Decision **PROPOSED DECISION OF ALJ KIM (Mailed 3/27/14)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of PacifiCorp for approval of the 2012-2014 California Alternate Rates for Energy and Energy Savings Assistance Program Programs and Budgets.	Application 11-06-016 (Filed June 15, 2011)
And Related Matters.	Application 11-06-018 Application 11-06-019 Application 11-06-020 Application 11-06-021 Application 11-07-015

DECISION ON SMALL AND MULTIJURISDICTIONAL UTILITIES' 2012-2014 ENERGY SAVINGS ASSISTANCE PROGRAM AND CALIFORNIA ALTERNATE RATES FOR ENERGY PROGRAM APPLICATIONS

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DECISION ON SMALL AND MULTIJURISDICTIONAL UTILITIES' 2012-2014 ENERGY SAVINGS ASSISTANCE PROGRAM AND CALIFORNIA ALTERNATE RATES FOR ENERGY PROGRAM APPLICATIONS

1. Summary

This decision acts on the above-captioned 2012-2014 budget applications (Applications) for the Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) Programs, filed by the small multijurisdictional utilities (SMJUs) – Southwest Gas Corporation, Liberty Utilities,[1] Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company. Appendix A to this decision summarizes the SMJUs' Applications. Through a workshop and comments, the SMJUs have updated their requests in this proceeding, as summarized in Appendices B, C, D and E to this decision.

For the SMJUs' 2012-2014 ESA Program and Budget, this decision:

- Authorizes continued funding at 2011 levels through December 31, 2014 as outlined in Decision (D.) 12-09-026[2] and in Appendix D – SMJUs' Monthly Budget Summary through 2014;
- Directs continued increase in the ESA Program penetration rate;

[1] By submitting Advice Letter 28-E on July 15, 2013, California Pacific Electric Company, commonly referred to as CalPeco, notified the Commission of its formal change in name as of that date to Liberty Utilities. In the text of this decision, including the findings of facts and conclusions of law sections, Liberty Utilities is referenced for ease and consistency in the record as CalPeco. In the ordering paragraphs, Libery Utilities is referenced by its new legal name of Liberty Utilities.

[2] D.12-09-026, Decision Adopting Extension of Bridge Funding Month-to-Month Starting from October 1, 2012 for Small Multi-Jurisdictional Utilities' Energy Savings Assistance and California Alternate Rates for Energy Programs.

- Approves all six new measures proposed by the SMJUs as long as those measures are reflected in table 5-1 of the ESA Statewide Policy and Procedure Manual for the requested housing types and climate zones;
- Authorizes annual adjustments to the Public Purpose Program (PPP) surcharge via advice letter to adjust ESA surcharges to reflect current activity and minimize the occurrence of under and over collection of ratepayers funds as previously directed in D.08-12-019, Ordering Paragraph 22;
- Directs the SMJUs to make all good faith and reasonable efforts to comply with the Statewide Policy and Procedures and Installation Standards[3] Manuals, to the extent practicable; and
- Directs the SMJUs to continue all current leveraging activities and to explore additional ways to leverage going forward, including coordination and leveraging with overlapping investor-owned utilities (IOUs), Community-Based Organizations, and Community Services and Development Department in effort to increase consistency and efficiency and minimize duplication, wherever possible.

As for the SMJUs' 2012-2014 CARE Program and Budget, this decision:

- Authorizes continued funding at 2011 levels through December 31, 2014 as outlined in D.12-09-026 and in Appendix D – SMJUs' Monthly Budget Summary through 2014;
- Retains the 90 percent CARE penetration goal for all SMJUs;
- Authorizes a capitation fee increase from $12 to up to $20 per CARE enrollment to compensate the CBOs;
- Authorizes annual adjustments to the PPP surcharge via advice letter to adjust CARE surcharges to reflect current activity and minimize the occurrence of under and over collection of

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[3] The Installation Standards Manual was formerly referred to as the Weatherization Installation Standards Manual.

ratepayers funds as previously directed in D.08-12-019, Ordering Paragraph 22; and

- Establishes high usage customer rules and directs electric SMJUs to comply with California Public Utilities Code § 739.1(h) 1-3, consistent with the rules we established in D.12-08-044 in the pending large IOUs ESA and CARE Proceeding, Application (A.) 11-05-017, *et al*. (IOUs' ESA and CARE Proceeding).

This decision balances the goals of the ESA and CARE Programs while recognizing that SMJUs have a significantly limited role in the overall scheme of these programs. This decision also reconciles the SMJUs' requests and aligns the SMJUs' ESA and CARE Programs to the IOUs' ESA and CARE Programs. Consistent with our historic approach to SMJUs,[4] we focus on ways in which the SMJUs can effectively continue to increase their contribution to the energy efficiency of the state's electric and gas customers.

Finally, this decision adopts the fund shifting rules as outlined in D.12-08-044 in the pending large IOUs ESA and CARE proceeding, A.11-05-017, *et al.* and provides tools and guidance for the SMJUs' next program cycle administration and applications.

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[4] In D.08-12-019, the Commission authorized the Small Multi-Jurisdictional Utilities' 2009-2011 ESA and CARE Programs and budgets noting that SMJUs should focus on small ways in which the SMJUs could increase their contribution to the energy efficiency of the state's electric and gas customers. Also in that decision, the Commission directed the SMJUs to increase their CARE and ESA Programs penetration rates, while emphasizing the importance of increasing energy savings and targeting outreach efforts to customers with the greatest energy usage.

2. General Background

The Commission has always been cognizant of the size, resource limitations and other unique attributes, including customer demographics,[5] of the California's Small Multi-Jurisdictional Utilities' (SMJUs) – Southwest Gas Corporation (Southwest Gas), Liberty Utilities (CalPeco),[6] Golden State Water Company(GSW)/Bear Valley Electric (Bear Valley), West Coast Gas Company (West Coast), PacifiCorp, and Alpine Natural Gas Operating Company (Alpine). Based thereon, the Commission has exempted the SMJUs from many of the more complex requirements of the Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) Programs.[7] Our approach for the SMJUs therefore has been to issue our decision on the ESA and CARE Programs in the large investor-owned utilities' (IOUs') proceeding and thereafter issue a decision on the SMJUs' proceeding, with significantly less programmatic requirements.

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5 Generally, the SMJUs' territories differ from the large IOUs' territories. The SMJUs serve much smaller populations, and are single fuel utilities that provide either electric or gas service, but not both. Because the SMJUs are single fuel utilities, coordination with the companion companies that provide the other fuel for their customers is extremely important. In addition, the SMJUs' territories experience higher seasonal population fluctuations than the large IOUs' territories.

6 By submitting Advice Letter 28-E on July 15, 2013, California Pacific Electric Company, commonly referred to as CalPeco, notified the Commission of its formal change in name as of that date to Liberty Utilities. In this document Liberty Utilities is referenced for ease and consistency in the record as CalPeco.

7 With respect to the SMJUs, we determined that extensive technical work on the ESA Program's cost-effectiveness, methodologies, and the application of those complex methodologies may impose disproportionate financial burdens on the SMJUs. Therefore, we allowed for alternative ways to promote cost-effective ESA Program priorities and delivery for the small companies. (*See* D.07-12-051, at 39.) Likewise, we also did not require SMJUs to include all of the specific ESA Program elements required of the larger utilities. Instead, we encouraged the SMJUs to modify their programs and

Footnote continued on next page

The Commission continues to review the strategies to improve the ESA and CARE Programs in the pending IOUs' ESA and CARE Proceeding (IOUs' ESA and CARE Proceeding).[8] It is expected that the strategies we adopt in that proceeding will help guide the same programs, on much smaller scale, administered by the SMJUs.

The Commission issued Decision (D.) 12-08-044, in the pending IOUs' ESA and CARE Proceeding (Phase I Decision or D.12-08-044), but is still reviewing numerous fundamental issues concerning the ESA and CARE Programs in the IOUs' ESA and CARE Proceeding. Meanwhile, the majority of the SMJUs' budget cycle has passed. The SMJUs have been operating under bridge-funding decisions while awaiting these potential changes in their ESA and CARE Programs. The SMJUs' Applications and the requests therein since have become stale.

As part of Phase II of the IOUs' ESA and CARE Proceeding, three separate working groups have recently submitted three sets of detailed reports and recommendations on various aspects of the CARE and ESA Programs. Those reports address potential program refinements and enhancements. In the same proceeding, four separate major studies re-examining fundamental underpinnings of these programs were also recently finalized. These recent working group reports, recommendations, and study findings invariably signal additional changes to the IOUs' ESA and CARE Programs in the near future for

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portfolios in ways that would accomplish the adopted ESA Program objectives and programmatic initiative. (*Id.* at 77.)

[8] Application (A.) 11-05-017, *et al.*

the IOUs' ESA and CARE Programs. In turn, they signal potential for further changes to SMJUs' ESA and CARE Programs.

While the Phase II activities in the IOUs' ESA and CARE Proceeding are being deliberated before issuance of the Phase II decision, we are now poised to address the implications of the Phase I Decision, D.12-08-044. In this proceeding, through a workshop and comments, we have reviewed D.12-08-044 to discern how it should be applied to the SMJUs' ESA and CARE Programs at this juncture.

With the above backdrop as well as the recent legislative changes to the California Public Utilities Code,[9] we have reviewed the SMJU's Applications, as updated by the SMJUs in the filings of this proceeding.

3. Procedural History

In June and July of 2011, the SMJUs filed A.11-06-016, A.11-06-018, A.11-06-019, A.11-06-020, A.11-06-021, and A.11-07-015 (SMJUs' Consolidated Proceeding).[10] In these six applications (Applications), the SMJUs requested approximately $13,066,970 in ratepayer funds for the SMJUs' ESA Program and $48,785,574 in ratepayer funds for their CARE Program, for 2012 through 2014.[11] For the most part, the SMJUs proposed to continue their ESA programs for three years into 2012-2014 without significant changes from the previous cycle.[12]

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9 All references to the Code in this decision refer to the California Public Utilities Code, unless specified otherwise.

10 Because the six applications A.11-06-016, A.11-06-018, A.11-06-019, A.11-06-020, A.11-06-021, and A.11-07-015 are related, the assigned ALJ consolidated the applications in a ruling on September 26, 2011.

11 *See* Appendix A.

12 *Ibid.*

Each of the SMJUs requested certain levels of budget increases for the ESA and CARE Programs for the 2012-2014 cycle.[13] The Commission's Office of Ratepayer Advocates (ORA) filed a protest on July 25, 2011.

On October 6, 2011, a prehearing conference (PHC) for the SMJUs' Consolidated Proceeding was held. In the September 26, 2011 ruling by the assigned Administrative Law Judge (ALJ) and during the October 6, 2011 PHC, parties were advised that some changes to the SMJUs' ESA and CARE Programs may be in the works. Specifically, parties were informed that the Commission was in the process of reviewing several significant issues in the context of the IOUs' ESA and CARE Proceeding, which could affect the Commission's approach to the SMJUs' ESA and CARE Programs and Applications.

The ALJ informed parties that to avoid inefficiency, duplication, and inconsistency in the review of the SMJUs' Applications while some programmatic changes may be in the works for the ESA and CARE Programs, a bridge funding decision was being contemplated for the SMJUs' Consolidated Proceeding. The ALJ explained that the bridge funding decision would afford the Commission adequate time to review some critical issues affecting the ESA and CARE Programs in the IOUs' ESA and CARE Proceeding and to devise the Commission's approach to the SMJUs' Consolidated Proceeding thereafter.

During the PHC and in the filed statements, parties uniformly supported bridge-funding in order to continue the current SMJUs' ESA and CARE Programs. Meanwhile, three decisions[14] were issued in this proceeding

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[13] *Ibid.*

[14] D.11-11-009 was issued on November 10, 2011; D.12-06-023 was issued on June 21, 2012; and D.12-09-026 was issued on December 10, 2012.

authorizing bridge funding at authorized 2011 funding levels, and D.12-08-044, Phase I Decision was issued in the IOUs' ESA and CARE Proceeding. Phase II of that proceeding is still ongoing.[15]

On January 10, 2013, the SMJUs and all interested parties were directed to submit updated PHC Statements. An updated PHC Statement was filed jointly by four of the six SMJUs. In it, the SMJUs proposed a public workshop to discuss the potential implications of D.12-08-044 on the SMJUs' ESA and CARE Programs. ORA also submitted a separate updated PHC Statement expressing support for continued bridge-funding for the SMJUs through the end of 2014 to allow parties to devote their attention toward the working group activities and studies related to Phase II of the IOUs' ESA and CARE Proceeding which were further expected to reform the SMJUs' upcoming low income program cycle.

It has been more than two years since the SMJUs filed their Applications. During this time, the Commission has adopted numerous programmatic clarifications and changes to the IOUs' ESA and CARE Programs. In addition, the Commission is in the process of reviewing significant and fundamental programmatic refinements and potential changes to Phase II (and likely beyond) of the IOUs' ESA and CARE Proceeding.

A workshop was held in April 2013 on the SMJUs' 2012-2014 budget Applications and the implications of D.12-08-044 on the SMJUs' ESA and CARE Programs. On August 29, 2013, the ALJ issued a ruling seeking comments from parties on the issues that arose from and since the April 2013 workshop. The ruling solicited comments on whether the Commission should continue the

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[15] The IOUs' ESA and CARE Proceeding includes A.11-05-017, A.11-05-018, A.11-05-019, and A.11-05-020.

bridge-funding for the SMJUs while Phase II of the IOUs' ESA and CARE Proceeding was underway. The ruling also afforded parties an additional opportunity to refresh the record and to address any pending issues or concerns not previously presented. All SMJUs filed comments in support of continuing the current bridge-funding at 2011 levels through 2014 for the SMJUs' ESA and CARE Programs.[16] The SMJUs also identified several issues that require Commission direction at this time,[17] including authorization to:

(1) Offer new measures (currently offered by overlapping IOUs);

(2) Shift funds and reconcile balancing accounts to prevent over/under collection; and

(3) Adjust homes treated goals to reflect current activity.

No party submitted reply comments.

4. 2012-2014 Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets

For each program cycle, the Commission approves the ESA and CARE Programs and related budgets and directs the SMJUs' administration of those programs. We review those programs and budgets considering the parameters discussed belows.

The ultimate goal of the ESA Program is to ensure that it delivers the benefits envisioned as an energy efficiency program by the California Long-Term Energy Efficiency Strategic Plan (Strategic Plan) of yielding energy savings while also contributing to the quality of life of low income communities.[18] Even in

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[16] Appendices C and D to this decision.

[17] *Ibid.*

[18] D.08-11-031 at 2.

these challenging economic times, we remain focused and remind ourselves of the vision that the Commission adopted for the low income communities in our Strategic Plan that "By 2020, 100 percent of eligible and willing customers will have received all cost-effective [Energy Savings Assistance Program] measures."[19] This goal was also codified by the legislature, as follows:[20]

1. By 2020, all eligible customers will be given the opportunity to participate in the ESA Program.
2. The ESA Program will be an energy resource by delivering increasingly cost-effective and longer-term savings.[21]

Our goal for the CARE Program is to continue its current and successful course of providing the necessary assistance to eligible customers. Particularly during these challenging economic times, the need for the assistance and relief provided through the CARE Program is more critical now than ever. The challenge for the Commission is to make certain that the CARE Program is efficiently and effectively administered and delivered in ways that ensure that

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[19] *See* Strategic Plan (http://www.cpuc.ca.gov/NR/rdonlyres/D4321448-208C-48F9-9F62-1BBB14A8D717/0/EEStrategicPlan.pdf); see also January 2011 Update to Strategic Plan (http://www.cpuc.ca.gov/NR/rdonlyres/A54B59C2-D571-440D-9477-3363726F573A/0/CAEnergyEfficiencyStrategicPlan_Jan2011.pdf)

[20] Code § 382(e) provides, inter alia: The commission shall, by not later than December 31, 2020, ensure that all eligible low-income electricity and gas customers are given the opportunity to participate in low-income energy efficiency programs, including customers occupying apartments or similar multiunit residential structures. The commission and electrical corporations and gas corporations shall make all reasonable efforts to coordinate ratepayer-funded programs with other energy conservation and efficiency programs and to obtain additional federal funding to support actions undertaken pursuant to this subdivision.

[21] *Id.* at 1.

the benefits (CARE discount rates) are delivered to the maximum number of eligible households.[22]

We acknowledge and commend the SMJUs for having increased the CARE Program penetration rates in recent years across the state, as directed in D.08-12-019.[23] Despite the challenges faced as single fuel utilities, the SMJUs have made marked improvements in their SMJUs' ESA Programs. We therefore direct the SMJUs to continue those past efforts and maintain the progress made to date.

