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ATTACHMENT A

June 20, 2012

Commissioner Mike Florio
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: A.11-05-017, et al.

Dear Commissioner Mike Florio:

The Division of Ratepayer Advocates, The Utility Reform Network, The Greenlining Institute and Center for Accessible Technology takes this opportunity to respond to the questions included with the agenda for the All-Party meeting scheduled for June 25, 2012 regarding the CARE program.

CARE Enrollment Goal

The Commission should retain the 90% CARE enrollment goal as no party has proposed otherwise and the enrollment goal aptly expresses the CARE legislative mandate.

1. *What is the value of a CARE enrollment goal?*

    a. The mission of the CARE program is to help eligible customers afford essential energy utility services. The value of a numerical enrollment goal, as opposed to a written standard such as 'all reasonable efforts,' is that a numerical enrollment goal more explicitly captures the objective of enrolling as many eligible customers as possible while minimizing the enrollment of ineligible customers.
    b. Program metrics are necessary to measure progress, success, or failure.
    c. The metrics established must be grounded in data-driven, fact-based analysis.

2. *What is the appropriate enrollment goal, if any?*

    a. Based on a Low Income Needs Assessment Study, the Commission in 2008 established the enrollment metric of 90% of eligible customers. This enrollment metric should be retained because there is no new information that would lead to a different result.
    b. No party in this proceeding recommended or argued for an alternative metric for measuring the progress, success, or failure of the CARE program in meeting its

fundamental mission of helping eligible customers afford essential energy utility services.

c. The 90% eligible enrollment metric has been demonstrated to be attainable. Three out of the four utilities have already exceeded the goal.

The PG&E high usage problem has been generalized into a perception that the CARE program has a fraud problem. The Commission should stick to the facts and focus on the problem of high usage in PG&E's territory.

CARE Eligibility Verification

The Commission should approve the utilities' requests to slightly increase verification rates in ways that target suspect applicants, and require PG&E to implement the sophisticated Verification approaches employed by SCE, SDG&E, and SoCalGas.

1. *Is an increase in the number of verifications of CARE enrollments warranted? Please provide data on the record to support your answer.*

   a. A substantial increase in verifications is not warranted, as no record evidence exists to support an increase greater than what the utilities proposed in their applications.
   b. The number of verifications that is appropriate depends in part upon the characteristics of the customers currently enrolled in CARE. If the current customers are already highly likely to be eligible for CARE, the answer is no. More verification of these customers leads to more customers needlessly cycling off and on the program, which increases administrative costs without a corresponding benefit.
   c. There are really four fundamental questions that are predicates to this question:
      i. What is the established baseline for the metric of the percent of ineligible customers on the CARE program?
      ii. What is the variance between current performance versus this established baseline to indicate there is a problem?
      iii. If the variance is a problem, what are the solutions available to bring improved performance against the established baseline?
      iv. Is mandating a broad, random increase in the total number or percent of income verifications the most efficient, cost effective strategy that will result in improved outcomes against the established baseline, or are there better solutions available?
   d. The Commission has not established a baseline metric based on the percentage of ineligible customers on the CARE program, and the record in this proceeding does not contain facts, studies, or analysis that will guide this determination at this time.
   e. The record is unclear on the current percentage of ineligible CARE customers, and there is no basis in the record from which to conclude that there is widespread occurrence of ineligible CARE customers.

f. The record shows that increasing the number of income verifications will substantially increase program administration costs without any clear, measurable corresponding benefit.
g. SoCalGas, SDG&E, and SCE employ a sophisticated Verification system that is efficient and cost-effective, utilizing random sampling and probability-based models to rank CARE customers in order of likelihood of being eligible. To calibrate these models, the utilities run through their model a group of customers that have known eligible status on file and compare the results of the model to customers' actual status. PG&E does not employ a sophisticated Verification system.
h. There is nothing in the record that demonstrates that this sophisticated Verification system is inferior to a mandate of increasing the number of income verifications to ensure the number or percentage of ineligible CARE customers is reduced.

