Decision 07-12-051 December 20, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the Low Income Energy Efficiency Programs of California's Energy Utilities.	Rulemaking 07-01-042 (Filed January 25, 2007)
Southern California Edison Company's (U338E) Application for Approval of SCE's "Change A Light, Change The World," Compact Fluorescent Lamp Program.	Application 07-05-010 (Filed May 10, 2007)

DECISION PROVIDING DIRECTION FOR LOW-INCOME ENERGY EFFICIENCY POLICY OBJECTIVES, PROGRAM GOALS, STRATEGIC PLANNING AND THE 2009-2011 PROGRAM PORTFOLIO AND ADDRESSING RENTER ACCESS AND ASSEMBLY BILL 2140 IMPLEMENTATION

DECISION PROVIDING DIRECTION FOR LOW-INCOME ENERGY EFFICIENCY POLICY OBJECTIVES, PROGRAM GOALS, STRATEGIC PLANNING AND THE 2009-2011 PROGRAM PORTFOLIO AND ADDRESSING RENTER ACCESS AND ASSEMBLY BILL 2140 IMPLEMENTATION

This decision updates and expands our policy direction for the Low-Income Energy Efficiency (LIEE) programs provided by the Commission's regulated energy utilities. It is a companion to our recent decision Decision (D.)07-10-032 which set the stage for the next generation of energy efficiency in California.

Today we clarify that the complementary objectives of LIEE programs are to provide an energy resource for California, consistent with our "loading order" that establishes energy efficiency as our first priority, while reducing low-income customers' bills and improving their quality of life. We commit to expand LIEE programs by making them available to more customers, improving their cost-effectiveness and designing them in ways to make them a reliable energy resource. To achieve these objectives, we adopt a programmatic LIEE initiative to provide all eligible LIEE customers the opportunity to participate in LIEE programs and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020. We provide direction for implementation of this initiative through a collaborative process, utilized both in the overall energy efficiency strategic plan ordered by D.07-10-032 as well as the upcoming applications by the utilities for their 2009-2011 LIEE program portfolios.

This decision also addresses outstanding issues relating to access to LIEE programs by residents who rent their living spaces, natural gas appliance testing (NGAT) problems, and the requirements of Assembly Bill (AB) 2140, which directs the utilities to implement certain program elements of their respective electricity rate discount programs, otherwise known as California Alternative Rates for Energy (CARE) programs. Finally, this decision addresses Southern California Edison's (SCEs) application for approval of authority to spend an additional $22 million to distribute compact fluorescent lamps (CFLs) to its customers.

1. Summary of Order

This order sets a new course for LIEE programs in California. Recognizing the changes in energy markets and the environment, and the needs of low-income individuals and the larger community, we conclude that our LIEE program can only meet California's needs with a change in emphasis. We commit to changing the way we approach LIEE programs by adopting the follow policies and program guidance:

- The complementary objectives of LIEE programs will be to provide an energy resource for California while concurrently providing low-income customers with ways to reduce their bills and improve their quality of life;
- LIEE programs should emphasize opportunities to save energy;
- LIEE programs should be designed to take advantage of all cost-effective energy efficiency opportunities;
- LIEE programs should include measures that may not be cost-effective but that may promote the quality of life of participating customers;
- LIEE programs should emphasize effective ways to inform customers of the benefits to themselves and their communities of conservation and energy efficiency measures, as well as the way energy efficiency promotes environmental values and reduces greenhouse gases;

- LIEE programs should be integrated with other energy efficiency programs to allow the utilities and customers to take advantage of the resources and experience of energy efficiency programs, promote economies of scale and scope, and improve program effectiveness; and
- LIEE programs should take advantage of other resources, such as federally funded programs, local efforts, the work of businesses and publicly-owned utilities.

We also adopt a broadly-stated programmatic initiative as follows:

> To provide all eligible customers the opportunity to participate in the LIEE programs and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020.

We provide further guidance to utilities in their development of a comprehensive long-term statewide strategic plan as directed in D.07-10-032. The strategic plan will assist them in achieving the programmatic initiative. We direct the utilities to propose programs and budgets for their 2009-2011 LIEE applications that will help them move toward this programmatic initiative and the strategic plan.

We are motivated to change our approach to LIEE programs in part because more than 5.5 million households qualify for utility low-income programs and many of those households are barely able or unable to pay their energy bills.[1] Utility rates have increased substantially in recent years and may

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[1] LIEE Annual Reports, 2006, for Pacific Gas and Electric Company (PG&E), SCE, San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas).

PG&E: http://www.ligb.org/DOCS/PG&E%202006%20Low%20Income%20Energy%20Efficiency%20Programs%20Annual%20Report%205-1-07.pdf

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continue to climb as the costs of fuel and infrastructure go up. However, only about 3% of qualified customers are able to take advantage of LIEE programs every year at current budget levels.[2]

At the same time, we have underscored our commitment to reducing greenhouse gasses and improving the reliability of the state's energy infrastructure. Energy efficiency programs are the best way to meet our commitment to both of these goals.

Finally, in light of our strategic direction for LIEE programs and energy efficiency programs generally, we state our intent to initiate a dialogue regarding SCE's proposal to spend $22 million on a program to distribute six CFLs to each of 926,000 households. This dialogue between interested parties will hopefully resolve some of the concerns raised by the parties and help develop a program that is integral to other, more comprehensive programs to promote long term, enduring energy savings.

2. Background on LIEE Programs

2.1. LIEE Program History

The history of LIEE programs dates to the early 1980s, when the Commission instituted energy efficiency programs in response to the energy crisis of the 1970s. After initiating the state's first energy efficiency programs in

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SCE: http://www.ligb.org/DOCS/ACF1C51.pdf

SDG&E: http://www.ligb.org/DOCS/SDGE%20Low%20Income%20Energy%20Efficiency%20Programs%20Annual%20Summary%20and%20Technical%20Appendix%205-1-07.pdf

SoCalGas: http://www.socalgas.com/regulatory/efficiency/2006annualreport/2006LIEEAnnualReport.pdf

[2] Ibid.

1981,[3] the Commission determined the utilities' programs should encourage participation by renters, the elderly, and low-income or non-English speaking persons. The Commission subsequently ordered PG&E and SoCalGas to offer low-income customers $200 in credit for energy efficiency installations and SDG&E to provide weatherization measures at no cost to the participant, all designed to help the utilities control the costs and improve the reliability of traditional utility service.[4] D.83-04-015 laid out the requirements for free installation of energy efficiency measures, called "direct weatherization" for up to 26,400 homes in PG&E's territory. These measures included insulation, caulking, low flow showerheads and water heater blankets.[5] The objective of the programs was to promote equity and to help relieve low-income customers of the burden of rising energy prices.[6]

The California Legislature subsequently passed Senate Bill (SB) 845, endorsing the Commission's approach and requiring the utilities' continued provision of energy efficiency measures to low-income customers in California.[7] In 1996, the Legislature enacted AB 1890, which, among other things, guaranteed funding for energy efficiency programs serving low-income electricity customers

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[3] See D.92653, issued January 28, 1981 and D.93891, issued December 30, 1981.

[4] See D.92653, D.82-02-135, issued February 17, 1982, D.82-11-019, issued November 3, 1982 and D.82-11-086, issued November 17, 1982.

[5] See D.82-11-019.

[6] D.86-12-095.

[7] Pub. Util. Code § 2790.

at levels "at not less than 1996 authorized levels based on an assessment of customer need."[8]

In 1999, the Legislature passed AB 1393 mandating continued utility administration of energy efficiency programs for low-income gas and electric customers, subject to Commission oversight. The legislation was designed to ensure that "high quality, low-income energy efficiency programs are delivered to the maximum number of eligible participants at a reasonable cost." The bill required electric and gas corporations to "work with state and local agencies, community-based organizations, and other entities to ensure efficient and effective delivery of programs." AB 1393 permitted competitive bidding for program delivery and outlined criteria for utilities to use in the bidding process.[9]

In response to the energy crisis in 2000, the Commission increased LIEE program funding and began to standardize and make more consistent LIEE programs, policies and technical standards across the utilities.[10] The Legislature also responded to the needs of low-income customers during the energy crisis when it passed SBX15 in May 2001, allocating $20 million to LIEE and $50 million for an energy efficient appliance purchase and replacement program targeted at low-income households. The Commission concurrently adopted a "rapid deployment" program to expand enrollment in LIEE and CARE, finding that existing programs and marketing efforts were inadequate to address the

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[8] Pub. Util. Code § 382.

[9] Pub. Util. Code § 382 added by Stats 1999, Chapter 700, Section 1.

[10] D.00-09-036.

needs of low-income customers during the energy crisis. The program required that all feasible measures be installed in each LIEE participant's residence.[11]

The Commission again stepped up LIEE program efforts in October, 2005 after an unexpected increase in energy prices.[12] It issued an emergency order expanding LIEE eligibility levels from 175% to 200% of federal poverty guidelines. The order also simplified LIEE procedures, permitted more creative enrollment procedures, and authorized the utilities to speed up the provision of energy efficient furnaces, heaters, refrigerators and light-bulbs.

In D.05-12-026, the Commission signaled an objective that utilities design budgets with the intent of achieving specific energy efficiency or penetration goals.

Overall, LIEE programs have been designed to serve the interests of participating customers and have received more attention in recent years as rates have increased. LIEE program measures have expanded from simple weatherization measures of the early 1980s to a much broader array of services which include refrigerator replacement, providing heating and air conditioning equipment and funding operation of local sites for customers to escape extreme heat called "Cool Centers."

2.2. Program Budgets, Energy Savings and Customers Served

Today, LIEE programs offer eligible low-income customers a range of free energy efficiency measures, such as insulation, water heater blankets, CFLs, replacement of older refrigerators, repairs and replacement of air conditioning

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[11] D.01-05-033 and D.01-08-065.

[12] D.05-10-044.

and furnaces, and energy education. Attachment B provides more information about utility LIEE measures. Nine jurisdictional energy utilities currently offer LIEE programs to California low-income customers: Alpine Gas, PacifiCorp, Sierra Pacific, Bear Valley Electric, Southwest Gas, SCE, PG&E, SDG&E, and SoCalGas. Attachment A describes each utility's program in more detail.

LIEE programs are funded by non-participating ratepayers as part of a statutory "public purpose program surcharge" that appears on their monthly utility bills.[13] For each budget cycle, the Commission establishes LIEE funding for each utility, which includes the utility's administrative budget. The utility must live within that budget, and any unspent funds are added to the next year's prescribed budget. Two recent Commission orders, D.06-12-036 and D.06-12-038, issued in December 2006, together authorized the nine utilities to spend up to $317 million on LIEE programs serving 170,000 California customers during 2007 and 2008.[14]

The utilities' LIEE programs provide substantial energy savings and reduce the bills of program participants. In the past ten years, LIEE programs have served about 1.6 million low-income customers.[15] Average annual bill savings from the programs in 2005 are estimated to be more than $703 a year in PG&E's territory, $669 a year for SDG&E, $780 a year for SCE and $196 a year for

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13 Pub. Util. Code § 382.

14 LIEE Annual Reports, 2006, for PG&E, SCE, SDG&E and SoCalGas.

15 LIEE Annual Reports, 2006, for PG&E, SCE, SDG&E and SoCalGas.

SoCalGas.[16] Energy savings statewide in 2006 were about 13.8 megawatts (MW), 60 million kilowatt hours and 2.57 million therms.[17]

The following table shows the utilities' 2006 budgets, the number of homes treated, and energy savings:

COMPARISON CATEGORY	PG&E	SCE	SDG&E	SCG	Total
LIEE 2006 authorized budget	$ 88,330,000	$ 27,400,000	$13,368,000	$ 33,325,000	$162,423,000
2006 % LIEE budget of spent	100%	114.0%	108.0%	82.0%	n/a
2006 homes weatherized	48,183	515	12,270	36,843	97,811
2006 homes treated	66,043	53,017	13,771	36,870	169,701
Treated in last decade	496,221	570,695	134,454	377,806	1,579,176
Eligible LIEE participants 2006	1,800,424	1,368,584	352,737	2,039,168	5,560,913
LIEE penetration (treated)	27.6%	41.7%	38.1%	18.5%	n/a
2006 kWh saved	27,915,812	26,762,122	5,311,868	271,719	60,261,521
2006 kW saved	6,009	5,807	1,983	-	13,799
2006 therm saved	1,450,250	-	283,766	834,296	2,568,312
2006 Avrg lifecycle bill savings	$ 702.79	$ 780.00	$ 669.00	$ 196.00	n/a

Notes:

Information on this table is derived from the 2006 Annual Reports of PG&E, SCE, SDG&E and SoCalGas and D.06-12-038.

3. Procedural Background

The Commission adopted the Order Instituting Rulemaking (OIR or R.) 07-01-042 in January 2007 for the purpose of revisiting and refining policies,

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16 LIEE Annual Reports, 2005, for PG&E, SCE, SDG&E and SoCalGas.

17 LIEE Annual Reports, 2006, for PG&E, SCE, SDG&E and SoCalGas.

programs and practices of the utilities' LIEE programs and to implement legislation concerning CARE.

This rulemaking evolves from and builds on the work we began in previous proceedings, including associated decisions, such as D.06-12-036 and D.06-12-038. This rulemaking addresses several issues raised in those decisions and also issues interrelated with our general energy efficiency rulemaking, R.06-04-010. The OIR described the following twelve issues to be addressed in this proceeding:

1. **Policy Objectives** – As California's energy needs and demographics change, and energy efficiency markets and technologies evolve, we believe we should reconsider our policy objectives and priorities. For example, in the administration of LIEE programs, how important is equitable access by low-income communities to LIEE programs? Cost-effectiveness? LIEE programs as an energy resource? The safety and comfort of low-income customers? Technology development? The answers to these questions should guide the goals that are set and allocation of funds to program elements and technologies.
2. **Goals-based Budgeting** – D.06-12-038 stated the Commission's commitment to developing strategic goals for LIEE programs and then developing budgets accordingly. The Commission issued the "KEMA" needs assessment in late 2006, providing a foundation for this approach. Key issues we need to address include: How should the universe of LIEE participants be defined? Should criteria for program participation be changed or clarified? How should program priorities be set and defined in a given budget period? In developing program priorities, what should be the target populations? How should those priorities be translated into program goals and how should they be reflected in utility budgets?
3. **Processes for Considering Program Improvements between Utility Budget Cycles** – Our intent is to move to a

three-year program funding cycle beginning in 2009. Currently, the utilities are required to meet with interested parties about program elements between budget cycles, as set forth in D.06-12-038. Is this an adequate way for the utilities to become informed about program issues and make program changes that are responsive to Commission objectives? If not, what type of forum or group is appropriate for this purpose and what type of authority or discretion should it have, if any?

4. **Cost-benefit Models** – What models are the utilities using now in their impact studies? Should those models be changed? How should cost-benefit analyses of low-income programs be applied? Should they be used to prioritize program elements? Improve them? Eliminate some? Are impacts on green house gasses appropriately reflected in the assessment of program benefits and, if not, how should they be reflected?

5. **California Solar Initiative (CSI) Program** – The Commission is conducting a rulemaking to implement its CSI, which provides various incentives for customers and businesses to install solar technologies. The Commission has determined that 10% of CSI funds should be set aside for low-income customers and projects. Since the issuance of that order, the California Legislature enacted AB 2723, which defines the low-income component of the CSI with more specificity. To what extent should LIEE be coordinated with the low-income portion of the CSI?

6. **Evaluation, Measurement and Verification (EM&V)** – What should EM&V study and measure? How often should such studies be conducted and used? How does the Commission's inclusion of LIEE results in energy efficiency goals affect program evaluation?

7. **Integration of the LIEE program with Energy Efficiency Programs** – The Commission has traditionally considered LIEE programs separately from other energy efficiency programs. Recently, the Commission included LIEE as part of the performance goals of the utilities and stated the

Commission's intent to treat LIEE more as a resource program, which conceptually makes LIEE more like energy efficiency programs than a subsidy program. How, if at all, should the two programs be merged from the standpoint of budget and program review and management, procurement and for the purpose of strategic development?

8. **Gas Furnace Programs and NGAT** – What policies and practices should apply to gas furnace repairs and installations for low-income customers? What are the effects of Natural Gas Appliance Testing (NGAT) on program participation and how can the Commission balance safety and program participation objectives?

9. **AB 2140** – AB 2140 requires the Commission to adopt, no later than January 1, 2008, a process for improving electric and gas utility CARE applications and outreach to tenants at master-metered properties, such as mobile home parks and apartment buildings. In this proceeding, the Commission will adopt the process required under AB 2140. What should the utilities do to implement this statute?

10. **Renter Access** – Some parties have raised concerns that some LIEE programs may not be adequately marketed or provided to tenants. What problems exist for renters in both single and multi-family dwellings and what steps should be taken?

11. **Water Conservation Programs** – In R.06-04-010, the Commission has begun a review of how water conservation programs can be developed to increase energy efficiency savings. Programs are needed that target low-income customers. What types of programs for low-income customers should be developed? What kinds of energy savings are possible from programs that target low-income water customers?

