

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Southern California Edison Company (U338E) for Approval of its 2012-2014 California Alternate Rates for Energy (CARE) and Energy Savings Assistance Programs and Budgets.	Application 11-05-017 (Filed May 16, 2011)
Application of Southern California Gas Company (U904G) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2012-2014.	Application 11-05-018 (Filed May 16, 2011)
Application of Pacific Gas and Electric Company for Approval of the 2012-2014 Energy Savings Assistance and California Alternate Rates for Energy Programs and Budget (U39M).	Application 11-05-019 (Filed May 16, 2011)
Application of San Diego Gas & Electric Company (U902M) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2012-2014.	Application 11-05-020 (Filed May 16, 2011)

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE  
PROPOSED DECISION ON THE LARGE INVESTOR-OWNED UTILITIES'  
2012-2014 ENERGY SAVINGS ASSISTANCE AND CALIFORNIA ALTERNATE  
RATES FOR ENERGY PROGRAMS**

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**I. INTRODUCTION**

Pursuant to Rule 14.3 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) submits these comments on the Proposed Decision (PD) of Administrative Law Judge (ALJ) Kim. The PD adopts the 2012, 2013, and 2014 budgets, policies and programs of Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), Southern California Gas Company (SoCalGas) and San Diego Gas and Electric Company (SDG&E), (the utilities), for Energy Assistance for Low Income households.

Generally, DRA does not support the PD's policy and budgetary changes because the changes ordered will harm eligible customers and waste ratepayer funds in both the California Alternate Rates for Energy (CARE) rate discount program and in the Energy Savings Assistance (ESA or ESAP) residential retrofit/hardship reduction program. Contrary to statute and utility applications, the PD's priority for CARE is to generate subsidy savings by removing customers from the program, including many eligible customers. The PD also expands the number of households required for service in ESAP prior to solving the undisputed program inefficiencies identified by DRA and other parties in this proceeding.

## **II. DISCUSSION: CARE**

The CARE discount is California's primary energy rate affordability tool. The utilities' CARE applications request approval to continue serving more than 90% of eligible customers. The utilities propose several quality enhancements to the enrollment and retention of CARE customers. For the most part, DRA supports these enhancements, which include new rules for high-use customers, alignment of the categorical enrollment programs,<sup>1</sup> and required proof of documentation from slightly more customers.<sup>2</sup> However, DRA does not support, nor does the record support, the PD's own initiatives to remove CARE customers from the program, many of whom are eligible customers.

To facilitate removing customers from the CARE program, the PD repeals the CARE participation goal of enrolling 90% of eligible customers.<sup>3</sup> The PD jettisons the utilities' administrative efficiencies and orders the utilities to require proof of income qualification for the vast majority of CARE customers.<sup>4</sup> The PD justifies its new requirements by concluding that current CARE participation rates are too high and thus it is necessary to reduce the total CARE subsidy. Without evidence, the PD speculates that the highest CARE program priority for 2012-2014 is preventing unlawful diversion of CARE subsidy funds, rather than striving to ensure the maximum level of participation among eligible customers.

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<sup>1</sup> DRA Testimony, 1-10.

<sup>2</sup> DRA Testimony, 1-12.

<sup>3</sup> PD p. 179, Conclusion of Law 15, Ordering Paragraphs 87a and 89a.

<sup>4</sup> PD p.179, Conclusions of Law 17, 18, 21, 22, 104, 105 106, 107, Ordering Paragraphs 87 and 89.

**A. The PD Falsely Attributes to the Utilities the Proposal for Post Enrollment Verification of All CARE Customers that Were Enrolled Categorically**

The PD inaccurately states:

The IOUs, in their Applications, also propose to begin Post Enrollment Verification for all categorically enrolled customers because they have found in their experience a significant number of self-submitted income information from those customers who have enrolled via the Categorical Eligibility and Enrollment Program show actual incomes at a higher household income levels than currently permitted by CARE.

