

Decision 09-10-012 October 15, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
for Approval of the 2009-2011 Low Income
Energy Efficiency and California Alternate Rates
for Energy Programs and Budget (U39M).

Application 08-05-022
(Filed May 15, 2008)

And Related Matters.

Application 08-05-024
Application 08-05-025
Application 08-05-026

**DECISION AUTHORIZING LARGE INVESTOR-OWNED UTILITIES'
EXPENDITURE OF 2010-2011 LOW INCOME ENERGY EFFICIENCY
MARKETING, EDUCATION AND OUTREACH BUDGETS
HELD IN ABEYANCE BY DECISION 08-11-031**

1. Summary

Decision (D.) 08-11-031 approved the 2009-2011 Low Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) program budgets, including the LIEE Marketing, Education and Outreach (ME&O) budgets for the four investor-owned utilities (Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SCG)) (collectively referred to as the investor-owned utilities (IOUs)). D.08-11-031, however, directed the IOUs to hold 2010-2011 LIEE ME&O budgets, in particular the marketing funds, in abeyance pending further direction from the Commission. We give such direction in today's decision here and in the Commission's decision, D.09-09-047, in Application (A.) 08-07-021 et al. which

approves general energy efficiency (EE) programs and budgets for 2010-2012 (EE Decision). The decision provides guidance and authorizes the IOUs to spend 2010-2011 LIEE ME&O budgets, in particular the marketing funds previously held in abeyance, and directs the IOUs to follow the directions we provide in the EE Decision as it affects LIEE 2010-2011 marketing programs, efforts and expenditure.

2. Background

In September 2008, the Commission adopted the landmark California Long Term Energy Efficiency Strategic Plan (Strategic Plan). The Strategic Plan “set forth a roadmap for energy efficiency in California through the year 2020 and beyond.” While articulating long term energy efficiency visions and goals for major market sectors across the state, the Strategic Plan also outlines visions and goals for the low income portion of the residential sector and the related marketing, education and outreach strategies.

One goal of the Strategic Plan for the low income sector is “by 2020, all eligible [low income] customers will be given the opportunity to participate in the LIEE program.” The strategies to reach that goal include strengthening outreach by using social marketing tools and developing a recognizable and trustworthy brand for the LIEE programs.

Recognizing that an effective and long term energy efficiency marketing, education and outreach goal must also include strategies that cut across all economic sectors, including low income sector, the Strategic Plan sets a goal to create and launch an integrated, statewide marketing, education and outreach (Statewide ME&O) program for energy efficiency. Similar to the low income sector marketing goal, a strategy for reaching this ME&O goal is to establish a recognizable and trustworthy brand for California’s energy efficiency and other

demand side management consumer products and services, including the LIEE program.

In D.08-11-031, the Commission reiterated the Strategic Plan's vision of a Statewide ME&O program noting that a single Statewide ME&O effort would be achieved through four strategies: 1) An Energy Efficiency Brand; 2) Integrated Marketing; 3) Social Marketing; and 4) Internet-Based Marketing. Additionally, D.08-11-031 anticipated that such a Statewide ME&O program would consist of several "buckets" (including a LIEE bucket) focusing on different aspects of energy efficiency marketing.

However, in issuing that decision in November 2008, the Commission also recognized that a Statewide ME&O program and strategy would need months to develop, most of 2009. Therefore, in D.08-11-031, while approving the four IOUs' LIEE budgets for 2009-2011, the Commission ordered the 2010-2011 marketing budgets be held in abeyance, pending development of the Statewide ME&O program. The Commission also explained therein that once the Statewide ME&O program is developed and in place, the IOUs would be permitted to use the LIEE marketing funding requested for 2010-2011, but in a "way that is consistent with the single statewide ME&O program."

3. Discussion

3.1. Introduction

Following the visions and goals outlined in the Strategic Plan, the EE Decision outlines the next step in a succession of decisions¹ on the Statewide ME&O program as it relates to energy efficiency. The EE Decision addresses

¹ In D.07-10-032, we directed the IOUs to coordinate ME&O efforts across utility territories and consumer demand-side options so as to "optimize the development and

Footnote continued on next page

several general and perhaps overlapping marketing, education and outreach issues raised in both the general EE programs as well as the LIEE programs. Specifically, the EE Decision explains (1) the purpose and implementation of the Statewide ME&O program; (2) the Commission's, IOUs' and community based organizations' roles; (3) the scope of the statewide brand and web portal; and (4) the coordination between the general EE and LIEE programs.