12. **Program Management and Administration** – Can any improvements be made in the current administration of LIEE programs? Should community-based organizations be more involved? How much involvement should the Commission have in ongoing program oversight? Can the

> Commission or the utilities do more to include input from low-income customers in program development and administration?[18]

Following a prehearing conference held in this proceeding on March 7, 2007, the assigned Commissioner issued a scoping ruling that set proceeding priorities and scheduled the review of issues relating to LIEE program objectives and priorities, renter access to LIEE programs, and the implementation of AB 2140 in the utilities' CARE programs (Items 1, 9 and 10 above).[19] The assigned Commissioner subsequently solicited comments on NGAT issues (Item 8) and the programmatic implications of a recently-issued report administered by the Commission and conducted by KEMA.[20]

This decision addresses these issues as well as SCE's application for increased funding for CFL distribution, which was consolidated with this rulemaking. Future phases of this proceeding will address outstanding issues at the discretion of the assigned Commissioner and consistent with our findings here and in related proceedings.

4. The Context for Reviewing LIEE Policy Objectives and Program Goals

LIEE policy objectives and program goals guide program priorities, the development of LIEE program portfolios and policies, and criteria for setting LIEE budgets and evaluating program success. The Commission has not

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18 OIR, California Public Utilities Commission, January 25, 2007.

19 Scoping Memo and Ruling issued March 28, 2007, R.07-01-042.

20 The report, titled "Final Report on Phase II Low Income Needs Assessment" was published on September 7, 2007.
http://www.cpuc.ca.gov/PUC/energy/consumers/liee.htm

addressed policy objectives and program goals for LIEE programs in detail in recent years, although the Commission has identified LIEE programs as equity programs designed primarily to reduce the burden of energy bills of participating customers and promote their comfort and safety.[21]

The Commission's interest in updating LIEE policy objectives and program goals arises in part because of the urgent need to promote programs that improve the energy system infrastructure and reduce greenhouse gases. The state's energy crisis underscored the state's need for adequate and reliable energy resources. With that in mind, the Commission joined with the California Energy Commission (CEC) in developing the Energy Action Plan,[22] which finds that energy efficiency is the state's most important energy resource and places it first in the loading order of utility resources.

Even more important over the longer term is the need to reduce greenhouse gases to address global climate change. The California Legislature enacted AB 32 in 2007 which requires the state to reduce greenhouse gases to 1990 levels by 2020.[23] By reducing the use of fossil fuel energy resources, energy efficiency programs reduce greenhouse gases.

Most LIEE programs reduce energy use. For that reason, they are important not only to the individual customers they serve, but increasingly

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[21] See, for example, D.05-12-026, D.05-10-044, D.86-12-095, D.87-12-057, D.95-05-045 and D.99-03-056.

[22] The Energy Action Plan was originally adopted in May, 2003 by the Commission, the CEC, and the California Power Authority. This Commission and the CEC updated it in October 2005 and refer to it as Energy Action Plan II.

[23] Chapter 488, September 27, 2006.

important in making progress toward other public policy goals and as an element of the state's energy resource portfolio.

We are also guided by our recent decision, D.07-10-032, on general energy efficiency policy and strategies. In that decision, we recognized the increasing urgency for obtaining all cost-effective energy savings in light of global warming and emphasized the need for long term, strategic efforts that go beyond the jurisdictional boundaries of the utilities. Through D.07-10-032, we have initiated a strategic planning process to engage all types of participants from government, business, non-profit organizations and utilities and which will only be successful with their commitment and contributions. We also adopted three programmatic initiatives:

- All new residential construction in California will be zero net energy by 2020;
- All new commercial construction in California will be zero net energy by 2030; and
- Heating, Ventilation, and Air Conditioning (HVAC) industry will be reshaped to ensure optimal equipment performance;[24]

The leadership role we take and the principles we have adopted for energy efficiency programs provide a foundation for this decision. While LIEE programs have special qualities and may serve more diverse policy objectives, LIEE programs should build upon the experience, resources and strategic thinking that is available from general energy efficiency work. Our LIEE programs can be improved to serve more customers in better ways. The LIEE programs have satisfied program goals from the standpoint of improving participating customers' quality of life and in some cases reducing their bills.

However, a relatively small number of eligible LIEE customers have so far participated. Of the 5.5 million customers in California who qualify for LIEE programs, less than 170,000 received LIEE measures in 2006 and only 1.6 million have been served in the past ten years.[25] LIEE programs have also achieved significant energy savings, but significant savings remain, partly because LIEE programs have not emphasized energy savings and partly because LIEE budgets have not been adequate to serve large portions of eligible customers. The energy savings from measures provided to some LIEE participants may no longer persist (such as CFLs or weather stripping) and customers who participated in previous years may not have received the benefits of some program elements or some technological improvements. For these reasons, we revise our prior guidelines for the LIEE programs to enable the utilities to serve more eligible customers and provide more benefits to the general public from energy savings.

On March 23, 2007, the Administrative Law Judge (ALJ) conducted a workshop to seek suggestions on ways to revise policy objectives and program goals. At the workshop, the parties explored how the Commission should define broad policy objectives, and how it should articulate and prioritize those objectives. They also responded to a broad goal proposed informally by the ALJ and discussed in some detail how that proposed goal might influence program design and funding. Subsequently, the parties filed comments in response to the following questions regarding LIEE policy objectives and program goals:[26]

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[24] D.07-10-032 issued in R.06-04-010 on October 18, 2007.

[25] LIEE Annual Reports, 2006, for PG&E, SCE, SDG&E and SoCalGas.

[26] The following parties filed comments on the issues raised in this portion of this proceeding: PG&E, SCE, SDG&E/SoCalGas, Southwest Gas Company (SWGas),

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1. Discuss whether these are the appropriate broad policy objectives for LIEE and, if they are not, propose others:
   - Affordability of energy services for low-income customers;
   - Reducing the burdens of energy bills of low-income customers;
   - Equity for low-income customers;
   - Safety and comfort of low-income customers;
   - Energy system reliability and cost-effectiveness (LIEE as an energy resource); and
   - Environmental quality and reduction of green house gasses.
2. Given the broad policy objectives for LIEE and assuming there are multiple objectives that are potentially competing, how should the Commission articulate those objectives and prioritize them?
3. Comment on whether the following broad goal statement is a reasonable one from the standpoint of law, Commission policy and community needs:

   > To assure that the residence of every low-income customer in California is energy efficient by 2015.
4. How should the Commission define the elements of the proposed goal statement to assure that it is clear, efficacious, and reasonable? (That is, how should the Commission define "energy efficiency" for the purpose of meeting its LIEE program goals?)
5. Should the broad program goal be applied to all program elements or should the Commission treat some program elements separately from the goal statement?

Disability Rights Advocates (DisabRA), Latino Issues Forum (LIF), Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), Association of California Community and Energy Services (ACCES), Greenlining Institute (Greenlining), A World Institute for Sustainable Humanity (A WISH), Bo Enterprises (Bo).

6. Are there other broad program goals the Commission should consider? For example, should the Commission set a goal in terms of energy savings?
7. What questions must the Commission address in order to implement programs toward the broadly stated goal? For example, questions might include: (1) how should utilities' current LIEE programs be modified to recognize the goal? (2) what types of strategies would be required to meet the goal? and (3) should the Commission apply the goal to only a subset of measures?
8. What kind of criteria should the Commission consider in determining strategies for meeting the goal, and how generally should those criteria be ranked? For example, the Commission may need to consider cost-effectiveness, the health and safety of low-income customers and the efficacy of the strategy for meeting the goal.[27]

Below we address three major interrelated issues. We address and clarify LIEE policy objectives. Second, we address program goals in light of adopted policy objectives and how they should be defined for purposes of program design, development and delivery. The third section adopts strategies for meeting our policy objectives and program goals and the criteria for selecting program elements.

4.1. LIEE Policy Objectives

The parties addressed whether we should change the program emphasis from the current program focus, which is mostly concerned with promoting the safety and comfort of participating customers, and, if so, how, focusing on the policy objectives identified in the scoping memo:

- Affordability of energy services by low-income customers;

[27] These questions were posed in the assigned Commissioner's ruling and scoping memo issued March 28, 2007.

- Reducing the burdens of energy bills of low-income customers;
- Equity for low-income customers;
- Safety and comfort of low-income customers;
- Energy system reliability and cost-effectiveness (LIEE as an energy resource); and
- Environmental quality and reduction of green house gasses.[28]

Parties' Positions. Generally, the parties supported the idea of revising the current LIEE policy objectives, which emphasize participating customer benefits, by emphasizing the importance of LIEE programs as an energy resource and thus dedicating more resources to them. Parties' differences were a matter of emphasis.

DRA,[29] TURN, A WISH and Greenlining all agree that objectives relating to energy resource procurement and environmental quality are important but are concerned that the Commission not compromise the interests of low-income customers in pursuit of these other broader policy objectives. DRA would have objectives relating to environmental quality and energy system reliability guide funding levels and cost-effectiveness tests for LIEE programs, while having the other four identified objectives – affordability of energy services, lower bills, safety and comfort and equity – guide program design. TURN would make affordability and lower energy bills the highest priority program objective with the assumption that other objectives will be met when low-income customers can

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[28] See Assigned Commissioner's Ruling and Scoping memo issued March 28, 2007.

[29] Unless otherwise stated, all of the parties' comments in the sections on LIEE policy objectives and goals refer to filings dated April 27, 2007, which are opening comments on these issues, or filings dated May 8, 2007, which are reply comments on these issues.

"afford essential electricity and gas supplies," as set forth in Section 382(b). A WISH believes all of the Commission's stated goals can be harmonized under a governing principle of "sustainability."

DisabRA agrees that at a system wide level, the several objectives addressed can be conformed. It suggests, however, that at the household level, energy resource objectives may conflict with those that address socio-economic objectives. While energy efficiency measures such as lighting and weatherization improvements serve both types of objectives, some LIEE programs – such as installations of HVAC equipment -- may increase energy usage. DisabRA believes where a conflict occurs, the needs of the household should be primary.

PG&E supports expanding program objectives beyond those that emphasize equity. It places a high value on the energy savings attributable to LIEE programs, but like TURN, DRA and A WISH, recommend retaining an emphasis on the benefits of the program to participants in terms of health, safety and personal comfort. PG&E supports an expansion of LIEE programs, but asks the Commission to consider the impact of program costs on other ratepayers. PG&E also points out the importance of meeting AB 32 objectives and LIEE program contributions to those objectives.

SCE suggests adding energy system reliability and cost-effectiveness to the list of policy objectives but generally agrees with the objectives listed in the scoping memo.

SDG&E/SoCalGas believe the Commission's policy objectives should emphasize energy savings. They state that additional low-income customer needs can be served utilizing other programs such as CARE and bill payment assistance programs. SDG&E/SoCalGas comment that safety and comfort should not be viewed as separate goals but should be considered in activities undertaken to achieve energy savings.

Southwest states its general support for all of the identified objectives.

Discussion. Energy efficiency is the state's most important energy resource and the Commission has put its ratemaking and policy-making authority behind that policy. This commitment to energy efficiency as an energy resource has so far not extended to LIEE programs, largely because we have emphasized the programs' role in promoting participant equity, cost savings and comfort.[30] From a practical standpoint, however, LIEE programs are distinguishable from other energy efficiency programs only insofar as they serve a targeted group with a particular need for assistance, and they are offered at no charge. These program characteristics are not a barrier to treating LIEE programs as a reliable and essential energy resource.

As a threshold matter, we consider the statutes that govern LIEE programs. Four sections of the Public Utilities Code refer to specific policy objectives for LIEE utility programs, all emphasizing the need to reduce utility bills and the need for affordable energy.[31] Section 2790 requires the utilities to provide weatherization measures to low-income customers to serve a "policy of reducing energy-related hardships facing low-income households."
Section 382(b) refers to the provision of energy efficiency (and other) programs that would "meet legitimate needs" of customers who are "unable to pay their electric and gas bills," recognizing that "all residents of the state should be able

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30 See, for example, D.89-12-057, D.95-05-045, D.99-03-056 and D.05-12-026.

31 The complete text of these code sections is included as Attachment C to this order.

to afford essential electricity and gas supplies" and should not be "overburdened by monthly energy expenditures." Finally, Section 327 directs the utilities to implement LIEE programs in ways that 'reduce consumers' electric and gas consumption, and bills."

This emphasis on reducing energy bills and relieving customers of associated financial hardships is especially relevant because so few eligible customers have so far participated in LIEE programs. LIEE programs serve only about 3% of eligible customers a year and less than one third of eligible customers have received the benefits of LIEE programs over the past ten years, although utility rates have increased dramatically during that time.

The statutes' emphasis is also consistent with treating LIEE programs as an energy resource: when LIEE programs result in lower energy bills, they do so as a result of lower energy use. Lower energy use means a more reliable and less costly energy infrastructure. Accordingly, a policy objective that treats LIEE as an energy resource complements those identified in the statutes that govern LIEE programs. This objective complements policy objectives that address other societal values, such as customer safety, comfort, and environmental protection.

Placing a greater emphasis on LIEE programs as an energy resource need not overwhelm other policy objectives. The needs of LIEE program participants remain important to us and certainly to the broader community LIEE programs are designed to serve. Energy rates have increased substantially over the past 10 years while the average incomes of low-income customers have not.[32] As the

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[32] See for example, "A Generation of Widening Inequality: The State of Working California 1979-2006," published August 2007 by the California Budget Project, which states that the wages of the state's low income earners fell by 7.2% between 1979 and

Footnote continued on next page

parties observe, low-income customers need LIEE programs and those programs serve important social objectives. We do not intend to downplay those needs or objectives. Moreover, increasing the emphasis of the role of LIEE programs to produce energy savings justifies a more comprehensive program that can serve more customers in need and, by implication, larger budgets for providing cost-effective programs. For all of these reasons, treating LIEE programs as energy resource better serves both eligible customers and the public interest.

Although we have occasionally referred to the "safety and comfort" provided by LIEE programs, we recognize that energy efficiency measures can affect a customer in several ways depending on the customer and his or her circumstances. For example, the installation of a new furnace could motivate the customer to increase personal comfort by making the environment warmer, while forgoing a lower bill. Alternatively, the customer could keep the same level of comfort and pay a lower utility bill, which would provide more disposable income for other needs. The customer could also reduce the use of heating equipment in response to understanding more and better ways to conserve and use energy. Thus safety and comfort are benefits among several that improve the customer's "quality of life," a phrase which recognizes the customer's discretion to choose how an LIEE measure may affect his or her energy use and spending.

2006. In addition, analysis conducted by the UC Berkeley Center for Labor Research and Education, using data from the Current Population Survey (Census Bureau and Bureau of Labor Statistics) estimates that between 2003 and 2006, real wages declined by 1.2% for the members of California's workforce who earn amounts less than the lowest third of wage levels.

To conclude, we clarify that the key policy objective for LIEE programs, like that of our non-LIEE energy efficiency programs, is to provide cost-effective energy savings that serve as an energy resource and to promote environmental benefits. Concurrently, we retain our commitment to ensuring the LIEE programs add to the participant's quality of life, which implicates equity, energy affordability, bill savings and safety and comfort for those customers who participate in LIEE programs. Overall, the shift in LIEE policy objectives as programs that provide energy resources should result in increased customer participation and thereby bring the benefits of the programs to those who need them most.

4.2. LIEE Program Goals

Having articulated our key LIEE policy objectives, we turn to clarifying LIEE program goals. Our adopted policy objectives will be best served by articulating a program goal that will guide portfolio development, budgets, and program strategies.

Following a workshop discussion on a broad goal for LIEE program implementation, the scoping memo in this proceeding asked the parties to comment on the following goal:

> *To assure that the residence of every low-income customer in California is energy efficient by 2015.*[33]

The ruling also asked the parties to discuss how the terms of this goal might be defined and what the goal might include in terms of LIEE program elements or energy efficiency measures. The answers implicate the criteria used

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[33] See Assigned Commissioner's Ruling and Scoping Memo dated March 28, 2007.

to design utility LIEE programs and portfolios. Such criteria might include cost-effectiveness, maximizing energy savings, equity considerations or targeting identified demographic groups.

Parties' Positions. No party raises objections to the proposed program goal. LIF, DRA, TURN, A WISH and Bo Industries support it and, in some cases, suggest that related program expansion is consistent with the Commission's pursuit of other clean energy solutions such as solar, energy efficiency, and demand response programs. TURN believes the goal articulates the "scope, pace and direction" of LIEE. TURN recommends defining the goal to include all measures that improve the affordability of energy services to low-income customers.

Consistent with its comments on policy objectives, DisabRA raises concerns that the definition of energy efficiency should not require each household installation to result in reduced energy use. A WISH states that energy efficiency should be defined to encompass health and safety. Similarly, TURN notes that if health and safety warrant additional measures, the definition should not prohibit their implementation.

PG&E does not object to the proposed goal but suggests it needs to be defined in a way that is more specific and measurable. It suggests, for example, that the terms "residence," "every low-income customer" and "energy efficient" be defined, although PG&E does not recommend any particular definitions at this time.

PG&E suggests that some program elements or measures be included in the broad goal and others be offered outside the constraints of the goal. It recommends program elements to achieve the goal be considered in light of several criteria, such as cost-effectiveness, equitable allocation of program benefits, and rate impacts.

PG&E also urges that the Commission recognize that the goal is unlikely to ever be met because of changes in customers' status and residences. Finally, PG&E would change the date to 2020 to conform to the greenhouse gas reduction target date of 2020 as established in AB 32. SDG&E/SoCalGas makes similar comments, and urge the Commission to conduct working sessions to refine the goal. They believe that all LIEE program elements should be selected and designed to accomplish the Commission's primary goals and objectives, which they would identify as energy savings. SDG&E/SoCalGas also requests that the Commission address cost-effectiveness tests and related issues as soon as possible, to guide portfolio design and evaluation.

