOME ENERGY EFFICIENCY PROGRAM
ANNUAL REPORT
FOR 2008**

May 1, 2009



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SECTION 1 EXECUTIVE SUMMARY

Low Income Energy Efficiency (LIEE)

PG&E has offered energy efficiency programs to income-qualified customers in its 48 counties since 1983. The Low Income Energy Efficiency (LIEE) program's objective is to help income-qualified customers reduce their energy consumption and costs while increasing their comfort, health and safety. The LIEE program provides free home weatherization, energy-efficient appliances and energy education services to income-qualified PG&E customers throughout the Company's service area. All housing types are eligible to participate as well as homeowners and renters.

The 2007-2008 LIEE program was authorized on December 14, 2006 by Decision (D.) 06-12-038. PG&E's authorized annual LIEE program budget for 2008 was \$77.73 million per D. 06-12-038, Ordering Paragraph 2.

The 2008 LIEE program continued to require installation of all feasible measures offered under the program for which the customer qualified. The 2008 program treated 61,034 homes with a mix of measures and services, including energy education, energy efficient appliances, and home weatherization.

SECTION 2

LOW INCOME ENERGY EFFICIENCY

Overview

PG&E has offered energy efficiency programs to income-qualified customers in its 48 counties since 1983. The LIEE program's objective is to help income-qualified customers increase their comfort while reducing their energy consumption, costs, and hardship. The LIEE program provides free home weatherization, energy efficient appliances and energy education services to income-qualified PG&E customers throughout the Company's service area.

The 2007-2008 program maintained the 2004-2006 programs with the addition of several new pilot measures. The pilot measures included central air conditioner tune-ups and ceiling fans with light kits.

The authorized 2008 LIEE program measures and installation criteria are listed in Figure 1 below.

Figure 1: 2008 LIEE Measures

2008 LIEE Measure	Eligibility Criteria
Attic Insulation	All Climate Zones and Residence Types
Low Flow Showerheads	All Climate Zones and Residence Types
Water Heater Insulation	All Climate Zones and Residence Types
Weather-Stripping Doors	All Climate Zones and Residence Types
Caulking	All Climate Zones and Residence Types
Outlet Cover Plate Gaskets	All Climate Zones and Residence Types
Faucet Aerators	All Climate Zones and Residence Types
Water Heater Pipe Insulation	All Climate Zones and Residence Types
Evaporative Coolers	Climate zones 10-16 only; single family and mobile homes only
Refrigerator Replacements	All Climate Zones and Residence Types
Evaporative Cooler and Air Conditioner Vent Covers	All Climate Zones and Residence Types
Hard-Wired Compact Fluorescent Lamp Porch Light Fixtures	All climate Zones, but single family homes only
Thread-Based Compact Fluorescent Lamps	All climate Zones and Residence Types
High Efficiency Room (Window/Wall) Air Conditioners	Climate Zones 10-15 only
High Efficiency Central Air Conditioners	Climate Zones 14 and 15 only
Duct Testing and Sealing	All Climate Zones for single family and mobile homes with gas space heating; only Climate Zones 10-16 for homes with electric space heating
Minor Home Repairs ¹	All Climate Zones and Residence Types
Interior Hard-Wired Compact Fluorescent Lights	All Climate Zones and Residence Types
Ceiling Fans (with Light Kits) (Pilot)	Climate Zones 11 – 14 only and All Residence Types
Central Air Conditioner Tune Ups (Pilot)	Climate Zones 5 – 16 only; single family and mobile homes only

1 Multiple sub-measures are included under minor home repairs: Services that reduce infiltration (e.g., window repairs), mitigate a hazardous condition, or accommodate the installation of program measures (e.g., attic venting). Furnace repairs and replacements fall under the category of minor home repairs and are provided only when necessary to mitigate Natural Gas Appliance Test (NGAT) failures and pursuant to the installation of infiltration-reduction measures. Water heater repairs and replacements are also considered minor home repairs and are provided only to mitigate NGAT failures or to replace leaky water heaters. For the purposes of qualifying a home for the program, all minor home repairs (combined) count as a single measure.

Individualized, in-home energy education was provided to all participating customers to help them understand how they use energy and what specific strategies they could employ to reduce their home energy costs.

The 2008 LIEE program continued to require that customers receive all of the program measures that were feasible to install in their homes. PG&E continued to work with the

other investor-owned utilities, the Energy Division and the Division of Ratepayer Advocates (DRA) to standardize LIEE program implementation and reporting statewide.