2. *Should the Commission distinguish its approach between verifications for Categorically Enrolled customers, and customers that have Self-Certified their income eligibility for CARE?*
   a. The answer is yes, and this approach should be applied to both CARE and ESAP verification.
   b. DRA has identified several Categorical Eligibility programs with stricter standards for verification than CARE. For any Categorical Eligibility program with at least as strict a standard as CARE, it makes no sense to replace a stricter standard of verification with a lesser standard. There are no facts in the record to justify elimination of Categorical Eligibility, either as an enrollment avenue or verification avenue. Categorical Eligibility could be improved by reviewing each categorical eligible program for gross mismatches with the CARE Eligibility requirements and taking action, if necessary, based on this review. This refinement can be done through workshops, which DRA would be willing to facilitate, or via a report and comments process. The vast majority of the parties endorsed such a Workshop, but it was not adopted by the PD.
   c. The sophisticated Verification process employed by SoCalGas, SDG&E, and SCE should be retained for Self-Certified customers because this method has also been time-tested and proven to be efficient and cost-effective. These three utilities have and continue to refine their random sampling techniques and probability models based on actual experience. The Commission should direct PG&E to employ a similar sophisticated Verification process as well, and leverage the process and methodologies already developed by the other three utilities.

3. *What are the administrative costs of increased customer verifications suggested in the Proposed Decision?*

   a. The administrative costs of increased customer verification will be higher for two reasons. Each verification has a cost, and indirect costs of removing and re-enrolling eligible customers will be incurred. In addition, the utilities indicated that they may need additional funding to upgrade their systems to accommodate the mandated increase in customer verifications.
   b. The administrative cost will be significantly higher but the precise amount of the increase is unknown. This is because the level of cost increase depends on the number of existing eligible CARE customers who churn out of the program due to the increased income verification who are then re-enrolled into the program because they are actually eligible. This increases administrative cost, and on an ongoing basis.
   c. Despite the doubling of CARE administrative costs authorized in the Proposed Decision, the utilities have informed the Commission in Comments on the Proposed Decision that these increases are not adequate to cover the cost increases.

4. *Are the additional administrative costs for income verification justifiable?*

   a. The answer is no.
   b. The record does not contain a benefit-cost analysis demonstrating that the benefits of increasing the number or percent of income verifications outweigh the cost of the increased income verification effort.
      i. The record demonstrates the amount of additional administrative cost is unclear.
      ii. The record does not contain any studies, analysis, or facts that measure the benefit of employing increased income verifications.
      iii. The record does not contain any studies, analysis, or facts from which to conclude that increasing income verifications is superior to the sophisticated Verification systems available with respect to cost-effectiveness and program outcomes.

<u>High Usage CARE Customers</u>

The Commission should authorize the consensus approach to PG&E's high use problem as described below.

1. *How should the Commission approach Post Enrollment Verifications of CARE Customers with usage over 400% of baseline? Over 600% of baseline?*

As noted earlier, the record indicates that in PG&E's territory, a small number of CARE customers' electric usage appears likely to be for purposes other than regular residential needs. The Commission should allow utilities to audit and remove such customers, with safeguards in place to ensure that CARE-eligible customers with legitimate household usage may remain on the CARE program and receive assistance in lowering their usage. The Commission should implement for all electric utilities the processes proposed by PG&E and subsequently modified by PG&E in its brief.

a. PG&E's final position was to require stricter income verification and mandatory ESAP participation for all customers over 400% of baseline (not just customers between 400-600% of baseline).
b. In reply testimony, PG&E agreed that in notifying customers of additional requirements, it would include conspicuous information regarding the availability of the forms in large print and alternate languages.
c. In addition, in reply testimony, PG&E agreed to work with customers who would have difficulty providing the government-issued income documentation required by the stricter income verification.
d. PG&E's initial proposal was to give customers with usage over 600% of baseline 180 days to reduce their usage to below 600% of baseline or face removal from the CARE program. This is an appropriate time period to allow a customer to reduce usage and monthly usage is the appropriate measurement.
e. In its Reply Brief, PG&E agreed to provide an appeal process for customers facing removal from CARE program if they have not reduced their usage below 600% within 180 days. Many parties endorsed this approach. Such an appeals process should be required to allow income-qualified customers to explain if their usage is based on legitimate households needs.