SCE does not object to the proposed 2015 goal but recommends modifying it to state that residences are "more" energy efficient rather than just "energy efficient" because technologies continually change. Like PG&E, SCE suggests a process to clarify or define terms in the goal including "every low-income customer," "residence" and "energy efficiency." SCE proposes to define the target group of customers as those already participating in the CARE program. SCE urges the Commission to emphasize that utilities are only responsible for serving low-income customers in their respective service territories and not all of California.

SCE comments that requiring programs to be cost-effective will influence the types of programs that may be offered. It suggests the Commission undertake additional analysis of the use of cost-effectiveness methodologies but would not slow down the progress of LIEE program and policy development. It believes cost-effectiveness tests are useful ways to compare LIEE program options even if the methodology requires work.

SWGas believes the program goal should not constrain the utilities from installing LIEE measures that may remediate a hazardous condition or modifying the premises to conform to building codes as required prior to the installation of program measures.

For purposes of calculating achievement toward the goal, ACCES would include all customers who are eligible for CARE or Low-Income Home Energy Assistance Program (LIHEAP) programs.

Discussion. The parties generally support the ALJ's proposed program goal to provide energy efficiency measures to all eligible low-income customer residences by 2015. They do, however, raise concerns about how the elements of the goal would be defined, how the goal would be applied and its overall significance. Based on the parties' comments, we modify the goal to clarify that it would apply to all eligible customers who wish to participate in LIEE programs and only incorporate energy efficiency measures that are, using our adopted methodologies, cost-effective. We therefore adopt the following:

> *To provide all eligible customers the opportunity to participate in LIEE programs and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020.*

The statement serves important purposes. It provides a target for developing utility programs, budgets and delivery strategies. It signals to energy efficiency markets and the broader community our ongoing commitment to LIEE programs and to their more aggressive deployment. We recognize that cost-effective energy efficiency technologies will change over time and may change quickly. Moreover, the population of eligible customers will change continually so the goal to serve all eligible customers may never be fully achieved. In recognition of these limitations, we refer to this statement not as a goal, but rather as a programmatic initiative reflective of those adopted in D.07-10-032.

We include reference to cost-effectiveness in determining what measures and strategies should be included as part of the programmatic initiative.[34] We do so partly on behalf of non-participants who support these programs and because we can justify larger budgets and more comprehensive programs based on cost-effectiveness criteria. Cost-effectiveness tests may need refinement in order to reflect the value of LIEE programs, as our rulemaking states, and cost-effectiveness is certainly not the only criteria the utilities should use in developing their overall portfolios.

The programmatic initiative we adopt here signals where we expect the utilities to focus their efforts. However, we will continue to authorize funding for measures that serve important social objectives but may not be cost-effective, as long as they serve our primary objective of reducing energy use and promote other values such as participants' quality of life. Although we intend to apply the adopted programmatic initiative to programs that emphasize energy savings, other program measures that provide other benefits may still be justifiable. We will address this issue in detail when we have more information about individual program costs and benefits that is presented in utility LIEE portfolio applications for 2009-2011 programs.

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[34] Section 2790 requires that we take cost-effectiveness "into consideration," although it does not explicitly require that all utility LIEE programs be cost-effective.

We revise the target date of the programmatic initiative to 2020 to conform to the timing adopted for the programmatic initiatives in our recent energy efficiency decision, D.07-10-032. Further, we agree with PG&E that the LIEE target date should conform to that of AB 32.

We do not adopt SCE's proposal to define "customer" as customers who subscribe to CARE. Defining LIEE customers as those who are CARE customers would unnecessarily limit efforts to increase LIEE participation. We adopt a definition of "customer" as any eligible utility customer who wishes to participate in the LIEE program and is able to participate in the program. This eliminates from inclusion in the programmatic initiative those customers who, for whatever reasons, may not wish to participate or cannot participate in the LIEE program and therefore does not impose unreasonable expectations on the utilities in their efforts to achieve the initiative.

We agree with SCE that jurisdictional utilities should not be required to serve customers outside their own service territories. As we will discuss later in this order, we do expect the utilities to leverage the resources available to them within and outside their territories and jurisdictions to the extent practical.

We agree with SWGas that, notwithstanding the types of measures that might be employed to achieve the programmatic initiative or the criteria for what measures and program elements to employ, the utilities should be permitted to take the following steps in homes where they are installing LIEE measures:

> Modifying the premises or installing equipment that would reduce or eliminate a hazardous condition where the equipment or modification is related to the LIEE measure, and
>
> Modifying the premises or installing equipment that would conform the premises to existing building codes and standards

where the equipment or modification is related to the LIEE measure.

We expect the utilities to undertake these types of building modifications and repairs when they are perceived to be cost-effective or where they are minor and do not impose significant cost. In cases where there is NGAT failure, the utilities should make repairs according to adopted policy for NGAT installations.

The LIEE programmatic initiative we adopt today sets the stage for more aggressive and innovative LIEE programs. It should serve as guidance for the LIEE portion of the long-term statewide strategic plan directed in D.07-10-032 which will, in turn, guide the development of the utilities' 2009-2011 portfolio applications.

4.3. Strategies for Attaining Our LIEE Objectives and Today's Adopted Programmatic Initiative

In this proceeding, the parties have discussed ways to increase LIEE program participation, make progress toward an adopted programmatic initiative (formerly a program goal), and improve program cost-effectiveness. We address them here in several subtopics, some of which are interrelated: A Longer Term Strategic Approach; Integrating LIEE with Energy Efficiency Programs; Leveraging Available Resources; LIEE Program and Portfolio Focus; LIEE Program Implementation Strategies; Education and Outreach; Budgets and Administration; Cost-benefit Methodologies; and The Ten Year Rule.

4.3.1. A Longer Term Strategic Approach

D.07-10-032 sets out a roadmap for more strategic and comprehensive energy efficiency programs in California. The foundation for such an approach is more strategic thinking and the development of a single, comprehensive statewide energy efficiency strategic plan. The reasoning for that approach is relevant to LIEE programs – California's opportunity to maximize the benefits of energy efficiency requires a focused effort that leverages all available resources, looks beyond the jurisdictional boundaries of the regulated utilities, and emphasizes long-term impacts. As we stated in D.07-10-032:

> Our emphasis on long-term, collaborative planning and implementation implies several broad themes, which we rely upon in evaluating the best ways to approach energy efficiency efforts over the next several years:
>
> **1. We will achieve maximum savings by providing integrated customer demand-side programs.** Integrating our numerous customer demand-side programs will avoid duplication of efforts, reduce transaction costs and diminish customer confusion. We must understand how the programs intersect and take advantage of the interactions.
>
> **2. We commit to strategies, programs, measures and institutional structures that provide long-term results.** We consider energy efficiency a long-term resource and utility programs and our regulatory oversight must prioritize long-term planning. Energy efficiency strategies cannot be selected solely on the basis of short-term payback periods or quick results. Accordingly, we direct the utilities to develop a single strategic plan and adopt three long-term programmatic initiatives for consumer demand-side programs in residential new construction, commercial new construction, and HVAC systems.
>
> **3. We will use all available regulatory and market based tools.** Our utility energy efficiency portfolios employ a wide range of programs, including research and development, emerging technologies, codes and standards, public education and marketing, rebates and subsidies, and market transformation. The integration of each of these necessary tools can maximize impact and should be clearly articulated.

> **<u>4. We will engage a wider range of entities and institutions in developing and delivering programs.</u>** In the past, we have emphasized utility programs, utility funding and utility customers. This is logical given the limits of our legal jurisdiction, but this approach has resulted in fractured energy efficiency program development and delivery. Cost-effective use of resources for maximum reductions in energy demand will require the commitment of the most influential decision-makers who can affect comprehensive change. In order to reach a goal of making energy efficiency an integral part of "business as usual," we need a pronounced commitment from business and government leaders and a more collaborative approach that involves all key stakeholders. We emphasize the need for enhanced cooperation and collaboration and commit to a leadership role in reaching out to key leaders to engage participation in this effort and direct the Investor-owned Utilities (IOUs) to do likewise.[35]

We reiterate these four themes here as equally appropriate to LIEE programs. Most notably, we reiterate the directive in D.07-10-032 that the utilities' comprehensive long-term statewide strategic energy efficiency plan include a section on LIEE. That decision laid the groundwork for this decision and directed that "the strategic plan shall address the use of LIEE programs both as stand alone programs and in conjunction with general energy efficiency and customer-side programs."[36] D.07-10-032 determined that further guidance would be provided in this decision. The following sections of this decision

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[35] D.07-10-032, pp. 6-7.

[36] D.07-10-032, p. 34.

describe the elements that are to be included in the LIEE portion of the statewide strategic plan. We also provide a list of required elements later in this decision.

4.3.2. Integrating LIEE with Energy Efficiency Programs

This rulemaking and the associated scoping memo states our goal to better integrate LIEE programs with energy efficiency programs. Achievement of the policy objective we adopt today -- that LIEE programs are primarily energy resource programs and not subsidy programs -- can only be successful if the utilities and the Commission take advantage of the expertise, resources and momentum that is available by better integrating LIEE programs with energy efficiency programs. Doing so will assure that LIEE programs can take advantage of the visibility, lessons and resources of energy efficiency programs. We direct the utilities to integrate more completely their LIEE and energy efficiency programs through approaches that complement both programs and with an eye toward eventually managing them as part of a single program. Our own staff should do likewise and consider ways to integrate the two programs. The utilities' statewide strategic plan should identify ways the utilities can and will integrate LIEE programs with existing or future utility energy efficiency infrastructure.

4.3.3. Leveraging Available Resources

Another effective method to improve and increase energy services to customers cost-effectively is to employ all available resources and coordinate with others in pursuit of those resources. The parties suggested some ways of doing that.

ACCES recommends the utilities strive to leverage utility-provided LIEE funds with funding from the Low-Income Household Energy Assistance

Program (LIHEAP), the federal Department of Energy's Weatherization program, community development block grants, municipal utility and local programs, and the CSI. DRA would also look beyond utility-only programs and investigate ways to improve energy efficiency by coordinating with building industry and manufacturers, and developing cooperative efforts with other government agencies, businesses, and publicly-owned utilities.

In response to the ALJ's May 22 ruling addressing renter issues, PG&E, Sierra Pacific, PacifiCorp, and SWGas argue that no Commission action is needed since they each contract already with CBOs who work to secure LIHEAP and Department of Energy funding. SCE suggests that utilities should offer all measures, not just refrigerators, to LIHEAP contractors at no cost. SDG&E/SoCalGas comment that utilities work with the California Department of Community Services on creative approaches to improving access to both LIHEAP and LIEE programs. A WISH urges the Commission to compile a comprehensive list of all potential federal and state funding sources and then work with all entities that fund energy efficiency programs to leverage California's access to that funding. A WISH also suggests that the Commission set leveraging goals for each utility.

Discussion. In setting forth a strategic direction for energy efficiency, D.07-10-032 emphasizes the need to leverage resources by looking beyond the boundaries of utility territories, Commission jurisdiction, and the confines of existing energy efficiency programs. We adopt that emphasis here for LIEE programs. That is, we expect the utilities to broaden the scope of their efforts, and coordinate with other agencies and businesses in designing, delivering and implementing LIEE programs. We also expect them to take advantage of the resources, marketing and advertising efforts of other utility demand-side management programs, such as the CSI and energy efficiency programs. D.07-11-045 recently approved $108 million as part of the CSI program to provide owner-occupied, single family low-income homeowners access to solar photo voltaic systems. To receive the monetary incentives to participate in this program, applicants must enroll in LIEE and have LIEE measures installed. This cannot be accomplished without coordination between the two programs. The LIEE portion of the utilities' state wide strategic plan should address how the low-income element of the CSI program will be coordinated with LIEE. To the extent LIEE programs are integrated with energy efficiency and other demand side programs, the utilities will be able to take advantage of the broader community with regard to more strategic ways to approach LIEE programs.

The LIEE portion of the utilities' strategic plan should propose ways to leverage resources, whether across utility programs or by way of the broader community. We plan to explore this and other LIEE issues that will be addressed in the strategic plan and 2009-2011 LIEE utility portfolio applications in workshops and other collaborative forums. We direct the utilities to include as an appendix to the strategic plan A WISH's list of resources for low-income programs and other tools to better coordinate with other organizations and businesses.

4.3.4. LIEE Program and Portfolio Focus: Cost-Effective Methodologies

Next we address whether and how the utilities' current portfolios of LIEE programs should change to implement today's decision.

SCE comments that its current program addresses a variety of policy objectives by providing comprehensive energy efficiency improvements that contribute to system reliability while reducing participants' energy costs and increasing their comfort. SCE states that the benefits of these programs are especially pronounced in extreme climate areas. SCE proposes to continue to include education, lighting and cooling as essential elements of its LIEE program.

ACCES and A WISH urge that the following measures be included in the utilities' portfolio to meet the programmatic initiative adopted today:

- All current measures provided by the utilities
- All weatherization measures provided under LIHEAP and the Department of Energy's Low-Income Weatherization Program
- Solar measures
- Energy education
- Water conservation measures
- Measures and programs designed to minimize casualties related to extreme weather

Greenlining urges us to ensure that LIEE programs emphasize advanced energy technologies, such as solar, hydrogen and wind energy. Greenlining also emphasizes the need for energy savings as a way of reducing financial burdens and improving quality of life.

Discussion. Our programmatic initiative that all eligible and willing customers will be served by cost-effective LIEE programs by 2020 is likely to require a significant shift in LIEE program and portfolio design. As SCE observes, however, it is premature for the Commission to determine exactly which energy efficiency measures can or should be included. We do not know how expansion of measures beyond those currently offered might affect utility budgets and energy rates, and we do not know whether the utilities could even manage a substantially bigger portfolio of programs in the near term.

The list of measures A WISH and ACCES would include to implement the programmatic initiative is thoughtful but perhaps unrealistic, especially programs for installing solar equipment and water conservation measures, which have not been demonstrated to be cost-effective and which may be very expensive.

Similarly, we are not prepared to commit to funding installation of all advanced energy technologies in all LIEE households, as Greenlining proposes, because we are considering the implementation of CSI in R.06-03-004. We are also mindful that the deployment of advanced technologies should not foreclose less expensive and more basic energy efficiency applications.

Under our general energy efficiency rules, utility portfolios must include measures that provide long term, enduring energy savings, and we emphasized this policy in our recent decision, D.07-10-032. Examples include programs for installations of refrigerators, changes in codes and standards, and building modifications. Lighting programs can provide short-term benefits, but the utilities should not rely on CFLs as a primary program focus, especially if the installation and actual use of those products are not assured.

In general, the types of elements that should be used to achieve our LIEE programmatic initiative should maximize energy savings[37] while promoting participants' quality of life and increasing the number of program participants. Otherwise, we are currently agnostic about the types of measures included as

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[37] Energy Efficiency Policy Manual, Version 3, adopted as Attachment 3 in D.05-04-051. The manual was updated most recently by an assigned Commissioner ruling issued on November 7, 2007 in R.06-04-010, pursuant to D.07-10-032. It is titled Energy Efficiency Policy Manual, Version 3.1.

program elements to implement our adopted programmatic initiative as long as they are cost-effective and serve the needs of program participants.

The LIEE portion of the utilities' statewide strategic plan and the 2009-2011 LIEE applications should propose all cost-effective energy efficiency measures that could assist in achieving the programmatic initiative. We expect the utilities to consider cost-effective energy efficiency measures that they may not now offer. To assist the utilities, we plan to conduct a workshop addressing methods the utilities currently employ in evaluating the cost-effectiveness of LIEE measures and to ensure that such analytical methods are applied consistently across utilities. The workshop will also discuss methodologies to evaluate and value the non-energy benefits of the program measures. We understand that extensive technical work on cost-effectiveness methodologies and the application may impose disproportionate financial burdens on the small utilities. For that reason, we will also consider during these workshop alternative ways to promote cost-effective program priorities and delivery for the small companies.

4.3.5. LIEE Program Implementation Strategies

Today's decision may affect how the utilities approach program implementation, that is, the way they market LIEE programs to various customers, how they target market segments and the way they match program elements to various types of customers and geographic areas.

Relevant to this topic is a Needs Assessment report drafted under the Commission's direction by KEMA.[38] The report presents the findings of the

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[38] The report, titled "Final Report on Phase II Low Income Needs Assessment" was published on September 7, 2007.
http://www.cpuc.ca.gov/PUC/energy/consumers/liee.htm

second phase of the Commission's Low-Income Needs Assessment Study. KEMA conducted the study over two phases with the first phase being a scoping study to guide the needs assessment, identify data sources, and design methods to collect data not already available. During the second phase, KEMA executed the needs assessment which included an analysis of existing data and the collection and analysis of additional primary data.

KEMA's objectives of this second phase were to identify needs not being met by existing programs, service gaps not being addressed by existing programs, and the barriers causing the service gaps. KEMA provided several recommendations to the Commission that can be divided into three themes: (1) establishing an optimal CARE program penetration target, (2) determining the optimal LIEE program design, and (3) achieving optimal program delivery through targeted outreach that addresses the unique characteristics and needs of California's low-income population.

On September 27, 2007, the ALJ issued a ruling seeking the parties' comments on how the KEMA report could be used to develop LIEE program strategies.[39] The ruling asked parties to respond to KEMA's recommendations and provide specific implementation ideas. The ruling also asked parties to comment on a staff proposal for program delivery that would match geographic characteristics and energy usage patterns with delivery strategies.