PG&E continued its program administrator contract with Richard Heath and Associates (RHA) for the 2008 LIEE program. In 2004, PG&E competitively bid the program administrator contract for the 2005-2007 LIEE programs. RHA was the successful bidder. D.06-12-038 required PG&E and SDG&E to competitively bid 2008 LIEE program contracts in 2007. The Commission opened Rulemaking (R.) 07-01-042 to explore LIEE program goals, objectives, methodologies and strategies. Due to the new rulemaking, on April 10, 2007, PG&E and SDG&E filed a petition to modify D.06-12-038 to delay bidding on the LIEE program for one year, until 2008. The Commission granted this petition in D.07-06-004. PG&E re-bid its LIEE program administrator in 2008 for the 2009-2011 LIEE program.

In 2008, RHA contracted out LIEE program implementation work to 18 weatherization contractors and three appliance contractors. Additionally, the LIEE contract administrator was responsible for bidding out further work by county/project areas as needed. PG&E also administered contracts directly with 15 contractors who provided furnaces, central air conditioners and central air conditioner tune-ups. PG&E had additional LIEE contracts with nine Low Income Home Energy Assistance Program (LIHEAP) providers under which PG&E's LIEE program pays for refrigerators to LIHEAP program participants who are also qualified PG&E LIEE customers. There are also three energy education contractors participating in LIEE through LIHEAP leveraging contracts.

Low Income Energy Efficiency (LIEE) Program

2008 PROGRAM ELEMENTS

PG&E filed its PY 2007-2008 LIEE Program Application on June 30, 2006. On December 14, 2006, the Commission issued D.06-12-038, the final decision on this application.

Implementation Contracts

PG&E bid its program administration contract in 2004 for the 2005-2007 LIEE programs. Following the competitive bidding process, Richard Heath and Associates (RHA), was awarded the contract. In 2008, RHA continued to contract out LIEE program implementation work with 18 weatherization contractors and three appliance contractors and may bid out further work by county/project areas as needed. PG&E also continued to administer contracts directly with 15 contractors who provided furnaces and, in certain instances, water heaters, central air conditioners and air conditioner tune-ups. PG&E has additional LIEE leveraging contracts with nine LIHEAP providers under which PG&E's LIEE program pays for refrigerators to LIHEAP program participants who are also qualified PG&E LIEE customers.

Implementation Overview

The LIEE program was implemented by a combination of community-based

organizations, (including both LIHEAP and non-LIHEAP providers), and private contractors who were assigned specific geographic work areas within PG&E's service area. LIEE contractors had specific participation goals defined by the estimated number of LIEE-qualified customers living in their assigned geographic areas and by customer home types (i.e., single family, multifamily or mobile home).

Energy education and compact fluorescent lamp (CFL) installations were performed during the initial home assessment visit. PG&E's installation contractors installed all feasible LIEE program measures for which a home qualified *except* refrigerators and furnaces. The refrigerators were delivered by appliance contractors after all feasible measures were installed. All furnace work was performed by licensed HVAC contractors.

Energy Education

In 2008, PG&E continued to offer energy education during the first home visit.

The initial home visit by an energy education specialist assisted the customer with a CARE application. The energy education specialist also ensured that PG&E's income-qualified customers were aware of other low income programs available to help them manage their energy bills. They also informed customers about other utility energy efficiency programs available to PG&E's residential customers.

Additionally, customers received an energy cost calculator (or energy wheel). The energy cost calculator is an easy-to-understand visual tool that helps customers see how much energy the appliances in their homes use so that they can reduce their overall energy use. The energy education specialist showed customers how to determine their current energy expenditures by measure or type of appliance using this calculator.

During the energy education, customers were asked to adopt at least three energy saving practices which would result in overall reduced energy usage and increased comfort.

Appliance Replacement

Refrigerator replacement was restricted to customers whose refrigerators were manufactured before 1993. Several refrigerator sizes were provided ranging from 12 cubic feet to 23 cubic feet and were offered to customers based on existing refrigerator size and the number of refrigerators/freezers removed. Additionally, in the event that a disabled customer needed a specific style of refrigerator, PG&E made special provisions for those requests. The refrigerator replacement service included delivery, installation, removal and environmentally safe recycling of the replaced inefficient units.

Refrigerators were available to both homeowners and renters.

Evaporative coolers were provided to customer dwellings where the home had existing air conditioning and the addition of an evaporative cooler could lower the customer's consumption of energy. Evaporative coolers were available to both homeowners and renters.

Room air conditioners were provided to customer dwellings in climate zones 10-15 where the home had existing air conditioning that was over fifteen years old and met accessibility requirements. Room air conditioning was available to both homeowners and renters.

Furnace repairs and replacements were provided to customer-owned homes that failed the natural gas appliance test. Furnace repairs and replacements were available only to homeowners, since providing functional heating is a legal responsibility of the landlord.

Natural Gas Appliance Safety Testing (NGAT)

NGAT was performed on all homes that received infiltration measures and/or furnace repair or replacement.