Despite the progress made by the SMJUs, there is room to further improve their programs. We challenge the SMJUs to continually examine the programs to innovate and employ program enhancements and refinements and learn from other utilities' best practices and past practices to cost-effectively increase the penetration rates. For instance, continuously reexamining, reevaluating, and updating the measure offerings, delivery approaches and outreach efforts could help better meet the needs of the low income communities in the SMJUs' territories and cost-effectively increase the penetration rates. Similarly, reexamining, tailoring, and refining outreach efforts may also increase and effectively target and reach more low income households in the SMJUs' territories, as has shown to be the case in the IOUs' territories.

With the foregoing backdrop, we have reviewed the SMJU's Applications, as updated by the SMJUs in the filings of this proceeding. Based thereon and as

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22 In this decision, the terms household and home (or dwelling unit or unit) may be used interchangeably, as the program enabling terms provide eligibility based on household-based criteria and the actual measures are delivered to homes, dwelling units or units.

23 D.08-12-019 at 27.

discussed below, we set forth the below directives for those programs and related budgets for the remainder of the 2012-2014 program cycle.

4.1. Energy Savings Assistance Program

Each of the SMJUs, excluding West Coast, offers ESA Program services to qualified households. West Coast serves natural gas customers at Mather Air Force Base and does not offer the ESA Program services due to the relatively new housing stock in their service territory.[24] The SMJUs have significantly smaller ESA Programs and budgets in comparison to the IOUs in California and much smaller customer bases from which to recover program costs. Historically, the SMJUs have had far fewer ESA Program reporting requirements than their IOU counterparts due to their program budgets, size, and staffing resource limitations.

In the Applications for the 2012-2014 program cycle, the SMJUs, excluding Southwest Gas, projected a steady pace of treating homes, as shown in Table 1 below.

Table 1
2012-2014 Homes Treated Projections

UTILITY	2012	2013	2014	Cycle Total
Alpine	22	22	22	66
Bear Valley	212	212	212	636
PacifiCorp	500	500	500	1,500
CalPeco	220	220	220	660
Southwest	3,479	3,900	4,366	11,745
TOTAL	**4,433**	**4,854**	**5,320**	**14,607**

Source: SMJUs' 2012-2014 Budget Applications

[24] West Coast's 2012-2014 ESA and CARE Programs and Budget Application at 2.

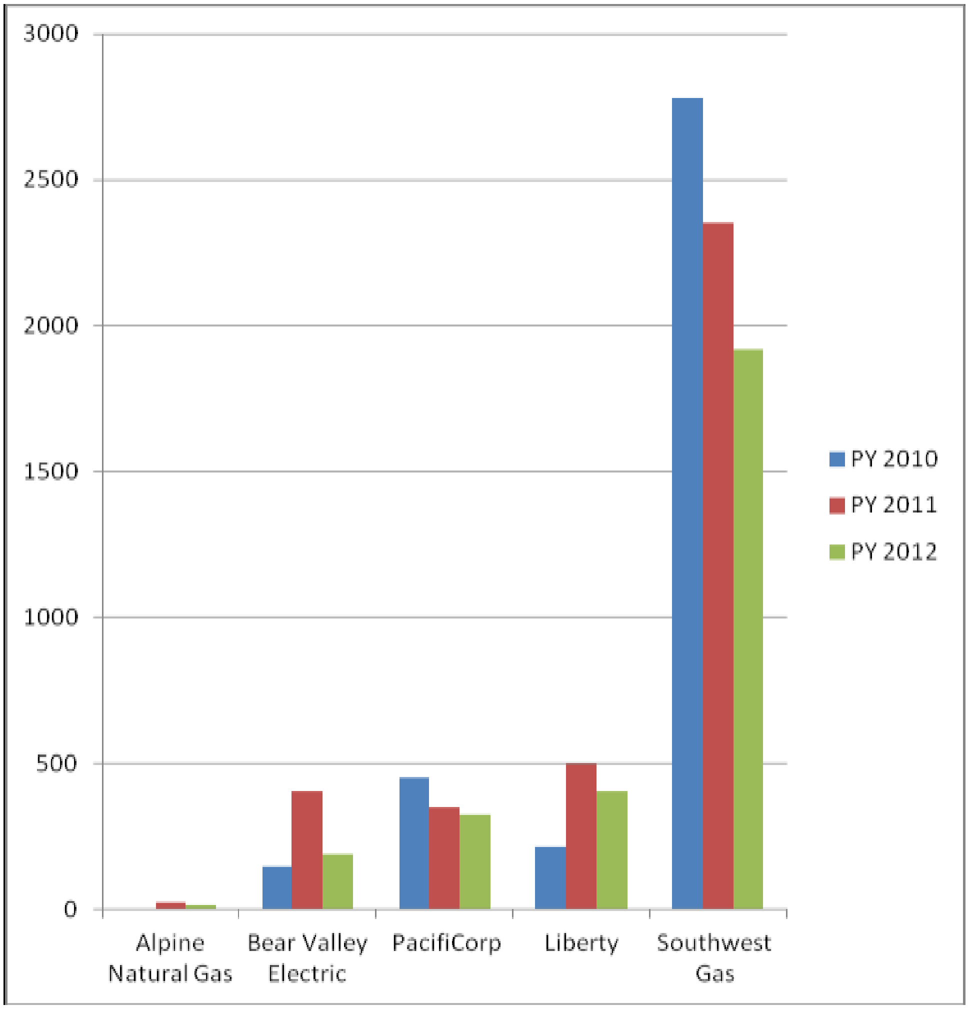
Table 2 below illustrates the number of actual homes treated by the SMJUs' in their ESA Programs from 2010 through 2012. During 2012 and after, the SMJUs' homes treated figures have declined. Figures show that only approximately 60 percent of the homes projected to be treated during that period were actually treated.

The SMJUs' homes treated projections for those years anticipated the Commission's approval of several proposed measures in their pending Applications. Some of the SMJUs contend that the decisions to provide bridge-funding, which delayed the review and approval of those measures they were hoping to offer in 2012, 2013, and 2014 in their ESA Programs, contributed in part to the decline in the homes treated figures during the past two years because they were unable to offer the proposed measures.

Southwest Gas's comments[25] explained that the authorization to offer the proposed program measures could have impacted the number of eligible homes, particularly for single fuel utilities in overlapping service territories.

[25] Approval of these additional measures could potentially reduce the number of homes currently deemed ineligible under the "modified three measure minimum" standards as well as assist in reducing the energy burden for participating customers and improve annual energy savings.

Table 2 – Homes Treated in the ESA Program within the SMJUs' Territories 2010-2012



In its protest, ORA notes that the SMJUs' homes treated and savings projections appear to be declining and also notes, in turn, that the SMJUs' benefits per household are projected to decline. ORA acknowledges that although the smaller utilities may not have achieved the aggressive goals set in D.08-11-031 for the large IOUs, the overall increase in dwellings served by the SMJUs was significant.[26]

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[26] ORA's Protest at 3.

Bear Valley is the only SMJU that filed a response to ORA's protest. Bear Valley indicates that it revised its energy savings estimates with the updated values from the Final Impact Evaluation Report which was made available after it filed its budget application for the 2012-2014 cycle. As a result of updating the draft estimates to the final values, Bear Valley notes its average energy savings per treated home listed increased from 610 kilowatt-hours (kWh) to 657 kWh, which would mean the overall energy savings figure for Bear Valley increased by a notable margin.[27] We recognize that perhaps similar increases in other SMJUs' energy savings figures can be inferred, with replacement of the energy savings estimates from the draft report with the values from the Final Impact Evaluation Report.

In its protest, ORA also indicated that it planned to examine both the performance of the SMJUs' current ESA Programs compared to the authorized plans, as well as the proposed ESA program.[28] To date, ORA has not provided or presented such analysis as part of this proceeding.

In their 2012-2014 Applications, the SMJUs have expressed interest in updating their proposed program goals, budgets, measure offerings, and applicable surcharges to mitigate some of these concerns going forward.

With this context, this decision addresses the following ESA Program issues:

- Approved Budgets
- Penetration Goals and Strategies
- Additional Approval of Measures

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27 Bear Valley's Reply to ORA's Protest at 8.

28 ORA's Protest at 3.

- Annual Adjustments to the PPP Surcharges
- Statewide Policy and Procedures (P&P) and Installation Standards[29] (IS) Manuals Use
- Leveraging and Coordinating
- Miscellaneous Issues and Clarifications

4.1.1. Approved ESA Program Budget

The SMJUs' 2012-2014 Applications collectively proposed ESA Program budgets that were approximately seven percent higher than the adopted program budgets for the 2009-2011 program cycle. Collectively, the SMJUs' projected dollars per home for the 2012-2014 program cycle to be approximately $900 per home. This figure is generally consistent with costs in the larger IOUs' territories which are equivalent to approximately $1,000.

With a substantial portion of the program cycle having passed and the overall reduction in the number of homes treated in this cycle to date, the SMJUs no longer require the proposed increased ESA Program budgets requested in the Applications. Instead, the SMJUs project that continued funding at the 2011 level will fully fund the SMJUs' ESA Programs for the remainder of the current 2012-2014 program cycle.

Because fewer homes have been treated during the bridge-funding period, some SMJUs report that the ESA PPP surcharge is being over-collected at this time. At the present pace, the SMJUs are confident that the current authorized bridge-funding at the 2011 funding levels for the ESA Program has been, and is, anticipated to be more than sufficient for the SMJUs to complete the ESA Program through the remainder of the 2012-2014 cycle.

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[29] The Installation Standards Manual was formerly referred to as the Weatherization Installation Standards Manual.

The SMJUs' updated proposed program and budget approach and continued funding at the 2011 level are reasonable under the circumstances. This decision therefore authorizes continued funding of the SMJUs' ESA Programs at 2011 levels as outlined in D.12-09-026 and as summarized in Appendix D – SMJUs' Monthly Budget Summary through 2014.

4.1.2. Penetration Goals and Strategies

The Commission's goals for the ESA Program, as outlined in D.07-12-051 and the Strategic Plan, are that: "By 2020, 100% of eligible and willing customers will have received all cost effective Low-income Energy Efficiency measures." In D.07-12-051 and the Strategic Plan, we stated:

> The Commission also recognized that the Strategic Plan, which was updated in January 2011 and was formally referred to as the *California Energy Efficiency Strategic Plan*, may not be practical for the SMJU's to implement due to the small size and geographic scope.[30]

Both Alpine and Southwest Gas remind us of this in this proceeding, as we approach the final two program cycles before 2020, noting the difficulties that the SMJUs are experiencing with reaching the 2020 goal of treating the "100 percent of eligible and willing customers" with the ESA Program within their territories. As illustrated in Table 2 above, the SMJUs have all made some strides in their respective territories in treating homes, but they are struggling. Some have even experienced decline in their number of treated homes in the past year.[31]

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[30] D.07-12-051 and the Strategic Plan.

[31] Some of the SMJUs request approval of additional measures to help them increase the penetration rate; and as discussed in section 3.1.7 of this decision, those proposed additional measures are approved.

In addition, we are aware that the ultimate ESA Program penetration goal is to reach "100 percent of eligible and willing customers" which is different than reaching all eligible customers. We modified our CARE Program penetration goal from 100 to 90 percent of eligible customers, discounting for potentially unwilling customers, and we believe this rationale and approach should apply to the ESA Program and penetration goal. We have learned from the past findings of the KEMA Report that a CARE penetration goal of 100 percent might not be attainable.[32] One of the many challenges of reaching 100 percent of CARE eligible customers is in identifying and reaching certain unique pockets of customers. Language, cultural barriers, and distrust are all factors contributing to this challenge. In addition, customers with a low energy burden seem less incentivized to enroll in the CARE or ESA Programs even if they are eligible because they do not benefit significantly by participating in the programs. KEMA's Report found that approximately 10 percent of the eligible customers, for the foregoing and other reasons, may be either "unwilling" or "unlikely" to participate in the CARE Program.[33] In our experience, both the CARE and ESA Programs experience similar patterns of challenges in efforts to reach 100 percent of the eligible and willing customers. In addition to all the challenges SMJUs face, these challenges cannot be ignored, and the unwillingness factor, including those "unlikely" to participate, has to be acknowledged.

Moreover, while we know the number of households that have received ESA Program services (*see* Table 3 below), we do not have an estimate of how

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[32] Keuring van Elektrotechnische Materialen te Arnhem (KEMA) Report, at 7-20.

[33] A.08-06-031 *et al.*

many eligible households in the SMJUs' territories still need the ESA Program services in order to reach 100 percent of the eligible and willing customers.

Table 3
Summary of Annual ESA Program Participation by SMJU (2003-2011)[34]

	Alpine Natural Gas	Bear Valley Electric	PacifiCorp	Sierra Pacific	Southwest Gas	West Coast Gas
2003	n/a	n/a	92	160	843	n/a
2004	14	65	15	119	913	n/a
2005	16	85	70	119	738	n/a
2006	Not available	6	29	84	798	n/a
2007	45*	70	81	150	Not available	n/a
2008	54*	105*	90*	115*	Not available	n/a
2009	Not available	163*	110*	125*	Not available	n/a
2010	Not available	163*	115*	140*	Not available	n/a
2011	Not available	163*	120*	150*	Not available	n/a

* Participation projections from program applications.
n/a=The ESA programs for Alpine Natural Gas and Bear Valley Electric were not in effect until 2004. West Coast Gas does not offer the ESA program.

To estimate the number of remaining eligible and willing low income households in the SMJUs' territories and to devise the SMJUS' strategies and goals of reaching 100 percent of the eligible and willing ESA households in the SMJUs' territories, the SMJUs should gather and include in their future annual reports each of the following variables, starting with the next annual report:

(1) Number of homes treated each year, with ESA Program services, starting from 2002 to and including the current program year;

(2) An estimate of the number of remaining homes to be treated, with ESA Program services, specifically, over the next two program cycles leading up to 2020; and

(3) Identify all willingness to participate factors being used for your utility and any other factors or barriers taken into consideration.

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34 Low Income Needs Assessment Report. Vol. 2, at 4-7 (http://www.energydataweb.com/cpucFiles/pdaDocs/996/ESA%20CARE%20LI%20Needs%20Assessment%20Draft%20Report%20-%20Volume%202%20-%2011-25-13.docx).

Moreover, as we discuss this issue in Section 4.3.3. of this decision, we approve Alpine's proposal to: 1) begin tracking the reasons why customers choose not to participate in the ESA Program; and 2) send a follow-up letter to the ESA Program participants to encourage continued energy savings. Tracking the reasons for customers' unwillingness to participate will be helpful to better understand the low income population in the SMJUs' territories and to better assist them through the program. Furthermore, reminding customers to practice energy-saving methods in their home will help achieve additional energy savings.

Moving forward, the SMJUs' homes treated goals should be accelerated and adjusted each cycle based on the above data, as they are updated with the ultimate goal of reaching 100 percent of eligible and willing households by 2020, as ordered in Public Utilities Code Section 382(e). To maximize the ESA Program, dollars are available to support the accelerated and increased ESA Program penetration rate. The SMJUs are further directed to:

(1) Cost effectively review and administer the ESA Program to best stretch the ESA Program dollars. For instance, each SMJU should review individual average cost per home data as there is significant disparity in this area ranging from approximately $263 for Liberty – and $2,120 for PacifiCorp which are both single fuel "electric" service providers servicing CEC climate zone 16;

(2) Deliver effective marketing, education and outreach strategies that properly screen for all eligible measures (including those newly approved) in areas that overlap with other SMJUs or IOUs; and

(3) Ensure effective coordination with the Low Income Home Energy Assistance Program (LIHEAP) to treat single fueled SMJU customers and supplement measures not offered in ESA.

We do not set a hard ESA Program penetration rate target for the remainder of this cycle. Instead, we direct the SMJUs to continue all efforts to increase the ESA Program penetration rate, while strategizing and tracking the eligible and willing households and the reasons for customers' unwillingness to participate in the ESA Program, as discussed in Section 4.3.3 of this decision. We direct the SMJUs to begin strategizing ways to significantly increase the ESA Program penetration rate in the next cycle and propose the strategies and plans in the SMJUs' applications for the next cycle.

Finally, an updated Low Income Needs Assessment Study (Study) has recently been released in the IOUs' ESA and CARE Proceeding. The study includes a statewide analysis of current data reflecting the remaining eligible population and other potentially informative study findings and results that may be applicable to the SMJUs' territories. The SMJUs are directed to review that Study and incorporate all study findings and results applicable to the SMJUs in their strategies and plans in the applications for the next cycle that would increase the ESA Program penetration rate.

4.1.3. New Approved Measures

This decision approves all new measures proposed by the SMJUs as long as they are reflected in the P&P Manual (Table 5-1) for the requested housing types and climate zones, as follows:

(1) High efficiency clothes washers;

(2) Furnace clean and tune measure;

(3) Forced air unit standing pilot light conversions;

(4) Thermostatic shower valves;

(5) Replacement of Pre-1999 refrigerators; and

(6) Surge protectors including Smart strips.