Parties' Comments. In its report, KEMA recommended that the Commission develop strategies to increase LIEE participation in areas with no unique challenges. When asked for their ideas, parties responded with a variety

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[39] "ALJ Ruling Seeking Comments on Issues Raised in the KEMA Report and on Natural Gas Appliance Testing Issues," September 27, 2007.

of strategies.[40] SCE provided a list of methods that could augment current marketing and outreach strategies such as home-to-home canvassing, categorical eligibility, and the use of census-based demographic information. SCE claims that categorical eligibility, determined using census-based demographic analysis, could decrease concerns customers have about sharing personal information and reduce problems encountered with inadequate documentation. SCE further believes that the use of demographic information, consistent with "block weatherization," could dramatically increase program penetration. SCE also recommended investigating auto-enrollment if a house receives social security or disability benefits. ACCES and A WISH submitted comments calling for automatic enrollment. DisabRA suggests that the Commission consider automatic enrollment for customers who are on SSDI.

Program Design: Partnerships with Other Entities. In its discussion on program design, KEMA recommended that utilities coordinate their LIEE programs with those of other regulated utilities and municipal utilities. The ALJ's ruling asked the parties to suggest ways to achieve this coordination. Some parties have already begun this effort. PG&E, SDG&E, SoCalGas, and SCE currently coordinate with other utilities, thus saving costs in some cases, for energy education and income qualification documentation. PG&E notes it also works with LIHEAP agencies and has begun discussions with municipal utilities.

ACCES and A WISH recommend that the Commission form a taskforce to integrate the efforts of regulated utilities, municipal utilities and LIHEAP

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[40] Unless otherwise stated, all comments in this section on strategies refer to filings dated October 16, 2007 which are opening comments on these issues, or filings dated October 26, 2007 which are reply comments on these issues.

providers. DRA suggests an existing outlet—the quarterly utility meetings adopted in D.06-12-038—to discuss these issues and share ideas. Richard Heath and Associates (RHA) requests that the Commission order utilities to cooperate with one another. Taking a different approach, PacifiCorp recommends a single statewide campaign that enables customers who relocate the ability to access assistance in a new service territory.

Noting that California's diverse population requires various types of efforts to increase participation, DRA recommends maintaining partnerships with local and state government agencies, CBOs, and educational institutions. DRA also suggests that there be improved coordination between LIEE and the Commission's other public programs. RHA and SCE agree that utilizing CBOs provides the best results. RHA comments that weatherization provided by CBOs as well as privately-owned contractors bring unique strengths to the LIEE programs.

Targeted Outreach. During its discussion on targeted outreach, KEMA recommended targeting specific types of households. Parties are divided when confronted with the idea of targeting, depending upon the target. SDG&E, SoCalGas, ACCES, A WISH opposed targeting customers based on ethnicity due to concerns about discrimination. However, DRA believes that these types of targeting programs should be further developed and expanded. RHA proposes targeting large energy users given the Commission's goal of decreasing energy use. It cautions, however, that customer energy usage information would be needed thus raising privacy concerns. RHA, ACCES, A WISH and PG&E recommend targeting geographic areas. RHA suggests geographic targets should not require the utilities to exclude other areas. PG&E recommends that LIEE should continue to serve all eligible customers but notes that it is considering a tiered approach targeting high energy users while offering programs to all eligible customers.

Parties offered cost-reducing proposals for outreach. PG&E currently markets the LIEE program through multiple efforts, including its Energy Efficiency program, "Free Services," phone and counter customer service representatives, and contractors. SCE utilizes small geographic area targeting in order to find the "needle in the haystack." SDGE and SoCalGas utilize targeted direct mailings with follow up phone calls and recommend that all utilities leverage with service providers and organizations that have experience in working with LIEE households. SDG&E, SoCalGas and PacifiCorp state they currently leverage existing marketing efforts between CARE and LIEE.

Non-utility parties offer several ideas for reducing outreach costs. DRA suggests utilizing social networks and common gathering places when targeting low-density areas. ACCES and A WISH recommend auto-enrolling all CARE customers for LIEE measures. RHA suggests that we simultaneously consider the costs for locating, marketing, and educating customers and points out more expensive marketing strategies often result in higher conversion rates.

Staff Proposal for Program Delivery. The September 27 ALJ ruling asked parties to comment on an Energy Division staff proposal for program delivery (See Attachment D to this decision). The proposal provides a way to prioritize LIEE installations according to geographic density and customer energy usage patterns. While parties raised significant concerns about the potential impacts of the proposal, many commented that it provides a useful catalyst for further discussion. Sierra notes that judging the cost-effectiveness of outreach measures is difficult when the pay-off is uncertain. SDG&E, SoCalGas and PG&E have concerns that the proposal may be too prescriptive. SCE states the proposal would significantly change current program delivery and that such changes require further discussion among stakeholders. PG&E comments that strict adherence to the proposal could affect LIEE services to many eligible customers.

Discussion. When determining strategies for program delivery, we must consider the objectives and programmatic initiative we adopt today. We have concluded that while we will focus on cost-effective measures for purposes of reaching the programmatic initiative, we will not abandon provision of non-cost effective measures, provided they can be justified.

Parties' comments regarding cost-effective strategies for program delivery generated a theme of coordination and leverage. Parties provided several ways in which utilities could coordinate and leverage efforts within individual utilities, with other utilities, and other agencies. As discussed in the prior section on leveraging, the LIEE portion of the statewide strategic plan as well as the utilities' 2009-2011 applications should include ways to increase coordination with each of these entities.

Parties recommended categorical eligibility and automatic enrollment, both potential cost-effective methods of delivering the program to more customers. The LIEE portion of the statewide strategic plan should consider all cost-effective methods of delivering the LIEE program to eligible customers including automatic enrollment options suggested by DisabRA, A WISH and ACCES, categorical eligibility as well as coordination with other Commission public programs.

We support further consideration of the staff proposed program delivery model. We will address the proposed model in the workshops to be held to implement this decision and revise it in ways that make it most useful for effective program delivery. We direct utilities to utilize the subsequently revised model as input for the LIEE portion of the statewide strategic plan and 2009-2011 LIEE applications.

4.3.6. Marketing, Education and Outreach

ME&O are essential elements of the LIEE program. Greenlining emphasizes the importance of customer education on program success and suggests making "energy literacy" programs a priority. Such programs would address energy conservation, environmental awareness and advanced energy technologies. DRA and ACCESS offer similar comments.

D.07-10-032 emphasized the need for improved ME&O energy efficiency efforts, stating;

> We favor a coordinated ME&O effort across utility territories and consumer demand side options. Increased coordination will optimize the development and delivery of energy efficiency messages that inform consumers and motivate energy-saving activity. Such efforts can reduce costs while increasing the impact of energy efficiency measures, information and offerings.[41]

We directed the utilities and third parties to expand their current efforts to achieve several goals:

> *Coordinat*ion of related marketing, education and outreach programs, such as incentives for solar and other distributed generation installations, demand response programs, conservation and low-income programs;
>
> *Coordination of providers with similar or related interests and services,* such as local governments, community-based organizations, firms and municipal utilities;

[41] D.07-10-032, p. 61.

> *Comprehensive approach* to motivating all types of energy efficiency investments and behaviors; and
>
> *Cost- effective, high impact plan* to drive maximum energy savings—both long term and short term—tailored to reflect the values, habits and demographics of different target communities and populations, particularly low-income and ethnic groups.
>
> For example, the utilities should undertake joint marketing of energy efficiency programs with other customer energy technologies, such as demand response and solar installations.[42]

We endorse a similar approach to ME&O for LIEE programs. We recognize that such efforts may not be attainable overnight. To that end, and as part of the LIEE portion of the statewide strategic plan, we adopt PacifiCorp's recommendation for a single statewide marketing campaign for the LIEE program. We will address this and all other ME&O matters during workshops convened to implement this decision. We also recognize that some marketing efforts will need to be local and take into account demographic and geographic characteristics. During the course of a ME&O workshop(s), parties should also consider whether and how ME&O should be tailored to promote program participation by customers with disabilities, as DisabRA suggests.

One problem with a statewide marketing campaign for LIEE is potential consumer confusion because the utilities refer to the LIEE program in different ways. While we do not wish to be overly prescriptive in our oversight of the LIEE program, we do want to develop ways to be more cost-effective and statewide marketing is a cost-effective solution. The workshop(s) should

[42] D.07-010-032, pp. 61-62.

develop a brand name for the LIEE program that all utilities will use as a tag line that each utility would add to its own LIEE program name.

We expect the LIEE portion of the utilities' statewide strategic plan and 2009-2011 LIEE applications to address ways to improve the effectiveness of their ME&O efforts, consistent with the principles adopted in this decision.

We are especially interested in more coordinated ME&O efforts with the general utility energy efficiency programs. Marketing the LIEE programs and energy efficiency programs together presents several types of benefits. The utilities could take advantage of economies of scope and scale in the implementation of a statewide marketing campaign. Similarly, the utilities should look at economies of scope and scale when developing energy education programs.

At least as importantly, a statewide marketing campaign might be conducted in ways that could reduce the stigma some potential participants may attach to participating in the program. Instead of LIEE programs being marketed as programs for low-income customers, customers would be offered energy efficiency services and informed that some measures would be offered at no charge, depending on the customer's income. Of course, this format would depend on the way energy efficiency programs are marketed and the types of implementers who may conduct outreach and marketing.

In addition to ME&O, D.07-10-032 addressed a slightly different educational need—that for trained personnel working in various fields of energy efficiency. There, we directed the utilities to "expand their on-going efforts for a coordinated, comprehensive, expedited approach to training, utilizing partnerships with related private and public efforts" and to include a training section in the Strategic Plan and portfolio applications. We emphasize here that "minority, low-income, and other disadvantaged communities could benefit greatly from targeted outreach and training efforts that teach these communities the skills they need to succeed at these critical jobs." Consistent with D.07-10-032, the LIEE portion of the statewide strategic plan should include specific training strategies for reaching disadvantaged communities. Utilities should also work with community stakeholders to assist them in the development of training strategies.

We will address all of these ME&O and training issues in the workshops to implement this decision. The results of these workshops will guide both the utilities' LIEE 2009-2011 applications and the LIEE portion of the statewide strategic plan.

4.3.7. LIEE Budgets

Changes to LIEE policy objectives and program strategies, the adoption of a programmatic initiative, and development of the LIEE portion of the statewide strategic plan will likely justify changes in budgets and programs rules.

In their comments, and at the request of the assigned Commissioner and ALJ,[43] each utility provided an estimate of the cost of achieving the originally proposed goal, "*To assure that the residence of every low-income customer in California is energy efficient by 2015.*" The utilities provided estimates with the understanding that their estimates would be very rough, partly because the proposed goal was not precise and partly because the estimates have to assume many variables regarding program design and strategies. The utilities do not

[43] Scoping Ruling in R.07-01-042, dated March 28, 2007, p. 7.

necessarily endorse setting their budgets at the cost estimates, notwithstanding their accuracy.

PG&E. PG&E estimates 1.8 million of its customers are eligible to participate in LIEE programs. Of those, about 500,000 have received LIEE services in the past ten years. PG&E removed past program participants from its cost calculations because of the existing program rule (discussed below) that a customer be eligible to participate only once every ten years.[44] It then estimated the cost of providing LIEE measures to 1.4 million participants over seven years, or 200,000 customers a year. At an estimated cost of $1,335 per dwelling, PG&E estimates the cost of meeting the goal would be about $261 million per year through 2015. If the goal were to be extended to 2020, the annual cost would be $152 million, a little less than twice its 2006 authorized LIEE budget.

SCE. SCE estimates the total LIEE population in its territory is about 1.35 million customers. Of those, 350,000 have been provided LIEE measures in the past eight years and about 7% of its customers would qualify for education only programs. It therefore removes these types of customers from its cost estimates, leaving a total of about 937,000 eligible customers. To serve this population, SCE estimates an annual LIEE program cost of about $108 million, about three times its annual budget for 2007. SCE notes that the estimate includes the assumption that all existing measures would be installed at the existing frequency. If SCE calibrates program costs to account for the increasing penetration rate of energy efficient refrigerators, the annual program cost would be closer to $64 million, or about double the currently-authorized LIEE budget.

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[44] Comments of PG&E, filed April 27, 2007, p. 5.

SDG&E/SoCalGas. With similar caveats, SDG&E/SoCalGas offer an estimate of program costs. Assuming the same per household cost incurred in 2006, SDG&E/SoCalGas estimate that to meet the 2015 goal, SDG&E would need to treat about 24,500 households per year at a cost of up to about $29 million (SDG&E's current program treats about 10,000 residences per year and its 2006 budget was about $13 million). For SoCalGas, the annual budget would have to increase from $33.5 million up to about $109 million to treat 145,000 residences (an increase from the current target of 50,000 per year.)

SWGas. SWGas estimates it would need to provide energy efficiency assistance to about 5,700 residences per year over seven years in order to meet the 2015 goal. This would cost about $5.7 million at the current average household cost of about $1,000. SWGas raises a concern that this cost would increase its Public Purpose Program surcharge from about $.13 per therm – about double that of other California utilities -- to almost $.20 per therm, which would impose a significant burden on residential customers.

In addition to the utilities' estimates, ACCES proposes that the Commission commit at least $300 million annually to LIEE programs, which is based on its estimate of spending $2,500 per unit for 120,000 units. Generally, DRA believes meeting the proposed program goal would require much larger budgets.

Discussion. Changing program emphasis and committing to more aggressive LIEE program deployment implicates the way programs are managed, regulated and budgeted. In general, pursuing the programmatic initiative we adopt here will require larger LIEE budgets, although potentially less than the estimates provided because of the extension of the programmatic initiative from 2015 to 2020. Increasing utility LIEE budgets to fund cost-effective programs is appropriate and consistent with our general energy efficiency rules.[45] In cost-effective programs, non-participating customers are better off contributing to the program than they would be if the programs did not exist and non-participant benefits increase with program expansions, so long as the overall program remains cost-effective. Because the LIEE program offers all measures at no cost to participants, some measures will not be cost-effective, which we accept for the sake of keeping energy services affordable to those customers who are least able to pay for them but overall programs are cost-effective because of the resource savings to non-participants.

We direct the utilities to submit applications for 2009-2011 aimed at achieving one quarter of the programmatic initiative by 2011. We recognize that the result of the statewide strategic planning effort may indicate a modification of this direction and authorize the utilities to submit applications with an additional, alternative budget if consistent with the statewide strategic plan.

We also wish to encourage long-term LIEE investments and avoid program interruptions that might result from budgeting conventions. We addressed this issue in D.07-10-032 for energy efficiency programs in hopes of relieving the utilities of unnecessary rules or procedures that may conflict with those objectives. D.07-10-032 adopted changes to existing rules to promote program continuity, as follows:

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[45] The Commission has elaborated on cost-effectiveness as it applies to energy efficiency programs in D.05-04-051 and more recently in D.06-06-063 and D.07-09-043. In general, the "total resource cost" or TRC model measures whether society is better off as a result of a given investment, and includes values that measure environmental effects and other impacts. It is the model we usually use to determine the reasonableness of an energy efficiency program.

> We will therefore modify our fund-shifting rules to permit the utilities to spend next-cycle funds in the current budget cycle (once the next-cycle portfolio has been approved) to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs. We authorize the utilities to borrow funding without Commission approval up to 15% of the current program cycle budget. Beyond that amount, the utilities are required to seek approval by filing an Advice Letter. The utilities should tap into the next-cycle funds only when no other energy efficiency funds (*i.e.,* unspent, uncommitted funds from previous program years, or 2006-2008 funds that will not be needed) are available to devote to this purpose. This requirement is consistent with the Commission's treatment in D.05-09-043 of "carry back" funding from 2006 for use in 2005.[46]
>
> If bridge funding is necessary to avoid interruptions in the continuity of 2006-2008 programs that will continue into 2009-2011, measures (costs and savings) installed during the 2008 should count towards the 2006-2008 goals even if the funds supporting these measures are borrowed from 2009-2011.[47]

D.07-10-032 also changed funding rules in ways to promote longer term energy efficiency investments, as follows:

> …we will allow the utilities to commit funds from the next program cycle to fund programs that will not yield savings in the current cycle. Long-term funding commitments will be subject to the following conditions:
>
> - Long-term projects that require funding beyond the three-year program cycle shall be specifically identified in the utility portfolio plans and shall include an estimate of the total costs broken down by year and associated energy savings;

[46] D.05-09-043, Ordering Paragraph 6.

[47] D.07-10-032, pp. 94-95.

- Funds for long-term projects must be actually encumbered in the current program cycle;
- Contracts with all types of implementing agencies and businesses must explicitly allow completion of work beyond the end of a program cycle;
- Encumbered funds may not exceed 20% of the value of the current program cycle budget to come from the subsequent program cycle, except by approval in an advice letter process;
- Long-term obligations must be reported and tracked separately and include information regarding funds encumbered and estimated date of project completion; and
- Energy savings for projects with long lead times will be calculated by defining the baseline as the applicable codes and standards at the time of the issuance of the building permit.

We adopt these rules for the LIEE programs and direct the utilities to include a proposal in their 2009-2011 portfolio plans for encumbering funds from the next program cycle for long-term projects, subject to the conditions above.[48]

4.3.8. Cost-Benefit Methodologies

Discussion. This decision emphasizes the need for cost-effective program elements in order to justify program expansion and promote LIEE programs as an energy resource. In 2002, the Commission established methodologies for LIEE program cost-effectiveness analysis and set forth general principles for its application that are relevant here. D.02-08-034[49] adopted two cost-effectiveness tests: one that emphasizes benefits to participating customers and one that measures total resource costs compared to total resource benefits, called the "utility cost" test, which values some non-energy benefits of the program. The

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48 D.07-10-032, p. 97.