The PD also inaccurately states that SCE's request for additional funds for Post Enrollment Verification (PEV) stems from SCE's concern over Categorical Eligibility.<sup>5</sup>

Contrary to these statements in the PD, no utility proposed PEV for all categorically enrolled customers. Instead, the three utilities proposed requiring income documentation from a fraction of categorically enrolled customers. PG&E, SoCalGas and SDG&E proposed requiring income documentation at the PEV stage for CARE customers "when and if randomly selected,"<sup>6</sup> and PG&E also proposed requiring income documentation for customers using electricity in excess of 400% of baseline.<sup>7</sup> The PD expresses a concern about the ineligibility of customers on excess of 200% of Federal Poverty Level (FPL). Yet the record shows that only 2.3-2.5% of the categorically enrolled customers are in excess of this level, and they consume an estimated 0.4% of the CARE subsidy. Furthermore, the record is replete with examples of CARE customers declaring their income in good faith. SDG&E testified that 57% of its categorically enrolled customers *voluntarily* provided their income in addition to enrolling categorically, and over 2% *voluntarily* declared that their income exceeds 200% FPL.<sup>8</sup> SoCalGas and PG&E testified about their customers calling the utility to discuss incomes over 200% of FPL.

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<sup>5</sup> PD, p. 172.

<sup>6</sup> PG&E Testimony, May 16, 2011, 2-30; SoCalGas Rebuttal Testimony of Gillian Wright, December 9, 2011, p. GAW-3; SDG&E Rebuttal Testimony of Ted Reguly, December 9, 2011, p. TMR-1.

<sup>7</sup> PG&E Testimony, May 16, 2011, 2-25.

<sup>8</sup> SDG&E Testimony, TMR-8; SoCalGas Testimony, GAW-8.

Moreover, there is no basis for the PD's statement connecting SCE's PEV proposals with SCE's concerns over categorical eligibility. Of the four utilities, SCE is the least concerned about categorical eligibility as it alone requests no changes to the existing process.<sup>2</sup> SCE's testimony regarding PEV speaks to the appropriate balance it strikes between enrollment and verification:

As CARE participation has grown, SCE believes it is important that customers are aware that program eligibility is subject to verification. SCE's current verification rate is 1%. To maintain confidence that the discount is going to all willing and eligible customers, SCE is proposing to increase CARE verification to 5% of participating customers annually in the 2012 – 2014 program cycle.<sup>10</sup>

Finally, SCE states: "The Commission's self-certification policy for CARE has minimized hurdles to enrollment and enabled millions of eligible customers throughout California to realize necessary bill savings."<sup>11</sup>

**B. The PD Ignores the Extensive Basis Provided By the Utilities for Their Proposals to Slightly Increase CARE Verification**

DRA supports each utility's proposal to increase the number of customer selected for PEV.<sup>12</sup> The PD identifies only SCE's request to increase verification from 1% to 5% of customers<sup>13</sup> and SoCalGas' request.<sup>14</sup> However, PG&E also testifies that its proposed modifications to recertification and PEV "may increase the number of requests processed."<sup>15</sup> SDG&E also plans to increase its level of PEV.<sup>16</sup>

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<sup>2</sup> SCE Opening Testimony, p.110; SCE Response of January 23, 2012 to ACR/ALJ Ruling of December 28, 2011, Question 7.

<sup>10</sup> SCE Testimony, p.105.

<sup>11</sup> SCE Testimony, p.105.

<sup>12</sup> DRA Testimony 1-12 provides explicit support for SCE and SDG&E requests and DRA does not oppose PG&E and SoCalGas' requests.

<sup>13</sup> PD, p.174.

<sup>14</sup> PD, p. 175.

<sup>15</sup> PG&E Testimony, p.2-11.

<sup>16</sup> SDG&E Testimony of Sandra Williams, SW-27.

In support of these requests, the utilities' applications describe the multiple systems and evaluations around which they have developed their PEV processes. SCE describes the evolution of its probability model and the variables that predict which customers are more likely or less likely to be eligible. SDG&E testified to the development of its probability model that has been evolving since 1992. PG&E and SCE both cite studies performed during the 2009-2011 program cycle that provide further insight into customer eligibility and customer responses to PEV and recertification requests. Ultimately, this evidence shows that the CARE program administrators have amassed a wealth of knowledge about customers and that their systems target for verification those customers least likely to qualify for the CARE program. In contrast to the direction the PD takes, the utilities' applications plan to maintain CARE enrollment of at least 90%. by exceeding the attrition from customers moving off the program with new enrollments. In contrast to the PD's assumption that CARE customers should be removed and no newly enrolled customers should "fill up" the enrollment, the utilities intend to continue their systems of culling those least likely to qualify. The utility applications anticipate their outreach will result in a number of enrollments that exceed attrition from the program, which is consistent with the CARE mandates.

