



Southern California
Gas Company

Georgetta J. Baker
Senior Regulatory Counsel
101 Ash Street
San Diego, CA 92101
619-699-5064 (Telephone)
619-699-5027 (Facsimile)
gbaker@sempra.com

August 11, 2005

ALJ Steve Weissman
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear ALJ Weissman:

On July 28, 2005 Mr. Jim Hodges, on behalf of the Association of California Community and Energy Services (ACCES), sent you a letter regarding Southern California Gas Company's (SoCalGas) Low-Income Energy Efficiency (LIEE) program. SoCalGas wishes to correct the statements that ACCES made in its letter regarding the manner in which SoCalGas operates its LIEE program. Generally, ACCES' letter reflects a fundamental misunderstanding of the interface between the Statewide Policy and Procedures Manual (P&P Manual) and the day-to-day operational practices and procedures that a utility may adopt to implement the P&P Manual. Section 1 of the P&P Manual, discussed below, clearly provides the utility with such flexibility.

ACCES poses the question: "May members of the Standardization Team, acting as individual utilities, disregard the ACR of March 25?" claiming that SoCalGas has done so by making statewide policy and procedures changes without going through the Standardization Team (Team) and without public input. ACCES is incorrect with respect to each of these points.

1. ACCES incorrectly claims that SoCalGas' recent actions have changed statewide policy and procedures.
 - ACCES is incorrect in assuming or proposing that the California Public Utilities Commission (Commission) and the Team must rule on every single aspect of program management. The Team does not deal with day-to-day operations of the LIEE programs. Rather, it addresses overall

program policies and procedures for the LIEE programs, based on Commission guidance, under Commission schedule, and Commission budget direction.

- There is a great deal of work in the daily operation of the programs that is not addressed by the Team or Commission but by utility program managers. These types of operational issues are focused on efficiently implementing the statewide policies and procedures and are appropriately the responsibility of utility program managers.
- The Commission and Team have properly addressed overall program policies and procedures and left the details of implementation to the utility managers. Section 1 of the P&P Manual states as follows:

“The policies and procedures in this PY2004 P&P Manual are supplemented by the general and specific terms and conditions incorporated into contracts between the utilities and their contract service providers as part of the LIEE Program.”

“The final interpretation of policies and procedures incorporated into this PY2004 Manual and the associated Installation Standards rests with the utilities’ Program Managers.”

- Since 2002 (the first full program year after which the P&P Manual was distributed), SoCalGas has incorporated additional/supplemental information regarding day-to-day program operation in its contract through the following contract language:

“All Services performed shall be in conformance with the California Conventional Home and Mobile Home Weatherization Installation Standards, the California Statewide Low Income Energy Efficiency (LIEE) Policy and Procedures Manual, **the SoCalGas Supplemental Policy and Procedures**, the Uniform Mechanical Code, the Uniform Building Code, and any other applicable Federal, State and City Codes, regulations, or ordinances.”
(emphasis added)

- For the convenience of SoCalGas’ contractors’ field workers, SoCalGas has combined its supplemental operational procedures with the P&P Manual, so that all program requirements are in one place and easier to follow. Apparently this combination may have caused confusion for some parties who believe that SoCalGas is making changes to the statewide P&P Manual. This is not the case. To avoid future confusion, however, SoCalGas will incorporate its supplemental operational procedures into the “general and specific terms and conditions” of the “contracts between the utilit[y] and [its] contract service providers as part of the LIEE Program”

as expressly provided in Section 1 of the P&P Manual. SoCalGas also will re-evaluate the operational procedures to ensure that they are clear and do not cause any misunderstandings or inadvertent inconsistencies with the P&P Manual.

- SoCalGas' recent action has not changed the P&P Manual adopted by the Commission. To illustrate this point, Attachment A includes portions of Section 2 and Section 3 of the P&P Manual with SoCalGas' "DAP Supplements" demonstrating that the recent changes are within the purview of SoCalGas' program management responsibilities.

2. ACCES incorrectly claims that SoCalGas made program changes with no review by contractors.

- SoCalGas provided its contractors with ample opportunity to review and comment on the recently proposed revisions to its supplemental operational procedures. ACCES' letter did not provide complete information on how the revisions were presented to contractors. The following describes how SoCalGas reviewed changes with contractors:
 - June 22, 2005 – SoCalGas mailed the agenda for the June 24th SoCalGas LIEE contractor meeting, along with a draft copy of the Supplemental Procedures.
 - June 24, 2005 – SoCalGas discussed the draft procedures at the June 24th contractor meeting. Contractors provided limited comments at the meeting. To provide other contractors additional time to review and provide input on the proposed changes, SoCalGas agreed to send another copy of the draft procedures to contractors. SoCalGas did so on June 28 and asked for comments by July 1, 2005. SoCalGas evaluated, and incorporated some of the contractor comments in finalizing these operational procedures. The final revised operational procedures were sent to the contractors on July 20, 2005.
 - Contractor training sessions were held with each of SoCalGas' program contractors from July 18 through July 29, 2005. Three of the contractors opted to handle the training through mail and phone, while thirteen other contractors elected to hold individual training sessions. Attendance at the training sessions ranged from primary contacts to outreach workers only.
- SoCalGas' policy is to work closely with its contractors to avoid any misunderstanding about the P&P Manual and day-to-day operational practices and procedures and to keep the contractors informed of program status and any changes to procedures. SoCalGas is willing to talk to

contractors at any time about questions or concerns they may have. SoCalGas, therefore, was disappointed and surprised to have the ACCES letter serve as the first indicator of contractor dissatisfaction, especially where, as here, the dissatisfaction is based on factual misunderstandings.

In closing, ACCES' request that the Commission direct SoCalGas to not make the changes to its supplemental policies and procedures is unwarranted. SoCalGas, as program manager, has the responsibility to manage and implement the LIEE programs in accordance with the P&P Manual and to provide day-to-day operational procedures as needed. That is the purpose of SoCalGas' supplemental policies and procedures.

SoCalGas will continue to operate its LIEE program in a responsible and prudent manner, consistent with the P&P Manual, to ensure that our customers are provided safe and reliable services. SoCalGas would be pleased to discuss its LIEE program with you or other Commission staff at your convenience.

Sincerely,

 For Georgetta Baker
Georgetta Baker
Attorney for
Southern California Gas Company

cc: Commissioner Dian Grueneich
Senator Martha Escutia
Carolyn McIntyre
Yole Whiting
Joy Yamagata
Service List for R. 04-01-006 (electronic service)