Targeted Market and/or End-Uses

Income-qualified customers who met CARE income guidelines of 200 percent of the Federal Poverty Guidelines, with income adjustments for family size, were targeted for this program. D.05-10-044 changed the income criteria for both LIEE and CARE. Income criteria for both programs were raised to 200 percent of the Federal Poverty Guidelines for all households. PG&E began using these income criteria as of November 1, 2005.

Implementation Strategy

In 2008, income-qualified customers who experienced problems paying their PG&E bills or requested energy efficiency assistance were referred to PG&E's Smarter Energy Line (SEL) for pre-qualification and inclusion in the LIEE program. To increase CARE participation and make customers aware of the services provided by PG&E to income-qualified customers, PG&E required contractors to market the LIEE program to existing CARE customers and customers requesting weatherization services. PG&E provided implementation contractors access to a web-based database that tracks all of the LIEE program work. The database allows specific access to contractors based on their assigned areas. Contractors can tell if a customer is on the CARE rate, and if the customer has been served before. PG&E's contractors ensure that customers are made aware of the CARE program and if needed, assisted customers in filling out a CARE program application.

Additionally, PG&E signed capitation outreach contracts with over 104 service providers to enroll qualified customers in the CARE program. In addition to signing up new CARE customers, capitation outreach contractors told CARE customers about the LIEE program services available at no cost to them and gave them literature about the LIEE program including phone numbers to call to participate.

Energy Partners Online (EPO)

PG&E's real-time Internet application, EPO, was launched in May 2003. The LIEE program's lead contractor, RHA, 21 sub-contractors and PG&E staff all use EPO to record daily operational and invoicing activities. The application provides information for monthly, quarterly, and annual reporting to the Commission as well as routine operational reports to monitor program performance.

The database captures which customers received LIEE services, what year they were provided, and which customers are participating in CARE. With this information, the contractors are better able to market to the community, for example, contacting only those customers who have not received LIEE services in the past.

Through EPO, contractors are provided information about customers who have requested LIEE services (referrals). Each home that receives LIEE services where the customer is not on the CARE rate is signed up for the CARE discount.

LIEE Outreach

PG&E program staff made hundreds of presentations to community groups and local ethnic media throughout PG&E's service area in 2008. PG&E CARE and LIEE program staff also participated in several ongoing county or area-wide low income agency working groups to share information about PG&E programs with community service providers.

New Measures and Pilots

Several new or pilot measures were implemented for the 2007-2008 LIEE program. These measures consisted of interior hard-wired compact fluorescent lights, ceiling fans (with light kit), and central air conditioner tune-ups. Additionally, the 2008 LIEE program replaced damaged refrigerators under specific guidelines.

Interior Hard-Wired Compact Fluorescent Lights (New 2007-2008 Measure)

D.06-12-038 authorized the installation of interior hard-wired compact fluorescent lights as a regular measure for the 2007-2008 program. All residence types in all climate zones qualified for this measure if installation was feasible. PG&E continued to offer this measure in 2008. This program measure passed cost effectiveness testing performed for the 2009-2011 LIEE program application, and was included in PG&E's 2009-2011 program.

Ceiling Fans (with Light Kits) (Pilot Measure)

D. 06-12-038 authorized the installation of ceiling fans (with light kits) as a pilot measure for 2007-2008. This measure provided an energy efficient alternative to air conditioning, in addition to providing more efficient room lighting. All residence types in climate zones 11 – 14 qualified for this measure if installation was feasible. PG&E continued to offer this measure in 2008. This pilot measure did not pass cost effectiveness testing performed for the 2009-2011 LIEE program application, and was not included in PG&E's 2009-2011 program.

Central Air Conditioner Tune-Ups (Pilot Measure)

D.06-12-038 authorized central air conditioner tune-up as a pilot measure for 2007-2008. Only single family and mobile home residence types in climate zones 5 – 16 qualified for this measure if they were feasible. PG&E continued to offer this measure in 2008. This pilot measure passed cost effectiveness testing performed for the 2009-2011 LIEE program application and was included in PG&E's 2009-2011 program.

Energy Education Workshops (Pilot Workshops)

Several community agencies in PG&E's service area approached PG&E to start a group energy education pilot that could be offered to PG&E-customer clients. PG&E worked with these agencies to develop a group energy education pilot proposal to include in its 2007-2008 LIEE program Application. D.06-12-038 authorized PG&E to conduct the group Energy Education pilot to determine the viability of energy education workshops as an energy conservation service. PG&E LIEE contracted with three community based

organizations: Glenn County Human Services Agency, Redwood Community Action Agency and Amador-Tuolumne Community Action Agency. In 2007, the education curriculum was developed and training classes were set up. Training classes were held during the first quarter of 2007, and the group energy education workshops were conducted beginning in the second quarter of 2008. The pilot concluded on December 31, 2008.

The purpose of the energy education workshop pilot project was to determine whether or not energy education outreach performed in a group setting by community agencies could be a viable, cost-effective, energy conservation measure for the LIEE program in areas with fewer energy savings opportunities, in addition to immediately providing assistance to customers waiting to be assisted by the LIEE program.