Sincerely,

/s/
MITCHELL SHAPSON
Staff Attorney
Division of Ratepayer Advocates

/s/
HAYLEY GOODSON
Staff Attorney
The Utility Reform Network

/s/
ENRIQUE GALLARDO
Legal Counsel
The Greenlining Institute

/s/
MELISSA W. KASNITZ
Staff Attorney
Center for Accessible Technology

cc: All Commissioners
Service List for A.11-05-017, et al.

ATTACHMENT B

DRA

Division of Ratepayer Advocates
California Public Utilities Commission

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June 20, 2012

Commissioner Mike Florio
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: A.11-05-017, et al.

Dear Commissioner Mike Florio:

The Division of Ratepayer Advocates takes this opportunity to respond to the questions included with the agenda for the All-Party meeting scheduled for June 25, 2012 regarding the ESA program.

In the last program cycle, the metric of the number of homes treated became the basis of measuring the ESAP program's success. This metric has led to an undesirable outcome. DRA's examination of the dataset used in the 2009 Impact Evaluation shows approximately 40% of ESAP homes treated actually delivered negative energy savings and increased customer bills. The Commission should eliminate the program metric of number of homes treated and require the primary outcome of ESAP to be positive long-term energy savings and lower bills for customers. ESAP should be true to its name and become an "Energy Savings Assistance Program."

To this end, the Commission should direct the utilities to redesign ESAP to result in positive long-term energy savings and bill savings for a large majority of participating customers. In redesigning ESAP, the utilities should seek input through a stakeholder process. The utilities should also consult and obtain input from a Non-Market Participant Advisory Group (NMPAG) which includes the representatives from the Energy Division, DRA, TURN, NRDC, and other interested parties which do not have a financial stake in the outcome of the redesigned program. NMPAG participation and rules should be patterned after the Procurement Review Group utilized in utility supply-side procurement, as set forth in prior Commission decisions (e.g., D.02-08-071, pp. 24-25; D.03-12-062, pp. 44-48; D.07-12-052, pp. 119-126). The utilities should be directed to comply with the following implementation timeline:

- No later than eight (8) months from the date of this decision, the utilities should file a Tier 2 Advice Letter containing details of the redesigned program (along with the program metrics to be utilized).
- No later than nine (9) months from the date of the decision in this proceeding, the utilities should phase in implementation of the re-designed program.
- No later than eighteen (18) months from the date of this decision in this proceeding, the utilities should complete the roll out of the re-designed program.

The ESA program refinements addressed below in response to the All Party questions are a sampling of ESA program rules long overdue for refinement,

The current ESA program and budget level should remain in place until the program redesign is in place.

<u>Water heaters and furnaces in tenant-occupied buildings</u>

1. *Should the Commission remove the prohibition on ESAP funding for water heaters and furnaces in tenant occupied buildings? If so, can those measures be funded in the Decision, or is more information needed to develop the record and form an appropriate policy? If more information is needed, what is the best means to collect that information and use it to implement this policy?*

    a. The answer is yes.
    b. The record in this proceeding indicates this legal prohibition is inconsistent and contrary to the intent of ESAP.
    c. However, landlord co-pay should be required and the installation of water heaters and furnaces should comply with the highest industry installation standards and it should result in improved energy efficiency and bill savings.

2. *If the ban is removed, should the Commission place a cap on funds for those measures to control costs?*

    a. The answer is no.
    b. Rather than placing caps on certain buckets of funds, which result in compromising whole-building savings in low income dwellings, the Commission should instead control costs by reforming ESAP program rules.
    c. Utility On-Bill Financing should be available to owners of low-income multi-tenant residential buildings.

3. *If the ban is removed, how should the Commission determine a reasonable cost-share for building owners and ensure benefits of the measures flow to tenants?*

a. In cases where the landlord pays the electric or gas bill and owns the appliances, landlord co-pay should be required. As part of their program ESAP redesign Advice Letter, the utilities should propose the level of landlord co-pay.
b. The utilities' ESAP redesign Advice Letter should also propose the appropriate cost-sharing arrangement in other scenarios.

Three-measure Minimum Rule (3MM Rule)

1. *Should the Commission eliminate the 3MM Rule? If so, should it be replaced with an alternate rule to ensure each treated unit is delivering some level of savings?*

    a. The answer is yes.
    b. Energy savings and bill savings should be the key principle guiding redesign of ESAP. Therefore, each treated unit should deliver some level of energy and bill savings.