**C. Regarding the PD's CARE Verification Orders, the PD's Erroneous Conclusions of Law and Ordering Paragraphs Contradict Its Own Findings of Fact**

The PD's Finding of Fact (FOF) 114 accurately reflects the utility proposals and should be preserved: *The IOUs correctly identify the loopholes in the CARE Program and to proactively devise and propose solutions to address these problem areas as they have done so in their Applications.* The PD follows this fact with capricious Conclusions of Law (COL) and Ordering Paragraphs (OP). These direct the utilities to income verify several sets of CARE customers: 1) all categorically enrolled customers,<sup>17</sup> 2) 25% of total enrolled customers,<sup>18</sup> and 3) all

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<sup>17</sup> COLs 17, 104.

<sup>18</sup> COLs 18, 107.

recertifications.<sup>19</sup> The PD justifies this override with an assertion that “the estimated cost savings associated with tightening of this Categorical Eligibility process are astoundingly high.”<sup>20</sup> Yet the estimate of cost savings has nothing to do with customer eligibility and only reflect a reduction in CARE enrollment to 75% of eligible customers. The PD identifies a subsidy savings of \$170.4 million, calculated as the average CARE discount multiplied by 614,000 fewer CARE customers and requires a doubling of the CARE administrative budget to do so.<sup>21</sup>

The PD proves nothing with this calculation, except that less CARE customers equals a lower subsidy. The utilities made this clear when they provided these estimates.

Increasing verification would therefore increase the number of customers who are removed and increase subsidy savings. However, of those customers removed SDG&E only received information determining ineligibility for 12% of customers. For the remainder of the 45% of customers, SDG&E cannot determine if the subsidy savings is due to ineligibility, language barriers, or an unwillingness to share income information with the utility.<sup>22</sup>

These PD directives are unsupported by any evidence, conflict with FOF 114, and should be deleted.

#### **D. The PD’s Abandonment of the CARE Enrollment Goal Is Unfounded and Contrary to Statute**

DRA incorporates by reference Greenlining’s and the Center for Accessible Technology’s (CforAT) Opening Comments on the PD, which explain how the PD’s repeal of the 90% CARE enrollment goal is erroneous and contrary to CARE legal mandates.

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<sup>19</sup> COLs 22, 106.

<sup>20</sup> PD, p. 178.

<sup>21</sup> PD, p.178-179, utilizing estimates provided by PG&E, SCE and SoCal Gas in their Responses of January 23, 2012 to ACR/ALJ Ruling of December 28, 2011, Question 21. \$170.4 million is the sum of three utilities’ estimates: PG&E (\$105 million) SCE (\$35.3 million) and SoCalGas (\$30.1 million).

<sup>22</sup> SDG&E Response of January 23, 2012 Question 21c to Assigned Commissioner/ALJ Ruling of December 28, 2011.

## **E. The PD Should Approve PG&E's High Use Proposal With Customer Protections To Preserve Legality**

DRA incorporates by reference TURN's Opening Comments recommending modifications to the PD's approval of new rules regarding CARE high-use electric customers.

In addition and as indicated in DRA's Opening Brief, a small portion of PG&E's High Users Proposal is Illegal. The PD fails to address this issue.

The first tier of the proposal affects households that use 400 % to 600 % kWh over baseline, while the second tier effects those who average over 600 % kWh on baseline. DRA does not object to the first tier of PG&E's proposal regarding the over-400 kWh users assuming the protections suggested by TURN, Greenlining and CforAT are also included. The second aspect of PG&E's proposal regarding the over 600 kWh users, however, cannot be adopted because it is illegal.

PG&E's proposal for households consuming energy at over-600 % of baseline is more stringent than the first tier of its proposal. Within 180 days of receiving notice a household must reduce, and sustain, its energy use below the 600 percent marker. Failure to achieve this reduction will result in expulsion from the CARE program without regard to income. Success in bringing usage below the 600 % marker results in the household becoming subject to the rules applicable to 400-600 % of baseline households.

The Legislature compels that low-income households be afforded the benefits of the CARE and the ESA programs. This is, in part, because the State recognizes "that electricity is a basic necessity."<sup>23</sup>

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<sup>23</sup> P.U. Code section 382(b) provides, emphasis added:

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.

P.U. Code Section 382(e) provides that the "commission shall, . . . , ensure that all eligible low-income electricity and gas customers are given the opportunity to participate in low-income energy efficiency programs."

