



SOUTHERN CALIFORNIA
EDISON

An EDISON INTERNATIONAL Company

Larry R. Cope
Senior Attorney
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April 11, 2005

Docket Clerk
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

RE: R-04-01-006

Dear Docket Clerk:

Enclosed for filing with the Commission are the original and five copies of the **SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS ON THE DRAFT INTERIM OPINION OF ALJ THOMAS APPROVING 2005 LOW-INCOME ENERGY EFFICIENCY (LIEE) AND CALIFORNIA ALTERNATIVE RATES FOR ENERGY (CARE) PROGRAMS FOR PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY** in the above-referenced proceeding.

We request that a copy of this document be file-stamped and returned for our records. A self-addressed, stamped envelope is enclosed for your convenience.

Your courtesy in this matter is appreciated.

Very truly yours,

Larry R. Cope

LRC:as:LW050940010.doc
Enclosures

cc: All Parties of Record
(U 338-E)

**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.

Rulemaking 04-01-006
(Filed January 8, 2004)

In the Matter of the Application of PACIFICORP for the Approval of 2005 Low-Income Assistance Program Budgets.

Application 04-06-038
(Filed June 30, 2004)

In the Matter of the Application of Southwest Gas Corporation (U 905-G) for Approval of Program Year 2005 Low-Income Assistance Program Budgets.

Application 04-07-002
(Filed June 30, 2004)

Application of Southern California Gas Company (U 904-G) for Approval of Program Year 2005 Low-Income Assistance Programs and Funding.

Application 04-07-010
(Filed July 1, 2004)

Application of San Diego Gas & Electric Company (U 902-M) for Approval of Program Year 2005 Low-Income Assistance Programs and Funding.

Application 04-07-011
(Filed July 1, 2004)

Southern California Edison Company's (U 338-E) Application Regarding Low-Income Assistance Programs for Program Year 2005.

Application 04-07-012
(Filed July 1, 2004)

Application of Pacific Gas and Electric Company (U 39-M) for Approval of the 2005 California Alternate Rates for Energy and Low-Income Energy Efficiency Programs and Budgets.

Application 04-07-013
(Filed July 1, 2004)

In the Matter of the Application of Sierra Pacific Power Company (U 903) for an Order Approving its 2005 California Alternate Rates for Energy (CARE) and Low-Income Efficiency (LIEE) Plans and Budgets.

Application 04-07-014
(Filed July 1, 2004)

In the Matter of the Application of Avista Corporation for Approval of Program Year 2005 Low-Income Assistance Program Budgets.

Application 04-07-015
(Filed July 1, 2004)

In the Matter of the Application of the Southern California Water Company (U 133-W) Regarding Low-Income Assistance Programs for its Bear Valley

Application 04-07-020
(Filed July 8, 2004)

Application of Alpine Natural Gas Operating Company No. 1 LLC in Compliance with Decision 03-12-016 (PY 2004 Low-Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) Program Plans).

Application 04-07-027
(Filed July 2, 2004)

In the Matter of the Application of West Coast Gas Company (U 910-G) for Approval of Program Year 2005 Low-Income Assistance Program Budgets.

Application 04-07-050
(Filed July 29, 2004)

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS
ON THE DRAFT INTERIM OPINION OF ALJ THOMAS APPROVING 2005
LOW-INCOME ENERGY EFFICIENCY (LIEE) AND CALIFORNIA
ALTERNATIVE RATES FOR ENERGY (CARE) PROGRAMS FOR PACIFIC
GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON
COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, AND SAN DIEGO
GAS & ELECTRIC COMPANY**

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Dated: April 11, 2005

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GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON
COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, AND SAN DIEGO
GAS & ELECTRIC COMPANY**

I.

INTRODUCTION

Pursuant to Rule 77.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Southern California Edison Company (SCE) submits its comments on the Draft Interim Opinion Approving 2005 Low-Income Energy Efficiency (LIEE) and California Alternative Rates for Energy (CARE) Programs. SCE appreciates the opportunity to comment on the proposed draft interim opinion on the applications of the large California investor owned utilities (IOU's) for LIEE and CARE funding for the 2005 calendar year.

II.