Rural, mountainous areas of PG&E's service area were selected for this pilot. These areas are often electric-only and have fewer savings opportunities available to customers. If these customers do not need a new refrigerator, the only measures they may qualify for are CFLs, which would not qualify them for treatment under the LIEE program's three-measure minimum rule.¹ For example, customers in these mountainous areas generally do not qualify for air conditioning measures because they are in cooler climate zones. Also, they rarely qualify for weatherization or water conservation measures since those customers do not have gas service upon which these measures are predicated. The community agencies in these areas were very interested in exploring what other services could be offered to their PG&E clients since so many of them were unable to participate in the LIEE program.

The energy education workshops addressed customer energy usage, utility bill assessment and energy saving practices. The pilot objective was to have participants adopt energy saving behaviors which resulted in lowering their energy bills.

PG&E helped agencies put together a curriculum and provided visual and collateral materials. Agencies scheduled their own classes and were responsible for selecting clients to participate. Agencies offered classes to clients that they felt could benefit from energy education. Clients targeted by the agencies included high energy users, those receiving repeat shut-off notices, and those receiving agency assistance. Primary audiences participating in classes included the elderly, low income families, CALWORKs clients, and agency energy assistance clients. Education venues were arranged by the agencies, and some energy classes were conducted as part of other agency assistance and training. Some of the energy education classes were conducted at other convenient venues, such as at senior centers during their lunch hour.

The classes were one to three hours long and included a question and answer period regarding various energy use and conservation topics. The workshop basically included the following curriculum:

- An LIEE Pilot Program Survey Form was filled out by each participating client.

¹ In 2008, a customer's home must have been assessed for a minimum of three measures to qualify for participation in the LIEE program. A home needing only a new refrigerator was an exception to the three-measure minimum requirement and qualified a home for participation.

- The clients took a pre-quiz to see what they knew about home energy use, including the three highest energy users in a typical home.
- The agency trainer discussed home energy audits and handed out conservation checklists along with a summary chart of the typical places where clients are losing energy in their homes.
- The agency trainer explained client PG&E bills and how to understand them.
- The agency trainer discussed the concept of gas and electric baseline usage.
- The agency trainer discussed how to read the meter.
- The agency trainer discussed various PG&E bill payment plans, including the Medical Baseline Program, the Balanced Payment Plan, CARE, and FERA.
- Then the agency trainer reviewed other programs that are available to participants through other organizations (e.g., the California Life Line Telephone Program and the California Low-Cost Automobile Insurance Program).
- The agency trainer went over energy saving practices and tips for the home. Trainers asked participants questions about how they tried to save energy and then discussed those methods and any other methods that the participants might not have considered (i.e., energy and money saving practices with regards to: windows; heating; refrigerators and refrigerator replacement; water heaters; cooking; clothes washers and dryers; dishwashers; and phantom/vampire loads related to electronics).
- The agency trainer explained how the PG&E energy wheel works and how it can help the group participants determine where their money is going for both gas and electric.

Agencies gave energy gift bags to group energy education participants. Energy gifts included incentives provided by both the agencies and PG&E, which could have included small items such as flashlights, magnifying reading cards, cooking mitts, and refrigerator magnets.

Agency	2008 Budget	Expensed	%	Balance	Participants
Amador Tuolumne	\$27,000	\$3,450	13%	\$23,550	88
Redwood Community Action Agency	\$39,500	\$32,125	81%	\$7,375	1,245
Glenn County	\$27,000	\$18,200	67%	\$8,800	648
TOTAL	\$93,500	\$53,775	58%	\$39,725	1,981

Over 100 energy education workshops were held, and 1,981 customers received energy education. As originally conceived, the pilot results would have been evaluated and assessed to determine the efficacy of energy savings and behaviors attributed to the group workshops. D.06-12-038 did not authorize PG&E to evaluate this pilot, and no evaluation or customer follow-up was performed, thus there is no assessment of education savings, behavior change or energy savings from this pilot. Nevertheless, there are some general observations which warrant noting. Customers had particular

appreciation for the following components of PG&E's Pilot Energy Education Workshops; specifically: 1) the explanation of customer bills and billing practices; 2) information provided on energy efficiency programs; 3) energy savings tips; and 4) the value of the energy wheel which was a particularly popular visual aid.

Suggestions for improvements were received proposing: 1) shorter surveys; 2) more visual aids; 3) better participation incentives that encourage energy saving practices at home; and 4) interactive forums and energy conservation presentations opened up to audiences at other larger community forums such as country fairs and sporting events.

All three agencies participating in the pilot workshops were sorry to see them end.