P.U. Code Section 791.1(e)(1) requires that "...all gas and electric customers eligible for public assistance

The PG&E proposal, however, does not allow for the possibility that eligible customers may exist who simply cannot reduce their energy consumption below the 600 % marker in spite of their best efforts. Those eligible customers would be denied participation; contrary to the Legislature's intent to include every income eligible household. Statutory language does not allow low-income households to be excluded from the program because of perceived over use.

### **III. DISCUSSION: ENERGY SAVINGS ASSISTANCE**

Ignoring DRA's evidence and analysis, the PD fails to address DRA's proposals to improve benefits and reduce costs. The PD's acceleration of the program is unsupported by the record evidence, especially regarding proven and undisputed program metrics.

#### **A. The PD's Denial of Proposed Changes to Program Rules is Based on Unsupported Assertions of Program Success**

COL 12 and 13 both characterizes ESA "as a mature and largely successful program," and then use this presumption to label wholesale changes as "imprudent" and presumably smaller changes as "forward looking vision, smarter and streamlined."<sup>24</sup> The facts do not support these findings and conclusions of success in the 2009-2011 program. DRA's Report, in Table 2-4, shows that 4 to 25 years is the range of years necessary to pay back the ESA investment. The same Table 2-4 illustrates that the average cost per household exceeds the expected lifecycle savings for 3 out of the 4 listed utilities. For SoCalGas, the average cost to savings ratio is over 3 to 1.

The PD is assuming conclusions when, for instance, it makes the characterizations of "imprudent" versus "smart" for "whole-sale" versus "streamlined" changes. Given the undisputed evidence of a lengthy payback period of the status quo, more extensive changes are called for and are not necessarily "imprudent." Streamlined proposals can just as easily be characterized as "insufficient" in the face of a definite need – a need that DRA has shown to exist. It is the results that matter most, which is why decisions should be based on good cost-effective analysis and the evidence.

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programs in California that reside within the service territory of an electrical corporation or gas corporation, are enrolled in the CARE program."

<sup>24</sup> These COL are also mirrored nearly word for word in the opening statements of section 1.2, p. 7.

**B. DRA’s Alternative Threshold of 4% Savings Is Superior to PD’s Determination to Maintain Current ‘Modified 3 Measure Minimum’ Threshold**

The PD states that the creation of the Three Measure Minimum (“3MM”) rule was in the interests of programmatic cost effectiveness.<sup>25</sup> The modified 3MM allows for exceptions if one or two measures meet a savings threshold. The PD states that this “ensured a base level of savings.”<sup>26</sup> But the PD also recounts evidence that contradicts its own support of the 3MM rule without adequately addressing the associated problems. The testimonies of SCE, DRA, EEC, TELACU et al. actually request that the Commission eliminate the modified 3MM because it impedes savings.<sup>27</sup> The utilities’ concerns with the modified 3MM Rule are further discussed on page 107 of the PD. They are concerned that the modified 3MM does not ensure a base level of savings. While it is true that more measures might lead to more energy savings, it is not a given that more measures will lead to more efficiency. It is possible, for example, that the last measure added would be classified as an “add back measure” that would bring down the overall level of efficiency.

In an analogous situation, the PD observes that, “we cannot myopically focus on the number of homes treated, while ignoring bill and energy savings.”<sup>28</sup> It would be equally myopic to focus solely on the number of measures in lieu of bill and energy savings. As an example, in rejecting SCE’s request for an exception for CFLs, the PD states, “We would simply be touching these homes on the surface.”<sup>29</sup> The same reasoning applies to any single or combination of measures that do not pass a minimum threshold of energy savings achieved.

In COL 69 the PD states “we are not convinced that the modified 3MM Rule creates a significant barrier as presented by some of the parties.” Given that DRA proposed a 4% energy savings threshold rather than, for example, a 2 MM Rule, it cannot be said unequivocally that DRA proposed a lower threshold or that it believed 3MM to be a significant barrier. Quite

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<sup>25</sup> PD, p. 98.

<sup>26</sup> PD, p. 100.

<sup>27</sup> PD, pp. 100-102 and 109.

<sup>28</sup> PD, p. 108.

<sup>29</sup> PD, p. 108.

literally, because the 3MM is not directly tied to an energy savings goal, such as DRA's 4% Savings Goal, it is impossible to say whether it is more or less stringent (in all cases) than the DRA proposal. It is exactly this vague outcome that causes DRA to propose the 4% Savings Threshold.