DISCUSSION

A. General

The Draft Decision (DD) acts on the applications of the four large California investor owned utilities (IOUs) for LIEE and CARE funding for the year 2005. The DD grants most of the utilities' request for funding with some limited exceptions. SCE generally supports the DD with a few modifications which SCE believes would clarify a few points, and help the utilities comply with the DD. However, SCE does have one objection regarding the inclusion of any discussion about Franchise Fees and Uncollectibles in the DD.

B. CARE

The CARE program assists low-income customers by providing a reduced rate. SCE will continue to attempt to enroll all CARE eligible customers onto the CARE rate and the DD should assist SCE in these efforts. SCE would like to address briefly the comment on page 47 of the DD, which states that SCE's proposed budget for 2005 is the same as the CARE budget for 2004. This is not correct. Page 44 of the DD also states SCE's 2003 CARE administrative budget is \$3,078,338. This too is incorrect.

In order to clarify the record, SCE's budget for 2002 was established at \$2,882,838 in Decision 02-09-021 for 2002 and remained unchanged in 2003 and 2004.¹ SCE's testimony in A.04-07-012 in Appendix A, Line 13, Column C, shows SCE's 2004 planned budget for CARE to be \$2,882,838 and SCE's requested budget

¹ Although tables in D.02-09-021 show SCE's CARE administrative budget at \$3,078,338, these tables include indirect costs of \$82,700 and Energy Division costs of \$195,500. As indicated in pages 34 through 36 of D.02-09-021, the Commission adopted \$0 for indirect costs and \$82,700 for Energy Division Costs for SCE, thus SCE's 2002 CARE Administration budget is \$2,882,838.

for 2005 to be \$4,104,000. Thus, SCE's proposed 2005 budget is \$4,104,000, but SCE's 2004 budget was \$2,882,838 *not* \$4,104,000. However, as shown in SCE's February 22, 2005 Rapid Deployment Monthly Status Report for January 2005, SCE actually spent \$3,720,783 for 2004 CARE administration activities. Thus, Table 11 on page 47 should be corrected to show 2003 and 2004 budgets of \$2,882,838, respectively and 2005 budget of \$4,104,000 and the statement on page 46 should read "SCE's 2005 proposed CARE administrative budget is \$4,104,000, \$1,221,162 more than the 2004 budget."

C. LIEE

SCE supports the DD with respect to the LIEE budget and would only offer two clarifications. On page 8, Table 4, the column headed SCE has an incorrect amount for "Total LIEE Program Proposals." The total should be \$27,400,000 and it shows \$27,350,000. Also, on page 98, Table 16, the column headed SCE has an incorrect total. The entry for Other Program Activities total shows \$2,577,885, the correct total should be \$2,627,885.

D. Franchise Fees and Uncollectibles (FF&U)

SCE objects to the inclusion in the DD of any discussion, finding or order addressing FF&U. The record in SCE's Application is totally devoid of any mention or discussion about the issue of FF&U expenses. The DD makes a ruling in Ordering Paragraph 22 on page 101 disallowing the IOUs from including Franchise Fees and uncollectibles in their Public Purpose Program Surcharge revenue or in related balancing account treatment in the application, in the testimony, or in any prior Commission directive in this proceeding.

SCE submits this Ordering Paragraph is legally deficient since there is no record to support it. Moreover, such an order would amount to a total lack of due process since this issue was never raised, discussed or noticed as an issue prior to

its appearance in the DD. If this order were to be implemented, exclusion of the \$31.4 million total of LIEE and CARE amounts from SCE's gross revenues would reduce the amount of franchise revenue which local government would receive from SCE by approximately \$270,000 per year. SCE would respectfully urge the Commission to delete any reference, discussion, findings and order addressing FF&U's from the DD.

1. Franchise Fee

The DD references D.04-08-010 (a gas proceeding decision), where the Commission found that gas utilities should not pay franchise fees on their LIEE/CARE surcharges. Based on this gas proceeding decision, the DD directs electric utilities to exclude LIEE/CARE revenues in calculating their franchise fee payments. The DD's reasoning is faulty since the recovery of LIEE/CARE revenues for electric utilities is considerably different than for gas utilities in that recovery of the gas utilities' LIEE/CARE revenues is governed by Public Utilities (PU) Code Section 890. PU Code Section 890 removed the funding for LIEE/CARE programs from gas utility rate levels and a surcharge was implemented instead. Amounts actually collected through this Surcharge are then sent to the State Board of Equalization for further disposition and administration. PU Code Section 890 does not apply to electric utilities. Moreover, SCE does not collect amounts via an LIEE/CARE surcharge mechanism. Instead, SCE appropriately includes recovery of its LIEE/CARE revenues in its rate levels (Public Purpose Programs Charge) and SCE incurs expenses associated with the administration of its LIEE/CARE programs. Thus, it is appropriate that SCE collects and pays franchise fees on its LIEE/CARE revenues. The DD should be modified to eliminate the requirement that electric utilities exclude LIEE/CARE revenues in calculating their franchise fee payments.