These additional approved measures should help increase the number of homes treated by the SMJUs. Going forward, the SMJUs are also authorized to seek updates (add or delete) to their measure mixes through the remainder of 2014 by submitting a Tier 2 Advice Letter seeking Commission authorization. The advice letter must provide detailed justification for introducing or deleting a measure from the measure mix. This additional flexibility should allow the SMJUs to timely update the measures to best serve the ESA Program eligible communities and to continue to increase the ESA Program penetration levels.

We encourage the SMJUs to explore ways to expeditiously deploy all cost-effective measures that address the drought emergency declared by Governor Brown in early 2014. This includes measures that save water and address the water-energy nexus[35] such as High Efficiency Clothes Washers, Thermostatic Shower Valves or other similar measures, so long as they are cost-effective measures.

4.1.4. Annual Adjustments to the PPP Surcharges

Several of the SMJUs have experienced either budget shortages or surpluses during the 2009-2011 program cycle. ORA raises a valid concern surrounding over and under collection of ratepayer dollars for the purpose of administering these programs.

In 2010, Alpine collected $29,051 of $40,975 authorized and still carried over 28 percent of its 2010 program budget into 2011. On April 20, 2011,

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[35] The water-energy nexus involves measures or actions that simultaneously save water and energy. The Commission has explored the water-energy nexus issue through several avenues, including Rulemaking (R.) 13-12-011, R.09-11-014, R.06-04-010 and the Commission's Water Action Plan.

PacifiCorp filed Advice Letter 438-E to temporarily suspend collection of the low-income portion of the PPP Surcharge which funds the ESA Program.[36]

Southwest Gas has also experienced over collection and proposes an adjusted budget for 2011 that is achievable and should eliminate future carry-over. Southwest Gas also requests permission to adopt the 2011 Utility Estimated budget amount to eliminate a nearly $2 million carry-over to 2012. Southwest Gas anticipates spending all of the proposed budgeted funds for program years 2012 - 2014.

As for Southwest Gas, it may utilize the existing fund-shifting mechanism we authorize in Section 4.3.1. of this decision to appropriately adjust and resolve prior program cycle over collection concerns.

To prevent future recurrences of over and/or under collection of ratepayer dollars and resulting surcharge suspensions and/or credits, the Commission directs the SMJUs to spend ESA Program carry-over funds granted for one year in the subsequent year and file an advice letter to adjust their surcharge annually to account for any carryovers.

These directives and authorizations have been provided to the SMJUs.[37] This decision confirms and clarifies those prior directives and authorizations that, going forward, all of the SMJUs must effectively manage any potential over and under collections.

In short, the SMJUs must seek annual adjustments to the PPP surcharge by submitting an advice letter to adjust ESA surcharges to reflect current activity and minimize the occurrence of under and over collection of ratepayers funds as

[36] PacifiCorp budget application at 11.

[37] D.08-12-019, Ordering Paragraph 22.

previously directed in D.08-12-019.[38] The initial advice letter must be filed within 60 days of this decision. Subsequent PPP surcharge adjustment advice letters, if any, must be filed annually by October 31 with a requested effective date of January 1 of the following year.

4.1.5. Statewide Policy and Procedures and Installation Standards Manuals

In its application,[39] Alpine expressed a concern that the SMJUs may not be able to follow the exact policies and standards set forth in the P&P and IS Manuals as the IOUs going forward for program years 2012-2014. Alpine opines that the IOUs' ESA Programs are developing into IOU-tailored programs, rather than statewide standardized programs. Alpine therefore suggests that the statewide P&P and IS Manuals are, likewise, becoming more tailored to IOUs. Alpine requests that the Commission provide guidance and direction to the SMJUs for the use of these manuals in the future.

In addition, the SMJUs explained that some of the SMJUs currently follow the 2010 version of the P&P Manual that is currently utilized by the IOUs,[40] while some other SMJUs still follow an outdated 2006 version of the P&P Manual.

We recognize that the SMJUs may experience some circumstances that make it infeasible to strictly follow the P&P and the IS Manuals. That is why we have and will continue to allow the SMJUs some flexibility in complying with these manuals. However, consistent statewide standards are valuable for the

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38 *Ibid*.

39 Alpine's Application at 13.

40 Assigned Commissioner and ALJ Ruling dated August 31, 2010 in IOUs' ESA and CARE Proceeding Docket, A.11-05-017 *et al*.: http://liob.org/resultsqv.cfm?doctypes=9

integrity and longevity of these programs. We therefore direct the SMJUs to make all good faith and reasonable efforts to comply with these manuals, to the extent practicable.

We also note that these manuals are constantly evolving and being updated. Thus, the SMJUs must follow and adapt to the updates as they occur. At this time, in the IOUs' ESA and CARE Proceeding, as part of Phase II of that proceeding, a mid-cycle working group has been charged with the task of reviewing, *inter alia*: (1) IS Manual Updates; and (2) P&P Manual Updates. That working group has developed a set of updates to these manuals which the SMJUs must examine to determine how they should be applied to the SMJUs and make all good faith and reasonable efforts to comply with the updated manuals, to the extent practicable.

4.1.6. Coordination and Leveraging

For the purposes of these programs, leveraging is defined as coordination between the utilities, community based organizations (CBOs), contractors, and other entities involved in program delivery. ORA urges that the SMJUs' proposals should be keenly focused on leveraging since they contract with LIHEAP contractors to deliver ESA programs.

The SMJUs address ESA Program leveraging in their Applications, except West Coast because West Coast only offers the CARE Program. The ESA Program is not offered by West Coast since the homes it services are compliant with the standards and requirements set forth in Title 24 of the California Code of Regulations. The remaining SMJUs identify CBOs, contractors, and other utilities as parties with which they already conduct active leveraging activities.

Southwest Gas plans to continue to strengthen its relationship with statewide and local organizations in its ongoing effort to identify leveraging opportunities. Southwest Gas currently meets regularly with the large IOUs to share best practices and streamline processes for their low income programs. Southwest Gas also holds similar discussions with other SMJUs. Southwest Gas acknowledges its collaborations with other utilities have proven to be beneficial. Southwest Gas therefore intends to continue to participate in these collaborative efforts to further enhance and incorporate changes that may prove beneficial to its own low income program outreach practices.

Bear Valley works with Southwest Gas to coordinate installations of both electric and gas measures for their overlapping customers. Both utilities utilize the services of the San Bernardino Community Action Program (SBCAP) to implement their respective ESA Programs. In addition, the SBCAP leverages non-ratepayer monies to provide other measures and services to Bear Valley customers.

On behalf of CalPeco, Richard Heath & Associates (RHA) will continue to conduct the administration services of the ESA Program. These services will include oversight of outreach and assessment, scheduling, installation, education, and assistance in the reporting of the program results. RHA will best ensure that customers receive all feasible and cost-effective measures, and will facilitate communication between the utilities. They will also provide any necessary technical consulting. CalPeco has also contracted Corona Consulting to provide data tracking and aggregation services under its Track-It-Fast System for the purpose of data sharing with Southwest Gas.

The SMJUs must continue all current leveraging activities. The SMJUs should continue to explore additional ways to leverage going forward. The SMJUs' leveraging approach must include coordination and leveraging with overlapping IOUs, CBOs, and the Community Services and Development

Department (CSD) to increase consistency and efficiency and minimize duplication, wherever possible.[41]

4.1.7. Miscellaneous Program Issues

4.1.7.1. Program Challenges

Del Norte Senior Center: PacifiCorp anticipated that the Del Norte Senior Center would provide energy efficiency services to 150 of the 500 homes projected for PY 2011 prior to its closure which was due to an investigation into alleged misuse of funds. PacifiCorp has been coordinating with CSD with respect to invoices from this provider and is contracting with Redwood Community Action Agency (RCAA) to provide energy services in the interim. PacifiCorp is monitoring all of the activities and is in regular contact with RCAA to ensure customers receive energy efficiency services through the ESA Program.

Invariably, these unforeseen challenges will affect PacifiCorp's ability to reach the optimal number of households with the ESA Program funds during the current program years 2012-2014. However, in an effort to increase penetration for 2011 and program years 2012-2014, PacifiCorp has been exploring ways to provide energy efficiency services to customers to supplement the work that the two CBOs had been performing. Currently, PacifiCorp contends it pays 50 percent of the cost to weatherize a home until the CBO runs out of their annual federal funding allocation, then PacifiCorp pays 100 percent of the costs. Thus, with its limited service territory in California and limited resources, PacifiCorp lists these as some of its significant challenges.

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[41] SMJUs are also encouraged to explore ways to leverage with LifeLine carriers, Tribal Governments and organizations, and others similar organizations.

Single Fuel SMJUs' Continuing Concerns: PacifiCorp and CalPeco, as single fuel SMJUs, identified various challenges that they experience with the ESA Program rules and contractor coordination. For instance, CalPeco contends that, as an electric SMJU, it is difficult to identify the number of homes that might receive the ESA Program weatherization measures under the current ESA Program rules. At the core is the distinction between "treated" home and a "weatherized" home.

A majority of homes in CalPeco's service territory rely on either natural gas or propane. In the case of PacifiCorp, there is no natural gas service provider in its California service territory. The majority of PacifiCorp's customers heat their homes with propane. For these utilities, the Commission rules do not allow electric SMJUs that provide electric efficiency measures in partnership with a gas SMJU to include these homes as being "weatherized." In that instance, California Pacific Electric Company (CalPeco) has treated the home, but CalPeco cannot count that home as weatherized. CalPeco therefore is at a distinct disadvantage that results in a disproportionate smaller total number of completed "weatherized" homes, despite having treated far more than the number of weatherized homes shown in their compliance reports.

Non-electric Heated Homes: CalPeco claims it experiences difficulties providing weatherization measures to homes that do not use electric heating. As these customers use natural gas or propane, CalPeco does not provide the primary heating fuel. In those instances, CalPeco still provides these homes with non-weatherization energy efficiency measures in the same manner as homes heated with electricity. PacifiCorp also presents some unique circumstances which should be acknowledged. For instance, in PacifiCorp's service territory, there are no gas and electric IOUs with overlapping service territories to leverage with thus their leveraging opportunities are severely hampered. These program delivery challenges will require additional attention moving forward to understand whether alternative, more customized, measures are needed to ensure Strategic Plan goals are met.

Potential Contractor Conflict: ORA contends Alpine uses the same contractor to deliver ESA services and perform inspections which is not permitted in the ESA Programs. What we know, RHA partners with Alpine and Pacific Gas and Electric Company (PG&E) within Alpine's service area, which allows the utilities to jointly operate the ESA Program.

4.1.7.2. Guidance on Program Challenges

As a general rule, if the SMJUs experience challenges in their ESA Programs, they must first make a good faith attempt to find ways to comply with the rules. Only thereafter, can they seek an exception to applicable rules by the Commission by demonstrating necessary justifications.

We are keenly aware of the above noted challenges faced by the SMJUs. Despite these challenges, the SMJUs have found ways to demonstrate tremendous progress and contributions to the ESA and CARE Programs in the years past. We have consistently allowed for more exceptions and flexibilities for the SMJUs to comply with the ESA and CARE rules, when needed. We will continue to do so, as we move forward. To the extent that the SMJUs are able to identify potential methods of overcoming or otherwise mitigating the effects of their challenges, the SMJUs should present them as part of their next cycle applications for the Commission's review. The SMJUs are directed to explore ways and implement methods to increase their homes treated targets, while we continue to review the challenges they face and allow for variances when they are reasonably justified.

At this time, the SMJUs are directed to apply the SMJUs' specific low income needs assessment results in the Low Income Needs Assessment Study[42] (Study) in the IOUs' ESA and CARE Proceeding, to verify and/or update the actual number of remaining eligible households for both the CARE and ESA Programs in the SMJUs' territories. This Study is intended to inform the Commission and all utilities, large and small, about the households previously served as well as those that remain eligible for low income programs throughout California. Based on the SMJUs' review of the Study and the SMJUs' implementation experiences, the SMJUs may explore options to alternatively request exceptions to certain program rules to allow treatment of more households or modify their "homes treated" projections, if it is determined that fewer customers are eligible for the ESA Program in the SMJUs' territories.

In addition, we provide the following clarification to D.08-12-019, footnote 9. A treated home receives the greater number of services: weatherization, energy assessment/audit, energy education, appliance replacement, and compact fluorescent light bulbs or other energy-efficient lighting such as Light Emitting Diodes. A weatherized home receives only ceiling attic/insulation, weather stripping, caulking, low-flow showerheads, water heater blankets, and building envelope repairs that reduce infiltration.

As for ORA's concern regarding Alpine's use of the same contractor to deliver ESA services and to perform inspections, we share ORA's concern. However, RHA's use of sub-contractors adequately minimizes potential conflict here while promoting efficiency. This partnering and contracting are done to

[42] In D.12-08-044, the Commission ordered a Low Income Needs Assessment Study to be prepared in the IOUs' ESA and CARE Proceeding.

ensure efficiency and to delivery all feasible electric and gas measures available to each and every customer. This approach by the utilities also results in economies of scale with program outreach efforts and administration fees because efforts are streamlined and not duplicated.

Alpine contracts with RHA to conduct post-installation inspections for feasible measures installed in all of its service area. All ceiling and furnace repair/replacement jobs are inspected and random verifications are conducted for a sample of dwelling units. Sample sizes depend on the contractor's pass rates and the total number of units assisted by the contractor, as outlined in the P&P Manual.

To avoid and minimize potential conflict, Alpine uses sub-contractors with respect to installation and inspection of work. We agree with ORA that contractors should not be permitted to inspect their own work. We believe the use of sub-contractors by RHA minimizes potential conflict concern here, but we emphasize that the sub-contractors should be qualified inspectors and perform their inspection to ensure program quality standards are met. Complaints about lack of inspection quality or holding the contractor to the appropriate standard may be submitted to the Commission and will be given prompt attention as inspections are key to the quality of service delivery.

4.2. California Alternate Rates for Energy

Below, we address the implications of D.12-08-044 for the SMJUs' CARE Programs. As detailed in the following sections of this decision:

- Authorizes continued funding of the SMJUs' CARE Programs at 2011 levels;
- Retains the 90 percent CARE penetration goal for all SMJUs;
- Authorizes a CARE capitation fee increase from $12 to up to $20 per enrollment, consistent with D.12-08-044, to compensate the CBOs that may encounter unique

circumstances such as extended commutes to reach and enroll customers in the rural areas of the SMJUs' territories;

- Authorizes annual adjustments to the PPP surcharge via advice letter to adjust CARE surcharges to reflect current activity and minimize the occurrence of under and over collection of ratepayers funds as previously directed in D.08-12-019, Ordering Paragraph 22;
- Maintains status quo on the issues of post enrollment verification, and categorical enrollment until each of these issues is fully tested and vetted in the IOUs' ESA and CARE Proceeding; and
- Establishes high usage customer rules and directs electric SMJUs to comply with California Public Utilities Code Section 739.1(h) 1-3.

4.2.1. Approved CARE Program Budgets

The SMJUs' 2012-2014 Applications collectively proposed CARE Program budgets over 20 percent higher than the adopted collective program budgets for the previous program cycle. However, with a substantial portion of the program cycle having passed, the actual CARE budgets over the bridge funding period, 2012 until now, suggest the proposed CARE Program budget increase has proven to be unnecessary. Instead, the SMJUs are confident that the current authorized bridge funding at the 2011 funding levels for the ESA Program has been and is anticipated to be more than sufficient for the SMJUs to complete the CARE Program through the remainder of the 2012-2014 cycle. We agree with this assessment.

The SMJUs' updated proposed program and budget approach and continued funding at the 2011 level are reasonable under the circumstances. This decision therefore authorizes continued funding of the SMJUs' CARE Programs at 2011 levels as outlined in D.12-09-026 and as summarized in Appendix D – SMJUs' Monthly Budget Summary through 2014.

4.2.2. Penetration Goals and Strategies

By 2008, West Coast and Alpine had identified and enrolled most, if not all, of the low income customers in their territories in the CARE Program, with the expectation of adding a handful of new enrollees each year from 2009-2011. We recognized that West Coast and Alpine are both extremely small utilities, with estimates of less than 100 low income customers in their respective territories. These two SMJUs were hovering at 100 percent penetration rate or just below, at the start of the last program cycle. Meanwhile, the other four SMJUs' CARE penetration levels were significantly lower for the same period.

In our last decision in the SMJUs' ESA and CARE Proceeding, D.08-12-019, we recognized that some of the SMJUs are experiencing some struggles with CARE Program "penetration levels – *i.e.,* numbers of customers served."[43] Thus, in D.08-12-019, instead of a 100 percent CARE penetration goal, we established a CARE penetration "goal for CARE enrollment of 90 percent of eligible customers" for the SMJUs. This 90 percent CARE penetration goal is also consistent with "the 90 percent CARE penetration target" we recently set for the large IOUs, in D.12-08-044.[44]

Our rationale underlying the 90 percent penetration goal stems from the past findings of the KEMA Report which found that particularly for the large IOUs with large territories and mix of demographics, a CARE penetration goal of 100 percent might not be attainable.[45] For the large IOUs, the difficulty arises in identifying and reaching certain unique pockets of customers such as customers

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[43] D.12-08-19 at 26.