2. *Should the Commission allow contractors to provide education and/or CFLs to households that are visited but not treated?*

    a. The answer is yes.
    b. It makes sense to permit a visited home to receive these necessary and low-cost items as long as it results in some net positive energy and bill savings.

3. *Should a new category be created to describe these households?*

    a. Homes receiving only low-cost items should be tracked and evaluated separately from homes receiving a comprehensive service.

Multi-Family Issues

1. *Should the Commission consider expedited enrollment for multi-family buildings using federal income data from HUD or WAP?*

    a. The answer is yes.
    b. HUD states it will create a list of multi-family properties in which 80% of more of units are occupied by tenants with incomes at or below 200% of the Federal Poverty Level, which is the current CARE standard.
    c. According to the National Consumer Law Center, the HUD income verification is stricter than the CARE standards. This is another example of where the Commission

should accept income verification standards from other programs when those standards exceed the CARE standards.

2. *Should the Commission count housing subsidies as income? If so, how should the amount of the housing subsidy be determined?*

    a. Record evidence shows that this requirement is virtually impossible to implement.
    b. The CPUC should not uphold rules that are virtually impossible to implement.

Envelope and Air Sealing Measures

1. *Should funding for envelope and air sealing measures be reduced given the low cost-effectiveness of these measures?*

    a. The answer is yes.
    b. Energy savings and bill savings should be the key principle guiding redesign of ESAP. Therefore, each treated unit should deliver some level of energy and bill savings.
    c. Envelope and air sealing measures should be applied in buildings only where it can result in energy savings and bill savings. Therefore, since a more limited number of buildings will meet this requirement, the budget should be reduced as appropriate.

Please feel free to contact me if you have any comments or questions.

Sincerely,

___/s/_____
MITCHELL SHAPSON
Staff Attorney
Division of Ratepayer Advocates

cc: All Commissioners
Service List for A.11-05-017, et al.

ATTACHMENT C

June 22, 2012

Michael R. Peevey, President
Commissioner Katherine J.K. Sandoval
Commissioner Michel P. Florio
Commissioner Mark J. Ferron
Commissioner Timothy A. Simon
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Proposed Decision on Energy Savings Assistance Program - A.11-05-017, et al.

Dear Commissioners:

The undersigned consumer and environmental organizations wish to share our significant concerns with the proposed decision (PD) on the Energy Savings Assistance Program (ESAP) that covers the energy efficiency component of the low income assistance programs. The Commission has an opportunity at this juncture to put ESAP on a path that will both aid low-income customers and maximize energy savings, to the benefit of all utility customers and all Californians. However, the PD guides ESAP in the wrong direction.

We strongly support full funding and continued development of ESAP, which was conceived to capture energy savings potential from California's low-income residential customers at reasonable cost. Now is the time for the Commission to direct ESAP firmly toward emphasizing more comprehensive longer-lasting savings, consistent with California's Energy Efficiency Strategic Plan, which calls for a 20% reduction in energy usage in residential dwellings by 2015 and 40% by 2020.[1] To drive greater bill savings for low income households, the Commission should require that 2012-2014 ESAP funding be directed to program design strategies that can demonstrate meaningful progress toward this goal.

In the last few years, ESAP has achieved progressively less energy and bill savings for participating customers, while the ESAP budget has dramatically increased. Rather than confront this discrepancy, however, the PD essentially requires more of the same mediocre results: the utilities are directed to exceed their homes treated targets over the 2012-2014 cycle without focusing on bill savings – exacerbating ESAP's diminishing returns on a significant investment. The PD acknowledges many program design issues and establishes workshops to resolve the issues in advance of the next program cycle. Yet the PD simultaneously expands the program during the review period and fails to make corrections for the 2012-2014 program cycle that are broadly supported by parties, or include policy direction for the needed longer-term solutions.

[1] CA Energy Efficiency Strategic Plan, January 2011 Update, at 11.

We recommend that the Commission modify the PD to correct this imbalance prior to locking-in another three years of ESAP funding and program delivery. The attachment presents recommendations to address immediate fixes that apply to the 2012-2014 programs that should be incorporated into the final decision and implemented within the next two months. These recommendations also provide important policy direction and procedural guidance to ensure that larger structural issues will be sufficiently addressed during the program cycle.

