

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 07-01-042
(Filed January 25, 2007)

Southern California Edison Company's (U 338-E) Application for Approval of SCE's "Change A Light, Change The World," Compact Fluorescent Lamp Program.

Application 07-05-010
(Filed May 10, 2007)

**REPLY COMMENTS OF THE
DIVISION OF RATEPAYER ADVOCATES ON THE
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING
COMMENTS ON ISSUES RAISED IN THE KEMA REPORT
AND ON NATURAL GAS APPLICANCE TESTING ISSUES**

I. INTRODUCTION

Pursuant to the *Administrative Law Judge's ("ALJ") Ruling Seeking Comments on Issues Raised in the KEMA Report*, dated September 27, 2007, the Division of Ratepayer Advocates ("DRA") respectfully submits these reply comments.

On October 16, 2007, parties filed Opening Comments responding to the ten questions raised by the ALJ concerning the KEMA report. In these reply comments, DRA addresses parties' certain responses to the ten questions posed by the ALJ.

II. DISCUSSION

A. Targeting the Disabled Community

DRA supports Disability Rights Advocates (“DisabRa”) comments requesting a more aggressive approach for outreach to the disabled community. DisabRa promotes the idea that outreach efforts to target the Californian disability community should be more aggressive.¹ The KEMA report shows that reaching California’s disabled community appears to be lagging behind other segments for the California low-income population and that an aggressive outreach campaign will be needed to reach this population.² As DRA stated in opening comments, Utilities should work with the TADDAC, Disability Rights Advocates, and other disability organizations to help develop possible marketing strategies to improve participation from this group. DRA concurs with taking an aggressive approach and recommends that such collaborative efforts be reported to the CPUC through existing advisory committees or other means.

B. Auto-Enrollment with Limitations and Proper Planning

DisabRa suggests that the Commission explore using auto-enrollment as a mechanism for increasing the participation of the disabled community in the LIEE program.³ DRA recommends that the Commission use auto-enrollment for all low-income consumers. Although the effectiveness of auto-enrollment in increasing participation is still unproven, such a program would at a minimum identify potential low-income households that should be targeted for outreach. However, we remind all parties that income limitations will need to be incorporated into any auto-enrollment plan. DRA is willing to work with DisabRa

¹ DisabRa Opening Comments, p. 4.

² KEMA Report, pp. 7-28.

³ DisabRa Opening Comments, p. 4.

and all parties to design an auto-enrollment program for the California low-income community.

C. Outreach based on Ethnicity

Many parties appear to inappropriately disregard evidence in the KEMA report demonstrating the need for a variety of approaches to improve the participation of specific ethnic groups in California Alternatives Rates for Energy (“CARE”) and low income energy efficiency (“LIEE”) programs. Sierra Pacific Power (“Sierra”) and PacifiCorp state in their comments that neither utility maintains effective data on households based on race; nor do they identify or target specific households based on race or similar factors.⁴ San Diego Gas and Electric Company (“SDG&E”) and Southern California Gas Company (“SoCalGas”) state that households should not be targeted by ethnic group or household size.⁵ Southern California Edison (“SCE”) identifies several outreach factors for low income consumers, but is silent whether ethnicity should be a factor.⁶ The Association of California Community and Energy Services (“ACCES”) and A World Institute for a Sustainable Humanity (“A W.I.S.H.”) state their opposition to targeting LIEE customers based on ethnicity due to the possible administrative complexity that may in turn become a barrier to otherwise eligible households.⁷ Pacific Gas and Electric (“PG&E”) argues that the issue of targeting specific groups depends on the Commission defining a purpose for the LIEE programs.⁸ These parties are generally opposed to targeting specific type of households.

⁴ Sierra Opening Comments at 3; PacifiCorp Opening Comments at 2.

⁵ SDG&E, SoCalGas Opening Comments, p. 12.

⁶ Edison at 9-10.

⁷ ACCES and A W.I.S.H. Opening Comments, p. 8.

⁸ PG&E Opening Comments, pp. 3-4.

In response to PG&E’s position, it should be noted that the LIEE programs may have one purpose with multiple drivers, such as those listed by PG&E (i.e. decrease customer bills, decrease energy burdens, provide comfort, health, and safety to low income customers).⁹ Therefore, while the primary purpose of the LIEE programs may be to decrease customer bills and increase energy savings, ‘equity and parity’ within the eligible low-income population is a driver. DRA concurs with PG&E that if ‘equity and parity’ is a driver for the LIEE programs, then African-Americans (or any other type of ethnic household) may be appropriately targeted.

SDG&E and SoCalGas reason that its penetration rate for various ethnic groups is commensurate to or greater than the rate of actual ethnic groups in the low-income population and that targeting ethnic groups may be interpreted as discriminatory and stigmatizing.¹⁰ Regardless of what the companies’ current penetration rates are for specific ethnic groups or other type of households, the Commission should direct SDG&E and SoCalGas to target specific households to ensure that the maximum numbers of consumers are reached. With regards to ethnic targeting being discriminatory or carrying a stigma, there are several Community Based Organizations (“CBO”) that either target specific ethnic groups or are established to solely serve a specific ethnic group, and there does not seem to be any stigma resulting from their services. Therefore, DRA doubts that any stigma results from targeting specific ethnic groups.