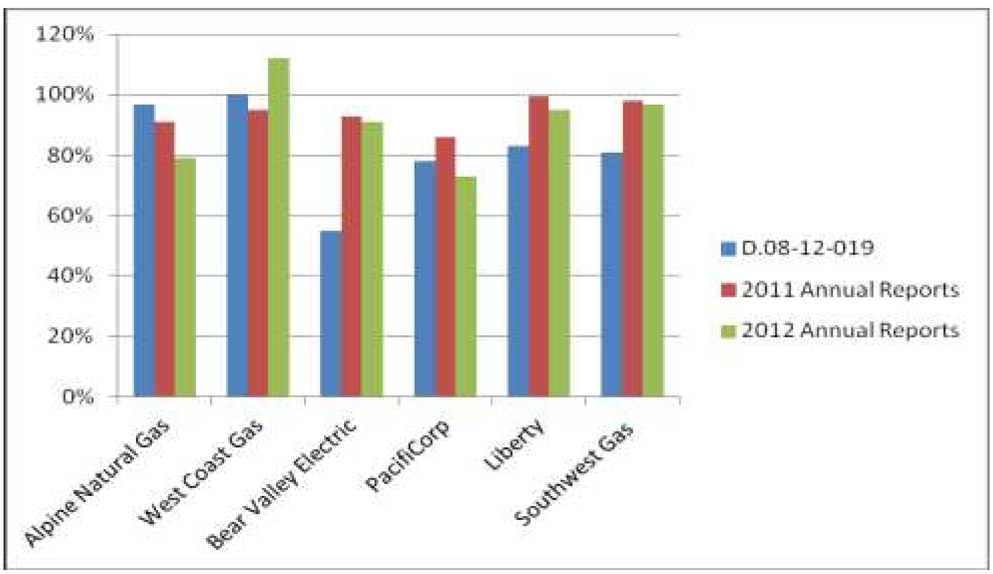
[44] D.12-08-044 at 15.

[45] KEMA Report at 7-20.

with a low energy burden who do not benefit much by participating in the program and 10 percent of the customers who are simply "unwilling" or "unlikely" to participate in CARE.[46]

Table 4 below illustrates the SMJUs' CARE Program penetration levels between 2010 and 2012 showing the continuing progress the SMJUs are making. In response to our directives in D.08-12-019, the SMJUs rose to the challenge and goal of reaching 90 percent of CARE eligible customers. Collectively, the SMJUs have achieved the CARE penetration rate of approximately 93 percent during 2012.

Table 4 – SMJUs' CARE Program Penetration Levels From 2010-2012[47]



[46] A.08-06-031, *et al.*

[47] D.08-12-019 and SMJUs' Annual Reports for Program Years 2011 & 2012. PacifiCorp's current penetration level may be slightly lower than 86 percent as a result of the impact of D.11-11-009 which increased the income guidelines for PacifiCorp, Alpine, and West Coast from 175 percent to 200 percent of Federal Poverty Guidelines. As a result of this change the eligible population in PacifiCorp's service territory increased from 34 percent to 39 percent according to PacifiCorp's annual report filed May 2011.

Today, we recognize that the SMJUs will likely continue to experience similar difficulties in reaching 100 percent of the low income customers in their respective territories and those difficulties may even be further hampered by the SMJUs' limited resources. Therefore, we continue to find that it is unrealistic to set a goal of 100 percent CARE penetration rate for the SMJUs, and that 90 percent is a far more realistic and reasonable goal for the SMJUs.

This goal also recognizes that the CARE administrative budgets for the SMJUs are very small. Some SMJUs (e.g. Bear Valley) fund most of the CARE administration costs out of general rates and have no dedicated CARE outreach funding. This 90 percent goal also recognizes that the higher the penetration goal, the more difficult it is for a SMJU to reach, since the universe of unserved customers for the SMJUs is so small. Nonetheless, each unserved CARE customer suffers hardship. This decision and the 90 percent goal strive to minimize such hardship as much as practicable.

We have monitored the SMJUs' annual reports to know that the SMJUs have all made remarkable increases in their penetration rates during the last program cycle and are continuing to raise those figures. It is evident from the CARE penetration chart (Table 4, above) that the SMJUs have been effective to date in reaching and retaining eligible customers in their respective CARE Programs.

Alpine and West Coast continue to meet or exceed the statewide penetration goal of 90 percent. Bear Valley, CalPeco, and Southwest have reached and maintained the 90 percent goal during the 2009-2011 program cycle. Although PacifiCorp struggled to reach the statewide goal of 90 percent, it did make some significant strides increasing its CARE penetration from 78 – 86 percent since the end of the last program cycle.

These are significant accomplishments, and we direct the SMJUs to continue all of the current efforts to continue this momentum during the remainder of the 2012-2014 program cycle. We therefore retain the general 90 percent CARE penetration goal for all SMJUs who have not yet reached that goal, consistent and in alignment with prior Commission decisions, including D.12-08-044 in the IOUs' ESA and CARE Proceeding, and for those SMJUs that are already above the 90 percent penetration rate, the goal for those SMJUs is that they must maintain or exceed their current penetration rate.

4.2.3. Capitation Fee

The Commission has authorized the IOUs and the SMJUs to pay a capitation fee to participating CBOs for each new customer that is provided assistance and is enrolled in the CARE Program through the CBO assisted process. Generally, the capitation fee also encourages partnerships between the utilities and the CBOs to reach, enroll, and retain those customers that are harder to reach through the utilities' traditional outreach channels due to language, cultural, or other barriers.

In this proceeding, Southwest Gas proposed an increase in the CARE capitation fee from $12 to $15 in order to continue to effectively incentivize its CBOs to offer the CARE Program during the ESA Program outreach. Ordering Paragraph 105 of D.12-08-044 authorized an "increase in the capitation fee from 'up to $15.00' to 'up to $20.00'" for each new CARE Program enrollment for program year 2012-2014 for the large IOUs. Our intent there was to allow the IOUs an additional tool and flexibility with a higher capitation fee, when appropriate, to properly incentivize CBOs to fill outreach gaps in CARE enrollment.

Here, as in the IOUs' ESA and CARE Proceeding, similar flexibility should be afforded to the SMJUs toward meeting the directed penetration rate. The "up to $20.00" would mean that the utilities would have the discretion to determine reasonable and appropriate levels of capitation fees up to that maximum figure. Thus, the SMJUs' capitation fee is increased to up to $20 per enrollment. This increase is reasonable and justified due to rising costs of labor, fuel, postage, use of internet and "app" resources, and other materials that are essential to soliciting and enrolling those eligible yet more difficult to reach customers. It may be even more important in the SMJUs' territories because capitation contractors are likely to spend more time outreaching in these areas as a result of the low population density and unique service territories. With the flexibility of the higher capitation fee we authorize here, we encourage the SMJUs to explore new CBO opportunities to increase enrollment and awareness, such as door to door campaigns as mentioned earlier, and the use of the Internet and "Apps" and partnerships with IOUs including LifeLine carriers, where it is feasible and cost effective.

4.2.4. Annual Adjustments to the PPP Surcharges

Several of the SMJUs have experienced either budget shortages or surpluses during the 2009-2011 program cycle due to over and under collection of surcharges during those periods.

To prevent future recurrences of over and/or under collection of ratepayer dollars and resulting surcharge suspensions and/or credits, the Commission directs the SMJUs to spend CARE Program carry-over funds granted for one year in the subsequent year and file an advice letter to adjust their surcharge annually to account for any carryovers.

These directives and authorizations have previously been provided to the SMJUs.[48] This decision confirms and clarifies those prior directives and authorizations that, going forward, all of the SMJUs must effectively manage any potential over and under collections.

In short, the SMJUs must seek annual adjustments to the PPP surcharge by submitting an advice letter to adjust CARE surcharges to reflect current activity and minimize the occurrence of under and over collection of ratepayers funds as previously directed in D.08-12-019.[49] The initial advice letter must be filed within 60 days of this decision. Subsequent PPP surcharge adjustment advice letters, if any, must be filed annually by October 31 with a requested effective date of January 1 of the following year.

4.2.5. Categorical Eligibility and Enrollment Process

For the large IOUs' CARE Programs, there are two potential program enrollment processes: (1) categorical eligibility enrollment process and (2) self-certification enrollment process. The categorical eligibility enrollment process enables low income customers to enroll in the CARE Program through an expedited process such that if the applicant is enrolled in one of the approved low income programs that has already verified the applicant's income, then by providing such proof of enrollment in an approved program, they are automatically deemed eligible for and enrolled in CARE. Alternatively, the self-certification enrollment process allows the CARE applicants to enroll by attesting to their income eligibility. In both instances, income verification would

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[48] D.08-12-019, Ordering Paragraph 22.

[49] *Ibid.*

occur after the enrollment and that verification process is generally referred to as post enrollment verification.[50]

To date, the SMJUs' CARE Program enrollments have solely been through the self-certification process. That is because the SMJUs have historically been exempt from enrolling customers in the CARE Program by categorical enrollment. The rationale for this historic exemption has been that the costs to run such programs may be far greater than any actual benefits of requiring the categorical eligibility enrollment process for these smaller territories with limited or sometimes no administrative staffing, programs or budgets, and more defined low income populations.

We find this historic rationale persuasive to continue the exemption. Moreover, the current list of the Commission approved categorically eligible programs that qualifies customers for CARE benefits is under review in the IOUs' ESA and CARE Proceeding and the program details are therefore in flux.[51] Thus, to begin applying the categorical eligibility enrollment process, which is currently in flux, to the SMJUs at this juncture is imprudent.

Based on the SMJUs' showing of increases in the penetration rates during the last cycle, without the requirement of categorical eligibility enrollment, we believe that the rationale to exempt SMJUs from implementing the categorical eligibility enrollment process still makes good sense. Thus, we extend the former

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[50] For re-enrollment, the IOUs require the enrollees to self-recertify their continued program eligibility to renew their enrollment, every 2 or 4 years, and those renewed enrollees thereafter maybe subject to similar post re-certification income verification; we will refer to that verification process as Post Re-certification Income Verification. Enrollees with fixed income sources at the time of enrollment are on 4-year re-certification cycle and other enrollees are on a two-year re-certification cycle.

[51] Amended Scoping Memo Ruling dated July 24, 2013, A.11-07-015, *et, al*.

exemption that the SMJUs are exempt from implementing a categorical eligibility enrollment process as part of the CARE enrollment process.

4.2.6. High Usage Customers

In the pending IOUs' ESA and CARE Proceeding, PG&E requested changes to the CARE program rules to address the problem of high electric users who participate in the CARE program and receive a discounted rate. PG&E expressed concern that CARE program participants in its territories who use energy at rates that are 400 percent or more above baseline usage may be using this energy for unlawful purposes and draining resources from a program subsidized by California energy ratepayers. PG&E presented evidence in that proceeding that nearly 12 percent of total electricity across the PG&E coverage area was consumed by the top 1.2 percent of its users and $84.5 million in CARE subsidies benefit this small number of users.[52] Southern California Edison Company and San Diego Gas & Electric Company expressed concern that 0.8 - 1.12 percent of their CARE program participants used over 400 percent of baseline electricity usage.[53]

In response to this concern, the Commission, on August 30, 2012, issued D.12-08-044 and adopted a new set of statewide CARE program rules for the electric IOUs to address the high usage customer issue.[54] D.12-08-044 requires CARE program participants using between 400 percent and 600 percent of baseline energy usage to comply with post enrollment income verification to show income eligibility for CARE within 45 days of notification by the utility.

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[52] D.12-08-044 at 217.

[53] *Ibid*.

[54] *Id*. at Ordering Paragraph 101.

These users must also apply for the ESA Program if they had not been previously enrolled. The IOUs were authorized to remove a participant from the CARE Program and bar re-enrollment for 24 months if they do not meet the eligibility criteria, if they do not submit their paperwork within 45 days of notification, or if they do not apply for the ESA Program.

D.12-08-044 also imposes additional requirements for CARE Program participants using 600 percent or more of baseline energy usage. Upon notification, these CARE program participants must reduce their energy use and drop their usage below 600 percent of baseline within 90 days, submit income eligibility documentation to the utility within 45 days, and apply for the ESA Program within 45 days. Failure to comply with these strict requirements could result in removal from the CARE program and a bar on re-enrollment for 24 months.

Finally, D.12-08-044 directs the IOUs to develop and implement an expedited appeal process for the CARE participants affected by these new rules and the IOUs' attendant actions authorized in that decision. D.12-08-044 provides review of the IOUs' actions through the IOUs' expedited appeal process when a CARE participant believes they have been wrongfully de-enrolled from the CARE Program. In such instances, that customer may appeal to the utility by demonstrating "necessary, basic and legitimate household energy usage." If a CARE Program participant's appeal is not effectively resolved by the utility's appeal process, they may seek even further review by the Commission's Energy Division Director.

About a month after the Commission issued D.12-08-044, on September 27, the California Senate passed Senate Bill (SB) 1207, also addressing the same issue of high electric usage CARE program participants. SB 1207 amended Public Utilities Code Section 739.1, and added subparagraphs (h)(1)-(3), which largely mirrored the new high usage customer rules set forth in D.12-08-044. The resulting amendment to Public Utilities Code Section 739.1, and added subsection (h)(1)-(3), reads as follows:

> (1) In addition to existing assessments of eligibility, an electrical corporation may require proof of income eligibility for those CARE Program participants whose electricity usage, in any monthly or other billing period, exceeds 400 percent of baseline usage. The authority of an electrical corporation to require proof of income eligibility is not limited by the means by which the CARE Program participant enrolled in the program, including if the participant was automatically enrolled in the CARE Program because of participation in a governmental assistance program. If a CARE Program participant's electricity usage exceeds 400 percent of baseline usage, the electrical corporation may require the CARE Program participant to participate in the Energy Savings Assistance Program (ESAP), which includes a residential energy assessment, in order to provide the CARE Program participant with information and assistance in reducing his or her energy usage. Continued participation in the CARE Program may be conditioned upon the CARE Program participant agreeing to participate in ESAP within 45 days of notice being given by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE Program participant to notify the utility of whether the residence is rented, and if so, a means by which to contact the landlord, and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment, with the landlord of the CARE Program participant. Requirements imposed pursuant to this paragraph shall be consistent with procedures adopted by the commission.
>
> (2) If a CARE program participant's electricity usage exceeds 600 percent of baseline usage, the electrical corporation shall require the CARE Program participant to participate

in ESAP, which includes a residential energy assessment, in order to provide the CARE Program participant with information and assistance in reducing his or her energy usage. Continued participation in the CARE Program shall be conditioned upon the CARE Program participant agreeing to participate in ESAP within 45 days of a notice made by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE Program participant to notify the utility of whether the residence is rented, and if so, a means by which to contact the landlord, and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment, with the landlord of the CARE Program participant. Following the completion of the energy assessment, if the CARE Program participant's electricity usage continues to exceed 600 percent of baseline usage, the electrical corporation may remove the CARE Program participant from the program if the removal is consistent with procedures adopted by the commission. Nothing in this paragraph shall prevent a CARE Program participant with electricity usage exceeding 600 percent of baseline usage from participating in an appeals process with the electrical corporation to determine whether the participant's usage levels are legitimate.

(3) A CARE Program participant in a rental residence shall not be removed from the program in situations where the landlord is nonresponsive when contacted by the electrical corporation or does not provide for ESAP participation.[55]

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[55] Code Sections 739.1 (h)(1)-(3), Amended by Stats. 2012, Ch. 613, Sec. 1. effective January 1, 2013.

Although, the SMJUs indicated during the workshop that they are not experiencing notable concerns with their unusually high energy users, the electric SMJU service providers, PacifiCorp, CalPeco, and Bear Valley, must comply with this new legislative mandate. And since the SMJUs cannot be exempted from this legislative mandate, it is prudent to apply the same approach here to our approach in D.12-08-044 on this issue by directing the electric SMJU service providers to comply with the Public Utilities Code Section 739.1, including the newly added subsection (h)(1)-(3), and to follow the same requirements we set forth in D.12-08-044.

We therefore adopt the same requirements we adopted in D.12-08-044, Ordering Paragraph 101, subsections (a)-(e), with minor modifications, and direct the electric SMJU service providers, PacifiCorp, CalPeco, and Bear Valley to comply with the requirements, as set forth below:

(a) **<u>600% or more above baseline users</u>:** California Alternate Rates for Energy electric customers with electric usage above 600% of baseline in any monthly billing cycle shall have 90 days to drop usage below 600% of the baseline in any monthly billing cycle or be de-enrolled and barred from the program for 24 months. In addition, to continue to stay in the program these customers must undergo Post Enrollment Verification and apply for the Energy Savings Assistance Program within 45 days of notice, and, if not previously enrolled in the program, apply for the Energy Savings Assistance Program within 45 days of notice. To the extent possible, all notifications must be accessible to customers with disabilities and to customers without English language proficiency, and must include information on the Medical Baseline program and the Utilities' appeal process.