As the Commission is aware, energy efficiency is the state's first priority resource, as it lowers customer bills, reduces pollution, and helps reinvigorate the economy. The critical customer segment served by ESAP must have access to these benefits and to the best in energy efficiency that California has to offer. We appreciate your consideration and look forward to making this happen together.

Respectfully,

/S/

Joseph P. Como
Acting Director
The Division of Ratepayer Advocates

/S/

Alex Jackson
Energy Program Attorney
The Natural Resources Defense Council

/S/

Hayley Goodson
Staff Attorney
The Utility Reform Network

CC: Service List for A.11-05-017, et al.

ATTACHMENT

DRA, TURN, and NRDC Recommendations Regarding 2012-14 ESAP

A. Actions the Commission and utilities can take now to improve the current programs

By making the following modifications, the Commission will enable the utilities and their implementers to capture near-term additional energy savings from their 2012-2014 proposed programs as the Commission and stakeholders further improve efficiency policies and programs. These recommendations target language in the Proposed Decision (PD) that would impede further energy saving opportunities, are based on the record, and were developed with the assumption that the following modifications are feasible in the short-term (i.e., 30-60 days). Specifically, the PD should be modified to:

- Remove the cap on lighting replacements, and enable ESAP contractors to offer a wide variety of efficient lighting solutions to increase acceptance of lighting improvements;
- Allow all enrolled customers to receive at a minimum energy education and lighting replacement, regardless of the Modified Three Measure Minimum Rule;
- Increase insulation minimums for ESAP consistent with general Energy Efficiency standards; and
- Include room AC, central AC, and high-efficiency forced air furnaces in the program (for installation in appropriate homes).

These proposals have been suggested either by intervenors or by the utilities and should be incorporated into the current PD and immediately applied to the current program designs. We recommend that the Commission invite the utilities to comment on budgetary impacts of these orders, if any, during the public comment period provided in conjunction with the issuance of the revised PD.

B. Policy direction to ensure portfolio redesign within the year

In the final decision, the Commission should direct the utilities to redesign ESAP to result in greater long-term energy savings and bill savings for participating customers. In redesigning ESAP, the utilities should seek input through a stakeholder process, involving both a Non-Market Participant Advisory Group (NMPAG),[2] as well as a broader forum which includes market stakeholders. The following recommendations set the necessary policy framework to enable such a redesign to the current program portfolios:

1. <u>Establish policy direction in furtherance of energy savings</u>

ESAP is an energy efficiency resource program, expected to garner significant energy savings in our state while providing lower bills and an improved quality of life for California's low-income population.[3] Nevertheless, as numerous parties have pointed out with concern, the exclusive metric of program success for ESAP is progress towards the enrollment goal. Looking only to the number of households "treated" in ESAP obscures the value of ESAP services actually provided to homes counted towards the enrollment goal. Because the benefits delivered by ESAP (energy and bill savings, as well as health, comfort, and safety benefits) depend on the

[2] The NMPAG should include representatives from the Energy Division, DRA, TURN, NRDC, and other interested parties that do not have a financial stake in the outcome of the redesigned program. NMPAG participation and rules should be patterned after the Procurement Review Group utilized in utility supply-side procurement, as set forth in prior Commission decisions (e.g., D.02-08-071, pp. 24-25; D.03-12-062, pp. 44-48; D.07-12-052, pp. 119-126).

[3] *See* D.07-12-051, p. 2; D.08-11-031, p. 2.

particular mix of measures installed and the energy use characteristics of a particular home or building, the enrollment metric alone is inadequate to judge the success of the program at delivering the intended benefits. The Commission must provide commensurate guidance and metrics to motivate increased energy and customer bill savings. Absent additional direction in furtherance of the resource objective established in the Strategic Plan, ESAP will continue its decline away from providing lasting energy savings and bill reductions for participating households. We, therefore, urge the Commission to include explicit language in the final decision establishing energy and customer bill savings goals as the primary metric to ensure that each household will get the most benefit out of the ESAP program. Such goals should be determined as soon as possible, based on the Energy Efficiency potential study conducted for the general Energy Efficiency proceeding, and include a public process.