As explained in D.08-11-031, LIEE 2010 - 2011 marketing funds have been held in abeyance to be contributed towards the Statewide ME&O program. That decision also directed the IOUs to use the funds in a "way that is consistent with the single statewide ME&O program."² Accordingly, at this time, the IOUs are authorized to spend the LIEE 2010-2011 ME&O marketing funds which had been held in abeyance. The IOUs are directed to follow the directives set forth in the EE Decision for guidance in the expenditure of the IOUs' previously held 2010-2011 LIEE marketing funds and in the IOUs' planning and implementation of the LIEE marketing programs for 2010-2011 period. In addition, we provide herein further and related guidance for the IOUs.

3.2. Clarification of Funds Held in Abeyance

Ordering Paragraph (OP) 2 of D.08-11-031 provides that the "IOUs shall hold the remaining 2/3 of their ME&O budgets (the amounts for 2010 and 2011) in abeyance as the Commission works to develop a single statewide ME&O program that supplants existing IOU ME&O for 2010 and beyond."

delivery of energy efficiency messages" while reducing costs and increasing the impact of said messaging.

² D.08-11-031 at 66.

We recognize that there may be confusion as to what funds or budgets are currently held in abeyance under OP 2: whether it includes *all* funds categorized as marketing, education and/or outreach activities; or whether it is limited *only* to the funds tied to general marketing activities under the budget line item, "Marketing," and addressed in Section 6 of D.08-11-031.

The Strategic Plan interchangeably refers to marketing efforts as "marketing, outreach, and education" and "ME&O" efforts. In the context of the Strategic Plan, what is at issue is the general marketing and messaging that overlaps all of the IOUs' EE programs, including LIEE programs. The Strategic Plan, on page 81, explains that the "results of these [ME&O] efforts will be a coordinated, comprehensive system of communicating with Californians and delivering an array of effective messages," thus, referring to marketing as messaging.

However, there are outreach and education efforts that take place in the context of LIEE programs that are not considered general marketing and messaging type of activity. For example, neither the "outreach" efforts by IOUs' contractors to enroll eligible consumers in LIEE program nor the "education" that takes place during the IOUs' contractor assessment of the home can be considered general "marketing." These activities are funded through the budget line items typically referred to as "outreach and assessment" and "in home education" and are performed by the IOUs' contractor. They are not considered general marketing activity. In comparison, general "marketing" activities include activities such as printing general marketing brochures in most cases and purchasing media advertisements by the IOUs which are typically activities

funded through the budget line item, “Marketing” or, in the case of PG&E,³ “Marketing/Outreach.”

Furthermore, the discussion sections of D.08-11-031, Section 6 in particular, and the majority of the OPs make it clear that the only amount ordered to be held in abeyance is the IOUs’ “marketing” budget line item, as discussed herein. OP 4 directs that “...The IOUs shall coordinate 2009 LIEE **marketing** so that it is consistent with the developing single statewide ME&O program.” (**Emphasis added.**) Additionally, OP 25 directs the IOUs to “implement this **marketing** in coordination with the California Long-Term Energy Efficiency Strategic Plan’s (Plan) work on a single statewide ME&O program. (**Emphasis added.**) Lastly, OP 27 declares that “while we approve the IOUs’ requested funding, we do not allow the IOUs to spend the funds on the **marketing** efforts they propose...” (**Emphasis added.**)

Thus, the ME&O funds ordered held and referred to in Section 6 and OP 2 of D.08-11-031 include only those funds that the IOUs classify as “marketing” funds for which the IOUs undertake general marketing efforts. Other LIEE ME&O fund or budget categories, “in home education” and “outreach and assessment,” are associated directly with the LIEE program delivery and are not held in abeyance.