2. Uncollectible Expenses

The DD disallows the recovery of uncollectible expenses associated with CARE/LIEE revenues because 1) PU Code Section 890 addressed the problem of worthless accounts; 2) such costs have balancing account protection, and 3) the utilities are afforded recovery of bad debt expense in their GRCs. The DD must be modified to allow recovery of SCE's uncollectible expenses since the reasons stated in the DD supporting this disallowance either do not apply to electric utilities or are factually unsupported. First, as discussed above in regard to franchise fees, PU Code Section 890 does not apply to electric utilities. Therefore, although PU Code Section 890 did address the problem of worthless accounts for gas utilities, it does not provide for recovery of such amounts for SCE.

Second, balancing accounts do not ensure recovery of uncollectible expenses. SCE's balancing accounts compare recorded revenues (billed to customers) to recorded expenses and any difference is either recovered from or returned to customers in the future. Actual receipts or collections are never recorded in SCE's balancing accounts so an adjustment must be made to reduce the revenue recorded in the balancing account to account for the portion of revenue billed to customers that is never collected. If uncollectible expenses are not allowed to be subtracted from billed revenues, a disallowance of these expenses will result and SCE's shareholders will be forced to absorb these expenses. The DD entirely ignores the ratemaking treatment for uncollectible expenses that has been established by the Commission. SCE has been authorized by the Commission to gross up all of its revenue requirements by the most recent Commission-approved factor to determine the revenue requirement that is used to set rate levels. On a monthly basis, in the applicable ratemaking mechanism, the actual revenue that is generated from rate levels is reduced by an uncollectible expense amount calculated using the adopted factor. The revenues that remain after uncollectible expenses are

removed are then available to recover the costs associated with the applicable rate component.

Finally, SCE is not authorized recovery of a bad debt expense revenue requirement in its GRC proceeding. Instead, the Commission adopts an uncollectible expense factor in the GRC proceeding based on both historical and forecast data. This factor is then used to 1) gross up SCE's approved revenue requirements in various proceedings (such as LIEE/CARE or ERRA) to determine the revenue requirements that are used to set rate levels; and 2) determine the amount to be subtracted from billed revenues in balancing accounts.

E. IOU Contractor Costs

The DD indicates that contractors refused to provide cost information. For SCE this typically was not the case, rather, the contractors did not have the information because they had not documented their costs according to the specific categories subsequently requested by the Commission. Therefore, they engaged in an ex-post allocation of costs. SCE does not believe this level of detail is essential to the effective operation of the program. If the Commission finds it is reasonable to require detailed cost breakdowns of contractor data for the program, SCE believes the development of a template for contractors to use should be made with the input and concurrence of the contractors who must provide and report data, so that the information gathered is readily available and consistent. SCE believes the template should be available to contractors for the 2006 LIEE program.

F. LIEE Measurement and Evaluation

The DD discusses the Measurement and Evaluation budgets of the utilities and, in particular, indicates a statewide impact evaluation on the IOUs' 2004 LIEE programs will occur in 2005. The Commission in a March 17, 2005 letter to SCE granted the utilities' request to defer this evaluation to the 2005 LIEE program in

order to make use of better data.² The DD should reflect the revised date. When SCE submitted its application for 2005 funding in July 2004, SCE, at that time, presumed that the study would be performed in 2005 for the 2004 program. SCE will provide Energy Division with the requested justification for its Measurement and Evaluation budget within 60 days of the effective date of the Decision. SCE expects it may request to transfer some of the Measurement and Evaluation funding to direct provision of LIEE program services.