(b) **<u>De-enrollment Appeal Process</u>:** The Utilities must develop an expedited appeal process for those customers who may believe that they have been wrongfully de-enrolled to allow them the process to submit an appeal of the de-enrollment documenting their concerns and demonstrating their usage as "necessary, basic, and legitimate household energy usage." If the Utilities' appeal process does not effectively resolve the customer's appeal, the customer may seek the Commission's Energy Division assistance by contacting the Energy Division's Director and the Energy Division Director will make the determination of whether there is reasonable justification demonstrating "necessary, basic and legitimate household energy usage." Once that determination is made, the customer may be re-enrolled upon the customer's agreement to participate in Post Enrollment Verification and energy efficiency/savings efforts by participating in the Energy Savings Assistance Program. An example of justified "necessary, basic, and legitimate household energy usage" may include multiple income qualified households residing in a single residence, and customers with documented medical equipment needs which require and justify the high usage.

(c) **400% - 600% baseline users:** California Alternate Rates for Energy high electric customers with electric usage at 400%-600% of baseline in any monthly billing cycle must undergo Post Enrollment Verification and, if not previously enrolled in the program, must apply for the Energy Savings Assistance Program within 45 days of notice. To the extent possible, all notifications must be accessible to customers with disabilities and to customers without English language proficiency, and must include information on the Medical Baseline program and the Utilities' appeal process. All California Alternate Rates for Energy customers with usage above 400% in any monthly billing cycle who do not complete Post Enrollment Verification requests or have incomes found to be higher than allowed in the program, shall be de-enrolled from the program and barred from re-enrolling in the California Alternate Rates for Energy Program for 24 months.

(d) **Medical Baseline Program Referral:** The Energy Savings Assistance Program contractors who visit these high usage households are to be trained to make referrals to the Medical Baseline Program.

(e) **Energy Savings Assistance Program Cooperation:** If a high California Alternate Rates for Energy electric customer required to participate in the Energy Savings Assistance Program as a condition of their continued enrollment in California Alternate Rates for Energy, fails to keep at least one of the two appointments made with an Energy Savings Assistance Program contractor or fails to provide access to any portion of the metered property in question, or refuses to allow a post-participation quality control inspection, that customer shall be de-enrolled from the California Alternate Rates for Energy Program and barred from re-enrolling in the California Alternate Rates for Energy Program for 24 months.

(f) **Post Enrollment Verification:** The electric utilities shall develop and field a standard income verification document for instances which may require customers to provide a state or federally verified form of income proof, such as the household's annual tax returns.

(g) **Compliance Extension:** Within 210 days from the issuance of this decision, PacifiCorp, Liberty Utilities (CalPeco Electric) LLC and Bear Valley Electric Service, as a division of Golden State Water Company, shall comply with the expedited appeals process requirements in section (b) above.

Adoption of these new rules for the electric SMJUs is necessary to comply with the new legislative mandate and should ensure delivery of CARE Program benefits to eligible households. As for all SMJUs, including the gas utilities, we encourage a similar approach taken by and proposed by Southwest Gas which plans to continue its high energy usage outreach initiative implemented during 2008 and continued to date since. This initiative targets the utilities' high usage customers whose energy usage is above the baseline. Southwest Gas also analyzes the usage patterns of its residential customers to identify those customers that exceed baseline therm usage. A postcard is sent to these customers notifying them about the ESA Program and how it helps save energy and lower utility bills. These are excellent examples of being proactive in mitigating and reducing high energy usage, as part of the overall energy savings mission. We support and encourage Southwest Gas' high use policies and encourage the other SMJU gas providers, Alpine and West Coast, to explore ways to similarly minimize potential abuse and ensure that ratepayer dollars are appropriately directed to those truly in need.

We caution that the SMJUs must be mindful in implementing these new high usage customer rules that some high energy users/customers may have a variety of legitimate reasons, including medical conditions and equipment or an unusually high number of people living in a single household.

4.3. General Administration and Reporting

4.3.1. Fund Shifting Rule

During the last few cycles, the SMJUs have experienced the need for an additional fiscal management tool. For instance, the SMJUs have consistently reported experiencing over and under collection and proposed an adjusted budget for the future year or future cycle.

To prevent future recurrences of over and/or under collection of ratepayer dollars and resulting surcharge suspensions and/or credits, the Commission directs the SMJUs to spend ESA Program carry-over funds granted for one year in the subsequent year and file an advice letter to adjust their surcharge annually to account for any carryovers, as discussed in the foregoing Section 4.2.6.

Additionally, we adopt Fund-Shifting Rules as outlined in D.12-08-044. The Fund Shifting Rules seem to generally meet the IOUs' fiscal management and oversight needs of the Commission while affording the necessary flexibility that the large IOUs require. Similarly, the same flexibility and fiscal management tool will likely benefit the SMJUs. We therefore authorize and direct the SMJUs to follow the Fund Shifting Rules, as outlined in D.12-08-044, in the CARE and ESA Programs in the 2012-2014 program cycle, as follows:

a. **COMMITMENT OF FUTURE FUNDING FOR LONG-TERM PROJECTS**: For those long-term projects that require funding beyond the current budget program cycle and that will not yield savings in the current cycle, if applicable, the SMJUs may anticipatorily commit funds for such projects for expenditure during the next program cycle, under strict limitations as follows:

   (1) The SMJUs shall seek authorization for such long-term projects and current and future cycle funding commitments by itemizing each long-term project in the utility portfolio plan, including an estimate of the total costs broken down by year and an estimate of associated energy savings, if any;

   (2) The SMJUs shall seek authorization and commitment of all funding for long-term projects in the current program cycle and actually encumber such funds in the current program cycle;

   (3) All contracts with any and all types of implementing agencies and businesses must explicitly allow completion of long-term project related work beyond the current budget program cycle;

   (4) The amount of next cycle funds encumbered for long-term projects may not exceed 20 percent of the current program cycle budget;

   (5) The SMJUs shall separately track and report all long-term projects and obligations, including all information regarding funds encumbered and the estimated date of project completion until such project is completed; and

   (6) Energy savings for projects with long lead times shall be calculated by defining the baseline as the codes and standards applicable at the time the building permit for the project is issued.

b. **ESA PPROGRAM FUND SHIFTING AND LIMITATIONS**: The SMJUs are permitted to shift funds under the following conditions in the ESA Program.

(1) Within the 2012-2014 Budget Cycle: Except for the shifting of funds described in subsection b(3) below, the SMJUs are permitted to shift funds from one year to another within the 2012-2014 cycle without prior approval. We encourage the SMJUs to consider fund shifting, as appropriate, to accelerate the implementation of cost-effective measures that address the drought emergency declared by Governor Brown in early 2014. This includes measures that save water and address the water-energy nexus concerns including, but not limited to, High Efficiency Clothes Washers, Thermostatic Shower Valves, and surge protectors including Smart Strips.

(2) Fund Shifting Between 2012-2014 Budget Cycle and Future Budget Cycle:

i. “Carry back” Funding: Except for the shifting of funds described in subsection b(3) below, the SMJUs are permitted to shift and borrow from the next budget cycle, without prior approval of such fund shifting, if (a) the next cycle budget portfolio has been approved by the Commission; and (b) such fund shifting is necessary to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs; and

ii. "Carry forward" Funding: The SMJUs are permitted to carry over all remaining, unspent funds from program year to program year or budget cycle to budget cycle and shall include all anticipated carry over funds in the upcoming budget applications.

(3) ALJ's Prior Approval: For any shifting of funds, within or out of cycle, except for "carry forward" funding considered by the Commission through budget applications, the ALJ's prior written approval is required if any of the following applies:

i. Shifting of funds into or out of different program categories including, but not limited to: (a) administrative overhead costs, (b) regulatory compliance costs, (c) measurement and evaluation, and (d) the costs of pilots and studies;

ii. Shifting of funds into or out of the Education subcategory;

iii. Shifting of funds between gas/electric programs; and/or

iv. Shifting of funds totaling 15% or more of the total current annual ESA Program budget.

(4) The SMJUs shall secure prior written approval of the fund shift from the ALJ when required by subsection b(3) above, of this ordering paragraph, by filing a motion pursuant to Article 11 of the Commission's Rules of Practice and Procedure. Upon showing of good cause, the Administrative Law Judge may issue a ruling approving the requested fund shift. The SMJUs, in the motion, must show good cause by setting forth the following:

i. The reason(s) why such fund shifting is necessary;

ii. The reason(s) why such motion could not have been brought sooner; and

iii. Justification supporting why the proposed shifting of funds would promote efficient, cost effective and effective implementation of the ESA Program.

(5) The SMJUs shall track and maintain a clear and concise record of all fund shifting transactions and submit a well-documented record of such transactions in their monthly and annual reports relevant to the period in which they took place.

c. **CARE FUND SHIFTING AND LIMITATIONS**: The SMJUs are permitted to shift CARE funds in the same manner as above, but shall report all such shifting.

4.3.2. Annual Workshops

The SMJUs have requested annual public workshops, similar to those held by the large IOUs. Based on the efficient and constructive outcomes of the recent workshop, we agree that workshops could be beneficial, going forward. The SMJUs shall therefore hold annual public workshops within 60 days of submission of the SMJUs' low income annual reports which are due each year by May 1.

4.3.3. Reporting Requirements

Historically, the SMJUs filed their CARE and ESA Programs reports annually on May 1 in the docket for the previous program cycle or sometimes even in other proceeding dockets in error. Going forward, the SMJUs shall uniformly file their respective CARE and ESA Programs reports annually on May 1 as compliance filings in the most current consolidated SMJUs' proceeding docket. At present, the most current SMJUs' proceeding docket is A.11-06-016, *et al*. The SMJUs must therefore file the annual reports throughout the 2012-2014 program cycle in the docket for the current program cycle.

Alpine proposes to: 1) begin tracking the reasons why customers choose not to participate in the ESAP Program; and 2) send a follow-up letter to ESA Program participants to encourage continued energy savings. Tracking the reasons for customers' unwillingness to participate will be helpful to better understand the low income population in the SMJUs' territories to better assist them through the program. Furthermore, reminding customers to practice energy-saving methods in their home will help achieve additional energy savings overall for California.

Thus, Alpine's proposal is approved. The SMJUs are directed to 1) begin tracking the reasons why customers choose not to participate in the ESAP Program; and 2) send a follow-up letter to ESA Program participants to encourage continued energy savings. The follow-up letter may be sent through means targeted to effectively communicate with the customer such as via U.S. mail, via customer-provided e-mail, or other effective means. The SMJUs are directed to track and report these data in the annual report.

4.3.4. Annual Reporting Template

Appendix F, including F-1 through and including F-8, to this decision includes updated reporting guidelines and templates for the SMJUs' use going forward. The SMJUs must use these modified annual reporting templates, beginning with the May 1, 2015 filing for the SMJUs' 2014 Low Income Annual Reports.

4.3.5. Review of Reports

The Energy Division should continue to conduct its review of all of the SMJUs' monthly and annual reports and submit any concerns to the ALJ if the SMJUs are not meeting the directives and goals of this decision and of the ESA Program, especially regarding aspects of the Strategic Plan.

5. Guidance for 2015-2017 Program Cycle Applications

5.1. Preparatory Guidance

In preparation for the SMJUs' 2015-2017 program cycle applications and during the remainder of the 2012-2014 program cycle, we direct the SMJUs to:

- Continue to follow the developments in the IOUs' ESA and CARE Proceeding with expectation of further guidance and direction to the SMJUs for future program cycles.
- Anticipate and plan for designing and submitting more robust and strategic proposals in the upcoming cycle applications with the goals of increasing alignment with the IOUs' ESA and CARE Programs, where feasible, and cost-effectively increasing the overall penetration rates for ESA and CARE Programs.
- Reexamine the current program measure portfolios to assess whether easily installed measures can be added at minimal cost to increase energy savings and/or participant quality of life, and whether some measures should be removed from the portfolio because they do not generate energy savings or improve participant quality of life.
- Develop strategies to increase coordination with the IOUs, especially in overlapping service territories to identify and implement best practices.

In addition, in D.12-08-044, the Commission directed the IOUs to conduct an updated Study. The Study was recently released and includes a limited review of the SMJUs' service territories. The Study supersedes and updates the 2007 Low Income Needs Assessment Study. The Study provides more current statewide data reflecting the eligible population at various poverty levels and other informative study findings and results applicable to the SMJUs' territories. This Study is an important step toward accurately accounting for those already served by the CARE and ESA Programs, as well as those that remain eligible (and not yet treated) for these programs to assist the SMJUs in determining whether the SMJUs are on track to treating 100 percent of all eligible and willing households by 2020.[56]

As such, the SMJUs are directed to thoroughly review the Study, in Proceeding A.11-05-017, *et al.*, and prepare to incorporate the findings and recommendations in their respective strategies to design ways to improve the SMJUs' ESA and CARE Programs in the upcoming 2015-2017 cycle.

Likewise, additional studies were ordered in the IOUs' ESA and CARE Proceeding to inform the Commission as it relates to Energy Education, the Multi Family Sector, and program impacts (Impact Evaluation). These studies were also recently finalized and released. The SMJUs are also directed to thoroughly review those studies and prepare to incorporate, in their respective strategies, findings and recommendations from these studies to design ways to improve the SMJUs' ESA and CARE Programs in the future cycles.

In addition, working groups were established in the IOUs' ESA and CARE Proceeding to examine a variety of mid-cycle issues, cost-effectiveness of the ESA Program, and workforce education and training concerns. Each of the three working groups recently produced final reports with findings and recommendations in the respective subject areas.

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[56] *See* Strategic Plan (http://www.cpuc.ca.gov/NR/rdonlyres/D4321448-208C-48F9-9F62-1BBB14A8D717/0/EEStrategicPlan.pdf); see also January 2011 Update to Strategic Plan (http://www.cpuc.ca.gov/NR/rdonlyres/A54B59C2-D571-440D-9477-3363726F573A/0/CAEnergyEfficiencyStrategicPlan_Jan2011.pdf)

The SMJUs are directed to thoroughly review all studies and reports, listed below, and prepare to incorporate pertinent findings and recommendations, as applicable to the SMJUs, in their respective strategies to design ways to improve the SMJUs' ESA and CARE Programs in the future cycles.

- The Low Income Needs Assessment Study
- The Energy Education Study
- The Multi Family Segment Study
- The Program Impacts Evaluation
- All working group reports, in the docket A.11-05-017, *et al*.

Finally, for the 2012-2014 program cycle Applications, we recognize that the projected energy savings estimates were based on the draft impact evaluation report as the SMJUs were directed to utilize them due to the delay and unavailability of the final impact evaluation report results. We share in the concerns raised by ORA as they relate to the 2009 impact evaluation results and associated energy savings estimates. To alleviate similar concerns in future program cycles, D.12-08-044 ordered timely release of a joint Impact Evaluation and directed the Energy Division and the IOUs to complete and publish the Final Report no later than August 31, 2013 in order to allow adequate time for the SMJUs to incorporate in the utilities' 2015-2017 budget applications.[57] That Final Impact Evaluation Report has been completed and released, as of the date of this decision, for reference by the SMJUs for preparation of the next cycle applications.

5.2. Application Due Date

The SMJUs' 2015-2017 ESA and CARE applications are due on August 15, 2014.

[57] D.12-08-044 at 13.

5.3. Application Content

The SMJUs are directed to follow the outline of application content, set forth below, including the required application attachments which are attached to this decision as Appendix G, in their 2015-2017 program and budget applications, including a discussion of all challenges, best practices, and unique outstanding SMJUs related issues.

5.3.1. Introduction/Overview

In the introduction and overview section of the application, the SMJUs should provide a brief descriptive introduction of the CARE and ESA Programs and a summary of the utility's budget requests. Include an overview of the service area. The SMJUs may also include any further information that is relevant for consideration in their respective budget applications. The guidelines outlined below should be followed as closely as possible to allow for ease of application review and analysis.

5.3.2. CARE Program

5.3.2.1. Background

In the CARE Program Background section of the application, the SMJUs should provide a brief history of the CARE program, how it assists the low-income customers, how it is funded, and a guideline of how the program has expanded and changed over the years, including an overview of the guidance received from the Commission. Explain your general expectations for the CARE program during the upcoming budget cycle 2015-2017.

5.3.2.2. Program Goals and Budget for Program Years (PY) 2015, 2016, and 2017

In the CARE Program Goals section of the application, the SMJUs should:

a) Provide proposed program activities and program participation goals for each year. Include the number of eligible households;

b) Provide actual participant data from 2012 and 2013, including CARE participant counts and percentage rates for program enrollment. Also provide estimated participation data for 2014 and provide a comparison to the benchmarks established by the Commission; and

c) Discuss significant variations in enrollment from year to year and discuss unique issues, if any, of your service area that presents challenges toward reaching the penetration goals of enrollment established by the Commission.