3.3. ME&O Expenditures

In authorizing and directing the IOUs’ expenditure of 2010-2011 LIEE marketing funds, we look to how we can maximize the use of the available funds in achieving the goals the Commission set out in the Strategic Plan, while not losing sight of the individual program goals and focuses. First and foremost, we

³ D.08-11-031, Attachment B, Table: PY 2009-2011.

recognize that the purpose and focus of the general Statewide ME&O program and the LIEE ME&O programs, while they overlap and are related in parts, differ in key respects.

The purpose and focus of the general Statewide ME&O program, as described in the EE Decision, is to motivate ratepayers to take action on energy efficiency or conservation measures and behavior change. The purpose of the LIEE ME&O program is to increase awareness of LIEE programs and, in turn, increase enrollment and participation in the LIEE program as discussed in Chapter 2.2.5 of the Strategic Plan.

Because of the differing purposes, general Statewide ME&O and LIEE ME&O programs are also different in focus, which affects the necessary marketing, education and/or outreach approaches and strategies for each. For instance, LIEE measures are provided at no cost to program participants; thus, increasing enrollment in the LIEE programs is the driving factor for achieving the desired energy savings from LIEE programs. In contrast, most of the general EE programs require customers to pay part of the costs of the targeted measure; therefore, any marketing, education and/or outreach strategies, in that general EE context, must focus on affecting the broader customer behavior change.

While the LIEE 2010-2011 marketing funds should be expended consistent with the directives set forth in the EE Decision, the differing ME&O goals and focuses make it necessary for us to provide direction beyond the EE Decision on how to allocate LIEE ME&O marketing funds for 2010-2011 as set forth herein.

D.08-11-031 approved a total LIEE 2010-2011 marketing budget line item of approximately \$8.68 million. (See Attachment A hereto.) On July 13, 2008, as part of the IOUs' responses to a June 13, 2008 assigned

Commissioner's ruling, the four large IOUs jointly proposed to set aside \$667,000 per year for the years 2009-2011 for the proposed statewide marketing efforts. The four IOUs proposed, consistent with the long established formula outlined in Resolution E-3585,⁴ that they would equitably share in this joint statewide marketing effort by splitting the total proposed amount using the 30-30-25-15 cost sharing formula between PG&E, SCE, SoCalGas, and SDG&E, as follows:

- 30% PG&E - \$200,000;
- 30% SCE - \$200,000;
- 25% SoCalGas - \$167,000; and
- 15% SDG&E - \$100,000.

The IOUs' proposal reflects the critical need for the IOUs to focus LIEE ME&O efforts on increasing enrollment so that the IOUs are able to meet the ambitious enrollment goal set forth in the Strategic Plan. Hence, we agree that the IOUs' proposal above is reasonable, equitable and consistent with the Strategic Plan visions and goals.

The IOUs, therefore, are directed to spend \$667,000 per year for the years 2010 and 2011 from the 2010-2011 LIEE "Marketing" budget line item towards the general Statewide ME&O program, including expenditures associated with the statewide brand, its use in Statewide ME&O programs, as well as the statewide web portal, consistent with the directives herein and with the EE Decision. Attachment A of this decision shows the 2010-2011 "Marketing" budget line item amount for each of the IOUs and the marketing funds allocation discussed herein. The IOUs are directed to spend all of the remainder of the 2010-2011 LIEE "Marketing" budget line towards marketing

⁴ 1998 Cal. PUC LEXIS 1065.

activities designed to increase enrollment in LIEE programs in a way *consistent with the Statewide ME&O program*.

4. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge 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. Opening comments were filed by the IOUs on October 5, 2009, and SCE filed reply comments on October 9, 2009.

In general, the IOUs are supportive of the equitable cost-sharing approach in calculating their contribution to the general Statewide ME&O program, consistent with Resolution E-3585. SCE envisions some fund shifting, but PG&E, SoCalGas and SDG&E do not anticipate any fund shifting or disruptions in LIEE ME&O activities as an outcome of this decision.

5. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Kimberly H. Kim is the assigned ALJ in this proceeding.

Findings of Fact

1. As explained in D.08-11-031, LIEE 2010-2011 ME&O "Marketing" funds have been held in abeyance to be contributed towards the single Statewide ME&O program.