G. Cool Centers

SCE's Application 04-07-012 and testimony described SCE's Cool Center proposal. SCE's Cool Center proposal is not a new program as indicated on page 12 of the DD, nor did SCE first create the Cool Center program in 2004 as indicated on page 16 of the DD. SCE simply proposed a new approach for funding an already existing Commission-approved program that was first implemented in 2001. SCE in 2001 was asked to implement a Cool Center program for low-income customers living in hot, dry remote areas. In response, SCE developed the Cool Center program which was approved by the Commission. During 2002 and 2003, the Cool Center programs were slightly modified, approved by the Commission and implemented by SCE. The 2004 Cool Center proposal encountered some difficulty with respect to the funding mechanism. ORA and Energy Division both expressed concerns that funding for Cool Centers should not be out of the LIEE or the CARE budgets. It was decided to fund Cool Centers for 2004 out of a separate account and to seek separate public goods charge funding for the Cool Center program in the 2005 Application.

² See SCE's February 7, 2005 request and the Commission's March 17, 2005 Reply herein as Attachment A.

SCE's proposed Cool Center program is designed to provide services to isolated communities located in extreme climate areas where few public facilities are available for use to offer relief from the heat during hot summer months.³ SCE's Cool Center program targets low-income populations, who can least afford high energy costs, to visit a Cool Center in lieu of cooling their own homes in an attempt to alleviate their home electrical usage, reduce their energy bills, and provide comfort. SCE's Cool Center program provides a place for the target population to learn about low-income and energy efficiency programs, energy conservation, and other available programs. SCE does not maintain that Cool Centers are a preferred strategy for LIEE measures or CARE outreach. The primary focus of Cool Centers is on comfort and health for low-income populations that are sensitive to extreme heat, not energy efficient cooling measures or CARE outreach.⁴

In Application 04-07-012, SCE proposed budget categories consistent with the Cool Center program design as approved by the Energy Division for 2001 through 2004. In the draft decision, the ALJ has disallowed the Administrative Budget category (\$142,500), the Transportation Budget category (\$42,750), the Personnel/Staff Budget Category (\$175,000) and the Refreshments Budget Category (\$19,000). Essentially \$380,000 of the requested \$475,000 Cool Center budget has been disallowed.

The DD justifies the deduction on the basis that many of the disallowed costs are not appropriate as CARE outreach or LIEE measures. This was precisely the dilemma addressed by SCE and ORA when 2005 funding was discussed and also

³ SCE often contracted with community-based groups to rent and staff Cool Centers in remote areas where no facilities were available.

⁴ Draft Decision page 18, "Transportation to locations to take advantage of LIEE measures is not in itself an energy efficiency measure, not is it an appropriate CARE outreach cost, and we therefore disallow it."

why SCE proposed a separate Public Goods Charge Account/Budget (PGC) be established to fund the Cool Center program separate and apart from LIEE and CARE. The DD acknowledges the attractiveness of creating a separate new component to the PGC to fund Cool Centers, but then dismisses the approach as too costly for such a small program as Cool Centers. SCE would submit that the accounts have already been established in order to track expenses and account for the past three years of operation such that the cost of going forward with a separate PGC component would be minimal.

Based on the fact that the DD evaluated the Cool Center Program on the basis of inclusion in either CARE or LIEE and not as a stand-alone program, the budget disallowances in the DD are inappropriate.

If the Cool Center disallowances are adopted by the Commission, it will be difficult for SCE to implement the Cool Center Program as proposed in SCE's application because the infrastructure necessary to provide relief from extreme heat will be unavailable. SCE believes the DD errs by presuming that facilities and personnel are readily available for the purpose of operating the Cool Center. In the isolated areas where SCE operates, Cool Center facilities may not be open or available during the hottest periods of the summer day. The service providers are under no obligation to provide locations and services to operate cooling equipment during weekday peak energy hours on the hottest days of summer. SCE submits the "disallowed" budget categories are for incremental costs.

If it is the Commission's intent to treat the Cool Center program as a CARE outreach activity, there may not be a need to create a separate program. SCE would treat outreach to senior centers as one aspect of CARE outreach.

The DD on page 20 states that the utilities shall not charge the CARE program for the distribution of CARE outreach materials (including, but not limited to, CARE flyers, brochures, banners and applications), and instead should include

the costs of these materials as part of the costs of the Cool Center programs. This language conflicts with other language on the same page that the Cool Center Program should continue for one more year as a CARE outreach pilot, and the associated costs in an amount not to exceed those adopted by the DD, are to be treated as a CARE outreach expense. Since SCE did not budget for the Cool Centers in the current CARE outreach budget, the DD reduces SCE's CARE budget by \$95,000 by including Cool Centers in the CARE budget. At a minimum, if the DD is approved as drafted, SCE's CARE budget should be increased by \$95,000 to a total of \$4,199,000 to appropriately include the Cool Center funds being moved to CARE by the DD.