High Efficiency Toilets (Pilot Measure)

In a pilot project that began in 2008, PG&E is partnering with the Santa Clara Valley Water District (SCVWD) to install high efficiency toilets in qualifying single family homes. The Low Income Direct Install High Efficiency Toilet (HET) Replacement Project is specifically designed to serve lower income customers. PG&E began HET pilot installations in April 2009.

Pursuant to the Assigned Commissioner's Ruling and Scoping Memo dated April 23, 2007, PG&E designed an innovative one-year Water Embedded Energy Savings pilot program in 2008, in partnership with water agencies. The pilot will explore water-related energy, including water-related efficiency program potential, delivery mechanisms, new technologies, methodologies for evaluation, measurement, and verification and determination of cost-effectiveness. Together, the partners developed program strategies that would reduce energy consumption related to water use and test a diverse set of water energy programs and measures, with a special emphasis on new technologies and low income customers.

PG&E's HET pilot will offer up to 1,000 direct install HETs to income-qualified PG&E-SCVWD customers. PG&E is leveraging its existing LIEE program to identify the target customers, manage a direct install contractor, and deliver the installation. The HET replacement pilot is available to Santa Clara Valley residents who meet the current LIEE income criteria,² are customers of both SCVWD and PG&E, and qualify for a water agency rebate (specifically, the existing toilet is an older, higher flow toilet). PG&E is managing the direct installation of the HET and will invoice SCVWD for its share of the program.

The HET pilot costs were estimated, as with the non-low income Residential HET program, to be \$280 per toilet. SCVWD will pay \$150 per toilet, and PG&E will cover the remaining cost. The pilot analysis assumed up to 1,000 toilets will be installed in SCVWD territory. PG&E calculated this distribution based on the number of low income customers the LIEE program intends to reach in a year in SCVWD's water territory and assumed 30 percent of these homes would already have low-flow toilets and not be eligible for the rebate. The pilot is expected to conclude in 2010.

² LIEE-qualifying households have income at or below 200 percent of the Federal Poverty Level.

2009-2011 LIEE Application and Strategic Plan

On January 25, 2007, the Commission opened new Rulemaking (R.) 07-01-042 to refine the policies, rules and programs for the utility LIEE programs. The Commission conducted a public workshop on March 23, 2007 to discuss how to articulate broad objectives and goals and it intends to issue a decision informing the discussion and resolving issues that influence the structure of utility program for 2009 and beyond.

D.07-12-051 directed the development of a Strategic Plan for LIEE and other energy efficiency programs through 2020, established a three-year program planning cycle for 2009-2011, and required LIEE and CARE Program Applications for 2009-2011 to be filed by May 15, 2008.

Between January 1 and May 1, 2008, PG&E participated in the Commission's public workshops and held many meetings and focus groups to discuss both the long-term Strategic Plan and its 2009-2011 program design. PG&E conducted a public workshop reviewing the current plans for the 2009-2011 LIEE and CARE programs on March 31, 2008. PG&E considered all input in its program design. Following the filing of its 2009-2011 application on May 15, 2008, PG&E remained an active participant in this proceeding, responding to numerous data requests from Energy Division, DRA, and other interested parties, presenting overviews of its application for the Low Income Oversight Board (LIOB) and conducting other public meetings. On November 10, 2008, the Commission issued D.08-11-031 authorizing the 2009-2011 LIEE program and budget.

PG&E will continue to work with the Commission, Energy Division, DRA, LIOB, SCE, SDG&E, SoCalGas and other interested parties to create and implement the most effective low income energy efficiency programs in the United States.

LIEE Installation Standards and Policy & Procedures Manuals

Previously, the Joint Utility LIEE Standardization Project Team created the standardized Weatherization Installation Standards Manual (WIS) and the Policy and Procedures (P&P) Manual for the Statewide LIEE program. D.05-12-026, Ordering Paragraph 8 required that the LIEE Standardization Team not undertake any new activities unless directed by the Assigned Commissioner. In 2007, PG&E, Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) revised the Installation Standards and Policy and Procedures Manual based on program revisions that have occurred since the last revisions in 2005. However, at the request of Energy Division staff, these revisions were not submitted so that parties could concentrate on the utilities' 2009-2011 LIEE program applications. D.08-11-031 specified that the LIEE P&P Manual be revised in 2009.

Bidding the 2009-2011 LIEE Program

D.06-12-038 required PG&E and SDG&E to competitively bid 2008 LIEE program contracts in 2007. The Commission opened Rulemaking 07-01-042 to explore LIEE program goals, objectives, methodologies and strategies. Due to the new rulemaking, on April 10, 2007, PG&E and SDG&E filed a petition to modify D.06-12-038 to delay bidding on the LIEE program for one year, until 2008. The Commission granted this petition in D.07-06-004. PG&E re-bid its LIEE program administrator in 2008 for the 2009-2011 LIEE program. Richard Heath and Associates, the administrator for the 2007-

2008 program was the successful bidder. A contract to administer the 2009-2011 LIEE program was negotiated and signed in December 2008.