49 Issued August 9, 2002 in R.01-08-027.

Commission has also used the TRC test for some resource programs because it values program impacts most broadly, for example, by estimating environmental costs and benefits.

D.02-08-034 provided the following general guidance for LIEE programs:

- Measures that have passed both tests are included in the LIEE program. This applies for both existing and newly proposed measures.
- Existing measures that pass one of the two tests are retained in the program. New measures meeting this criterion are not accepted because of the substantial effort required to integrate a new measure.
- Existing and new measures that do not pass either test will be excluded from the LIEE program unless substantial argument can be made that significant non-energy benefits are not currently being accounted for in the test values, or there are other policy or program considerations that require the measure to be retained.[50]

In D.03-11-020, the Commission subsequently refined the LIEE cost-effectiveness methodologies and applied them to adopted LIEE programs. The order adopted a "modified participant test" and a "utility test," which essentially measured the impact of LIEE programs on utility ratepayers generally.

The parties believe we may need to refine the existing rules and methodologies in order to assure that they reflect all relevant economic and social values. A WISH proposes that the cost-benefit methodology reflect the social values attributable to LIEE programs, such as health and safety, and equity. Similarly, DRA suggests cost-benefit calculations consider avoided costs and environmental benefits in addition to energy savings over the life of

[50] D.02-8-034, p. 2.

installation. We will pursue this issue during January workshops and are especially interested in whether and how existing tests might be modified to better reflect the value of LIEE programs from the standpoint of environmental effects as well as societal values. In the meantime, the utilities' applications for 2009-2011 LIEE portfolios should provide an evaluation of costs and benefits for each program using methodologies adopted in D.02-08-034. Their applications should explain assumed values and variables and other model components. The utilities' applications shall also follow the guidance provided in D.02-08-034 with respect to treatment of program measures according to their cost-effectiveness.

4.3.9. The Ten Year "Go Back" Rule

Currently, the utilities apply a rule that a customer who is otherwise eligible for LIEE programs may not participate if the residence of that customer received LIEE measures within the previous ten years.[51] Part of the justification for this rule was to promote equity (e.g., continuing expansion of dwellings previously not provided LIEE measures), considering the utilities' constrained budgets. PG&E comments that this rule may no longer be valid. It observes, for example, that some appliances may move with the customer and some appliances may have shorter or longer useful lives. PG&E observes that this rule should be considered or reconsidered in light of the LIEE programmatic initiative.[52]

While we understand the concern over equity, the rule eliminates opportunities to deliver cost-effective energy efficiency measures to about

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[51] See D.01-03-028, Ordering Paragraph 1 and Attachment 3, and D.01-12-020, Ordering Paragraph 5. See also Section 2.8 of the 2006 LIEE Program and Policy Manual.

[52] Comments ofPG&E filed April 27, 2007, p. 5.

1.5 million customers who have received LIEE services over the past ten years. As PG&E suggests, the rule may also inadvertently foreclose energy efficiency installations where appliances are no longer located or should be replaced. Because we are looking for all cost-effective energy efficiency installations and efforts – and because we anticipate significant increases to LIEE budgets, thereby addressing the equity issue -- we intend to modify or eliminate this rule for the 2009-2011 program period and thereafter. As the comments of PG&E and SDG&E/SoCalGas suggest, the utilities' applications should clarify how they will implement programs in ways to avoid duplicative installations and promote the installation of new measures and technologies in all households so that this rule does not preclude the achievement of broader program objectives or the programmatic initiative.

5. AB 2140 – CARE Discounts for Tenants of Master-Metered Housing

The California Legislature passed AB 2140 in 2006,[53] directing the utilities to improve the access of tenants in master-metered housing to CARE discounts. CARE provides income-qualified customers with a 20% discount on their electric and gas bills. Master-metered customers are owners and managers of multi-family housing with master energy meters. Although the tenants of these customers are not themselves customers of the utility, they may still qualify for CARE. Section 798.43.1 of the California Civil Code requires managers of master-metered housing to pass though the full amount of the CARE program discount to tenants who receive the discount. However, some parties have

[53] Chapter 738, September 29, 2006. AB 2140 is repealed on January 1, 2008.

raised concerns that master-metered tenants do not always receive CARE discounts and some may not even be aware of their eligibility for the discount.

AB 2140 requires the Commission to approve a plan for investor-owned utilities to improve master-metered tenant access to CARE program discounts. AB 2140 states:

SECTION 1. *(a) The Public Utilities Commission shall, by December 31, 2007, improve the California Alternative Rates for Energy or CARE program application process for tenants of a mobilehome park, apartment building, or similar residential complex, receiving electric or gas service from a master-metered customer through a submetered system pursuant to section 739.5, by doing both of the following:*

Developing processes whereby electrical corporation and gas corporations are able to directly accept CARE applications from tenants of a mobilehome park, apartment building, or similar residential complex.

Developing Processes whereby electrical corporations and gas corporations are able to directly notify and provide renewal applications to tenants of a mobilehome park, apartment building, or similar residential complex, that are existing CARE customers.

(b) The Public Utilities Commission shall, by December 31, 2007, improve the CARE program by developing processes whereby each electrical corporation and gas corporation is required to provide each master-meter customer that is subject to Section 739.5 with a list of tenants who are approved to receive discounts pursuant to the CARE program. The list shall specifically identify those tenants added to or deleted from CARE program eligibility since the previous billing cycle.

The Commission conducted a workshop on April 17, 2007 regarding implementation of AB 2140. On May 22, 2007, the assigned ALJ issued a ruling soliciting parties' comments on how utilities were proceeding to comply with AB 2140 and whether the Commission would need to take steps to assure that compliance. The ruling sought responses to several questions on this issue. See Attachment E for a list of the questions.

On May 31, 2007, the Commission received comments from DisabRA, Pacificorp, PG&E, SDG&E/SoCalGas, Sierra Pacific Power Company, SCE, SWGas, and A WISH.[54]

The filed comments and the discussion at the workshop went beyond topics that related to AB 2140 compliance. We confine our discussion below to AB 2140 implementation and compliance with its requirements.

Background. The estimates provided by the utilities of master-metered tenants served, sub-metered tenants eligible for CARE, and sub-metered tenants currently enrolled in CARE, are provided below.

Utility	Total master-metered tenants served	Sub-metered tenants eligible for CARE	Sub-metered tenants currently enrolled in CARE
Pacificorp	16 accounts with 314 tenants	108 tenants	13 tenants
PG&E	188,367 total tenants	Total: 54,758 tenants	Electric: 23,402 tenants

[54] Unless otherwise noted, all parties' responses refer to comments filed in response to the ALJ's May 22, 2007 ruling.

			Gas: 21,271 tenants Total: 44,673 tenants
SCE	1,890 service accounts with 121,510 sub-metered units	38,817 tenants	19,389 tenants
SDG&E/SoCalGas	SDG&E: 806 accounts with 70,163 tenants SoCalGas: 1,826 accounts with 144,632 tenants	SDG&E: 19,588 tenants SoCalGas: 48,090 tenants	SDG&E: 17,642 tenants SoCalGas: 32,927 tenants
Sierra Pacific	42 accounts with 870 tenants	90 tenants	70 tenants
Southwest Gas	59 sub-metered accounts with 3,112 tenants	998 tenants	825 tenants

Utilities describe generally similar practices for giving CARE discounts to master-metered customers. In order to receive a CARE discount, a tenant must complete a CARE application and return it to the utility serving the tenant's building manager/owner, who is the customer of record. The utility then bills the building manager/owner. The tenant who is enrolled in the CARE program, however, is entitled to the full discount.

Utility Compliance with AB 2140

For the most part, utilities report that they have either already implemented the changes required by AB 2140 or are in the process of implementing them. We address each of three AB 2140 requirements below:

1. Developing processes whereby electrical corporation and gas corporations are able to directly accept CARE applications from tenants of a mobilehome park, apartment building, or similar residential complex.

The utilities either already accept CARE applications from tenants directly or, in the case of SWGas, are in the process of doing so. Their comments state their plans to send annual notices to master-metered account holders (referred to as "customers") containing a list of CARE-approved tenants along with blank applications for all tenants. SDG&E/SoCalGas also notes its intent to begin direct mailing to non-participating sub-metered tenants.

2. Developing processes whereby electrical corporations and gas corporations are able to directly notify and provide renewal applications to tenants of a mobilehome park, apartment building, or similar residential complex, that are existing CARE customers.

The utilities also state their plans to contact tenants directly who receive the CARE discount to provide them with renewal applications. PG&E and Sierra Pacific already do this. SCE and SDG&E/SoCalGas state their intent to mail renewal applications to sub-metered tenants who are enrolled in CARE.

3. Developing processes whereby each electrical corporation and gas corporation is required to provide each master-meter customer that is subject to Section 739.5 with a list of tenants who are approved to receive discounts pursuant to the CARE program. The list shall specifically identify those tenants added to or deleted from CARE program eligibility since the previous billing cycle.

The utilities state they already provide or plan to provide lists of tenants who receive the discount to master meter customers. SCE expresses its intent to send monthly notices. PG&E sends customers a list every six weeks. Sierra Pacific and SDG&E/SoCalGas include the list with monthly billing statements. Pacificorp provides customers with the names of enrolled tenants whenever a new tenant signs up for CARE, and SWGas provides customers with a list annually and notifies them sooner of new enrollments.

Discussion. The utilities state they have either already implemented the requirements of AB 2140 or have plans to do so in the near future. No party submitted comments arguing to the contrary. However, not all utilities offering CARE discounts provided comments and those who did had not in all cases fully complied with the statute at the time by the date their comments were filed. AB 2140 requires compliance with its provisions by December 31, 2007.

In order to assure all energy utilities offering CARE services conform their practices and processes to the requirements of AB 2140, we will direct each utility to file affidavits in this proceeding describing their compliance. Each utility should file its affidavit with the Commission no later than January 15, 2008. If we find at that time that any utility subject to AB 2140 has not complied with the law, we will take appropriate action to assure compliance.

Although most utilities are in compliance with the narrow terms of AB2140, the law suggests a broader goal of improving the customer services to sub-metered tenants enrolled in the CARE program. The Commission recognizes each utility's effort and approach to contact and enroll sub-metered customers into the CARE program. However, there are customer service issues that should be addressed in order to improve sub-metered tenants enrollment in the CARE program.

The parties comment that sub-metered tenants may experience difficulty with customer service once the customer is enrolled in the program. Such difficulties include obtaining information from the utility company confirming the sub-metered customer's enrollment in the CARE program, and whether the discount has been passed to the sub-metered tenant. For purposes of billing, the "master-meter" is considered the customer of record for the utilities and this information may not be provided to the sub-metered tenant. Under AB 2140, the utility companies should develop a process to notify submetered tenants and provide them with renewal applications. In the event the customer may have clarification questions about verification of the discount being applied on its bill or re-enrollment, the customer may be denied any information for not being the actual "customer" of record. The Commission encourages utilities to speak directly to the customers to verify their enrollment in the CARE program and assist the customer in any analysis if the discount has been passed to the sub-metered billing statement. Some utilities already provide this service if a copy of the bill is provided to the utility company. Verification of the customer's discount is important to ensure that customer service is provided equitably to all enrolled CARE customers. Therefore, the Commission encourages all utilities to provide this verification to its sub-metered customers.

The Commission recognizes that it is not the utilities' responsibility to enforce the discount to the sub-metered customer once the utility has verified that the discount has not been passed to the sub-metered tenant. Pursuant to Pub. Util. Code § 739.5 and California Civil Code Section 798.43.1, the master meter customer must provide all discount and utility notices and communication to the sub-metered tenant. However, the Commission also recognizes the key role of the utility in cooperating with other agencies to enforce this code. County Offices of Weights and Measures[55] appear to have authority to enforce portions of Section 739 that require landlords to provide discounts to their tenants. Each Office of Weights and Measures may notify the master meter account holder of possible enfractions, and refer enforcement problems to the local District Attorney. The Commission's Consumer Affairs Branch (CAB) also can assist by encouraging compliance by master meter customers. CAB takes complaints from customers and communicates directly with the master meter account holders, notifying them of their noncompliance. The utility may also notify the master meter customer that it is not in compliance with the utility's tariffs. The Commission encourages the utilities to coordinate with these entities to resolve tenant complaints and promote enforcement of Section 739.

6. Renter Access to LIEE Programs

This rulemaking identified as an important issue whether renters are able to receive the benefits of LIEE programs and, if not, how to remedy related barriers to their participation.

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[55] Each county in California has an Office of Weights and Measures (also known as Department of Agriculture or Agricultural Commissioner – this varies from county to county) that has jurisdiction over any commodity that is weighed, measured, or counted, including gasoline and food.

To explore ways to improve access to LIEE programs, the Commission conducted a workshop on April 17, 2007. The workshop was helpful in clarifying issues that might require investigation. The assigned ALJ issued a ruling on May 22, 2002 soliciting parties' comments. The Commission received comments from ACCES, DisabRA, PG&E, SDG&E/SoCalGas, Sierra Pacific, SCE, SW Gas, and A WISH.[56] The ruling sought responses to the following questions:

- How many houses, apartments, and mobile homes have not yet received LIEE measures? These figures should be broken down between rented units and those that are owned by customers who qualify for LIEE benefits.
- Are there barriers to renter participation in LIEE programs that are more critical than the limits of utility LIEE budgets? If so, what are they and what can or should the Commission do to remove those barriers?
- How detrimental is a landlord's refusal to permit LIEE installations to broaden LIEE participation by renters? Would legislation be needed or useful to overcome barriers caused by landlords? What if anything should the Commission do to promote landlord interest and cooperation?
- Would increased focus on marketing LIEE installations in public housing or housing owned by non-profit organizations improve renter participation? If so, does the Commission need to take any actions to promote this?
- Are there ways to improve access to LIHEAP funds or other funding sources that would complement the LIEE program? What should the Commission do to promote their availability?

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[56] Unless otherwise noted, the text refers to the parties' comments filed in response to the May 22, 3007 ALJ ruling issued in this proceeding.

- Are there other ways to improve the LIEE program to increase renter participation or make the program more fair or accessible to renters?

The following section addresses these questions.

6.1. Background on Renters who Qualify for LIEE

The utilities estimate the percentage of eligible renters who have not yet received LIEE measures as follows:

LIEE Measures Received: Renters versus HomeOwners[57]			
Utility	**Total Qualifying Untreated Homes**	**Untreated Rented Homes Percentage / Number**	**Untreated Owned Homes Percentage / Number**
SCE	768,784	45% / 344,233	55% / 424,551
PG&E	876,156	56% / 490,647	44% / 385,509
SDG&E	218,283	70% / 152,798	30% / 65,485
SoCalGas	1,661,193	43% / 714,313	57% / 946,880

The table suggests that renters in each utility territory are receiving a substantial share of LIEE benefits. In the case of SoCalGas and SCE, renters have received significantly more than homeowners as a group. Although in percentage terms, SDG&E and PG&E are behind SCE and SoCalGas, they have treated many more rental properties than properties owned by eligible customers.

6.2. Barriers to LIEE Participation by Renters

All responding parties, except ACCES, generally agree that renters currently face no significant barriers to participation in LIEE programs. SCE comments that the Commission lifted two key barriers by allowing renters to be

[57] Information on this table is derived from the Reply Comments regarding AB 2140 and Renter Access to LIEE Programs of SCE, PG&E, SDG&E and SoCalGas.

eligible for air conditioning and heat pumps in eligible climate zones, and by confirming that no owner waiver is needed to replace a renter-owned refrigerator.

Landlord Approvals. Parties agree that requiring landlord approval of all renter LIEE improvements is not a significant barrier to the installation of LIEE measures because landlords rarely refuse LIEE improvements. PG&E notes that the policy of requiring landlord consent is needed to assure landlords do not object to participating in energy efficiency programs. Some parties suggested that, in some cases, landlords are difficult to reach, often because tenants do not have contact information.[58] SCE notes that the need to contact landlords causes occasional delays in providing LIEE measures, but has not presented a barrier to participation.

Tenants of Public Housing. The parties addressed whether to modify program elements for tenants of public housing.

The utilities and ACCES agree that there is no need for increased focus on marketing LIEE in public housing or housing owned by non-profit organizations. PG&E and ACCES note that the number of people living in such housing is small and that resources would probably be used more cost-effectively in other types of housing. SDG&E/SoCalGas claim that they already heavily target these housing units, and that no additional action or Commission intervention is necessary. Only SCE disagrees, claiming that the Commission should sponsor a dialogue between public housing authorities and the utilities to

[58] PG&E's Comments in response to ALJ's Ruling Addressing Renter Access to Low Income Energy Efficiency Programs, AB 2140 Implementation Regarding Tenants of

Footnote continued on next page

clear up misconceptions about LIEE eligibility. SCE suggests that tenants of public housing should be automatically qualified for LIEE and CARE because they have documented their status as low-income residents to local authorities in a process that is probably more rigorous than that of the utilities.

Marketing and Program Measures. A WISH suggests that utilities should pursue more aggressive marketing campaigns and create landlord/tenant benefit sharing pilot projects. ACCES recommends that all utilities follow SCE's practice of making program measures available to non-renters available to renters.

Discussion. Contrary to our expectation, renters are receiving a fair portion of LIEE program benefits. This circumstance is fortunate from the standpoint of distributional equity because the customers with the greatest need are more likely to be renters than homeowners.[59] We expect that more renters will be served to the extent larger LIEE budgets are justifiable on the basis of cost-effective energy savings.