2. **Remove the legal prohibition on improving the efficiency of heating and hot water systems in rental housing**

As noted by numerous parties in the extensive record developed on this issue, the Commission should remove the prohibition on ESAP funding for water heaters and furnaces in tenant occupied buildings in the final decision. The record in this proceeding establishes this legal prohibition is contrary to the intent of ESAP and is within the authority of the Commission to fix.

However, lifting this prohibition is not synonymous with determining that the ESAP budget should be responsible for the full cost of the improvement. Rather, there should be a required landlord co-pay, the installation of water heaters and furnaces should comply with the highest industry installation standards, and it should result in improved energy efficiency and bill savings. Any effort to replace such equipment should be coordinated with and leveraged on the general energy efficiency programs when feasible.

3. **Redesign or eliminate outdated program rules that impede programmatic cost-effectiveness and energy savings and education for customers**

The outdated cost-effectiveness rules perpetuated in the PD, including the Modified Three Measure Minimum Rule and the 0.25 benefit-cost threshold applied to each measure, result in missed savings opportunities. These measure strategy minimums appear to be driving ESAP results to the floor (i.e., only complying with the three measure minimum rule) since there is no incentive to exceed the minimum. Likewise, the application of a measure-based benefit-cost floor works against efforts to treat homes comprehensively, as opposed to viewing benefits from a whole-house perspective, or even a program-wide perspective, which may reflect a higher benefit-cost ratio. Energy savings and bill savings should be the key principle guiding redesign of ESAP. Therefore, each treated unit should deliver some level of energy and bill savings, not only meet a minimum number of installed measures. As noted above, energy savings and bill impacts of installed measures vary widely, depending on the particular measures, household energy usage patterns, dwelling unit characteristics, and the climate zone in which the household resides.

Many intervenors, including some utilities in their Applications, requested eliminating these ineffective rules. Since there is a substantial record on this matter supporting modification, the Commission should eliminate the Modified Three Measure Minimum Rule and the 0.25 benefit-cost threshold for each measure in the final decision, while directing that this change will be implemented through the redesigned programs. The Commission should direct the utilities - in consultation with the stakeholder advisory group processes proposed above (including Energy Division) - to work together to formulate an interim alternative approach to ensuring

that ESAP provides the intended program benefits at reasonable cost to customers during this program cycle. The following section specifies the guidance we advocate for consideration during this process.

4. Set clear guidance for cost-effectiveness reform to be applied to the redesign of the current portfolios

To further advance the cause of increasing energy savings from ESAP, in the final decision the Commission should direct Energy Division and the forthcoming cost-effectiveness working group to immediately assess the following policies for implementation during the utility redesign:

- A replacement metric to the Modified Three Measure Minimum Rule as noted above;
- DRA's suggested alternative to universally provide a low-cost package of 'tangible bill savers' to all households;
- A 4% minimum savings threshold for deeper retrofits; and/or
- NRDC's suggested alternative to apply measure cost-effectiveness on a larger scale (i.e., to the overall portfolio, a dwelling level, or program level) but not at the individual measure level.

It is our hope that preliminary discussions between the utilities and stakeholders will serve to inform the working group process, as not all stakeholders (particularly the numerous market participants) may have the resources to participate in the official working groups.

5. Apply "whole house" savings strategies when feasible

The Commission is currently overseeing the exciting transformation of residential energy efficiency retrofit programs in the non-low income sector through the Energy Upgrade California (EUC) program, which employs a "whole-house" approach to savings. To extend to low-income customers these same benefits, the Commission should integrate ESAP with successful approaches and lessons learned from EUC to the extent feasible (e.g., delivery approaches or lessons learned regarding quality HVAC installations). In addition, the utilities should report savings annually by climate zone.[4]

One of the barriers to "whole house" in the ESAP program stems from cost. The most viable method of overcoming the cost barrier should continue to be leveraging, as long as ESAP can confidently track and report the homes serviced by other programs. We recommend that in the final decision, the Commission direct the utilities to include a discussion of how the redesigned programs will both utilize lessons learned from the EUC program and leverage existing non-utility customer funded programs.