Major Accomplishments

LIEE program results for 2008 are shown in detail in Technical Appendix Tables TA-1, TA-2 and TA-3. Highlights of the completed³ accomplishments are as follows:

- Treated⁴ 61,034 homes;
- Weatherized⁵ 44,875 homes;
- Provided energy education in 61,034 homes;
- Replaced primary refrigerators in 14,728 homes;
- Provided evaporative coolers in 1,631 homes;
- Installed 385,521 compact fluorescent lamps; and
- Repaired or replaced furnaces in 2,502 homes.

2009-2011 PROGRAM ELEMENTS

The 2009-2011 LIEE program is a major change from the 2007-2008 LIEE program and was adopted in D.08-11-031 following a long public proceeding process. PG&E's authorized LIEE program budget for 2009-2011 is \$416.9 million, plus any remaining unspent carryover.

Strategic Plan for LIEE

D. 07-12-051 directed the development of a Strategic Plan for LIEE and other energy efficiency programs through 2020, established a three-year program planning cycle for 2009-2011, and required LIEE and CARE program applications for 2009-2011 to be filed by May 15, 2008.

PG&E participated in the Commission's public workshops and held many meetings and focus groups to discuss both the long-term Strategic Plan and its 2009-2011 program design between January 1 and May 1, 2008. On March 31, 2008, PG&E conducted a public workshop which reviewed the current plans for the 2009-2011 LIEE and CARE programs. PG&E considered all input in its program design.

PG&E's 2009-2011 LIEE program follows the policies and guidance given in D.07-12-051. D.07-12-051 established the following programmatic initiative for LIEE:

³ Installations and services are not counted as completed until they have been expensed, per agreement at 11/6/02 and 11/13/02 Reporting Requirements Manual Rapid Deployment Monthly Reporting Compliance meetings.

⁴ A treated home is an income-qualified home that has received any measure or service under the LIEE program, including energy education, CFLs, weatherization, and appliances (D.02-12-019). Under the LIEE program, a treated home must receive all feasible measures for which it qualifies.

⁵ Weatherized homes are a subset of treated homes and are defined as income-qualified homes that have received any weatherization measures under the LIEE program (D.02-12-019). Weatherization measures include attic insulation, caulking, weather-stripping, low-flow showerheads, water heater blankets and door and building envelope repairs that reduce infiltration (D.01-12-020).

To provide all eligible customers the opportunity to participate in the LIEE programs and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020.

D.07-12-051 committed to changing the LIEE program approach by adopting the following policies and guiding principles:

- The complementary objectives of LIEE programs will be to provide an energy resource for California while concurrently providing low income customers with ways to reduce their bills and improve their quality of life;
- LIEE programs should emphasize opportunities to save energy;
- LIEE programs should be designed to take advantage of all cost-effective energy efficiency opportunities;
- LIEE programs should include measures that may not be cost-effective but promote the quality of life of participating customers;
- LIEE programs should emphasize effective ways to inform customers of the benefits to themselves and their communities of conservation and energy efficiency measures, as well as the way energy efficiency promotes environmental values and reduces greenhouse gases;
- LIEE programs should be integrated with other energy efficiency programs to allow the utilities and customers to take advantage of the resources and experience of energy efficiency programs, promote economies of scale and scope, and improve program effectiveness; and
- LIEE programs should take advantage of other resources, such as federally funded programs, local efforts, the work of businesses and publicly-owned utilities.

Economic Crisis and the 2009 Stimulus Package

During the fall of 2008, the world economy faltered. Beginning with the housing market and increasing numbers of home foreclosures, the crisis quickly spread to the banking and financial sectors, and into automotive manufacturing and retail sectors. Responding to job losses and the troubled economy, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA) in February 2009. ARRA dedicates significant expenditures to low income energy efficiency, home weatherization and green job creation. In California, most ARRA low income funding will flow through the LIHEAP agencies and local community block grants. PG&E's LIEE program staff will continue to work with CSD and other agencies to leverage these ARRA funds with LIEE program funding to increase the efficacy of these low income energy efficiency dollars in California.

Measurement and Evaluation (M&E) and Regulatory Oversight for Low Income Activities

PG&E conducted studies as directed by the Commission to report the results of LIEE program activities. PG&E also participated on several statewide LIEE teams with the purpose of standardizing LIEE programs and utility reporting to the Commission.

Measurement and Evaluation

PG&E participated with the Energy Division, DRA and SCE, SDG&E, and SoCalGas and the evaluation consulting team that performed the 2002 statewide LIEE impact evaluation filed in December 2004, to complete a Statewide First Year Load Impact Study of the 2005 LIEE programs. This study was completed and filed on December 19, 2007.