In the CARE Program Budgets section of the application, the SMJUs should:

a) Present a detailed budget discussion that clearly identifies specific strategies and programs for the budget years 2015-2017;

b) Provide actual expenditures, along with approved budgets, from 2012 and 2013 by line item, consistent with Accounting and Reporting Requirements previously distributed. Costs should be shown on an annual basis; the 2014 approved budget should also be included; and

c) Provide actual or estimated average cost per enrolled household (from 2012-2013) for all major categories of expenses such as Processing, Certification, and Verification; Outreach; and General Administration.

5.3.2.3. Program Administrations

In the CARE Program Administrations section of the application, the SMJUs should describe the administration of the program other than Outreach, and any change or improvement being implemented by category and include cost by category (should match the budget table).

5.3.2.4. Program Enrollment/ Certification/Verification

In the CARE Program Enrollment/Certification/Verification section of the application, the SMJUs should:

a) Include recorded average enrollment processing/certification/verification costs for 2012 - 2013 and estimated costs for 2014; and

b) Discuss the above costs including eligibility, enrollment, self-certification and re-certification.

5.3.2.5. General Report

In the CARE Program General Report section of the application, the SMJUs should:

a) Discuss program accomplishments and challenges; and

b) Describe any customer complaints or concerns.

5.3.2.6. Outreach Report

In the CARE Program Outreach Report section of the application, the SMJUs should:

a) Describe the current and suggested Outreach methods to improve enrollment, and include the estimated costs. Include a discussion of new Outreach methods and partners such as working with LifeLine providers, using the Internet and "Apps" to reach customers. Discuss how Outreach efforts will result in meeting program participation goals including any specific population sectors or segments; and

b) As appropriate, for each of the years from 2012 to 2013 provide a comparison of the budgeted, recorded or estimated average Outreach cost per household.

5.3.2.7. Other CARE Program Elements

In the Other CARE Program Elements section of the application, the SMJUs should discuss the existing policies that should be reiterated and continued into the 2015-2017 budget cycle, any existing policies that are proposed to be retired, and any existing policies proposed to be expanded or modified in the next cycle.

5.3.3. ESA Program

5.3.3.1. Background

In the ESA Program Background section of the application, the SMJUs should:

a) Provide a brief history of the Energy Savings Assistance Program and how it helps the low-income customers, how it is funded and how the program has changed over the years; include any guidance given by the Commission;

b) Explain how your current proposal has changed from that in prior years, including any proposed new Energy Savings Assistance Program measures or other activities; and

c) Based on your review of the study findings and working group recommendations in the consolidated IOU proceeding, are there any new measures or best practices that could be considered for inclusion in this program that could benefit California customers of SMJUs?

5.3.3.2. ESA Program Goals and Budgets for PY 2015, 2016 and 2017

In the ESA Program Goals section of the application, the SMJUs should:

a) Propose specific program participation goals for 2015-2017 (number of homes treated and weatherized). Provide the number of eligible households;

b) Provide actual or estimated participation data and the number of homes treated or weatherized compared against the benchmarks, if any, established by the Commission for the period 2002 to 2013;

c) Discuss unique issues in your utility service area that make 100 percent penetration challenging. (Include homes projected but not reached in PY 2012-2013); and

d) Provide a chart of estimated energy savings in kWh or Therms from years 2015 to 2017.

In the ESA Program Goals section of the application, the SMJUs should:

a) Present a detailed budget discussion that clearly identifies specific strategies and programs for the budget years 2015-2017 and works towards accomplishing the Energy Savings Assistance Program programmatic initiative;

b) Provide actual expenditures, along with approved budgets, from 2012 and 2013 by line item, consistent with Accounting and Reporting Requirements previously distributed. Costs should be shown on an annual basis; the 2014 approved budget should also be included; and

c) Discuss carry-over funds from 2012-2014 budget cycle. Explain why the carry-over funds exist. Include proposals to deploy carry-over funds in a cost-effective manner, including proposals to address the drought emergency and the energy-water nexus, or to reduce fund collection after all cost-effective energy measures, including those that address the water-energy nexus, have been implemented.

5.3.3.3. Program Design

In the ESA Program Design section of the application, the SMJUs should:

a) Describe how the utility intends to design its Energy Savings Assistance Program during the 2015-2017 program years. Discuss program accomplishments and obstacles with regard to program implementation; and

b) Describe any customer complaints or concerns. Provide a brief discussion of the following items:

    (1) Program Delivery: Use of and coordination with the CBOs, private contractors, Tribal Governments and organizations, third parties etc.

    (2) Portfolio composition: Mix of measures and proposed new measures. Include potential alternatives to mitigate challenges faced by single fuel utilities, such as customer reliance on natural gas or propane or similar barrier to ESA participation. In early 2014, Governor Brown declared a state of emergency due to the drought and directed state officials to take all necessary actions to prepare for these drought conditions. Propose measures and ways to prioritize cost-effective ESA measures that also save water and

contribute to alleviating the drought emergency. Explain how you could coordinate with water utilities, water districts, water agencies, government offices, community-based organizations and non–profits, water experts and others including the Commission to identify potential water and energy savings measures and analyze their cost effectiveness. Take into account the potential to forestall use of energy-intensive water sources such as desalinization in analyzing cost effectiveness.

(3) Leveraging: Coordination with other utility programs and other entities to increase efficiency and ensure eligible homes are afforded opportunities to participate in the ESA program.

5.3.3.4. Outreach

In the ESA Program Outreach section of the application, the SMJUs should:

a) Describe the current and suggested Outreach methods to improve enrollment, and include the estimated costs;

b) Discuss how Outreach efforts will result in meeting program participation goals including any specific population sectors or segments;

c) As appropriate, for each of the years from 2012 to 2014 provide a comparison of the budgeted, recorded or estimated average Outreach cost per household; and

d) Discuss the effectiveness of the Outreach methods for your service territory and what has been your past experience regarding the success of these methods.

5.3.3.5. Revenue Requirement and Impacts

In the ESA Program Revenue Requirement and Impact section of the application, the SMJUs should:

a) Include a brief discussion of the costs and the benefits of these programs and how they impact the rates and the general well-being of ratepayers of your service area; and

b) Include a brief description of the balancing accounts for the Energy Savings Assistance Program and CARE programs. Explain any changes to the balance accounts.

5.3.3.6. Program Funding and Fund Shifting Requests

In the ESA Program Funding and Fund Shifting Requests section of the application, the SMJUs should request Commission authorization to continue funding for program cycle 2015-2017 and for any flexibility in managing the funds each program year if the Commission decision is delayed.

5.3.3.7. Other Program Elements

In the Other Program Elements section of the application, the SMJUs should discuss the existing policies that should be reiterated and will be continued into the 2015-2017 cycle, any existing policies that are being proposed to be retired, and any existing policies that being proposed to be expanded or modified in the next cycle.

5.3.4. Application Excel Attachments

With each application, the SMJUs should include following data presented in Excel format (see sample templates, Appendix G) as attachments:

- ESA-1 ESAP Treated (T) and Weatherized (W) Homes
- ESA-2 ESAP Program Budgets
- CARE-1 CARE Program Budget
- CARE-2 CARE Estimated Enrollment

5.3.5. Conclusion

In the overall Conclusion section of the SMJUs' 2015-2017 ESA/CARE Program application, the SMJUs should request that the Commission approve the CARE and ESA Programs plans and budgets for PY 2015, 2016, and 2017.

6. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on April 16, 2014 by Southwest Gas, PacifiCorp, and ORA, and a joint reply comments were filed on April 21, 2014 by CalPeco and Bear Valley.

Based on the efficiency and benefits gained through the workshop held to review D.12-08-044 in this proceeding, we are persuaded, in part, with the request by CalPeco and Bear Valley, in their joint reply comment, that one or more Energy Division staff facilitated workshops for the various reports and studies submitted in the A.11-05-017, *et al*. docket would be useful for the SMJUs in preparing for their next cycle applications. Such workshops should cover the findings and recommendations from these reports and studies and provide a forum for the SMJUs to discuss how they could incorporate these findings into their respective strategies to improve their ESA and CARE Programs in the future cycle. We therefore approve this request and direct the Energy Division to schedule and facilitate a workshop for the various studies and another workshop for the reports which were recently completed and submitted in the A.11-05-017, *et al*. docket.

CalPeco and Bear Valley, in their joint reply comment, report that they have significant limitations with regards to their current data reporting and analysis functions that make it impossible for them to currently determine, track, and compare CARE program participants' electricity usage in the manner necessary to comply with the new high usage customer rules. CalPeco and Bear Valley contend that, to comply with the new rules at this time would require them to conduct manual review and analysis of each and every CARE program participant on a monthly basis, and that is something that CalPeco and Bear Valley do not have the resources or manpower to accomplish. Therefore, to comply with the new high usage customer rules, CalPeco and Bear Valley will need to first procure and implement a new data reporting solution. Accordingly, CalPeco and Bear Valley request 120 days after the issuance of the decision to comply with these new requirements.

CalPeco and Bear Valley further reason that only after implementing the new data reporting solution will they be in a position to design and implement an appropriate de-enrollment appeals process. As such, CalPeco and Bear Valley also request an additional 90 days after they begin to comply with the new high usage customer rules to design and submit an appropriate appeals process. CalPeco's and Bear Valley's requests and underlying reasoning for additional time to implement the new high usage customer rules and appeal process are reasonable and persuasive. We therefore approve them and modify the rules, accordingly.

In addition to the two issues discussed above, the opening and reply comments, including all issues raised therein, have been carefully reviewed and/or reconsidered, and where appropriate, the proposed decision has been revised in response and to provide clarifications.

7. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Kimberly H. Kim is the assigned ALJ in this proceeding.

Findings of Fact

1. Since the filing of the Applications, the SMJUs have been following and awaiting potential changes to the SMJUs' ESA and CARE Programs, to flow from

the anticipated changes to the ESA and CARE Programs being reviewed in the pending IOUs' ESA and CARE Proceeding.

2. Three decisions were issued in this proceeding since the filing of the Applications to authorize bridge funding at the authorized 2011 funding levels.

3. The Commission has issued D.12-08-044, a Phase I decision, in the pending IOUs' ESA and CARE Proceeding, while Phase II of that proceeding continues.

4. At this time, the Commission is still reviewing numerous fundamental issues concerning the ESA and CARE Programs in the IOUs' ESA and CARE Proceeding.

5. In the pending IOUs' ESA and CARE Proceeding, as part of Phase II of that proceeding, three separate working groups have recently wrapped up three sets of detailed reports and recommendations on various aspects of the CARE and ESA Programs addressing potential program refinements and enhancements; and in the same proceeding, four separate major studies were recently finalized also re-examining the fundamental underpinnings of these programs.

6. These Phase II reports in the IOUs' ESA and CARE Proceeding, recommendations and study findings invariably signal additional changes to the ESA and CARE Programs in the near future for the IOUs' ESA and CARE Programs. In turn, they signal potential for further changes to the SMJUs' ESA and CARE Programs.

7. The SMJUs' Applications and the requests therein have become now somewhat stale because the majority of the SMJUs' budget cycle has passed, while the SMJUs have been operating under bridge-funding decisions awaiting these potential changes to the ESA and CARE Programs.

8. We recently made numerous programmatic clarifications and changes to the IOUs' ESA and CARE Programs in the IOUs' ESA and CARE Proceeding Phase I Decision, D.12-08-044, and there are significant and fundamental

programmatic refinements or changes being reviewed as part of Phase II (and likely beyond) of the IOUs' ESA and CARE Proceeding. A workshop was held in April 2013 and comments were thereafter solicited by an ALJ ruling to provide parties an additional opportunity to refresh the record and to address any pending issues or concerns not previously presented or considered.

9. The workshop examined the SMJUs' 2012-2014 budget Applications and the implications of D.12-08-044 on the SMJUs' ESA and CARE Programs.

10. On August 29, 2013, the ALJ issued a ruling seeking comments from parties, in light of the April 2013 workshop; in response, all SMJUs filed comments in support of continuing the current funding at 2011 levels through 2014 for the SMJUs' CARE and ESA Programs and identified a few issues that require Commission direction at this time.

11. Through a workshop and comments, the SMJUs have updated their requests in this proceeding, as reflected in Appendices B, C, D, and E to this decision.

12. For the ESA Program, our ultimate goal is to ensure that it delivers the benefits envisioned as an energy efficiency program by the California Long-Term Energy Efficiency Strategic Plan of yielding energy savings, while also contributing to the quality of life of low income communities.

13. Even in these challenging economic times, we remain focused and remind ourselves of the vision that the Commission adopted for the low income communities in our Strategic Plan that "By 2020, 100 percent of eligible and willing customers will have received all cost-effective [ESA] … measures."

14. For the ESA Program, we review the SMJUs' Applications, as updated by the filings, being mindful of the two Strategic Plan goals:

(a) By 2020, all eligible customers will be given the opportunity to participate in the ESA Program; and

(b) The ESA Program will be an energy resource by delivering increasingly cost-effective and longer-term savings.

15. For the CARE Program, our goal is to continue its current and successful course of providing the necessary assistance to those eligible customers.

16. Particularly during these challenging economic times, the need for the assistance and relief provided through the CARE Program is more critical now than ever, and the challenge for the Commission is to make certain the CARE Program is efficiently and effectively administered and delivered in ways that ensure that the benefits (CARE discount rates) are delivered to the maximum number of households[58] that are eligible.

17. The Commission has always been cognizant of the size, resource limitations and other unique attributes, including customer demographics, of the SMJUs; based thereon, the Commission has exempted the SMJUs from many of the more complex requirements of the ESA and CARE Programs.

18. This decision balances the goals of the ESA and CARE Programs while recognizing that SMJUs have a significantly limited role in the overall scheme of these programs.

19. This decision reconciles the SMJUs' requests in their Applications, as updated by the SMJUs' requests in the filings, as summarized in Appendices B-E to this decision, and aligns them with some of the changes we have made to the ESA and CARE Programs in the IOUs' ESA and CARE Proceeding.

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[58] In this decision the terms household and home (or dwelling unit or unit) may be used interchangeably, as the program enabling terms provide eligibility based on household-based criteria and the actual measures are delivered to homes, dwelling units or units.

20. Consistent with our historic approach to SMJUs, we sparingly apply changes to the SMJUs' ESA and CARE Programs because we are mindful not to create administrative and operational havoc which will likely cause inefficiency in the SMJUs' ESA and CARE Programs while focusing on ways in which the SMJUs can effectively continue to increase their contribution to the energy efficiency of the state's electric and gas customers.

21. Both CARE and ESA Programs experience similar patterns of challenges in an effort to reach 100 percent of the eligible and willing customers.

22. In addition to all the challenges faced by SMJUs, the unwillingness factor, including those "unlikely" to participate, has to be acknowledged.

23. While we know the number of households that have received ESA Program services to date, we do not have an estimate of how many eligible households are in the SMJUs' territories still needing the ESA Program services to reach the 100 percent of the eligible and willing customers.

24. In D.12-08-044, the Commission directed the IOUs to conduct an updated Low Income Needs Assessment Study (Study). The Study was recently released and included a statewide analysis of current data reflecting the remaining eligible population and other potentially informative study findings and results that may be applicable to the SMJUs' territories.

25. This updated Study will be an important step toward accurately accounting for those already served by the CARE and ESA Programs as well as those that remain eligible (and not yet treated) for these programs to assist the SMJUs in determining whether the SMJUs are on track to treating 100 percent of all eligible and willing households by 2020.

26. Other studies were ordered in the IOUs' ESA and CARE Proceeding that are expected to inform the Commission as it relates to Energy Education, the

Multi Family Segment, and program impacts (Impact Evaluation); and these studies were also recently released.

27. Alpine's request to begin tracking reasons why customers choose not to participate in the ESA Program would be beneficial to better understand and to better serve more of the eligible customers.

28. The SMJUs have significantly smaller ESA programs and budgets in comparison to the IOUs in California and much smaller customer bases from which to recover program costs.

29. In the Applications for the 2012-2014 program cycle, the SMJUs, excluding Southwest Gas, projected a steady pace of homes treated projection.

30. The actual number of homes treated by the SMJUs' in their ESA Programs from 2010 to 2012 have declined with figures showing homes treated at approximately only 60 percent of the homes projected to be treated.

31. The SMJUs' shortfall in the actual homes treated figures during the bridge funding period resulted, in part, due to the SMJUs' inability to offer new ESA measures as proposed in their currently pending Applications, while this proceeding has been pending.

32. The ESA PPP surcharge is being over-collected at this time; and in turn, there is no longer a need for the previously anticipated and requested increased program funding as reflected in the Applications.

33. The SMJUs' projected dollars per home for the 2012-2014 SMJUs' program cycle is approximately $900 per home, and this figure is generally consistent with similar costs in the larger IOUs' territories which are equivalent to approximately $1000.