C. Recommended procedural path to implementation

The implementation of some of the modifications recommended above would greatly benefit from more time and a stakeholder process. As noted above, the utilities should consult and obtain input from a Non-Market Participant Advisory Group (NMPAG) which includes representatives from the Energy Division, DRA, TURN, NRDC, and other interested parties which do not have a financial stake in the outcome of the redesigned program. The utilities should likewise consult with market participants, such as businesses and community

[4] Residential retrofit outcomes are more transparently reported in EUC: See Annual Report PPM RES 18.1.

based organizations that implement ESAP under contract with the utilities, to ensure that the on-the-ground experience of these parties is taken into account in redesigning ESAP for the remainder of this program cycle.

The utilities should also be directed in the final decision to comply with the following implementation timeline:

- No later than eight (8) months from the date of this decision, the utilities should file a Tier 2 Advice Letter containing details of the redesigned program (along with the program metrics to be utilized).
- No later than nine (9) months from the date of the decision in this proceeding, the utilities should phase in implementation of the re-designed program.
- No later than eighteen (18) months from the date of this decision in this proceeding, the utilities should complete the roll-out of the re-designed program.

ATTACHMENT D

Michael R. Peevey, President
Timothy Alan Simon, Commissioner
Michel Peter Florio, Commissioner
Catherine J.K. Sandoval, Commissioner
Mark J. Ferron, Commissioner
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

June 4, 2012

Re: Proposed Decision to Eliminate Hundreds of Thousands of Eligible Customers from the CARE Program

Dear Commissioners,

The Division of Ratepayer Advocates, the Greenlining Institute, The Utility Reform Network and the Center for Accessible Technology are deeply troubled by the pending Proposed Decision in the proceeding regarding the large investor owned utilities' (IOUs') Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) programs (A.11-05-017 *et al.*), specifically with the Proposed Decision's harmful treatment of CARE enrollment and the Categorical Eligibility program. The CARE program is the only way many low income customers can afford to keep the lights on. For years, the Commission and the IOUs have relied on Categorical Eligibility as the most efficient means of achieving enrollment goals for CARE. Customers enrolling under this option demonstrate their eligibility for CARE by virtue of their enrollment in one of a list of other government means-tested benefit programs. By leveraging these customers' demonstrated eligibility for other public benefits programs, Categorical Eligibility eliminates administrative costs for CARE while streamlining the enrollment process for customers. However, the Proposed Decision turns its back on this well-founded Commission precedent, effectively eliminating Categorical Eligibility. In the process, the Proposed Decision would callously result in the loss of hundreds of thousands of *eligible* customers from the CARE program, while simultaneously making the program much more expensive to administer.

The Proposed Decision's devastating changes to CARE and Categorical Eligibility cannot be accepted. The Commission must modify the decision, as suggested below, before it is approved. The Commission is wisely moving toward providing bridge funding to ensure that the ESA and CARE programs continue without interruption. The Commission should act swiftly to prevent such reckless, sweeping changes to CARE, changes, which were never even discussed until their last minute inclusion in the Proposed Decision on May 4.

The Commission cannot accept the Proposed Decision's hostile view of CARE enrollment and its rejection of the 90% enrollment goal. The Proposed Decision is markedly antagonistic to the goals of the CARE program. It fails to fulfill the Commission's obligation to provide affordable energy for all eligible low-income customers. It is filled with language that is suspicious of low-income customers and discounts the struggles they face in paying the bills every month. The Proposed Decision seems to doubt the veracity of *every* categorically enrolled customer and requires a superfluous check of eligibility. According to the Proposed Decision, high CARE enrollment is not an indication that the IOUs are effectively doing their job, but rather is a troubling situation that "should raise some eyebrows." The Proposed Decision does not cite any evidence for its finding that Categorical Eligibility is leading to significant numbers of enrolled customers who are ineligible. In fact, the Proposed Decision ignores statistical evidence, provided by IOUs during the proceeding, demonstrating that only a minimal number of Categorical Eligibility customers have incomes above the CARE income guidelines. Moreover, the IOUs did not ask for the sweeping changes to Categorical Eligibility – they sought much more modest changes. Thus, the Proposed Decision would eliminate the most effective means of enrolling customers onto CARE based only on unfounded, unsupported suspicions that contradict more than a decade of Commission precedent.