We agree with SCE that tenants of public housing [60] should automatically qualify for LIEE programs, which will reduce stigma and program costs. We

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Master-Meter Customers and Consideration of LIEE Furnace Programs and Natural Gas Appliance Testing, p. 4.

[59] A competing equity concern is that landlords receive many of the benefits of these programs because tenants move away and landlords retain installed energy efficiency measures, which improves property values. Tenants nevertheless receive the more immediate benefits associated with lower energy bills and improved quality of life.

[60] In its comments on the proposed decision, PG&E raises concerns that some tenants of Section 8 housing may have incomes that substantially exceed the income levels that would qualify customers for LIEE programs. It recommends the Commission consider ways to implement this idea in ways that promote consistent application of existing eligibility rules. We agree.

also support the idea of better coordination with public housing authorities to maximize opportunities at such properties. We direct utilities to address improved marketing and outreach to renters, and other renter-associated recommendations discussed here, as part of their statewide marketing efforts, the statewide strategic plan, and their 2009-2011 applications.

7. NGAT Problems and Solutions

Background. NGAT is the process of testing the inside of a household for toxins such as carbon monoxide (CO) and other pollutants emitted by natural gas appliances.

D.03-11-020 adopted a two-prong NGAT process recommended by the parties. The NGAT process consisted of a pre-weatherization assessment[61] using visual and olfactory cues (before any infiltration measures[62] are installed) and an NGAT post-weatherization protocol that utilizes a room ambient CO test in the household with an operational gas appliance. Subsequently, the Commission approved the expansion of the pre-weatherization NGAT (pre-test) to be used as criteria for screening for the installation of infiltration reduction measures when a natural gas appliance problem existed and could not feasibly be corrected.

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[61] The following items are included in the NGAT pre-assessment: gas leaks; inadequate combustion ventilation air (CVA); inadequate clearance between water heater vent termination and evaporative cooler inlet; other improper flue/vent terminations; inoperable or inaccessible gas appliance; gas clothes dryer in the living space not exhausted outdoors; unvented combustion space heater in the living space; when a whole house fan is in the ceiling, gas water heater or open combustion furnace with sanding pilot in the attic; range with space heater/incinerator not vented outdoors; or open combustion water heater located in a sleeping area.

[62] Infiltration reduction measures are those which seal or tighten the building envelope and reduce natural infiltration. These measures include caulking, door weather-stripping, cover plate gaskets, duct sealing and some items within minor home repair.

D.01-03-028 reiterated the Commission's policy that the utilities should provide energy efficiency measures in ways that promote safe living environments.

Under the adopted NGAT process, if toxins are apparent in the environment, utilities do not install energy efficiency measures that would tighten up the air flow in the building and thereby contribute to a health or safety hazard. As a result, utilities only provide non-filtration measures to homes failing the NGAT.

R.07-01-042 stated our intent to consider problems that some believe arise with utility NGAT programs. Parties have expressed concern that ignoring the conditions in a residence that fails an NGAT test presents liabilities to the resident.

The Commission conducted workshops in this proceeding on NGAT and furnace programs on June 13, 2007 and June 25, 2007. The assigned ALJ subsequently issued a ruling on September 14, 2007, seeking the parties' responses to the following questions. (Questions in *italics* were directed at utilities only):

> What are specific challenges associated with the current NGAT process?
>
> How are low-income customers affected by the current NGAT process?
>
> How can the utilities improve the current NGAT process? In that regard, what, if anything, would the Commission need to order the utilities to do?
>
> How would each utility program modification affect customer bills, reduce energy use, or address customer health, safety and comfort?

How many residences in your territory received LIEE measures and services during 2006?

How many of the homes served with LIEE services in 2006 had problems with non-infiltration measures? The purpose of this question is related to non-equipment concerns.

How many of the homes served with LIEE services during 2006 were denied services due to an NGAT failure? The purpose of this question is to determine which homes had problems with the equipment itself.

When a house fails an NGAT, how does the utility coordinate with other programs such as LIHEAP?

On October 16, 2007, parties filed comments in response to the September 14, 2007 ruling and filed reply comments on October 26, 2007.

Parties' Comments.

Most parties did not point to any specific technical challenges associated with the current NGAT process. SDG&E and SoCalGas stated that some parties perceive incorrectly that the two NGAT processes conducted by the LIEE programs are complicated. PG&E considers being able to get back into homes for the second NGAT as its greatest challenge with the NGAT process. Partly for this reason, SW Gas recommends a one-step process with a full NGAT prior to infiltration measures being installed.

ACCES and A WISH emphasized their common concern with the limitations of the existing NGAT rules and process which preclude the installation of remedial measures and the certain energy efficiency measures. ACCES claims that rented homes that are not eligible for repair or replacement of furnaces and water heaters as a result of NGAT failure are exposed to hazardous conditions. ACCES and A WISH recommend that the Commission reexamine the reasons for declaring renters ineligible for water heater and furnace repair and replacement. PG&E specifies that owner-occupied homes failing NGAT may be eligible to receive repairs or replacement appliances. In cases where a renter's home has failed NGAT, SDG&E and SoCalGas note that they notify the landlord or owner of the action taken by the utility.

PG&E claims that approximately 10% of the homes it treated in 2006 received only non-infiltration measures due to the homes failing NGAT. Prior to the adoption of current NGAT processes, PG&E used a flue test to identify hazardous appliances. PG&E recommends the Commission reverse its 2003 decision, which eliminated the flue test. PG&E believes the flue test would allow the utility to identify inefficient and unsafe appliances better than the current tests.

SDG&E and SoCalGas would retain the current NGAT process, believing that it ensures that all low-income homes serviced by the LIEE program are left in a safe and non-hazardous condition. However, SDG&E and SoCalGas believe that if any modifications to the process are needed, a team of technical experts should evaluate the impacts of any changes prior to adoption.

ACCES and A WISH recommend that contractors should be allowed to correct the problem even if the correction requires replacement or relocation of the furnace. Alternatively, these parties suggest grandfathering of homes with furnaces installed in conformance with earlier code requirements. ACCES and A WISH propose that the Commission direct utilities to fix the problems. Additionally, repairing or replacing furnaces and water heaters in all households–renters and owners–promotes comfort, health, and safety and contributes to gas emission reduction.

SWGas suggests the incorporation of recommendations developed during the June 2007 workshop into the current practices and protocols. Additionally, SWGas recommends the adoption of the proposed changes to the NGAT standards to correct inconsistent language and increased Commission direction to the utilities regarding LIEE policies and procedures when questions and problems arise.

Discussion

D.03-11-020 stated that "the important issue for the safety of low-income customers receiving weatherization services is to ensure that the utility's inspection and response procedures effectively protect all LIEE program participants from potentially hazardous situations in the home." The Commission subsequently adopted a consultant report endorsing the current two prong process for NGAT, which the utilities still use. This procedure protects customers from potential harm but limits the number of homes that can receive energy efficient measures.

We have two separate issues to address: (1) whether the utilities should treat renters and homeowners alike with regard to the NGAT process and therefore permit appliance repair or replacement when necessary; and (2) whether the NGAT process should be modified to permit renters to receive infiltration measures when NGAT failure has occurred.

We are not convinced that utility ratepayers should assume the costs of appliance repairs and replacements. Section 1941.1 of the California Civil Code requires landlords to provide space heating and hot water to renters. California law also requires landlords to be responsible for certain household repairs, to assure the unit is habitable and to repair problems that make the unit uninhabitable.[63] It is the landlord's responsibility to assure rental property is safe.

On the question of whether the utilities should install infiltration measures where the property fails the NGAT, we are not prepared to modify existing policy because of our concerns over resident safety. Accordingly, the utilities shall continue to employ the NGAT protocols adopted in D.03-11-020, both for rental and owner-occupied households.

In its comments, SW Gas suggests the incorporation of recommendations from the June 2007 workshop for some technical revisions. The record here does not provide enough information for us to order their implementation, although the revisions appear thoughtful and may improve the existing procedures. We will direct the utilities to address these technical revisions in the Quarterly Public Meetings required by D.06-12-038. If the utilities wish to propose changes to the Weatherization and Installation Manuals as a result of those meetings, they should file for approval of those changes.

8. Utilities' Comprehensive Long-Term Statewide Strategic Plan

This decision takes the next step in the Commission's recent energy efficiency decision, D.07-10-032 by providing guidance to the utilities for drafting the LIEE portion of a comprehensive long-term statewide strategic plan. D.07-10-032 laid the groundwork for "a move beyond a narrow focus on short-

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[63] See Green v. Superior Court (1974) 10 Cal.3d 616 [111 Cal.Rptr. 704] which held that all residential leases and rental agreements contain an implied warranty of habitability. Under the "implied warranty of habitability," the landlord is legally responsible for repairing conditions that seriously affect the rental unit's habitability. That is, the landlord must repair substantial defects in the rental unit and substantial failures to comply with state and local building and health codes.

term savings through a broader strategic focus on long-term goals." The Commission found that "Californians would be better served by a more comprehensive approach to program planning, design, and delivery for energy efficiency." The Commission directed the utilities to file a strategic plan that is "specific enough to serve as a roadmap to meaningful action in the near term, while providing direction for future program design and development through 2020 and beyond." Consistent with these directives and the elements discussed in this decision, the utilities' state wide strategic plan, which is to be filed by May 15, 2008 shall contain a section on LIEE programs that includes the following elements:

- A general strategy for accomplishing the programmatic initiative adopted today that emphasizes long-term and enduring energy savings, ways to leverage the resources of other entities, and ways to integrate LIEE programs with other demand-side programs, especially energy efficiency programs;
- Specific program elements that emphasize long-term and enduring energy savings, specific ways to leverage the resources of other entities, and specific ways to integrate LIEE programs with other demand-side programs, especially energy efficiency programs;
- Specific strategies for improving ME&O efforts in ways that promote policy objectives and the programmatic initiative, including a program element that targets renters;
- General strategies for program delivery, which will be discussed in workshops held to implement this decision; and

- Specific program participation goals in specific population sectors or segments and budgets designed to meet those goals, consistent with D.06-12-038.[64]

9. Applications for 2009-2011 LIEE Budgets and Programs

This decision sets the groundwork for the LIEE program portfolios and budgets for 2009-2011, which will be the subjects of utility applications. Consistent with this decision, the applications filed by SCE, PG&E and SDG&E/SoCalGas should:

- Propose a portfolio that identifies the benefit-cost ratio for each program and a justification for each program that is not cost-effective, as required in D.02- 08-034 and according to the most recently-adopted cost-effectiveness methodology;
- Be designed to achieve over the three-year budget period approximately 25% of the programmatic initiative adopted here;
- Demonstrate that all program elements included toward the achievement of the initiative articulated here is cost-effective using the total resource cost test adopted in D.02-08-034;
- Propose program elements that may not be cost-effective but that serve other important policy objectives and provide justifications for each consistent with by D.02-08-034;
- Present specific strategies and programs for the budget years 2009-2011 toward accomplishing the LIEE programmatic initiative adopted here that emphasizes long term and enduring energy savings, ways to leverage the resources of other entities, and ways to integrate LIEE programs with other demand-side programs, especially energy efficiency programs, as discussed herein;

[64] D.06-12-038, Ordering Paragraph 23.

- Propose ME&O programs to promote LIEE programs and the LIEE programmatic initiative, including a program element that targets renters;
- Eliminate or modify the ten year "go back" rule to permit installations of new measures and technologies in all households while avoiding duplicative installations;
- Propose a process for automatically qualifying all tenants of public housing and improving information to public housing authorities;
- Propose ways to promote program continuity and long term LIEE investments with more flexible budgeting and funding rules, consistent with the practices and rules adopted in D.07-10-032 and the discussion herein;
- Propose specific program participation goals in specific population sectors or segments and budgets designed to meet those goals, consistent with D.06-12-038,[65]
- Analysis of how AB 1109 may affect their programs and the deployment of CFLs in California.
- Propose methods of tracking costs for each program element and participation in each that will permit cost-benefit analysis for each program element and that are consistent for all utilities.

We also state here our intent to audit LIEE programs and budgets to assure effective implementation, appropriate accounting and expenditures, and the application of sound management practices. The assigned Commissioner and ALJ are authorized to provide additional guidance on the information and format of utility applications. Consistent with D.06-12-038, SCE, SDG&E, PG&E and SoCalGas shall file applications for 2009-2011 LIEE and CARE budget authority and program modifications no later than May 15, 2008. All other

[65] D.06-12-038, Ordering Paragraph 23.

jurisdictional electric utilities shall file such applications no later than July 1, 2008.

This order does not require the applications of the smaller utilities to include all of the specific elements required of the larger utilities, although we encourage them to modify their programs and portfolios in ways that would accomplish the policy objectives and programmatic initiative we adopt here. The applications should describe how each program serves adopted policy objectives and present an estimate of the cost-effectiveness of each program element. D.06-12-036, which adopted the LIEE and CARE budgets for the small multijurisdictional utilities, did not provide a date for filing 2009-2011 LIEE portfolio budget applications. We direct the small utilities to file those applications no later than May 15, 2008.

10. SCE's Request for Approval to Increase its Budget by $22 million to Distribute CFLs

On May 10, 2007, SCE filed an application for approval of a program to distribute CFLs in up to 924,000 low-income households in its territory. SCE seeks approval to spend an additional $22 million to fund this program. DRA and TURN (DRA/TURN) jointly filed a protest to the application. Greenlining also filed a response.

SCE's Application. SCE's proposal anticipates door-to-door distribution of up to six CFLs for each participating household, targeting low-income neighborhoods. However, non-LIEE customers could participate since the distribution would be based on residence in specified neighborhoods, not eligibility for LIEE programs. The CFLs would be offered at no cost, only requiring participating customers to pledge to replace existing incandescent bulbs with the CFLs. SCE would engage CBOs to provide outreach and distribution and pay each a fee of $10 per household. SCE does not provide an estimate of the cost of the CFLs because it would purchase them following a competitive bidding process. About $1.4 million of the funds would go toward administrative costs, while the remainder would be for the CFLs and CBO costs. SCE proposes program costs be reimbursed with LIEE funds, although the program would not be subject to LIEE rules or standards. SCE would target low-income neighborhoods, but would not require participants to prove income status or LIEE eligibility. SCE estimates this program would save up to 280 million kilowatt hours of energy and 23.7 megawatts of demand. Currently, SCE's LIEE budget includes funding for installations of two CFLs in each of 74,000 residences.

Responses of DRA/TURN and Greenlining. DRA/TURN protest the proposal as follows:

- SCE's outreach should be more expansive and have greater flexibility;
- CBO compensation is excessive and should be reconsidered;
- SCE's proposed marketing budget seems high;
- SCE's measurement and evaluation method requires additional detail;
- The specific use of SCE's budgeted funds should be subject to Commission and public oversight; and
- The Commission should reserve judgment on whether savings from the program would count toward adopted energy savings goals.

Overall, DRA/TURN raise concerns that SCE's proposal may represent a lost opportunity to the extent contact with interested customers would be limited to distributing CFLs rather than providing a broader array of energy efficiency measures and information.

Greenlining also raises concerns about whether the program would employ the most effective means of CFL distribution. Greenlining suggests a statewide program may be a better strategy and recommends recruiting a diverse array of CBOs. Greenlining also raises concerns about the health effects of CFL disposal in low-income communities because of the risk of exposure to mercury.

Discussion. SCE's proposal is interesting and we appreciate the initiative it has taken to propose a more aggressive energy efficiency program targeted in low-income neighborhoods. At this time, however, the proposal raises many questions that require additional inquiry. Rather than try to resolve them now, a better option is to consider this type of program in the context of broader and more comprehensive LIEE and energy efficiency program delivery strategies as part of the statewide strategic plan and the 2009-2011 portfolio applications.[66]

We are concerned that SCE's proposal to use additional ratepayer funds on a CFL give-away program covering no other measures and not requiring actual installations is inconsistent with the direction we have specified in our

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[66] D.07-10-032, issued after SCE filed its application, resolved how energy efficiency program augmentations between budget cycles will be treated for purposes of determining whether the utility has achieved energy savings goals and the extent to which energy savings from program augmentations contribute to calculations of incentive awards as follows: "……energy savings from mid-cycle program funding augmentations will be counted in the calculation of portfolio cost-effectiveness and PEB for utility incentive awards. That is, we will include the program savings and costs just as we would for any program in our assessment of portfolio cost-effectiveness and the calculation of PEB "net benefits" under our adopted shareholder incentive mechanism. However, the savings from these programs will not count towards achievement of energy savings goals for the purpose of assessing whether performance has reached the MPS (or falls within the various performance bands) under our adopted incentive mechanism." Pages 100-101.

energy efficiency policy rules and those we recently rearticulated in D.07-10-032 for energy efficiency programs namely, that utility energy efficiency programs should emphasize comprehensive, integrative strategies and energy efficiency measures that provide long term, enduring energy savings, particularly in light of the AB 32 target. Increasing our reliance on CFL give-aways as a stand-alone program does not accomplish those objectives. At the very least, a program such as the one SCE proposes should be integrated with other program elements in order to make the most of cost-effective program delivery.