DRA would not characterize its proposed change to a 4% threshold as "whole-sale" change. DRA also notes that the major California utilities do not support the 3MM rule. More importantly, as DRA pointed out in testimony, since the non-low income EE program has been successfully using a percentage performance metric (10%), there is nothing to indicate that DRA's proposal is unprecedented or "imprudent."<sup>30</sup> The PD, in fact, does declare support for DRA's 4% threshold in principle, but cites "operational complexities...combined with the fact that the IOUs are not able to readily overhaul the delivery framework and workforce requirements."<sup>31</sup>

Implementation issues were addressed previously in the ALJ's Question 20 within the first set of Questions and in DRA's Opening Brief. SCE correctly understood the DRA proposal and that it did not require house specific usage data.<sup>32</sup> Average usage and savings figures are used for each measure, rather than house specific information. All that is required is a utility-year specific threshold, which some of the IOUs went ahead and calculated directly for Question 20.<sup>33</sup> Any objections from other IOUs are based either on a misunderstanding or undue concern regarding contractor employment. The only real impact of DRA's proposal would be the direct employment, administrative and materials costs. However, this impact is no different from that created by directly dropping or adding measures (as discussed elsewhere in the PD).

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<sup>30</sup> D.10-12-054, pp. 22-25, FoF 6-7, CoL 5, OP 4.

<sup>31</sup> PD, May 4, 2012, pp. 108-109.

<sup>32</sup> DRA Opening Brief, February 2, 2012, pp. 45-46.

<sup>33</sup> SDG&E's Responses to the ALJ's Ruling Seeking Comments, Set No. 1, Q 20, P. 15.

**C. The PD’s Increase to Number of Households That ESAP Must Service in 2012-2014 is Based on Unsupported Assertions**

The PD also justifies its direction to increase ESAP enrollment in 2012-2014 based on success.<sup>34</sup> As explained in section A, the facts do not support these findings and conclusions of success in the 2009-2011 program. Therefore DRA recommends that the PD authorizes for ESAP treatment in 2012-2014 a number of households no greater than the utilities’ proposed in their applications. DRA acceptance of the utilities’ number does not mean that DRA accepts that more than 5% of households are unwilling to be served by ESAP. DRA’s support for the number of households in the utilities’ applications is based on concern of accelerating a program with decreasing effectiveness.

**D. The PD Errs by Approving the Add Back of Envelope and Air Sealing Measures Based on Incorrect and Unsupported Findings That These Measures Are Often Low Cost and Yield High Non-Energy Benefits for Health, Safety and Comfort**

The PD approves the add back of Envelope and Air Sealing measures (weatherization measures), even though they fail the Cost-Effectiveness (CE) Test.<sup>35</sup> The PD’s findings, regarding the low-cost and high non-energy benefits for health, comfort and safety attributed to Envelope and Air Sealing measures, are incorrect and not supported by the record.

DRA’s Report shows that certain Envelope and Air Sealing measures provide very low energy savings and low health, comfort, and safety non-energy benefits.<sup>36</sup> An overwhelming majority of Envelope and Air Sealing measures’ non-energy benefits are attributed to property value benefits. These benefits, however, are distinct from health, safety and comfort benefits.

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<sup>34</sup> The PD’s Ordering Paragraph 2 requires more households to be serviced through in 2012-2014, and makes inaccurate determinations regarding this increase in Findings of Fact 15, 16, 17 and Conclusion of Law.

<sup>35</sup> PD, p. 91, states:

Although these measures do not meet the current CE Test, and statistically result in small energy savings, we are persuaded that they are often low-cost, easy to install, and yield high non-energy benefits for health, safety and comfort.

<sup>36</sup> DRA Amended Report, filed December 2, 2011, pp. 2-11 - 2-21.

Property value benefits are designed to measure only the increase in property value that can be attributed to ESAP measures. For an owner-occupied house, the property value benefits are not realized until the property is sold, and even then, are not fully realized. For renter-occupied, low-income households, these non-energy benefits will accrue to the landlord and not to the participant. For ESAP PY 2012-2014, the utilities project 46% to 65% of the treated homes will be renters, which diminishes further the value of Envelope and Air Sealing measures.