34. At the present pace, the current authorized bridge funding at the 2011 funding levels for the ESA Program has been and is anticipated to be more

than sufficient for the SMJUs to complete the ESA Program through the remainder of the 2012-2014 cycle.

35. For the 2012-2014 program cycle Applications, the projected energy savings estimates were based on the previous draft impact evaluation report as the SMJUs were directed to utilize the draft results due to the timing and availability of the final results; and to alleviate similar concerns in future program cycles, D.12-08-044 ordered timely release of a joint Impact Evaluation and directed the Energy Division and the IOUs to complete and publish the Final Report no later than August 31, 2013 in order to allow adequate time for incorporation in the utilities' 2015-2017 budget applications.

36. With a substantial portion of the program cycle having passed, the SMJUs filed updated showing and requests, which showed a lower number of actual homes treated in this cycle to date and a lower number of projected homes to be treated in the remainder of the cycle; and the SMJUs indicate that the projected dollars per home for the 2012-2014 SMJUs' program cycle remains approximately $900 per home. Due to a lesser number of homes treated and projected to be treated in this cycle, the SMJUs no longer require the proposed increased ESA program budgets as requested in the Applications.

37. At the present time, the continued funding at the 2011 level will fully fund the SMJUs' ESA Programs for the remainder of the current 2012-2014 program cycle.

38. The Commission's goals for the ESA Program, as outlined in D.07-12-051 and the Energy Efficiency Strategic Plan are that: "By 2020, 100 percent of eligible and willing customers will have received all cost effective Low-income Energy Efficiency measures."

39. In D.07-12-051 and the Strategic Plan, we stated:

> The Commission also recognized that the Strategic Plan, which was updated in January 2011 and was formally referred to as the *California Energy Efficiency Strategic Plan*, may not be practical for the SMJU's to implement due to the small size and geographic scope.

40. The SMJUs are experiencing difficulties with reaching the 2020 goal of treating the "100% of eligible and willing customers" with the ESA Program within their territories.

41. Several of the SMJUs have experienced either budget shortages or surpluses during the 2009-2011 program cycle.

42. The SMJUs need a tool to effectively manage any potential over and under collections for the ESA and CARE Programs.

43. The SMJUs may experience some circumstances that make it infeasible to strictly follow the P&P and the IS Manuals.

44. The P&P and the IS Manuals are constantly evolving and being updated.

45. West Coast does not offer the ESA Program since the homes it services are already compliant with the energy efficiency standards and requirement set forth in Title 24 of the California Code of Regulations.

46. We continue to review the challenges they face and allow for variances when they are reasonably justified.

47. In response to our directives in D.08-12-019, the SMJUs rose to the challenge and goal of reaching 90 percent of CARE eligible customers, and collectively, the SMJUs have achieved the CARE penetration rate of approximately 93 percent during 2012.

48. At this time, the SMJUs uniformly support continuing funding for CARE through 2014, at the current bridge period funding levels, and have indicated their ability to meet projected goals within the proposed CARE budgets.

49. In D.08-12-019, instead of a 100 percent CARE penetration goal, we established a CARE penetration "goal for CARE enrollment of 90 percent of eligible customers" for the SMJUs, and this 90 percent CARE penetration goal is also consistent with "the 90 percent CARE penetration target" we recently set for the large IOUs, in D.12-08-044.

50. It is unrealistic to set a goal of 100 percent CARE penetration rate for the SMJUs.

51. This 90 percent goal also recognizes that the CARE administrative budgets for the SMJUs are very small; for instance, some SMJUs (e.g. Bear Valley) fund most of the CARE administration out of general rates, and have no dedicated CARE outreach funding.

52. Ordering paragraph 105 of D.12-08-044 authorized an "increase in the capitation fee from 'up to $15.00' to 'up to $20.00'" for each new CARE Program enrollment for program years 2012-2014 for the large IOUs.

53. Our intent in ordering paragraph 105 of D.12-08-044 was to allow the IOUs an additional tool and flexibility of a higher capitation fee, when appropriate, to properly incentivize CBOs to fill outreach gaps in CARE enrollment.

54. The income guidelines for all SMJUs are now consistent throughout the state at 200 percent of Federal Poverty Guidelines (FPG), in compliance with Public Utilities Code Section 739.1.

55. For the SMJUs, the Commission only allowed CARE Program enrollment through the self-certification process, because the SMJUs have historically been exempt from enrolling customers in the CARE Program by categorical enrollment.

56. The current list of the Commission approved categorically eligible programs that qualifies customers for CARE benefits is under review in the IOUs' ESA and CARE Proceeding and the program details are therefore in flux.

57. D.12-08-044 adopted a set of new statewide CARE Program rules for the electric IOUs to address the high usage customer issue.

58. SB 1207 addresses the high electric usage by some CARE Program participants. SB 1207 amended Public Utilities Code Section 739.1, and added subparagraphs (h)(1)-(3), which largely mirrored the new rules set forth in D.12-08-044.

59. Public Utilities Code Section 739.1 subparagraphs (h)(1)-(3), as amended, applies to the electric SMJU service providers, PacifiCorp, CalPeco, and Bear Valley.

60. Southwest Gas's high energy usage outreach initiative targets the utility's high usage customers whose energy usage is above the baseline. Southwest Gas also analyzes the usage patterns of its residential customers to identify those customers that exceed baseline therm usage. A postcard is sent to these customers notifying them about the ESA Program and how it helps save energy and lower utility bills.

61. The SMJUs require tools and guidance for administration and the applications for the next program cycle.

Conclusions of Law

1. For the ESA and CARE Programs, the SMJUs' updated proposed program and budget approach and requested continued funding for the remainder of the current program cycle at the 2011 level are reasonable under the circumstances.

2. The SMJUs should continue to make meaningful progress during the remainder of the 2012-2014 program cycle toward meeting the key strategic vision for the ESA Program set forth in the *Plan*:

> By 2020, 100 percent of eligible and willing customers will have received all cost effective Low-income Energy Efficiency measures.

3. In order for SMJUs to reach the 100 percent ESA Program penetration goal by 2020, they should continue to coordinate, leverage and explore all possible ways to continue to increase enrollment of eligible customers who have not already received service in the three-year period from 2012-2014.

4. The SMJUs should continue to expand the number of customers their ESA Programs serve, while continuing efforts to increase the energy savings delivered by their ESA programs, including efforts to address the energy-water nexus and cost-effective water saving measures in response to the drought emergency Governor Brown declared for 2014, and focus their ESA Program outreach efforts on customers with the greatest energy usage.

5. The SMJUs should track, gather, and evaluate data necessary to begin estimating the number of remaining eligible and willing low income households in the SMJUs' territories and to help devise strategies and goals for reaching 100 percent of the eligible and willing ESA households in their territories by 2020.

6. Alpine's request to begin tracking the reasons why customers choose not to participate in the ESA Program would be beneficial to better understand and to better serve more of the eligible customers.

7. Alpine's request to send a follow-up letter to ESA Program participants to encourage continued energy savings is reasonable.

8. The SMJUs should begin tracking the reasons why customers choose not to participate in the ESA Program.

9. The SMJUs should send follow-up letters to ESA Program participants to encourage continued energy savings where the utility determines it will be beneficial.

10. The SMJUs should explore ways and implement methods to increase their homes treated targets.

11. Going forward, the SMJUs' homes treated goals should be accelerated and adjusted each cycle, with the ultimate goal of reaching 100 percent of eligible and willing households by 2020, as ordered in Public Utilities Code Section 382(e).

12. The SMJUs should review and administer the ESA Program to best stretch the ESA Program dollars.

13. The SMJUs should deliver effective marketing, education and outreach strategies that properly screen for all eligible measures (including those newly approved) in areas that overlap with other SMJUs or IOUs, including LifeLine providers.

14. The SMJUs should ensure effective coordination with the LIHEAP program to treat single fueled SMJU customers and supplement measures not offered in the ESA Program.

15. The SMJUs should continue all efforts to increase the ESA Program penetration rate, while tracking the eligible and willing households and the reasons for customers' unwillingness to participate in the ESA Program, as discussed in section 4.3.3 of this decision.

16. The SMJUs should begin strategizing ways to significantly increase the ESA Program penetration rate in the next cycle and propose the strategies and plans in the SMJUs' applications for the next cycle, including consideration of how ESA participation can address the drought emergency and the energy-water nexus.

17. The SMJUs should review the recently released Low Income Needs Assessment Study and incorporate all study findings and results applicable to the SMJUs toward increasing the ESA Program penetration rate in the next cycle and propose the strategies and plans in the SMJUs' applications for the next cycle.

18. If the results of the recently released Low Income Needs Assessment Study in the IOUs' ESA and CARE Proceeding indicate that in SMJUs' territories fewer

customers are eligible for the ESA Program, the SMJUs should explore options to alternatively request exceptions to certain program rules to allow treatment of more households or modify their "homes treated" projections to align with new data, accordingly.

19. The SMJUs should install all feasible energy efficiency measures in each customer's home.

20. SMJUs should add additional measures we approve in this decision to their mix of ESA Program measures they currently deliver.

21. The SMJUs should be afforded the necessary administrative tools to effectively manage any potential over and under collections and the ability to make annual adjustments to the PPP surcharge by submitting an Advice Letter to adjust ESA and CARE surcharges to reflect current activity.

22. The SMJUs should be authorized to spend CARE and ESA Programs carry-over funds granted for one year in the subsequent year and file an Advice Letter to adjust their surcharge annually to account for any carryovers.

23. The SMJUs should be afforded some flexibility in complying with the Statewide P&P and IS manuals; however, the SMJUs should take all reasonable efforts to follow the most current versions of the P&P and the IS Manuals, to the extent practicable.

24. The SMJUs should focus their outreach efforts on customers with high energy usage, burden or insecurity, customers in the most extreme climate zones, and customers who have not participated in the ESA Program.

25. The SMJUs should continue all current coordination and leveraging activities.

26. The SMJUs should continue to explore more ways to coordinate and leverage going forward, including more robust coordination and leveraging with overlapping IOUs, LifeLine carriers, CBOs, Tribal Governments and

organizations, CSD, and others in an effort to increase consistency and efficiency and minimize duplication, wherever possible.

27. For the CARE Program, the proposed increase in budget is reasonable and justified due to rising costs of labor, fuel, postage, implementation of electronic communication methods including e-mail and "Apps", and other materials that are essential to soliciting and enrolling more difficult to reach though eligible customers.

28. The 90 percent CARE penetration goal should be maintained as it minimizes the hardship to unserved customers while recognizing the reality that there is a percentage of CARE eligible customers who are either "unwilling" or otherwise "unlikely" to participate in the program.

29. The SMJUs that already exceed the 90 percent CARE penetration goal should not reduce their number of customers served.

30. With the flexibility of a higher capitation fee we authorize in this decision, the SMJUs should explore new CBO opportunities to increase enrollment and awareness, such as door to door campaigns, as mentioned earlier, where it is feasible and cost effective.

31. It is reasonable to continue to exempt the SMJUs from enrolling customers in the CARE Program through a categorical enrollment process.

32. The electric SMJU service providers must comply with the new legislative mandate under Public Utilities Code Section 739.1 subparagraphs (h)(1)-(3), as amended.

33. It is prudent to standardize our approach in this proceeding to our approach in D.12-08-044 on this issue by directing the electric SMJU service providers to comply with Public Utilities Code Section 739.1, including the newly added subsection (h)(1)-(3), and to follow the same requirements we set forth in D.12-08-044, Ordering Paragraph 101.

34. Adoption of these new high usage customer rules, with some modifications for the electric SMJUs is reasonable, and it is also necessary to comply with the new legislative mandate.

35. The request by CalPeco and Bear Valley for extension of time to comply with the new high usage customer rule and Public Utilities Code Section 739.1 subparagraphs (h)(1)-(3), as amended, is reasonable and should be granted.

36. All SMJUs, including the gas utilities, should employ a similar proactive approach taken and proposed by Southwest Gas which plans to continue its high energy usage outreach initiative implemented during 2008 into Program Years 2012–2014 and explore ways to similarly minimize potential abuse and ensure that ratepayer dollars are appropriately directed to those truly in need.

37. In implementing any high energy usage rules and policies, the SMJUs should be mindful that some high energy users/customers may have a variety of legitimate reasons, including medical conditions and equipment, or an unusually high number of people living in a single household and to afford a reasonable review process.

38. The SMJUs should begin to report the results of their CARE recertification drop-off tracking with its May 1, 2015 annual report, including the number of complaints (however received) stemming from its recertification efforts, and discussion of what the utility is doing to ensure it is only losing customers that are not CARE-eligible.

39. The SMJUs should follow the Annual Reporting Guidelines, attached to this decision as Appendix F, and use the updated templates (Appendices F-1 to and including F-8) for annual reports going forward.

40. The SMJUs should use the templates attached as Appendix G (ESA-1 and ESA-2 and CARE-1 and CARE 1) in their next cycle application.

41. Annual public workshops for the SMJUs should be held within 60 days of the SMJUs submitting their low income annual reports, beginning with the annual report due May 1, 2015.

42. The SMJUs that use the Internet or Apps for recertification purposes should continue to report annually on their success as recertification tools.

43. The request by CalPeco and Bear Valley for the Energy Division staff facilitated workshops for the various reports and studies submitted in the A.11-05-017, *et al*. docket is reasonable and should be granted.

44. The SMJUs should be provided guidance for the SMJUs' next program cycle administration and applications, as provided in this decision.

45. A.11-06-016, A.11-06-018, A.11-06-019, A.11-06-020, A.11-06-021, and A.11-07-015 should be closed.

O R D E R

IT IS ORDERED that:

1. For the 2012-2014 California Alternate Rates for Energy and Energy Savings Assistance Programs and Budgets for the small and multijurisdictional utilities, Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company, this decision authorizes continued funding at 2011 levels until December 31, 2014 as detailed in Appendix D to this decision (Monthly Budget Summary through 2014) and as summarized below:

	Adopted Budget Summary 2012-2014			
ESA				
Utility	**2012**	**2013**	**2014**	**Cycle Total**
Alpine	$40,980	$40,980	$40,980	$122,940
Bear Valley	$229,620	$229,620	$229,620	$688,860
PacifiCorp	$937,500	$937,500	$937,500	$2,812,500
CalPeco	$200,820	$200,820	$200,820	$602,460
Southwest	$3,172,692	$3,172,692	$3,172,692	$9,518,076
West Coast	0	0	0	0
Total				**$13,744,836**
CARE				
	2012	**2013**	**2014**	**Cycle Total**
Alpine	$16,800	$16,800	$16,800	$50,400
Bear Valley	$273,096	$273,096	$273,096	$819,288
PacifiCorp	$2,957,820	$2,957,820	$2,957,820	$8,873,460
CalPeco	$618,000	$618,000	$618,000	$1,854,000
Southwest	$9,073,620	$9,073,620	$9,073,620	$27,220,860
West Coast	$8,064	$8,064	$8,064	$24,192
Total				**$38,842,200**

2. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), PacifiCorp, and Alpine Natural Gas Operating Company shall gather and include in their future annual reports each of the following variables, starting with the next annual report:

   (a) Number of homes treated each year, with the Energy Savings Assistance Program services, starting from 2002 to and including the current program year;

   (b) An estimate of the number of remaining homes to be treated, with the Energy Savings Assistance services, specifically, over the next two program cycles leading up to 2020; and

   (c) Identify all willingness to participate factors being used for your utility and any other factors or barriers taken into consideration.

3. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall: (a) begin tracking and report the reasons why customers choose not to participate in the Energy Savings Assistance Program and report the data in their annual report; and (b) send a follow-up letter or communication via an effective means to the Energy Savings Assistance Program participants to encourage continued energy savings, including actions that address the drought emergency and the energy-water nexus.

4. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), PacifiCorp, and Alpine Natural Gas Operating Company shall:

(a) Cost effectively review and administer the Energy Savings Assistance Program to best stretch the program dollars;

(b) Deliver effective marketing, education and outreach strategies that properly screen for all eligible measures (including those newly approved) in areas that overlap with other small and multi-jurisdictional utilities or large investor-owned utilities; and

(c) Ensure effective coordination with the Low Income Home Energy Assistance Program to treat single fueled small and multi-jurisdictional utility customers and supplement measures not offered in the ESA Program.

5. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), PacifiCorp, and Alpine Natural Gas Operating Company shall continue all efforts to increase the Energy Savings Assistance Program penetration rate, while (a) tracking the eligible and willing households and the reasons for customers' unwillingness to participate in the Energy Savings Assistance Program and (b) exploring ways and implementing methods to cost-effectively increase their homes treated targets.

6. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall begin strategizing ways to significantly increase the Energy Savings Assistance Program penetration rate in the next cycle and to propose the strategies and plans in their applications for the next cycle, including proposals to address the drought emergency and the energy-water nexus.

7. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), PacifiCorp, and Alpine Natural Gas Operating Company

shall review the recently released Low Income Needs Assessment Study and incorporate all study findings and results applicable to the small and multi-jurisdictional utilities toward increasing the Energy Savings Assistance Program penetration rate in the next cycle and propose strategies and plans for increasing the penetration rate in their applications for the next cycle.