All in all, targeting specific type of households is one more way that the utilities can reach low-income consumers. The KEMA report suggested that the Commission use this approach and DRA concurs with it. Therefore, the Commission should direct the Investor Owned Utilities (“IOU’s”) and Small

⁹PG&E Opening Comments, p. 3.

¹⁰ SDG&E Opening Comments, p. 13.

Multi-Jurisdictional Utilities (“SMJU”) to clearly identify their low-income customer base by ethnicity.

D. DRA’s Response to Issues Raised by Richard Heath and Associates

DRA has several responses to the strategies proposed by Richard Heath and Associates (“RHA”). In its opening comments, RHA recommends incremental expansion of LIEE budgets in the range of 20-25% per year, and a 5% flexibility or contingency cushion to accommodate program changes mid-year.¹¹ While DRA agrees with the need for both expansion and flexibility in the LIEE program, these percentages proposed by RHA may be more restrictive than necessary. Since RHA does not provide the basis for these growth figures, it is possible that larger growth may be necessary to meet the 2015 low income full penetration goal.

RHA states that the evaluation of the LIEE program’s cost and effectiveness should be considered as a whole, and not in isolation.¹² DRA agrees that a better evaluation mechanism is needed. With better evaluation and accountability mechanisms in place by the Commission, program expansion would not risk the types of inefficiencies that rapid growth often entails. Independent evaluation of cost effectiveness is critical for the LIEE program as it exists now. LIEE program audits have been deferred and this has left parties like DRA that are interested in cost effective program expansion, and presumably the Commission as well, lacking basic information necessary to evaluate the last contract cycle’s performance in meaningful detail. Discussion of program improvement, not to speak of expansion, must then depend on anecdotal evidence rather than accurate appraisals of “what each program is actually doing for the money.”¹³

¹¹ RHA Opening Comments, pp. 2-3, 12.

¹² *Id.* at 9.

¹³ *Id.* at 9.

It is currently unclear how the Commission evaluates current expenditures and prioritizes the measures targeted toward low income customers. To use RHA's example, is it preferable to use a \$15 per customer door hanger "energy education" versus \$75 per customer face-to-face education? Or what exactly are the program costs and benefits of refrigerator replacements? If the Commission is not able to answer such questions for the present program, then truly effective program expansion becomes problematic. DRA endorses RHA's call for standardized disclosure of program costs.¹⁴ Program audits and other independent evaluation are critical tools for *continuous program improvement*, and DRA recommends that the Commission adopt this objective for the LIEE program. Audits and evaluation should not be used in a manner to penalize thoughtful risk takers, but to identify best practices and make it easier to apply these methods around the state.

As for RHA's recommendation that there be a 5% cushion for program flexibility, DRA agrees with the intent of increasing program flexibility. However novel approaches, particularly in outreach, can also be developed through pilot programs. For such purposes DRA recommends that a funding pool be available to CBOs, or contractors, interested in new outreach or education methods to be tried in pilot programs on condition that the results be shared statewide through such mechanisms as the quarterly Joint Utility Public meetings on LIEE or an e-newsletter, as recommended in DRA's Opening Comments.¹⁵ Rather than rely on utility program managers, who may be overly cautious, it makes sense for creative CBOs or contractors to get approval and funding through the Commission's Energy Division out of such a separate flexible funding pool.

¹⁴ *Id.* at 9.

¹⁵ DRA Opening Comments, p. 12.

The diversity of CBOs and private contractors is also a critical ingredient in generating diverse approaches to outreach, qualification and education that are responsive to the needs of various low income communities. Overcoming some of the current program shortcomings in reaching African-American and disabled households, as identified in the KEMA report will require both evaluation of why these communities are underserved and diversifying or making more flexible the program delivery.¹⁶ Sierra's comments also indicate needs for better demographic information relevant to their type of jurisdiction with incomes intermingled in low-density alpine and sub-alpine terrain, as opposed to the major IOUs, and Sierra could benefit from sharing effective methods for finding low income households.¹⁷ Evaluation and flexibility are essential to continuous LIEE program improvement in a context of accelerating expansion.

E. DRA's response to SDG&E and SoCalGas' Alternative Recommendations

SDG&E and SoCalGas recommend that the Commission prioritize customers with the greatest need, and defer outreach to certain other segments until a later time.¹⁸ SDG&E and SoCalGas also recommend the installation of measures with only the greatest energy savings.¹⁹ DRA disagrees with the limited approach these utilities suggest. The LIEE program should engage in broad and diverse targeting to increase penetration across the spectrum of low income households. As to which measures merit installation, DRA supports an examination of measuring cost effectiveness. Such examination can prevent certain unnecessary costs such as providing partial EE measures in a certain unit and then returning at some later date to install additional measures.

¹⁶ KEMA Report, pp. 1-8.

¹⁷ Sierra Pacific Opening Comments, p.3 and p.6.

¹⁸ SDG&E/SoCalGas Opening Comments, p. 3, pp. 10-11.