We agree with DRA/TURN that SCE's cost estimates seem excessive. SCE assumes each CFL would cost almost $4.00 each, more than twice the price of CFLs currently sold in some retail outlets.[67] Apparently about half of the cost is attributable to estimated fees for participating CBOs. Given that SCE does not plan to install the CFLs, we wonder whether a more cost-effective approach would be to distribute the light bulbs at existing retail outlets. Moreover, we agree with DRA/TURN that SCE should not have unconstrained discretion in the expenditure of over $22 million. If SCE seeks expedited treatment of an application for such funding and flexibility to move funds around, it should provide more detail about program costs than it presents here.[68]

We are also concerned that SCE's estimates of energy savings may be overstated. SCE assumes that 90% of the CFLs it hands out to customers will be installed immediately. This estimate is probably unrealistic considering that its

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[67] For example, on October 11, 2007, Walmart advertised a 12 pack of CFLs for $19.76, about $1.65 each.

[68] SCE does not explain how it reached an estimate of about $20.6 million for purchase and delivery of CFLs or break down those costs into component parts.

distribution agents will not install CFLs, verify installations or test for persistence of energy savings.

The California State Legislature recently enacted AB 1109, which requires the state to implement a strategy for phasing out the use of traditional lighting in California and promoting widespread use of more efficient lighting products.[69] The bill requires, among other things, the creation of a task force that would recommend ways to recycle traditional lighting products and to educate customers about lighting. At this time, it is unclear how this legislation may affect utility lighting programs; however, it may deserve consideration as part of our review of utility CFL programs.

At this time, we will not issue any decision on SCE's application for approval to spend an additional $22 million on CFL distribution pending modification of the proposal as part of the statewide strategic plan and LIEE portfolio applications.

Overall, the questions raised by SCE's application would require a significant effort to resolve. Rather than address them here, we wish to use the LIEE strategic planning process as the next step in our consideration of SCE's proposal. We want to encourage utility innovation in energy efficiency programs, particularly with regard to proposed distribution mechanisms, such as community-based and faith-based organizations, and we are also interested in increasing energy savings attributable to LIEE programs before the 2009-2011 portfolio cycle.

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[69] Chapter 534, Signed October 12, 2007, adding Section 25210.9 to the Public Resources Code and Article 10.02 to the Health and Safety Code, and repealing Section 25210.11 of the Health and Safety Code.

We therefore direct the utilities and staff to address the SCE proposal as a first item in the LIEE strategic planning process. We direct the utilities to work with TURN, DRA, and Greenlining to address their concerns and to work with our staff on the areas noted in this decision. These discussions should also address whether additional funding is needed and, if so, the appropriate funding level.

Based on these discussions, SCE may file an amended application within 90 days to implement a pilot program in 2008 that could expand in 2009 and be part of a larger, more comprehensive effort set forth in the strategic plan, if supported by the collaborative LIEE strategic planning process. We also permit the utilities to propose a statewide pilot in a separate application, if supported by the collaborative strategic planning process and part of a coordinated statewide program. We will commit to review the statewide application or SCE's amended application on an expedited basis. The parties should also consider whether a pilot program can begin in 2008 using existing funding and a larger program should be presented as part of the overall 2009-2011 program portfolio application or that a more comprehensive program begin in 2009, again as part of the larger strategic plan.

We also direct the utilities to include in their 2009-2011 LIEE portfolio applications analysis of how AB 1109 may affect their programs and the deployment of CFLs in California.

11. Next Steps

The principles and strategies adopted in this order will be best implemented if the utilities and other parties were to discuss them in an informal and collaborative venue as part of the process developed for the statewide strategic plan in D.07-10-032. We plan to conduct workshops on the following issues:

(1) **Cost-effectiveness tests** – How, if at all, should existing methodologies be modified to recognize the costs and benefits of LIEE programs?

(2) **Strategic Approaches to Program Development and Delivery**. How can the utilities leverage the opportunities presented by other resources and programs, including those of other organizations and their own energy efficiency programs? What resources are available to leverage utility program design and delivery? How can existing information and analysis be useful in guiding program development and delivery strategies and priorities? What are the best ways to measure achievement toward the programmatic initiative?

(3) **ME&O –** How can the utilities and other entities provide more and better information to LIEE customers on a statewide basis about reducing energy usage and saving on their energy bills? To what extent should the utilities use a common branding strategy, and a statewide marketing and outreach program? What should a statewide, coordinated program include and how should it be administered?

(4) Portfolio Composition – What types of programs would best meet the policy objectives and programmatic initiative adopted in this decision? What types of programs should be offered that would serve program objectives relating to low-income customers' quality of life?

We direct the utilities to include a discussion of LIEE strategies in the draft statewide strategic plan to be submitted on February 1, 2008, pursuant to D.07-10-032. We recognize the time available for drafting the LIEE section of the report is very short and that the first draft of the LIEE section is likely to be necessarily skeletal. Accordingly, we will delegate to the assigned

Commissioner and assigned ALJ authority to schedule additional workshops, comments or revisions to the first draft as required to promote the development of a complete and thoughtful LIEE strategy, which would be incorporated into the proposed statewide strategic plan the utilities will file by May 15, 2008, pursuant to D.07-10-032. The assigned Commissioner and ALJ may modify the topics or schedule for these working sessions in order to promote the objectives of today's decision.

12. Comments on Proposed Decision

The proposed decision of Commissioner Grueneich and ALJ Kim Malcolm 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 December 10, 2007, and reply comments were filed on December 17, 2007. This order makes several minor changes to the proposed decision in response to comments.

13. Assignment of Proceeding

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

Findings of Fact

1. The Commission has determined that energy efficiency is a primary and essential energy resource because it is reliable, cost-effective, and environmentally sound.

2. The state's commitment to energy efficiency has so far not extended to a similar extent to LIEE programs, although LIEE programs may be a valuable energy resource.

3. LIEE programs satisfy legislative policies to reduce the burdens of energy costs on low-income customers to the extent low-income customers are able to take advantage of those programs.

4. Current LIEE budgets permit the utilities to provide LIEE measures to about 3% of eligible low-income customers at current budget levels. Less than 30% of eligible low-income customers have received the benefits of LIEE programs.

5. Treating LIEE programs as an energy resource would not necessarily conflict with other program objectives, such as reducing customers' financial burdens and promoting their safety and comfort.

6. Reduced energy use results in lower bills and a more reliable and less costly energy infrastructure.

7. An increased emphasis on LIEE as an energy resource that promotes environmental values may justify larger LIEE budgets, more cost-effective programs, and program offerings that would serve more low-income customers.

8. A programmatic initiative to provide all eligible customers the opportunity to participate in the LIEE program and to offer those who wish to participate, all cost-effective energy efficiency measures in their residences by 2020 would inform LIEE budgets, program elements, strategies, and priorities. The initiative would be useful in signaling the community and markets of the Commission's ongoing commitment to LIEE programs and their deployment

9. As a practical matter, a programmatic initiative to provide all eligible customers the opportunity to participate in the LIEE program and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020 would not be achievable because of changes in eligible customers and technologies.

10. Achieving social objectives with LIEE programs may require that the utilities continue to offer program elements that are not cost-effective.

11. Cost-effectiveness tests for LIEE programs may require revision to recognize the value of LIEE programs and other values.

12. For purposes of the programmatic initiative, defining customers as those who receive a CARE discount would artificially reduce the amount of potential energy savings achievable as part of the goal.

13. Utility efforts to make a residence safer or to conform energy-related aspects of the premises to existing codes and standards serve the interest of the participating customer and the broader community.

14. LIEE programs may be more cost-effective, attractive to participants and far-reaching if they were delivered strategically with other energy resource programs and if the utilities take advantage of a broader array of resources available by working with government, non-profit organizations and businesses.

15. LIEE program elements with long-term energy savings may be more valuable to the program participants and the broader community than those that provide only short-term energy savings.

16. The record in this proceeding does not provide adequate information about programs, costs or strategies to endorse any particular path for meeting the programmatic initiative.

17. The record in this proceeding does not provide adequate information about programs, costs or strategies to determine which program measures should be included as part of the programmatic initiative.

18. ME&O is essential to an effective LIEE program.

19. Coordinated ME&O efforts can improve program cost-effectiveness and customer response.

20. The ten year "go back" rule may unjustifiably limit cost-effective LIEE program installations.

21. The utilities state they have either already implemented the requirements of AB 2140 or have plans to do so in the near future. No party submitted comments arguing to the contrary.

22. Some utilities offering CARE discounts did not provide comments on the issue of compliance with AB 2140 and those who did had not in all cases fully complied with the statute by the date their comments on this issue were filed.

23. Statewide, renters appear to be receiving more than a proportional share of LIEE programs. Customers with the greatest need are more likely to be renters than homeowners.

24. Customers who live in public housing have provided government officials with documentation of their low-income status.

25. SCE's proposal to spend an additional $22 million on CFL distribution as part of its LIEE program is inconsistent with the policy direction we have set for energy efficiency programs generally and for LIEE programs here to the extent it is not part of an integrated, comprehensive effort to improve energy efficiency and CFLs would not provide long term, enduring energy savings.

26. SCE does not justify its proposed CFL distribution program on the basis of cost-effectiveness or with adequate budget detail, and assumes unrealistic installation rates for the CFLs.

Conclusions of Law

1. Public Utilities Code Sections 2790, 382(b), and 327 emphasize the need for LIEE programs to reduce energy bills and financial burdens of energy costs on low-income customers.

2. Utility LIEE programs should emphasize program elements and strategies that serve energy resource objectives while reducing participating customers' bills.

3. The Commission should articulate a programmatic initiative to provide all eligible customers the opportunity to participate in the LIEE program and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020. The initiative should inform LIEE budgets, program elements, strategies, and priorities.

4. The utilities should not be required to serve customers outside their territories at this time because the record does not explore the practicalities of this option.

5. For purposes of the programmatic initiative, "customer" should refer to any eligible customer who would like to participate in the LIEE program.

6. The utilities should be permitted to take the following steps in homes where they are installing LIEE measures:

> Modifying the premises or installing equipment that would reduce or eliminate a hazardous condition where the equipment or modification is related to the LIEE measure, and
>
> Modifying the premises or installing equipment that would conform the premises to existing building codes and standards where the equipment or modification is related to the LIEE measure.

7. The utilities' LIEE programs should emphasize long term energy savings that leverage all available resources and are, to the extent cost-effective and practical, integrated with other demand-side programs, such as energy efficiency programs, solar installations, demand response and other programs.

8. The utilities should develop strategic ways of improving ME&O by coordinating efforts with other entities and energy programs.

9. The utilities should eliminate the rule which provides that customers are not eligible for LIEE measures if they have participated in the program within ten years or their residence has been provided LIEE measures.

10. AB 2140 requires each utility providing CARE discounts to (1) develop processes whereby it directly accepts CARE applications from tenants of a mobilehome park, apartment building, or similarly residential complex, (2) develop processes whereby it directly notifies and provides renewal applications to tenants of a mobilehome park, apartment building, or similar residential complex, that are existing CARE customers, and (3) provide each master-meter customer that is subject to Section 739.5 with a list of tenants who are approved to receive discounts pursuant to the CARE program and that specifically identifies those tenants added to or deleted from CARE program eligibility since the previous billing cycle. AB 2140 requires compliance with its provisions by December 31, 2007.

11. The utilities should automatically qualify for CARE discounts those customers who live in public housing because they have already demonstrated to public officials their low-income status.

12. SCE should be authorized to modify its application for authority to spend an additional $22 million on CFL distribution as part of its LIEE budget, as set forth herein.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) shall, no later than February 1, 2008, submit to all parties to this proceeding and Rulemaking 06-04-010 a draft statewide strategic long-term plan, consistent with Decision (D.) 07-10-032, that includes a plan to achieve the Low-Income Energy Efficiency (LIEE) programmatic initiative adopted here. The plan shall include policies and program elements discussed herein. The utilities' final proposed statewide strategic plan shall include a discussion of LIEE program strategies and shall be filed consistent with D.07-10-032.

2. In addition to the information and strategies outlined in D.07-10-032, the LIEE portion of the utilities' statewide strategic plan shall include (1) an appendix that lists resources for low-income programs and other tools to better coordinate with other organizations and businesses, (2) a training plan for LIEE programs, consistent with this order, and (3) a discussion of the low-income program elements of the California Solar Initiative.

3. SCE, SDG&E, PG&E and SoCalGas shall file applications for 2009-2011 LIEE and CARE budget authority and program modifications no later than May 15, 2008. All other jurisdictional electric utilities shall file applications for 2009-2011 LIEE and CARE budget authority and program modifications no later than July 1, 2008.

4. Each application of SCE, PG&E, SDG&E and SoCalGas for LIEE and CARE budget authority for the 2009-2011 period shall:

- Propose a portfolio that identifies the benefit-cost ratio for each program and a justification for each program that is not cost-effective, as required in D.02- 08-034 and according to the Commission's cost-effectiveness methodology;
- Be designed to achieve over the three-year budget period approximately 1/4th of the programmatic initiative adopted here;
- Demonstrate that all program elements included toward the achievement of the initiative articulated here are cost-effective using the total resource test adopted in D.02-08-034;
- Propose program elements that may not be cost-effective but that serve other important policy objectives and provide justifications for each consistent with by D.02-08-034;
- Present specific strategies and programs for the budget years 2009-2011 toward accomplishing the LIEE programmatic initiative articulated here that emphasizes long term and enduring energy savings, ways to leverage the resources of other entities, and ways to integrate LIEE programs with other demand-side programs, especially energy efficiency programs, as discussed herein;
- Propose ME&O programs to promote LIEE programs and the LIEE programmatic initiative, including a program element that targets renters;
- Propose a process for automatically qualifying all tenants of public housing and tenants of Section 8 housing improving information to public housing authorities;
- Eliminate or modify the ten year "go back" rule to permit installations of new measures and technologies in all households while avoiding duplicative installations;
- Propose ways to promote program continuity and long term LIEE investments with more flexible budgeting and funding rules, consistent with the practices;
- Propose specific program participation goals in specific population sectors or segments and budgets designed to meet those goals, consistent with D.06-12-038;

- Propose methods of tracking costs for each program element and participation in each that will permit cost-benefit analysis for each program element and that are consistent for all utilities; and
- Analysis of how AB 1109 may affect their programs and the deployment of CFLs in California.

5. The utilities shall, in their Quarterly Meetings on LIEE programs, address technical changes to the Natural Gas Appliance Testing process that would improve the program, including those changes proposed by Southwest Gas Company in this proceeding.

6. Every electric or gas utility offering California Alternate Rates for Energy (CARE) discounts to the eligible tenants of master-meter customers shall, no later than January 15, 2008, file an affidavit in this proceeding that certifies the utility's compliance with Assembly Bill (AB) 2140 as set forth herein. The affidavit shall briefly describe the utility's processes for complying with the following elements of AB 2140:

a) Has developed processes whereby it directly accepts CARE applications from tenants of a mobilehome park, apartment building, or similarly residential complex.

b) Has developed processes whereby it directly notifies and provides renewal applications to tenants of a mobilehome park, apartment building, or similar residential complex that are existing CARE customers.

c) Provides each master-meter customer that is subject to Section 739.5 with a list of tenants who are approved to receive discounts pursuant to the CARE program and that specifically identifies those tenants added to or deleted from CARE program eligibility since the previous billing cycle.

7. SCE's application for approval of $22 million in augmented funding for compact fluorescent lamp distribution in its LIEE program shall be the topic of

additional discussions with interested parties and may be amended as set forth herein.

8. The assigned Commissioner and assigned Administrative Law Judge (ALJ) are authorized to provide clarification and direction as required with respect to the content and development of the LIEE portion of the statewide strategic plan.

9. The Commission staff shall propose a schedule and list of information requirements relevant to the utilities' application for approval of 2009-2011 LIEE portfolios.

10. The assigned Commissioner is authorized to approve a policy manual and related rules for LIEE programs, consistent with this decision.

11. As soon as practical, the Commission staff shall post to the Commission's website the assigned Commissioner's LIEE policy manual.

12. The assigned ALJ, in consultation with the assigned Commissioner, shall schedule workshops to implement the provisions of this decision, as follows:

(1) **Cost-effectiveness tests** – How, if at all, should existing methodologies be modified to recognize the costs and benefits of LIEE programs?

(2) **Strategic Approaches to Program Development and Delivery**. How can the utilities leverage the opportunities presented by other resources and programs, including those of other organizations and their own energy efficiency programs? What resources are available to leverage utility program design and delivery? How can existing information and analysis be useful in guiding program development and delivery strategies and priorities?

(3) **ME&O –** How can the utilities and other entities provide more and better information to LIEE customers on a statewide basis about reducing energy usage and saving on their energy bills? To what extent should the utilities use a

common branding strategy, and a statewide marketing and outreach program? What should a statewide, coordinated program include and how should it be administered?

(4) **Portfolio Composition** – What types of programs would best meet the policy objectives and programmatic initiative adopted in this decision? What types of programs should be offered that would serve program objectives relating to low-income customers' quality of life?

13. The assigned Commissioner and assigned ALJ are within their authority to establish and modify the schedule, procedures or topics set forth herein for workshops and other matters relating to LIEE programs in order to promote the objectives and goals of this decision.

14. The Executive Director may hire and manage one or more contractors to assist Commission staff for the purpose of advancing the LIEE work described in this order. Such costs, if any, shall be paid from the utilities' portfolio budgets adopted in D.06-12-038 or subsequent orders adopting future LIEE budgets, on a proportional basis in relationship ~~to the energy efficiency funding levels reported each year in the first report each year as specified by the Executive Director~~ **to the utilities' low-income energy efficiency funding levels. For the year 2008, such costs shall be covered by the funds allocated to new, unanticipated studies for the four large IOUs in D. 06-12-038.** The Executive Director, with the approval of the Commission's General Counsel, (i) may contract directly with outside consultants for these services, or (ii) may arrange for one or more of the utilities to contract with outside consultants for the provision of the required services to Commission staff. Contracting shall be subject to the agreement on terms, conditions and documentation for the contract arrangement that are acceptable to the utility and the Executive Director. The

Commission's Energy Division will retain all contract management responsibilities for these contracts, with the utilities funding the contract utilizing their authorized LIEE program funds.