Following completion of the 2002 LIEE impact evaluation, LIEE program evaluations were to return to a biannual schedule, as affirmed in D.02-12-019. Thus, the next LIEE program load impact evaluation would normally have occurred in 2006 for the 2004 program. The Evaluation Team felt that they could obtain a better evaluation by working with utility program implementation staff up-front to standardize data collection rather than working solely with the 2004 data that had been collected. SCE filed a letter on February 7, 2005 with the Commission's Executive Director on behalf of the Evaluation Team asking to evaluate the 2005 program year rather than the required 2004 program year. The Commission approved the Evaluation Team's request in its March 17, 2005 letter. On March 13-14, 2006, the Evaluation Team held public workshops in San Francisco and San Diego to invite public discussion of the proposed work plan.

The Team began working with program implementers and utility database staff in December 2004 to specify standardized data collection fields for 2005 and continued to monitor data collection activities throughout 2005 prior to beginning the evaluation in 2006. Data assessment was underway throughout 2006. Billing analysis began in 2007. The evaluation was completed in 2007 and was used to plan the 2009-2011 LIEE program. A joint utility impact evaluation of the 2009 LIEE program was authorized in D.08-11-031. This decision also authorized a LIEE process evaluation, a non-energy benefits study, a refrigerator degradation study, and a market segmentation study.

PG&E also completed and filed 12 Low Income Program Monthly Reports detailing LIEE and CARE program activities, impacts and expenditures through December 31, 2008, as directed by D.01-05-033.

PG&E will use the results of these studies and reports as appropriate to augment and refine future programs.

Quarterly Public Meetings

D.06-12-038, Ordering Paragraph 7, required the utilities to sponsor quarterly public meetings at which parties may share ideas and information that could facilitate improvements to program elements, processes and practices. On February 22, 2007, PG&E, SCE, SDG&E and SoCalGas held the first public quarterly meeting to solicit opinions about the Statewide LIEE Policy and Procedures Manual and Installation

Standards Manual.⁶ PG&E, with SCE, SDG&E, and SoCalGas held four public meetings in 2008: on February 20, May 20, August 13 and November 6. Topics discussed included the Statewide LIEE Policy and Procedures and Installation Manuals, 2009-2011 LIEE program application plans, and the California Energy Efficiency Strategic Plan.

Reporting Requirements Manual

PG&E filed 12 monthly reports detailing its 2008 LIEE program activities.

In December 2002, PG&E, SDG&E, SCE, SoCalGas, the Energy Division, and DRA determined that the measure expense data would be the basis for reporting LIEE program activities and expenditures. PG&E continues to comply with this directive.

PG&E participated in the Energy Division workshop on low income reporting held on February 21, 2007 and uses the annual reporting tables discussed and agreed to at that meeting in this annual report. PG&E continues to work with the other utilities, Energy Division and DRA to refine LIEE program reporting requirements.

Beginning in December 2008, PG&E began working with Energy Division and the other utilities to revise reports and reporting requirements for the new 2009-2011 LIEE programs as mandated by D.08-11-031.

Cost-Effectiveness Tests

PG&E included results of the Total Resource Cost (TRC) Test, the Utility Cost (UC) Test and the modified Participant Cost (PC_m) Test for 2008 LIEE programs in Table 3. The UC and PC_m cost-effectiveness tests both incorporated non-energy benefits (NEBs) including comfort, health and safety into the cost-effectiveness testing methodology that was developed in 2001 and adopted in D.01-12-020.⁷

Measure level cost effectiveness evaluations were performed in 2003 and 2005 to develop recommendations for the 2006 LIEE program. D.07-12-051 directed the utilities to include measure-level cost effectiveness analyses as part of their 2009-2011 applications; and three tests directed by the “Assigned Commissioner Ruling Providing Guidance for Low-Income Energy Efficiency 2009-2011 Budget Applications” dated April 1, 2008, were performed and filed with PG&E’s 2009-2011 LIEE Application.

PG&E will continue to work with the Energy Division, DRA, the LIOB and other interested parties to assess measure cost-effectiveness in order to recommend what measures to retain for future LIEE programs. PG&E is aware that research on non-energy benefits (NEBs) has continued elsewhere in the United States and recommended in its 2009-2011 application that the Commission ask the utilities to perform a study to update the NEBs used in the UC and PC_m tests. D.08-11-031 and Resolution E-4237 (dated April 16, 2009) authorized a joint utility NEB Study to update NEB values.

⁶ Formerly the Statewide Weatherization Installation Standards Manual and the Installation Standards Manual included installation standards for all services and measures provided under the LIEE program.

⁷ D.01-12-020 Attachment 4 describes the specific NEBs applied to each cost-effectiveness test.

Leveraging and Integration Activities

In 2008, an informal system was in place to identify the needs of LIEE program participants and direct them to community-based organizations (CBOs) and other low income community agencies that can address their needs. The CBOs participating in the LIEE program as contractors or subcontractors are reported in Table 5.

