



*Pacific Gas and
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December 12, 2005

HAND DELIVERY

Docket Office
Docket Clerk
California Public Utilities Commission
505 Van Ness Ave., Room 2001
San Francisco, CA 94102

Re: Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing Post-2003 Low-Income Assistance Programs – R.04-01-006 and A.05-06-005 et al.

Dear Docket Clerk:

Enclosed for filing are an original and five (5) copies of:

**REPY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON ALJ
WEISSMAN'S DRAFT OPINION APPROVING 2006-2007 LOW INCOME PROGRAMS
AND FUNDING FOR THE LARGER ENERGY UTILITIES AND APPROVING NEW LOW
INCOME ENERGY EFFICIENCY PROGRAM MEASURES FOR 2006**

Please file the original document, date-stamp a copy, and return the endorsed copy in the stamped, self-address envelope provided for this purpose.

Very truly yours,

/s/

Chonda J. Nwamu

CJN/pak

cc: Steven A. Weissman, ALJ
Dian Grueneich, Commissioner
Susan E. Brown, LIF
Mariana C. Campbell, ORA
Hazlyn Fortune, ORA
Sarita Sarvate, ED
Donna L. Wagoner, ED
All Parties on the Official Service Lists R.04-01-006 and A.05-06-005 et al

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's
Proposed Policies and Programs Governing Post-2003
Low-Income Assistance Programs.

R.04-01-006

And Related Matters

A.05-06-005
A.05-06-009
A.05-06-012
A.05-06-013

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON ALJ
WEISSMAN'S DRAFT OPINION APPROVING 2006-2007 LOW INCOME
PROGRAMS AND FUNDING FOR THE LARGER ENERGY UTILITIES AND
APPROVING NEW LOW INCOME ENERGY EFFICIENCY PROGRAM MEASURES
FOR 2006**

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 12, 2005

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FOR 2006**

I. INTRODUCTION

In accordance with Rule 77.2 *et seq.* of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC"), Pacific Gas and Electric Company ("PG&E") hereby submits these Reply Comments on the Draft *Opinion Approving 2006-2007 Low Income Programs and Funding for the Larger Utilities and Approving New Low Income Energy Efficiency Program Measures for 2006* (Draft Decision or DD).

II. DISCUSSION

A. If the Commission Wants the IOUs to Increase LIEE Targets for 2006, The Commission Should Provide Explicit Guidance on Increased Targets in the Final Decision and Allow IOUs To Submit Augmented Budgets Which Reflect Additional Funding Necessary to Reach Any Increased Targets

In their comments filed on December 2, 2005, the Pacific Energy Policy Center ("PEPC") requested that the Commission direct the utilities to file augmented 2006 Low Income Energy Efficiency ("LIEE") program goals and budgets required to address the mandates of D.05-10-044 and this DD. PEPC noted that the Commission has expanded the customer market

for the 2006 LIEE program services by 13%, added new measures and services as part of the regular program, and approved the Winter Initiative emergency gas program without providing additional budget to the utilities to carry out these mandates.

PG&E stated in its Comments and at the 12/2/05 Low Income Oversight Board (LIOB) meeting that it has sufficient funds available in its 2005-2006 LIEE authorized budgets including unspent carryover funds to implement the Winter Initiatives and the LIEE program through mid-year 2006. However, in its Comments, PG&E notified the Commission that it would require additional funding before the end of 2006 to maintain the *current level of activity* for the 2006 program. PG&E requested permission to file an augmented budget request in the first quarter 2006, after it has an opportunity to better assess the costs and impacts of the Winter Initiatives and the new measures. At that time, PG&E will be able to provide a reasonable estimate of how much additional funding will be needed to continue operating the 2006 LIEE program throughout the year without decreasing services.