¹⁹ *Id.*

SDG&E/SoCalGas raise questions about some of KEMA's statistical methods and propose that "the Commission should schedule a workshop to discuss the KEMA Report survey results."²⁰ These utilities provide that the goal of such a workshop "should be to determine how to use the information in the KEMA Report along with additional data to determine the most accurate information to be used for future program planning."²¹ Without taking a position on specific statistical methods, DRA agrees that such a workshop is a very sound proposal. DRA would emphasize the need for practical, useful information to be used for future program planning.

III. CONCLUSION

DRA respectfully requests that the Commission use DRA's recommendations, as provided in these reply comments and the opening comments, regarding the KEMA report.

Respectfully submitted,

/s/ RASHID RASHID

Rashid Rashid
Staff Counsel

Attorney for the Division of Ratepayer
Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-
Fax: (415) 703-2262

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²⁰ *Id.* at 10.

²¹ *Id.*.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE ADMINISTRATIVE LAW JUDGE’S RULING SEEKING COMMENTS ON ISSUES RAISED IN THE KEMA REPORT AND ON NATURAL GAS APPLIANCE TESTING ISSUES**” in **R.07-01-042, A.07-05-010** by using the following service:

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Executed on October 23, 2007 at San Francisco, California.

/s/ JANET V. ALVIAR

Janet V. Alviar

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dwmoir@westernappliance.com;
dwood8@cox.net;
elise.kleiber@mascocs.com;
emello@sppc.com;
enriqueg@lif.org;
epoole@adplaw.com;
flt2@pge.com;
francisco.aguilar@swgas.com;
gbaker@sempra.com;
gbass@semprasolutions.com;
gig@cpuc.ca.gov;
gmb@cpuc.ca.gov;
gredican@caasm.org;
hayley@turn.org;
hcf@cpuc.ca.gov;
hodgesjl@surewest.net;
irene@igc.org;
jamader@sbcglobal.net;

jeannie.harrell@sce.com;
jim@rhainc.com;
jjensen@kirkwood.com;
jjensen@rhainc.com;
jldezell@yahoo.com;
jmann@pmelaw.com;
jmcnamara@eocslo.org;
jme@cpuc.ca.gov;
jnewc@capsbc.sbcounty.gov;
jody_london_consulting@earthlink.net;
joe@rhainc.com;
john.fasana@sce.com;
john.nall@sce.com;
joyw@mid.org;
jscancarelli@flk.com;
jwiedman@goodinmacbride.com;
jwimbley@csd.ca.gov;
jwwd@pge.com;
jyamagata@semprautilities.com;
khassan@sempra.com;
khy@cpuc.ca.gov;
kim@cpuc.ca.gov;
klucero@rhainc.com;
kmaetani@aol.com;
knotsund@berkeley.edu;
larry.cope@sce.com;
lcf2@pge.com;
leh@cpuc.ca.gov;
lschavrien@semprautilities.com;
luis@winegardenergy.com;
marisa.decristoforo@pacificcorp.com;
markmcnulty@sbcglobal.net;
markr@greenlining.org;
mcl@cpuc.ca.gov;
michelle.mishoe@pacificcorp.com;
mjob@pge.com;
mjuarez@riversidedps.org;
mmazur@3phasesRenewables.com;
monte@winegardenergy.com;
montoym1@sce.com;
mshames@ucan.org;
msj@cpuc.ca.gov;
mthorp@sempra.com;
mvc@cpuc.ca.gov;
or10sia@aol.com;
pamela@rhainc.com;
parkhijf@sce.com;
pete.zanzot@sce.com;
pk@utilitycostmanagement.com;
pssed@adelphia.net;
pucservice@dralegal.org;
pxo2@pge.com;
r-l-shaw@msn.com;
ralf1241a@cs.com;
rbicker@caanet.org;
rcosta@turn.org;
rgunnin@commerceenergy.com;
rhd@cpuc.ca.gov;
rhh@cpuc.ca.gov;

richvilla4@hotmail.com;
rick_noger@praxair.com;
rjrb@pge.com;
rkmoore@gswater.com;
rmccann@umich.edu;
robertg@greenlining.org;
roberto.delreal@sce.com;
ron@reenergy.com;
ryan.flynn@pacificcorp.com;
sberg@shhip.org;
sbs@cpuc.ca.gov;
sebesq@comcast.net;
sesco@optonline.net;
shallenbgr@aol.com;
sheila@wma.org;
smw@cpuc.ca.gov;
spatrick@sempra.com;
ssr@cpuc.ca.gov;
stacie.schaffer@sce.com;
stephaniec@greenlining.org;
sundnr2@sbcglobal.net;
tdillard@sierrapacific.com;
thaliag@greenlining.org;
thamilton@qualitybuilt.com;
tjt@cpuc.ca.gov;
tmr@cpuc.ca.gov;
ttn7@pge.com;
valerie.ontiveroz@swgas.com;
vtvgeneral@aol.com;
westgas@aol.com;
wparker@baprc.com;
www@eslawfirm.com;
ywhiting@semprautilities.com;
zca@cpuc.ca.gov;
zzeria@aol.com;