During 2008, PG&E actively pursued leveraging and outreach opportunities with other state and local agencies offering low income services including the California Department of Community Services and Development (CSD) which provides LIHEAP services in California. PG&E has nine LIEE contracts with LIHEAP providers under which PG&E's LIEE program pays for installation of Energy Star[®] refrigerators for LIHEAP program participants who are also qualified PG&E LIEE customers. This allows LIHEAP providers to stretch their state and federal funds further to offer low income program assistance to more low income customers. There are also three LIHEAP providers working as energy education contractors in LIEE.

LIEE leveraged with Rebuilding Together Peninsula (RTP) to provide energy efficient measures to 42 families who participated in RTP's 2008 spring event. RTP is an organization that provides rehabilitation services to homes occupied by low income families throughout San Mateo County. RTP was able to stretch their funds further and provide a greater service to the families who participated because LIEE was able to install certain energy efficient measures, which otherwise would have been installed and funded by RTP.

On April 30, 2008, LIEE participated in a rehabilitation effort which took place at the Laurel House in San Mateo, CA, which is a part of the Women's Recovery Association. The Laurel House is a nonprofit organization on CARE that provides services to live-in women who are suffering from substance and physical abuse. LIEE provided a number of energy efficiency measures to serve the facility.

In addition to participating in these events, PG&E continued to increase outreach within the company by coordinating activities and advertising with other PG&E energy efficiency and rate programs likely to reach low income customers and service providers. PG&E's LIEE contractors were required to inform customers about other programs (such as CARE) that they may be eligible for and report these activities monthly. LIEE contractors were required to help qualified customers not on the CARE rate to fill out applications.

PG&E continues to combine its LIEE and CARE outreach activities in order to leverage low income outreach efforts and provide PG&E low income customers with the knowledge and tools to access all of PG&E's free energy services.

PG&E employees regularly make presentations about the Company's low income programs to the media and at community events throughout PG&E's service area. These presentations are used to educate customers about energy efficiency and inform them about assistance programs and opportunities available to them through PG&E. PG&E employees made presentations and media initiatives in 2008 about LIEE and CARE in multiple languages, including: English, Spanish, Cantonese, Mandarin and Vietnamese.

In 2008, PG&E's LIEE and multifamily programs collaborated on writing an article on multifamily rebates and LIEE services for multifamily living facilities. The article appeared in three magazines: *Rental Housing*, September 2008; *Apartment Management*, August 2008; and *San Francisco Apartment*, November 2008. The article talked about the benefits of energy efficiency and how to sign up for the PG&E programs.

**LOW INCOME ENERGY EFFICIENCY PROGRAM
ANNUAL REPORT
FOR YEAR 2008
TECHNICAL APPENDIX**

May 1, 2009



***Pacific Gas and
Electric Company®***

TECHNICAL APPENDIX LOW INCOME ENERGY EFFICIENCY

Low Income Energy Efficiency (LIEE)

Reporting Requirements Manual (RRM)

The Assigned Commissioner's Ruling dated April 28, 2000 directed the RRM Working Group to file a report to revise the Reporting Requirements Manual's (RRM) low income sections to standardize reporting requirements and administrative costs. The RRM Working Group includes PG&E, SDG&E, SCE, SoCalGas, the Energy Division, the Office of Ratepayer Advocates (now the Division of Ratepayer Advocates), and other interested parties. The RRM Working Group filed the Phase 1 RRM Report on October 2, 2000. The RRM Working Group has filed two revisions since filing the first report: the Phase 2 RRM Report on April 9, 2001 incorporated definitions from the Bill Savings Report filed March 15, 2001 and the January 10, 2002 RRM Report revised RRM sections in compliance with the Commission's directives in D.01-12-020, Ordering Paragraph 11. Further revisions to the technical appendix tables were discussed and agreed to at an Energy Division workshop on reporting held on February 21, 2007.

The RRM technical appendix tables are included in this section and describe LIEE program cost estimates used for cost-effectiveness, LIEE cost elements, program detail by housing type and heating source, and program detail by measure.

PY 2008 LIEE Program Achievements

The energy savings for the 2008 LIEE program are based on the results and subsequent analysis of the "Impact Evaluation of the 2001 Statewide Low Income Energy Efficiency (LIEE) Program" completed by KEMA-Xenergy on April 8, 2003, and the "Low Income Energy Efficiency Program Measure Cost Effectiveness Study Final Report" prepared by Itron, Inc., and filed with the Commission on June 2, 2003 on behalf of the Low Income Standardization Team. Additional results come from the Statewide Database for Energy Efficiency Resources (DEER) values. Measure lives come predominantly from the "Energy Efficiency Policy Manual," Version 2, prepared by the Energy Division, August 2003.

The avoided costs were determined using the Commission-approved E3 PG&E Calculator 4b.