2. D.08-11-031 directed the IOUs to use LIEE 2010-2011 ME&O "Marketing" funds held in abeyance, once authorized by the Commission, in a "way that is consistent with the single statewide ME&O program."

3. The entire LIEE 2010-2011 ME&O "Marketing" budget for 2010-2011 is approximately \$8.68 million under D.08-11-031, as shown on Attachment A, attached hereto.

4. The purpose of the LIEE ME&O program is to increase awareness of LIEE programs and, in turn, increase enrollment and participation in the LIEE program as discussed in Chapter 2.2.5 of the Strategic Plan.

Conclusions of Law

1. The IOUs should follow the directions and guidance in this decision and the EE Decision as they affect LIEE programs and, particularly, ME&O efforts and expenditure of LIEE 2010-2011 ME&O “Marketing” funds and budgets.

2. The differing ME&O goals and focuses between the general energy efficiency and LIEE programs make it necessary for us to provide further direction, beyond the EE Decision, on how the IOUs should allocate LIEE ME&O funds for 2010-2011 budget period.

3. The largest portion of the 2010-2011 LIEE ME&O “Marketing” funds should continue to be allocated towards increasing enrollment in LIEE in a way consistent with the single Statewide ME&O program.

4. The remaining smaller portion of the 2010-2011 LIEE ME&O “Marketing” funds should be allocated to the general Statewide ME&O program.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company are authorized to spend the Low Income Energy Efficiency Marketing, Education and Outreach funds held in abeyance by Decision (D.) 08-11-031 subject to the following conditions:

- a. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company shall follow the guidance and directions set forth in the California Public

- Utilities Commission decision, D.09-09-047, in Application 08-07-021 et al. which approved general energy efficiency programs and budgets for 2010-2012 (Energy Efficiency Decision);
- b. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company together shall allocate \$667,000 per year for the years 2010 and 2011 from the 2010-2011 Low Income Energy Efficiency “Marketing” budget line item, identified in Attachment A to this decision, to the statewide Marketing, Education and Outreach program which includes development and launching of the statewide brand, statewide Marketing, Education and Outreach program, as well as development of the statewide web portal, consistent with the directives herein;
 - c. For 2010 and 2011, each of the four investor owned-utilities shall contribute annually to the statewide Marketing, Education and Outreach program, consistent with the 30-30-25-15 cost sharing formula discussed in this decision, as follows: 30% (PG&E - \$200,000), 30% (SCE - \$200,000), 25% (SoCalGas - \$167,000), and 15% (SDG&E - \$100,000); and
 - d. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company shall allocate all of the remaining amount of the 2010 - 2011 Low Income Energy Efficiency “Marketing” budget line item, identified in Attachment A to this decision, to increasing enrollment in Low Income Energy Efficiency in a way consistent with the single statewide Marketing Education and Outreach program as described in the Energy Efficiency Decision.

2. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company shall include a separate line item for the statewide Marketing Education and Outreach program in future budget applications.

This order is effective today.

Dated October 15, 2009, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

ATTACHMENT A

2010-2011 Low Income Energy Efficiency Marketing* Fund Allocation

	Funds Authorized but Held in Abeyance by Decision 08-11-031**		Funds Allocated to the Statewide ME&O Program		Funds Allocated to IOUs' LIEE "Marketing" activities	
	PY 2010	PY 2011	PY 2010	PY 2011	PY 2010	PY 2011
Pacific Gas & Electric Co.	\$1,907,638	\$1,988,195	\$200,000	\$200,000	\$1,707,638	\$1,788,195
San Diego Gas & Electric Co.	\$819,437	\$814,341	\$100,000	\$100,000	\$719,437	\$714,341
Southern California Edison Co.	\$526,778	\$526,778	\$200,000	\$200,000	\$326,778	\$326,778
Southern California Gas Co.	\$1,050,293	\$1,050,293	\$167,000	\$167,000	\$883,293	\$883,293
Total	\$4,304,146	\$4,379,607	\$667,000	\$667,000	\$3,637,146	\$3,712,607

*PG&E refers to this line item as "Marketing/Outreach"

**From Decision 08-11-031 Attachments B-E

(END OF ATTACHMENT A)