The Commission states on page 19 of the DD that in future low-income applications, the utilities should explore how to ensure that public goods charge funds for Cool Centers are devoted only to LIEE and CARE eligible customers. SCE's Cool Center Scope of Work clearly targets low-income, senior, and disabled populations, which through the design of the program is likely to result in participants that are LIEE and CARE eligible. SCE acknowledges that some non-eligible customers may make it into Cool Centers. Creating barriers to operating Cool Centers due to this concern is not unlike the dilemma faced by the Commission in adopting self-certification for CARE applicants.

SCE's Cool Center programs in 2001 through 2004 served the distinct purpose of promoting comfort and health for low-income populations that are sensitive to extreme heat. SCE's 2005 proposal of a Cool Center program separate and distinct from LIEE and CARE recognizes that Cool Centers are not the best vehicle for installing LIEE measures or CARE outreach. After four years of operating Cool Centers, the DD would scale back SCE's Cool Center program to a CARE outreach pilot that differs entirely from the premise of the 2001-2004 programs. Moreover, the DD rejects ORA's request to require PG&E to offer Cool

Centers in its territory. SCE will reconsider whether to propose Cool Centers in its 2006-2007 program application.

H. Two-Year Program Cycle

SCE supports the DD implementation of a two-year program cycle for utilities' CARE and LIEE budget approach rather than being required to make an annual filing. The Commission may wish to consider adopting a three-year planning cycle consistent with the recently adopted cycle for Energy Efficiency programs. SCE suggests the DD be modified slightly to take into consideration the time requirements suggested in the DD and the reality of when the DD may be approved by the Commission. The DD sets a June 1, 2005 date for the utilities to file for 2006 and 2007 budgets. It also requires workshops 60 days prior to filing the application. If the Commission acts expeditiously, the best that can be expected is that the utilities will only have approximately 30 days from the effective date of the Decision to submit the required filing. In addition, there will be no opportunity for workshops. SCE believes that workshops are meaningful and necessary and should be held in order to give the public an opportunity to be heard. SCE would urge the DD be modified to require an August 1, 2005 filing date for the two-year CARE and LIEE budget application, if the DD is adopted in April 2005. SCE believes the workshops should be held no later than 40 days prior to the filing date.

I. LIOB Membership

Page 76 of the DD grants the IOU request that the IOU representative rotate annually. Later in the page, in a paragraph on staggering the LIOB terms there is an inconsistency which states IOU seat 6 will start as a one-year term and then revert back to a two-year term in order to continue the staggering of terms. SCE request that the staggering of LIOB terms for all representatives should be set to reflect that the IOU seat will rotate annually.

III.

CONCLUSION

Based on the foregoing, SCE respectfully request that the Commission adopt the Draft Decision with the clarifications and modifications proposed by SCE.

Respectfully submitted,

MICHAEL D. MONTOYA
LARRY R. COPE



By: Larry R. Cope

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

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April 11, 2005

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS ON THE DRAFT INTERIM OPINION OF ALJ THOMAS APPROVING 2005 LOW-INCOME ENERGY EFFICIENCY (LIEE) AND CALIFORNIA ALTERNATIVE RATES FOR ENERGY (CARE) PROGRAMS FOR PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

- ☒ Transmitting the copies via e-mail to all parties who have provided an e-mail address.
- ☐ Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand or by overnight courier to the offices of the Commission or other addressee(s).
- ☐ Placing copies in properly addressed sealed envelopes and depositing such copies in the United States mail with first-class postage prepaid to all parties.
- ☒ Directing Prographics to place the copies in properly addressed sealed envelopes and to deposit such envelopes in the United States mail with first-class postage prepaid to all parties identified as "Appearance" or "State Service."

Executed this 11th day of April, 2005, at Rosemead, California.