Health, safety and comfort benefits are captured in non-energy benefit categories such as fewer fires, indoor air quality (CO Related), fewer illnesses and lost days from work/school, net household benefits from comfort, and noise. These positive benefits are augmented by a reduction in net negatives such as fewer shutoffs, fewer calls to the utility, fewer reconnects, and net household benefits from additional hardship benefits. In aggregate, for Envelope and Air Sealing measures, the health, safety and comfort benefits amount to less than:

- 9% of the Total NEBs for PG&E;
- 16% for SoCalGas; and,
- 24% for SDG&E (the smallest of the four applicants); and,
- 0% for SCE.

Furthermore, DRA has shown that Envelope and Air Sealing measures are not low cost.

Tables 2-7 to 2-14 in DRA's Report and the corresponding discussion prove that:

- PG&E proposes to spend over \$119 million for the 2012-2014 ESAP budget cycle for Enclosure measures, of which over \$104 million is allocated to Envelope and Air Sealing measures and the additional \$15million to minor home repairs.<sup>37</sup> This represents **25%** of PG&E's entire 2012-2014 ESAP budget of \$479 million.

- SDG&E proposes to spend over \$9.7 million for the 2012-2014 ESAP budget cycle for Enclosure measures, of which over \$8.2 million is allocated to Envelope and Air Sealing measures and the additional \$1.5 million to Attic Insulation measures.<sup>38</sup> This represents **17%** of SDG&E's entire 2012-2014 ESAP budget of \$56.45 million.

- SoCalGas proposes to spend over \$78.5 million for the 2012-2014 ESAP cycle for Enclosure measures, of which over \$75.9 million would be allocated to Envelope and Air

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<sup>37</sup> PG&E's ESAP Application, Attachment A-2.

<sup>38</sup> SDG&E's ESAP Application, Attachment A-2.

Sealing measures and the remaining \$2.6 million to Attic Insulation measures.<sup>39</sup> This represents 29% of SoCalGas' entire 2012-2014 ESAP budget of \$266.21 million.

- SCE proposes to spend approximately \$0.7 million for the 2012-2014 ESAP program cycle for Enclosure measures, with the entire amount allocated to Envelope and Air Sealing measures.<sup>40</sup> SCE, being an electric-only utility, is minimally involved in this aspect of ESAP.

The PD approves a total of almost \$222 million for Enclosure measures for PG&E, SoCalGas, and SDG&E combined for the 2012-2014 ESAP program.<sup>41</sup> This figure represents 26% of the total program costs and is the highest budget category for PG&E, SoCalGas and SDG&E combined.<sup>42</sup> The PD essentially approves making the largest ESAP budget category the one that entails expenditures on the measures with the lowest energy savings. Thus, the Envelope and Air Sealing measures are not low cost.

**E. The PD's Approval of Air Sealing and Envelope Measures Which Provide Very Low Energy Savings and Low Health Safety and Comfort Benefits Is in Contradiction with The PD's Findings of Fact 12 and Conclusions of Law 2 and 3**

Findings of Fact 12 states: "The ESA Program cost-effectiveness approach is designed to ensure that most efficient use is made of finite ratepayer funds to yield optimal ESA Program success and energy savings." The PD's approval of a portion of Envelope and Air Sealing measures that result in minimal energy savings and low health safety and comfort benefits fails the test enunciated in FOF 12. As shown by the data in and discussion around Tables 2-7 to 2-14 in DRA's Report, at least \$72.3 million worth of Envelope and Air Sealing Measures, proposed by the utilities and approved by the PD, provide insignificant energy savings and health, comfort and safety benefits.

Conclusions of Law (COL) 2 states: "The ESA Program must be directed, administered and delivered in a manner so as to yield significant energy savings." The PD's approval of

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<sup>39</sup> SoCalGas's ESAP Application, Attachment A-2.

<sup>40</sup> SCE's ESAP Application, Attachment A-2.

<sup>41</sup> PD, pp. 351-354 (mimeo), Appendices B through E. Enclosure is a measure category that includes weatherization and minor home repairs. Envelope and Air Sealing measures represent the overwhelming majority of Enclosure measure category.

<sup>42</sup> PD, pp. 351-354 (mimeo). SCE, being an electric-only utility, is minimally involved in providing Envelope and Air Sealing measures.

certain Envelope and Air Sealing measures, in contradiction to this conclusion, fails to yield those significant energy savings. These measures, in fact, do not pass Cost Effectiveness Tests and result in negligible energy savings.