8. All new Energy Savings Assistance Program measures proposed by Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company are approved, as long as they are reflected in the Statewide Policy and Procedure Manual (table 5-1) for the requested housing types and climate zones, as follows:

(a) High efficiency clothes washers;
(b) Furnace clean and tune measure;
(c) Forced air unit standing pilot light conversions;
(d) Thermostatic shower valves;
(e) Replacement of Pre-1999 refrigerators; and
(f) Surge protectors including Smart strips.

9. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company are authorized to seek updates (add or delete) to their measure mixes to include throughout 2014 by submitting a Tier 2 Advice Letter seeking Commission authorization. The Advice Letter should provide detailed justification for introducing or deleting a measure from the measure mix.

10. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley

Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company are authorized to make annual adjustments to the Public Purpose Program surcharge via advice letter to adjust Energy Savings Assistance Program surcharges to reflect current activity with the initial advice letter to be filed within 60 days of this decision. Subsequent Public Purpose Program surcharge adjustment advice letters, if any, may be filed annually by October 31 with a requested effective date of January 1 of the following year.

11. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall make all good faith and reasonable efforts to comply with the Statewide Policy and Procedures and Installation Standards Manuals, to the extent practicable.

12. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall review and adapt to all updates to the Statewide Policy and Procedures and Installation Standards Manuals, to the extent practicable.

13. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall continue all current coordination and leveraging activities.

14. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural

Gas Operating Company shall continue to explore more ways to leverage going forward, including coordination and leveraging with overlapping large investor owned utilities, community based organizations, and Development Department in an effort to increase consistency and efficiency and minimize duplication, wherever possible.

15. We retain the 90 percent California Alternate Rates for Energy Program penetration goal for Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company.

16. For the small and multijurisdictional utilities that are currently above the 90 percent California Alternate Rates for Energy penetration goal, those utilities shall maintain or exceed their current penetration rate, as their goal in the remainder of this program cycle.

17. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company are authorized to make annual adjustments to the Public Purpose Program surcharge via advice letter to adjust the California Alternate Rates for Energy Program surcharges to reflect current activity with the initial advice letter to be filed within 60 days of this decision. Subsequent Public Purpose Program surcharge adjustment advice letters, if any, may be filed annually by October 31 with a requested effective date of January 1 of the following year.

18. We authorize a capitation fee increase from $12 to up to $20 per California Alternate Rates for Energy Program enrollment for Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden

State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company to compensate the community based organizations.

19. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall remain exempt from the requirement of enrolling customers in the California Alternate Rates for Energy Program through a categorical eligibility enrollment process.

20. Starting no later than 120 days from the issuance of this decision, PacifiCorp, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), and Golden State Water Company/Bear Valley Electric (Bear Valley) (collectively SMJUs or Utilities) shall comply with the high usage customers rules, set forth below, and comply with California Public Utilities Code Section 739.1(h)1-3:

(a) **600% or more above baseline users:** California Alternate Rates for Energy electric customers with electric usage above 600% of baseline in any monthly billing cycle shall have 90 days to drop usage below 600% baseline in any monthly billing cycle or be de-enrolled and barred from the program for 24 months. In addition, to continue to stay in the program these customers must undergo Post Enrollment Verification and apply for the Energy Savings Assistance Program within 45 days of notice, and, if not previously enrolled in the program, apply for the Energy Savings Assistance Program within 45 days of notice. To the extent possible, all notifications must be accessible to customers with disabilities and to customers without English language proficiency, and must include information on the Medical Baseline program and the Utilities' appeal process.

(b) **De-enrollment Appeal Process:** The Utilities must develop an expedited appeal process for those customers who may believe that they have been wrongfully de-enrolled to allow them the process to submit an appeal of the de-enrollment documenting their concerns and demonstrating their usage as "necessary, basic, and legitimate household energy usage." If the Utilities' appeal process does not effectively resolve the customer's appeal, the customer may seek the Commission's Energy Division's assistance by contacting the Energy Division's Director, and the Energy Division Director will make the determination on whether there is reasonable justification demonstrating "necessary, basic and legitimate household energy usage." Once that determination is made, the customer may be re-enrolled upon the customer's agreement to participate in Post Enrollment Verification and energy efficiency/savings efforts by participating in the Energy Savings Assistance Program. An example of justified "necessary, basic, and legitimate household energy usage" may include multiple income qualified households residing in a single residence, and customers with documented medical equipment needs which require and justify the high usage.

(c) **400% - 600% baseline users:** California Alternate Rates for Energy high electric customers with electric usage at 400%-600% of baseline in any monthly billing cycle must undergo Post Enrollment Verification and, if not previously enrolled in the program, must apply for the Energy Savings Assistance Program within 45 days of notice. To the extent possible, all notifications must be accessible to customers with disabilities and to customers without English language proficiency, and must include information on the Medical Baseline program and the Utilities' appeal process. All California Alternate Rates for Energy customers with usage above 400% in any monthly billing cycle who do not complete Post Enrollment Verification requests or have incomes found to be higher than allowed in the program, shall be de-enrolled from the program and barred from re-enrolling in the California Alternate Rates for Energy Program for 24 months.

(d) **Medical Baseline Program Referral:** The Energy Savings Assistance Program contractors who visit these high usage households are to be trained to make referrals to the Medical Baseline program.

(e) **Energy Savings Assistance Program Cooperation:** If a high California Alternate Rates for Energy electric customer required to participate in the Energy Savings Assistance Program as a condition of their continued enrollment in California Alternate Rates for Energy, fails to keep at least one of the two appointments made with an Energy Savings Assistance Program contractor or fails to provide access to any portion of the metered property in question, or refuses to allow a post-participation quality control inspection, that customer shall be de-enrolled from the California Alternate Rates for Energy Program and barred from re-enrolling in the California Alternate Rates for Energy Program for 24 months.

(f) **Post Enrollment Verification:** The electric Utilities shall develop and field a standard income verification document for these instances which may require customers to provide a state or federally verified form of income proof, such as the household's annual tax returns

(g) **Compliance Extension:** Within 210 days from the issuance of this decision, PacifiCorp, Liberty Utilities (CalPeco Electric) LLC and Bear Valley Electric Service, as a division of Golden State Water Company shall comply with the expedited appeals process requirements in section (b) above.

21. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company (collectively referred to as SMJUs or Utilities) are

authorized to use fund-shifting rules as outlined in Decision 12-08-044, as follows:

a. **COMMITMENT OF FUTURE FUNDING FOR LONG-TERM PROJECTS**: For those long-term projects that require funding beyond the current budget program cycle and that will not yield savings in the current cycle, if applicable, the SMJUs may anticipatorily commit funds for such projects for expenditure during the next program cycle, under strict limitations as follows:

   (1) The SMJUs shall seek authorization for such long-term projects and current and future cycle funding commitment by itemizing each long-term project in the utility portfolio plan, including an estimate of the total costs broken down by year and an estimate of associated energy savings, if any;

   (2) The SMJUs shall seek authorization and commitment of all funding for long-term projects in the current program cycle and actually encumber such funds in the current program cycle;

   (3) All contracts with any and all types of implementing agencies and businesses must explicitly allow completion of long-term project related work beyond the current budget program cycle;

   (4) The amount of next cycle funds encumbered for long-term projects may not exceed 20 percent of the current program cycle budget;

   (5) The SMJUs shall separately track and report all long-term projects and obligations, including all information regarding funds encumbered and the estimated date of project completion until such project is completed; and

   (6) Energy savings for projects with long lead times shall be calculated by defining the baseline as the codes and standards applicable at the time the building permit for the project is issued.

b. **ESA PROGRAM FUND SHIFTING AND LIMITATIONS**: The SMJUs are permitted to shift funds under the following conditions in the ESA Program.

(1) Within the 2012-2014 Budget Cycle: Except for the shifting of funds described in subsection b(3) below, the SMJUs are permitted to shift funds from one year to another within the 2012-2014 cycle without prior approval. We encourage the SMJUs to consider fund shifting, as appropriate, to accelerate the implementation of cost-effective measures that address the drought emergency declared by Governor Brown in early 2014. This includes measures that save water and address the water-energy nexus including, but not limited to, High Efficiency Clothes Washers, Thermostatic Shower Valves, and surge protectors including Smart Strips.

(2) Fund Shifting Between 2012-2014 Budget Cycle and Future Budget Cycle:

i. "Carry back" Funding: Except for the shifting of funds described in subsection b(3) below, the SMJUs are permitted to shift and borrow from the next budget cycle, without prior approval of such fund shifting, if (a) the next cycle budget portfolio has been approved by the Commission; and (b) such fund shifting is necessary to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs; and

ii. "Carry forward" Funding: The SMJUs are permitted to carry over all remaining, unspent funds from program year to program year or budget cycle to budget cycle and shall include all anticipated carry over funds in the upcoming budget applications.

(3) Administrative Law Judge's Prior Approval: For any shifting of funds, within or out of cycle, except for "carry forward" funding considered by the Commission through budget applications, the Administrative Law Judge's prior written approval is required if any of the following applies:

i. Shifting of funds into or out of different program categories including, but not limited to: (a) administrative overhead costs, (b) regulatory compliance costs, (c) measurement and evaluation, and (d) the costs of pilots and studies;

ii. Shifting of funds into or out of the Education subcategory;

iii. Shifting of funds between gas/electric programs; and/or

iv. Shifting of funds totaling 15 percent or more of the total current annual ESA Program budget.

(4) The SMJUs shall secure prior written approval of the fund shift from the Administrative Law Judge when required by subsection b(3) above, of this ordering paragraph, by filing a motion pursuant to Article 11 of the Commission's Rules of Practice and Procedure. Upon showing of good cause, the Administrative Law Judge may issue a ruling approving the requested fund shift. The SMJUs, in the motion, must show good cause by setting forth the following:

i. The reason(s) why such fund shifting is necessary;

ii. The reason(s) why such motion could not have been brought sooner; and

iii. Justification supporting why the proposed shifting of funds would promote efficient, cost effective and effective implementation of the ESA Program.

(5) The SMJUs shall track and maintain a clear and concise record of all fund shifting transactions and submit a well-documented record of such transactions in their monthly and annual reports relevant to the period in which they took place.

c. **CALIFORNIA ALTERNATE RATES FOR ENERGY FUND SHIFTING AND LIMITATIONS**: The SMJUs are permitted to shift CARE funds in the same manner as above, but shall report all such shifting.

22. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall begin to report the results of their California Alternate Rates for Energy (CARE) Program recertification drop-off tracking with its May 1, 2015 annual report, including the number of complaints (however received) stemming from its recertification efforts, and discussion of what the utility is doing to ensure it is only losing customers that are not CARE-eligible.

23. Southwest Gas Corporation, Liberty Utilities (CalPeco Electric) LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall comply with the Annual Reporting Guidelines, attached to this decision as Appendix F, and use the updated templates (Appendices F-1 to and including F-8) for annual reports, beginning with May 1, 2015 filing for the 2014 Low Income Annual Reports.

24. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall file their respective California Alternate Rates for Energy and Energy Savings Assistance Program reports annually on May 1 as

compliance filings in the most current consolidated small and multi-jurisdictional utilities' proceeding docket, beginning with the May 1, 2015 filing of the 2014 Low Income Annual Reports.

25. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall hold annual public workshops within 60 days of submission of their low income annual reports which are due each year by May 1, beginning with the annual report due by May 1, 2015.

26. The Energy Division shall monitor all progress set forth in the reports filed by Southwest Gas Corporation, Liberty Utilities (CalPeco Electric) LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company and inform the Commission if they are not meeting the goals and directions we set forth for them in this decision.

27. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall file their next cycle application for the Energy Savings Assistance and California Alternate Rates for Energy Programs, by August 15, 2014.

28. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall follow the outline of application content ordered in this decision, including the required application attachments which are attached to this decision as Appendix G, in their 2015-2017 program and budget

applications, including discussion of all challenges, best practices, and unique outstanding small and multijurisdictional utilities related issues.

29. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall include following data presented in Excel format (*see* sample templates, Appendix G) as their next cycle application attachments:

(a) ESA-1 ESAP Treated (T) and Weatherized (W) Homes

(b) ESA-2 ESAP Program Budgets

(c) CARE-1 CARE Program Budget

(d) CARE-2 CARE Estimated Enrollment

30. The request by Liberty Utilities LLC (formerly and commonly referred to as CalPeco) and Golden State Water Company/Bear Valley Electric (Bear Valley) for the Energy Division staff facilitated workshops for the various reports and studies submitted in the A.11-05-017, *et al*. docket is granted.

31. Within 30 days of the issuance of this decision, the Energy Division shall:

(a) Prepare two workshops. The first workshop shall address the findings and recommendations from the working group reports submitted in the A.11-05-017, *et al*. docket and the second workshop shall address the findings and recommendations from the studies completed and submitted in the A.11-05-017, *et al*. docket;

(b) Schedule and send notices of the two workshops ordered in this ordering paragraph to the service list of this proceeding; and

(c) Facilitate the two workshops and provide a forum for the utilities to discuss how they could incorporate the findings and recommendations into their respective strategies to improve their Energy Savings Assistance and California Alternate Rates for Energy Programs in the future cycle.

32. In preparation for the next cycle applications and during the remainder of the 2012-2014 program cycle, we direct the Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company to:

(a) Continue to follow the developments in the large investor owned utilities' Energy Savings Assistance and California Alternate Rates for Energy Proceeding, Applications 11-05-017, et al., with expectation of further guidance and direction to the small and multijurisdictional utilities for future program cycles;

(b) Anticipate and plan for designing and submitting more robust and strategic proposals in the upcoming cycle applications with the goal of increasing alignment with the large investor owned utilities' programs, where feasible, and cost-effectively increasing the overall penetration rates;

(c) Examine the current program measure portfolios to assess whether easily installed measures can be added at minimal cost to increase energy savings and/or participant quality of life and whether some measures should be removed from the portfolio because they do not generate energy savings or improve participant quality of life;

(d) Propose cost-effective measures and ways to prioritize cost-effective ESA measures that address the energy-water nexus, and contribute to alleviating the drought emergency Governor Brown declared in early 2014. Explain how you could coordinate with water utilities, water districts, water agencies, government offices, community-based organizations and non–profits, water experts, and others including the Commission to identify potential water and energy savings measures, analyze their cost effectiveness, and implement cost-effective water-energy nexus measures. Take into account the potential to forestall use of energy-intensive water sources such as desalinization in analyzing cost effectiveness; and

(e) Develop strategies to increase coordination with the large investor owned utilities, and LifeLine Carriers, especially in overlapping service territories in an effort to identify and implement best practices.

33. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall use the templates attached as Appendix G (ESA-1 and ESA-2 and CARE-1 and CARE 1) in their next cycle application.

34. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall incorporate the Low Income Needs Assessment Study and its findings, in Proceeding A.11-05-017, *et al*. in their respective strategies to improve their Energy Savings Assistance and California Alternate Rates for Energy Programs in the upcoming cycle.

35. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall incorporate the Impact Evaluation Report and its findings, in Proceeding Application 11-05-017, *et al*. in their respective strategies to improve their Energy Savings Assistance and California Alternate Rates for Energy Programs in the upcoming cycle.

36. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural

Gas Operating Company shall incorporate the Energy Education Study and its findings, in Proceeding Application 11-05-017, *et al.* in their respective strategies to improve their Energy Savings Assistance and California Alternate Rates for Energy Programs in the upcoming cycle.

37. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall incorporate the Multi-Family Segment Study and its findings, in Proceeding A.11-05-017, *et al.* in their respective strategies to improve their Energy Savings Assistance and California Alternate Rates for Energy Programs in the upcoming cycle.

38. Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company shall incorporate the three working group reports' finding and recommendations, in Proceeding Application 11-05-017, *et al.* as applicable to small and multijurisdictional utilities, in their respective strategies to improve their Energy Savings Assistance and California Alternate Rates for Energy Programs in the future cycle.

39. To the extent we do not approve any other request by Southwest Gas Corporation, Liberty Utilities LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company, PacifiCorp, and Alpine Natural Gas Operating Company in their applications or filings, we deny each such request.

40. Southwest Gas Corporation, Liberty Utilities (CalPeco Electric) LLC (formerly and commonly referred to as CalPeco), Golden State Water Company/Bear Valley Electric (Bear Valley), West Coast Gas Company,

PacifiCorp, and Alpine Natural Gas Operating Company shall update their tariffs, if necessary, in order to comply with the amendment to Assembly Bill 2857 (Lieber) within 60 days of the effective date of this decision.

41. Application (A.) 11-06-016, A.11-06-018, A.11-06-019, A.11-06-020, A.11-06-021, and A.11-07-015 are closed.

This order is effective today.

Dated ___________________, Los Angeles, California.

Appendix A

Appendix B

Appendix C

Appendix D

Appendix E

Appendix F

Appendix G