15. Application 07-05-010 is closed.

This order is effective today.

Dated December 20, 2007, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

ATTACHMENT A

Summary of Utility LIEE Programs in 2006

1. Small Multi-Jurisdictional Utilities

A. Alpine

Alpine conducts its LIEE program through referrals as part of Pacific Gas and Electric Company's (PG&E) LIEE program. This partnership provides education, gas appliance safety testing, weatherization measures, minor home repair, and furnace repair and replacement.

B. PacifiCorp

PacifiCorp provides LIEE customers with insulation, showerheads, energy efficient refrigerators, and compact fluorescent lamps. Since early 2004, PacifiCorp has treated and weatherized approximately 130 homes. PacifiCorp plans to treat and weatherize 90 homes each year for 2007 and 2008. PacifiCorp contracts with community agencies to implement its programs.

C. Sierra

Sierra has provided LIEE services to customers since 1986. Currently, it contracts with private firms to implement LIEE programs, with particular emphasis on identifying hard-to reach customers.

D. Bear Valley

Bear Valley's LIEE program includes replacement of refrigerators, interior lighting, water heater insulation, low-flow showerheads, faucet aerators, insulation, weather-stripping, and caulking.

E. SWGas

SWGas contracts with third parties to provide LIEE program services, including outreach, program evaluation, installation of efficiency measures, and education and reporting. LIEE outreach efforts are combined with CARE program promotions and include targeted mailings, posters, brochures, community events, and website messages. Information is available in English, Spanish, and large print.

2. Large Investor-Owned Utilities

A. Southern California Gas Company (SoCalGas)

Southern California Gas Company provide services such as the installation of ceiling insulation, weather stripping, caulking, low-flow showerheads, water heater blankets, switch and outlet gaskets, faucet aerators, evaporative cooler vent covers, pipe insulation, and building envelope (minor home) repair.

Education services include in-home education which is designed to help customers learn to save energy by modifying their energy-use habits and community workshops. In 2006, SoCalGas spent approximately, 3% ($759,890) of its total LIEE program costs ($27,317,476) for in home Energy Education and workshops.[1] In fiscal years 2007 and 2008 SoCalGas has reduced its spending for its energy education component to 1.3% ($447,000), of its total budget. In 2007 and 2008, SoCalGas has not requested a budgeted amount for energy education workshops.[2]

B. San Diego Gas & Electric Company (SDG&E)

SDG&E contracts with Richard Heath and Associates (RHA) to manage its field activities of the LIEE program. Field activities include outreach, eligibility, enrollment, and in-home energy education and assessment. RHA subcontracts weatherization activity, heating Ventilation and Air Conditioning (HVAC) to licensed Community Based Organizations and contractors.

SDG&E's energy education component comprises of two different programs: (1) The Energy Practices Survey, and (2) The Energy Conservation Video and DVD. The Energy Practices survey consists of a survey for the customer to complete and receive immediate feedback on various measures to

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[1] Southern California Gas Company 2006 Low Income Energy Efficiency Programs Annual Summary and Technical Appendix, Table 1.

[2] Order Adopting Utility Budgets for Low Income Energy Efficiency Programs and California Alternative Rate for Energy, D.06-12-038, Appendix Table 7.

reduce energy usage. The Energy Conservation DVD and video provides information about how to increase money savings and reduce energy usage. In 2006, SDG&E spent approximately 13% ($1,888,092) of its total Energy Efficient budget ($14,435,838) on Education programs.[3] This percentage will slightly increase to 10% for the upcoming budget years of 2007 and 2008.[4]

C. Southern California Edison Company(SCE)

SCE maintains a contractual relationship between its LIEE program with community-based organizations (CBOs), faith-based organizations, public housing authorities, Low Income Assistance Programs (LIHEAP) providers, ethnic and cultural groups and others. Due to the high temperatures in SCE's territory and increasing cooling costs, SCE offers evaporative coolers to use in place of air conditions and the installation of energy efficient room and central air conditioners. SCE also helps low-income customers conserve energy by providing free Compact Fluorescent Light bulbs (CFL's) to replace incandescent bulbs.

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[3] SDG&E 2006 Low Income Energy Efficiency Programs Annual Summary and Technical Appendix, Table 1.

[4] Order Adopting Utility Budgets for Low Income Energy Efficiency Programs and California Alternative Rate for Energy, D.06-12-038, Appendix Table 5.

SCE's customers are provided an "Energy Education Resource Guide" (English and Spanish) that contains information about the various SCE programs, energy savings tips, and other valuable energy saving information. In 2006, SCE spent approximately 2% ($633,293) of its total budget ($31,371,759).[5]

In the upcoming budgeted years for 2007 and 2008, SCE decreased its budgeted amount for energy education to 1.3% ($429,736) of its total budget.[6]

D. Pacific Gas and Electric Company (PG&E)

PG&E administers its program with RHA. In 2006, RHA contracted out PG&E's LIEE program implementation work to 17 weatherization contractors and three appliance contractors. The implementation of the LIEE program was done by a combination of community-based organizations and private contractors who were assigned specific geographic work areas within PG&E's service territory. PG&E also administers its own contracts with 18 contractors who provide services ranging from the replacement of furnaces and central air conditioners. Energy education is provided in the customer's home by an energy education specialist. These energy education specialists provide information

[5] Southern California Edison Company's (U-338-E) Annual Progress Report for the Low-Income Energy Efficiency (LIEE) Program for the Period January – December 2006, filed May 1,2006, Table 1.

about PG&E's low income programs. During this visit, the customer is also informed about various other ways to lower their utility bills.

In 2006, Energy Education constituted approximately 7% ($6,431,060) of its total budget ($88,045,621). [7] PG&E's Energy Education will remain at approximately 7 % ($6,062,112), for fiscal years 2007 and 2008.[8]

(END OF ATTACHMENT A)

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[6] Order Adopting Utility Budgets for Low Income Energy Efficiency Programs and California Alternative Rate for Energy, D.06-12-038, Appendix Table 1.

[7] PG&E Low-Income Energy Efficiency Program Annual Report for 2006, Table 1.

[8] Order Adopting Utility Budgets for Low-Income Energy Efficiency Programs and California Alternative Rate for Energy, D.06-12-038, Appendix Table 3.

ATTACHMENT B

Low Income Energy Efficiency Measures

Measure	Description
Appliance Replacement	
Refrigerator Replacement	Replace existing refrigerator and reduce energy usage.
Weatherization	
Caulking (exterior/interior)	Seal home from air leaks.
Weather Stripping Doors	Seal home from air leaks.
Ceiling Insulation	Reduces heat flow to home.
Water Heater Insulation	Provides Energy Efficient hot water to home.
Water Heater Pipe Insulation	Reduces heat loss while raising water temp.
Water Heater Pipe Wrap	Reduces heat loss while raising water temp.
Duct Testing and Sealing	Reduces air leakage of heating/cooling systems.
Water Heating Savings	
Energy Saver Showerhead (low-flow)	Reduces usage of hot water.
Faucet Aerators	Reduces Energy and Water usage.
Infiltration & Space Conditioning	Installed to provide energy efficient method of cooling.
Evaporative Cooler and Air Conditioner Vent Covers	*See above.*
High Efficiency Window/ Wall Air Conditioners	*See above.*
High Efficiency Central Air Conditioners	*See above.*
Evaporative Cooler Installation	*See above.*
Cover Plates/Gaskets	Reduces wind draft into home.
Air Conditioner Replacement-Room	*See above.*

Air Conditioner Replacement-Central	*See above.*
<u>Minor Home Repairs</u>	Reduces leakage and entrance of air.
Exterior Door Replacement	*See above.*
Window Replacement	*See above.*
Glass Replacement	*See above*
Furnace Repair/Replacement	Improve performance of heat system, and reducing energy usage.
<u>Lighting Measures</u>	Replaces incandescence lights and reduces energy usage.
Thread-Based Compact Fluorescent Lamps	*See above.*
Hard-Wired Compact Fluorescent Lamp	*See above.*
Porch Light Fixtures	*See above.*

(END OF ATTACHMENT B)

ATTACHMENT C

Public Utilities Code Statutes Governing Low Income Energy Efficiency Programs and Policies

327. (a) The electric and gas corporations that participate in the California Alternative Rates for Energy program, as established pursuant to Section 739.1, shall administer low-income energy efficiency and rate assistance programs described in Sections 739.1, 739.2, and 2790, subject to commission oversight. In administering the programs described in Section 2790, the electric and gas corporations, to the extent practical, shall do all of the following:

(1) Continue to leverage funds collected to fund the program described in subdivision (a) with funds available from state and federal sources.
(2) Work with state and local agencies, community-based organizations, and other entities to ensure efficient and effective delivery of programs.
(3) Encourage local employment and job skill development.
(4) Maximize the participation of eligible participants.
(5) Work to reduce consumers electric and gas consumption, and bills.
(b) If the commission requires low-income energy efficiency programs to be subject to competitive bidding, the electric and gas corporation described in subdivision (a), as part of their bid evaluation criteria, shall consider both cost-of-service criteria and quality-of-service criteria. The bidding criteria, at a minimum, shall recognize all of the following factors:
(1) The bidder's experience in delivering programs and services, including, but not limited to, weatherization, appliance repair and maintenance, energy education, outreach and enrollment services, and bill payment assistance programs to targeted communities.
(2) The bidder's knowledge of the targeted communities.
(3) The bidder's ability to reach targeted communities.
(4) The bidder's ability to utilize and employ people from the local area.
(5) The bidder's general contractor's license and evidence of good standing with the Contractors' State License Board.
(6) The bidder's performance quality as verified by the funding source.
(7) The bidder's financial stability.
(8) The bidder's ability to provide local job training.
(9) Other attributes that benefit local communities.
(c) Notwithstanding subdivision (b), the commission may modify the bid criteria based upon public input from a variety of sources, including representatives from low-income communities and the program administrators identified in subdivision (b), in order to ensure the effective and efficient delivery of high quality low-income energy efficiency programs.

382. (a) Programs provided to low-income electricity customers, including, but not limited to, targeted energy-efficiency services and the California Alternate Rates for Energy program shall be funded at not less than 1996 authorized levels based on an assessment of customer need.

(b) In order to meet legitimate needs of electric and gas customers who are unable to pay their electric and gas bills and who satisfy eligibility criteria for assistance, recognizing that electricity is a basic necessity, and that all residents of the state should be able to afford essential electricity and gas supplies, the commission shall ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures. Energy expenditure may be reduced through the establishment of different rates for low-income ratepayers, different levels of rate assistance, and energy efficiency programs.

(c) Nothing in this section shall be construed to prohibit electric and gas providers from offering any special rate or program for low-income ratepayers that is not specifically required in this section.

(d) The commission shall allocate funds necessary to meet the low-income objectives in this section.

(e) Beginning in 2002, an assessment of the needs of low-income electricity and gas ratepayers shall be conducted periodically by the commission with the assistance of the Low-Income Oversight Board. The assessment shall evaluate low-income program implementation and the effectiveness of weatherization services and energy efficiency measures in low-income households. The assessment shall consider whether existing programs adequately address low-income electricity and gas customers' energy expenditures, hardship, language needs, and economic burdens.

382.1. (a) There is hereby established a Low-Income Oversight Board that shall advise the commission on low-income electric, gas, and water customer issues and shall serve as a liaison for the commission to low-income ratepayers and representatives. The Low-Income Oversight Board shall replace the Low-Income Advisory Board in existence on January 1, 2000. The Low-Income Oversight Board shall do all of the following to advise the commission regarding the commission's duties:

(1) Monitor and evaluate implementation of all programs provided to low-income electricity, gas, and water customers.

(2) Assist in the development and analysis of any assessments of low-income customer need.

(3) Encourage collaboration between state and utility programs for low-income electricity and gas customers to maximize the leverage of state and federal energy efficiency funds to both lower the bills and increase the comfort of low-income customers.

(4) Provide reports to the Legislature, as requested, summarizing the assessment of need, audits, and analysis of program implementation.

(5) Assist in streamlining the application and enrollment process of programs for low-income electricity and gas customers with general low-income programs, including, but not limited to, the Universal Lifeline Telephone Service (ULTS) program and, including compliance with Section 739.1.

(6) Encourage the usage of the network of community service providers in accordance with Section 381.5.

(b) The Low-Income Oversight Board shall be comprised of 11 members to be selected as follows:

(1) Five members selected by the commission who have expertise in

the low-income community and who are not affiliated with any state agency or utility group. These members shall be selected in a manner to ensure an equitable geographic distribution.

(2) One member selected by the Governor.

(3) One member selected by the commission who is a commissioner or commissioner designee.

(4) One member selected by the Department of Community Services and Development.

(5) One member selected by the commission who is a representative of private weatherization contractors.

(6) One member selected by the commission who is a representative of an electrical or gas corporation.

(7) One member selected by the commission who is a representative of a water corporation.

(c) The Low-Income Oversight Board shall alternate meeting locations between northern, central, and southern California.

(d) The Low-Income Oversight Board may establish a technical advisory committee consisting of low-income service providers, utility representatives, consumer organizations, and commission staff, to assist the board and may request utility representatives and commission staff to assist the technical advisory committee.

(e) The commission shall do all of the following in conjunction with the board:

(1) Work with the board, interested parties, and community-based organizations to increase participation in programs for low-income customers.

(2) Provide technical support to the board.

(3) Ensure that the energy burden of low-income electricity and gas customers is reduced.

(4) Provide formal notice of board meetings in the commission's daily calendar.

(f) (1) Members of the board and members of the technical advisory committee shall be eligible for compensation in accordance with state guidelines for necessary travel.

(2) Members of the board and members of the technical advisory committee who are not salaried state service employees shall be eligible for reasonable compensation for attendance at board meetings.

(3) All reasonable costs incurred by the board in carrying out its duties pursuant to subdivision (a), including staffing, travel, and administrative costs, shall be reimbursed through the public **utilities** reimbursement account and shall be part of the budget of the commission and the commission shall consult with the board in the preparation of that portion of the commission's annual proposed budget.

2790. (a) The commission shall require an electrical or gas corporation to perform home weatherization services for low-income customers, as determined by the commission under Section 739, if the commission determines that a significant need for those services exists in the corporation's service territory, taking into consideration both the cost-effectiveness of the services and the policy of reducing the hardships facing low-income households.

(b) (1) For purposes of this section, "weatherization" may include, where feasible, any of the following measures for any dwelling unit:

(A) Attic insulation.

(B) Caulking.

(C) Weatherstripping.
(D) Low flow showerhead.
(E) Waterheater blanket.
(F) Door and building envelope repairs that reduce air infiltration.

(2) The commission shall direct any electrical or gas corporation to provide as many of these measures as are feasible for each eligible low-income dwelling unit.

(c) "Weatherization" may also include other building conservation measures, energy-efficient appliances, and energy education programs determined by the commission to be feasible, taking into consideration for all measures both the cost-effectiveness of the measures as a whole and the policy of reducing energy-related hardships facing low-income households.

(d) Weatherization programs shall use the needs assessment pursuant to Section 382.1 to maximize efficiency of delivery.

(END OF ATTACHMENT C)

ATTACHMENT E

- How can a sub-metered tenant apply for CARE discounts? If the application is incomplete, what should the utility do to follow-up with the applicant to complete enrollment? What information does the sub-metered tenant need to provide in order to enroll in CARE?
- How does the utility keep track of sub-metered tenants?
- How does the utility renew sub-metered tenants' participation in CARE?
- Does the utility provide master-metered customers with the names of sub-metered tenants who are approved to receive the CARE discount? If so, how often does that occur? What other types of information does the list provide, if any? Who receives this list? How does the utility handle the turnover of mobile home park management or owner? Would a monthly list sent to the master metered customer that request notification of change of ownership assist the utility company in managing ownership turnover?
- How many master-metered tenants does each utility serve?
- How many sub-metered tenants are eligible for the CARE program in California?
- How many sub-metered tenants are enrolled in CARE?
- How do the utilities contact sub-metered customers or tenants to inform and enroll them in the CARE program?
- How do utilities communicate with sub-metered customers/tenants when following up with customer service requests? If utilities do not provide this information, please explain why and possibly methods

to address these issues which may improve customer service to CARE recipients.

CARE enrollment status

Enrollment assistance

Verification that the CARE discount is given to the master-metered account

Verification that the CARE discount has been given to the sub-metered tenant if the bill is provided

- How do utilities provide education and outreach to master-metered customers about billing and CARE discounts?
- Do the utilities coordinate the outreach conducted under the LIEE program?
- What remedial actions do the utilities take if it learns that the CARE discount has not been passed to the sub-metered tenant? Does the utility work with County Weights and Measures to assure tenants receive the CARE discount owed to them?
- What can or should the Commission do to promote the CARE program among sub-metered tenants?
- What can or should the Commission do to assure sub-metered tenants receive the CARE discount the utility provides?
- What can or should the Commission do to improve the communication between master-metered account holders and the utility company?

What can or should the Commission do to improve the communication between the submetered account holder and the utility company?

(END OF ATTACHMENT E)