The Proposed Decision effectively eliminates the most efficient means of enrolling CARE customers. Although the Proposed Decision professes to retain Categorical Eligibility, it effectively ends the program by requiring 100% of categorically enrolled customers to duplicate their demonstration of eligibility by providing income documentation. It also imposes income documentation requirements on several additional groups of CARE customers, dismissing existing proven verification strategies.[1] As previous Commission decisions have found, many Categorical Eligibility customers will fail to respond to requests for income documentation or will be unable to respond, as they do not have income documentation available. These customers, the *vast majority* of whom are CARE eligible, will then be removed from the program. Shockingly, the PD views this outcome of throwing eligible customers off the CARE program as a beneficial CARE "subsidy savings." The Proposed Decision favorably cites a potential "subsidy savings" of more than $170 million annually from all of the IOUs – without recognizing that these "savings" are only achieved by eliminating *hundreds of thousands* of CARE eligible customers off the program.

The Proposed Decision will lead to a "black hole" increase of administrative costs. The Proposed Decision professes to tally the administrative costs of its proposed changes to Categorical Eligibility. The Proposed Decision authorizes over $25 million in annual increases in CARE administrative costs, more than doubling the budget.[2] However, the IOUs' comments on the Proposed Decision demonstrate that its estimate of costs is greatly understated. In fact, the IOUs claim that the true measure of the cost increase cannot be currently measured, and that they will need more time to both determine the costs and to implement the changes. One IOU

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[1] The Proposed Decision would require that all Categorically Enrolled customers undergo Post Enrollment Verification (requiring income documentation) within three months of enrollment; moreover 25% of all existing CARE customers (not just new enrollees) would be required to undergo Post Enrollment Verification annually. Additionally, all CARE recertifications would require income documentation and could not be completed using Categorical Eligibility.

[2] Proposed Decision Appendix M.

even requests a blank check to make necessary changes, subject only to later reasonableness review of the costs sometime in the future. The Proposed Decision would make the CARE program less accessible to eligible customers who desperately need assistance, while simultaneously making it more expensive and more burdensome for the utilities to administer. This is a big step in the wrong direction.

The Commission should address any concerns about Categorical Eligibility through workshops and through more targeted means. All the parties discussing Categorical Eligibility, including the IOUs, proposed workshops to examine the potential lack of alignment in eligibility guidelines between some of the Categorical Eligibility programs and CARE. Through these workshops, the parties could analyze any problems with Categorical Eligibility and tailor measures to address these problems. The Proposed Decision rejects this consensus view and instead calls for immediate, sweeping measures. In their applications, the IOUs proposed small targeted increases in income verifications, focused on those customers that, in their experience and based on actual evidence, are more likely to be found to be income ineligible. These targeted measures are a better alternative to the Proposed Decision's unfounded verdict of fraud on every Categorical Eligibility customer.

The Commission should include the safeguards agreed to by PG&E in addressing CARE customers with very high usage. Separate from Categorical Eligibility, PG&E proposed to energy audit and income-verify CARE customers with usage above 400% of baseline quantities. The consumer groups unanimously supported this proposal, seeking only modest safeguards in its implementation. Unlike Categorical Eligibility customers, the very high usage of this small group (approximately 1%) of customers raises suspicions about CARE eligibility and whether the usage is truly for basic household needs. However, the Proposed Decision eliminates the safeguards that PG&E had included in its final position on the issue, including a 180-day timeline, proper notice, assistance in income verification and an appeals process. These measures should be retained to ensure that legitimate CARE eligible customers are not summarily removed from the program.

In its zeal to reduce the CARE subsidy, the Commission cannot ignore the great human cost of the Proposed Decision's measures. It cannot take away affordable energy from hundreds of thousands of needy low-income customers in order to catch a small score of customers who may exceed the income eligibility guidelines by as little as one dollar. The Commission must reject the Proposed Decision's hostile treatment towards low-income ratepayers and effective elimination of Categorical Eligibility, and indeed must reject the overall tone of suspicion and callous indifference toward the least fortunate among us. The name "CARE" is not just a catchy acronym. It is a reminder of the Commission's statutory and social obligations to those most in need among us. Now is not the time to turn CARE into a program of indifference and inaccessibility.

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Sincerely,

____/S/_____
Linda Serizawa
Deputy Director for Energy
The Division of Ratepayer Advocates

____/S/_____
Stephanie Chen
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CC: Service List for A.11-05-017, et al.