Nicole Broadwater

Project Analyst

SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770

ATTACHMENT A

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



March 17, 2005

Mr. Larry Cope
Southern California Edison
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770

Re: R.04-01-006 - February 7th, 2005 Letter Requesting Deferment of the Program Year (PY) 2004
Low Income Energy Efficiency (LIEE) Impact Evaluation to 2005

Dear Mr. Cope:

I reviewed your letter dated, February 7th, 2005, filed in R.04-01-006 by Southern California Edison Company on behalf of the Joint Utilities¹. After consulting with the Energy Division and the Assigned Administrative Law Judge, I find the rationale of improved data quality and usefulness to be sound reasons for approving the utilities' request to circumnavigate an evaluation of the 2004 LIEE program.

Consequently, the Joint Utilities shall conduct an Impact Evaluation on their 2005 LIEE programs. The evaluation is to be filed, according to current Measurement and Evaluation protocols, as well as the provisions described in D.03-10-041, with the utilities' applications in the following year's Annual Earnings Assessment Proceeding (the 2006 AEAP for the PY2005 LIEE Impact Evaluation Study).

Pursuant to Rule 48(b), you must promptly inform all parties to the proceeding of this extension.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Larson", with a long horizontal line extending to the right.

Steve Larson

cc: ALJ Steve Weissman
ALJ Meg Gottstein

¹ The Joint Utilities are: Southern California Edison Company, Southern California Gas Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company

February 7, 2005

Mr. Steve Larson
Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

FFA 2 REC'D
FEB 10 2005

Re: R.04-01-006 - Request to Conduct Next Low
Income Energy Efficiency (LIEE) Evaluation for
2005 Program, Rather Than the 2004 Program

Dear Mr. Larson:

Southern California Edison Company (SCE) on behalf of itself, Southern California Gas Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company (the "Utilities") requests authorization from the Commission to conduct the next impact evaluation on the 2005 Low Income Energy Efficiency (LIEE) program, rather than on the 2004 program. While conducting the impact evaluation of the 2002 program, which occurred in 2003 and 2004, the Utilities, Energy Division, and Office of Ratepayer Advocates all determined that the collection of additional measure data and improved sampling techniques would enhance the quality of subsequent impact evaluations and that the next evaluation should be conducted when these additional data would be available. This determination was made in fall 2004, too late to collect new data for 2004. Therefore, 2005 will be the first year that the new data will be available.

Impact evaluations for the LIEE program typically have been performed every other year. An exception was made for the 2001 program year in D.01-06-082. Due to the large number of Energy Crisis induced measures that were added to the program in 2001, the Commission requested a study of the 2001 program year, rather than skipping a year. An Impact Evaluation also was conducted on the 2002 LIEE program year.

The Utilities, in their 2003 program Applications, requested to return to the practice of skipping the 2003 year with the understanding that a study would be performed in 2004. The Commission in D.02-12-019 stated,

"...we see no reason at this time to modify the general practice of "skipping a year" between studies. Therefore, we expect the utilities to return to their bi-annual schedule unless otherwise directed by the Commission in any subsequent order. This

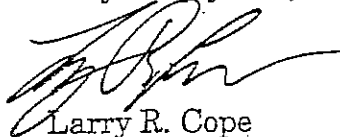
means that, following completion of the PY 2002 program evaluation, the next one would occur for the PY2004 LIEE program.”

The utilities have reviewed the Measurement and Evaluation Protocols¹ and have determined they are silent on the recommended frequency of LIEE impact evaluations. For this reason, the utilities are not requesting any modifications to the Protocols.

Again the utilities are requesting authorization to conduct the next impact evaluation on the 2005 Low Income Energy Efficiency (“LIEE”) Program. By performing the impact evaluation on the 2005 LIEE program instead of the 2004 program, the quality and usefulness of the evaluation will be greatly improved. The utilities believe the Office of Ratepayers Advocates and the Energy Division both support this request.

Thank you for your consideration of this request. If you have any questions or believe there is a preferable approach to bringing this request to the Commission, please contact me at (626) 302-2570.

Very truly yours,



Larry R. Cope

cc: All Parties of Record
ALJ Sarah Thomas
ALJ Meg Gottstein

LRC:as:LW050380018.doc

¹ Protocols and Procedures for the Verification of Costs, Benefits, and Shareholder Earnings from Demand-Side Management Programs, as adopted by the California Public Utilities Commission, Revised June 1999. The Protocols and Evaluations are within the scope of the Commission’s Annual Earnings Assessment Proceeding.