PG&E notes that although the customer income eligibility for the program was expanded, increasing our estimated pool of LIEE eligible customers from 1.6 million to 1.8 million, there was no direction in either D.05-10-044 or the DD for the utilities to increase their 2006 program activity. Currently, PG&E's anticipated 2006 LIEE budget augmentation request will cover the costs of new measures under the current target of 55,000 treated homes. PG&E requests that the Commission make it clear in the DD if it wants the utilities to increase targets for 2006. PG&E believes it could potentially sustain a 7-10 percent increase in 2006 LIEE program activity with minor adjustments to the program infrastructure.

PEPC requested the Commission to order the utilities to "update and increase our June 2005 proposed LIEE program goals and budgets by approximately 13% to reflect the additional percentage of customers who will qualify for program services next year." PG&E asks that the Commission not mandate a specific percentage increase to the program *budget* if it really wants to increase LIEE program *targets* or activity levels. PG&E expects the addition of new, more costly 2006 measures to increase per home costs, thus a mandated 10% increase to the budget

may not cover a 10% activity increase. In the Decision, the Commission should make clear what activity level they expect for the 2006 LIEE program: the utilities' 2006 status quo activity or a new level based on the increased number of customers eligible for the program in 2006. Then the utilities can file augmented budgets predicated on the new targets and the 2006 program measures.

B. PG&E Request that the Commission Not Adopt PEPC's Proposed Goal of Treating all LIEE-Eligible Customers by 2010

In their comments at page 6, PEPC recommended that if the Needs Assessment does not identify statewide low income energy efficiency program market potential, the Commission should conduct a statewide LIEE market potential study and use that information to set annual utility LIEE program goals that "will ensure that all of California's LIEE program income eligible customers will have been fully served by 2010." PG&E applauds the sentiment and agrees that developing a needs-based low income program is a worthy goal. However, PG&E believes the Commission should not adopt an overly-aggressive deadline at this time before fully understanding the cost, scope and feasibility of the undertaking.

For example, PG&E is on target to treat over 58,000 homes in 2006 at a total program cost of approximately \$63 million. This averages to approximately \$1,090 per home and does not include the cost of either the Winter Initiative or new 2006 measures added to the program. If PG&E has an estimated 1.8 million low income customers eligible for the program, and has treated over 500,000 of them in the last decade, there are still over 1.3 million customers eligible to participate in our service area. This means PG&E would need to treat 260,000 homes per year at an estimated cost of over \$283.4 million annually in order to treat all our eligible customers by 2010.

PG&E recommends that interested parties including the LIOB, Energy Division, utilities, program contractors, and low income advocates should work together in 2006 to discuss these issues as the utilities put together their 2007-2008 program applications.

III. CONCLUSION

PG&E has enough funding available in our LIEE program budget to implement the low income Winter Initiatives and the 2006 LIEE program through at least mid-year 2006. However, increased costs incurred by the additional Winter Initiative measures and the new 2006 program measures will cause PG&E to request a budget augmentation for 2006 in order to maintain the current level of activity throughout 2006. PG&E requests that the Commission make it clear in the DD if it wants the utilities to increase targets for 2006. PG&E believes we could sustain a 7-10 percent activity increase in 2006 with minor adjustments to the program infrastructure and we would include such an increase to our activity targets in our 2006 budget augmentation if so requested by the Commission. PG&E looks forward to working with the Commission, Energy Division, ORA, LIOB and other interested parties throughout 2006 to discuss and develop 2007-2008 low income program budgets that are more needs-based and penetration-driven.

Respectfully Submitted,

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By: _____ /s/
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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 12, 2005

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 12th day of December 2005, I served a true copy of:

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON ALJ WEISSMAN'S
DRAFT OPINION APPROVING 2006-2007 LOW INCOME PROGRAMS AND
FUNDING FOR THE LARGER ENERGY UTILITIES AND APPROVING NEW LOW
INCOME ENERGY EFFICIENCY PROGRAM MEASURES FOR 2006**

[X] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.04-01-006 and A.05-06-005 et al with an e-mail address.

[X] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to all parties on the official service list for R.04-01-006 and A.05-06-005 et al without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 12th day of December 2005 at San Francisco, California.

/s/
PATRICIA A. KOKASON