COL 3 states: “To achieve optimal energy savings, the ESA Program must be administered cost-effectively to yield maximum energy savings at reasonable costs.” The PD’s approval of certain Envelope and Air Sealing measures fails to yield those optimal energy savings at reasonable costs. In fact, the PD approves a total of almost \$222 million for Enclosure measures for PG&E, SoCalGas, and SDG&E combined for the 2012-2014 ESAP program.<sup>43</sup> This figure represents 26% of the total program costs and is the largest budget category for PG&E, SoCalGas and SDG&E combined.<sup>44</sup> The PD’s essentially approves that the largest ESAP budget category will be spent on the lowest energy savings measures. This is not the way to achieve energy savings at reasonable costs, nor does it maximize the energy savings that can be provided by the program.

**F. The PD Fails To Incorporate NRDC’s Analysis Which Demonstrates That It is Legal For ESA To Provide Heating and Hot Water Efficiency Improvements in Rental Dwellings**

DRA references NCLC’s Opening Comments on this topic. DRA contends that COLs 136 and 137 are incorrect in light of NRDC’s legal analysis on the record.

**IV. DISCUSSION: REPORTING REQUIREMENTS**

Three of the four utilities in this proceeding currently report their annual revenue and program expenditures to the Commission via Advice Letters in their Annual Electric True-Ups and in their Annual Gas Public Purpose Program Surcharge filings. SCE is the exception in that it reports that information to the Commission as a separate request contained in its annual Energy Resource Recovery Account (ERRA) Application.<sup>45</sup> Different methods of reporting the same

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<sup>43</sup> PD, pp. 351-354 (mimeo), Appendices B through E. Enclosure is a measure category that includes weatherization and minor home repairs. Envelope and Air Sealing measures represent the overwhelming majority of Enclosure measure category.

<sup>44</sup> PD, pp. 351-354 (mimeo). It is also the highest budget category for PG&E and SoCalGas individually. The highest budget category for SDG&E is Appliances. SCE, being an electric-only utility, is minimally involved in providing Envelope and Air Sealing measures.

<sup>45</sup> See for example, SDG&E Advice Letter 2323-E *Consolidated Filing to Implement January 1, 2012*

type of information to the Commission adds to confusion and serves no practical purpose. The method of reporting that same information should be uniform across the Joint Utilities. DRA recommends that SCE be ordered to report that information to the Commission via an Advice Letter and that that Advice Letter be served on the service list in this proceeding. The PD does not address this recommendation.

## V. CONCLUSION

The CARE and ESAP programs are essential ratepayer-funded programs that, carefully administered, provide great benefits to low-income and non-low-income customers alike. The PD's poor directives would hurt all customers by needlessly inflating CARE administrative costs and expanding the ESAP program while relying upon outdated program rules. The PD's poor directives would especially hurt low-income customers by increasing barriers to participation and missing opportunities to provide energy efficiency in their dwellings.

Respectfully submitted,

/s/ MITCHELL SHAPSON

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May 24, 2012

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*Electric Rates* filed December 29, 2011, and PG&E Advice Letter 3896-E-B *Supplemental Filing - Annual Electric True-Up Filing - Change PG&E Electric Rates on January 1, 2012* filed December 30, 2011 as compared with SCE A.11-04-001.

# APPENDIX

## **Findings of Fact**

1. According to the Joint Utilities' Annual Estimates of Customers Eligible for the CARE program, KEMA Needs Assessment, one in three of California's households or approximately 4.2 million ~~4.1 million~~ of the 12.7 million ~~12.53 million~~ CARE-eligible households served by the Joint Utilities' in California are low income households.

[New] According to the Joint Utilities' Annual Estimates of Customers Eligible for the CARE program, one in three of California's households or approximately 4.5 million of the 13.6 million ESAP-eligible households served by the Joint Utilities' in California are low income households.

[New] California Public Utilities Code Section 382(d) requires that an assessment of the needs of low-income electricity and gas ratepayers shall be conducted periodically by the Commission.

[New] The last low-income needs assessment was issued in 2007 and relies on data collected in earlier years.

4. The CARE Program is a low income energy rate assistance program that dates back to 1980s and is aimed at providing eligible low income households with a minimum 20% discount on their electric and natural gas bills.

~~6. The parties to the proceeding contributed thoroughly and meaningfully through testimonies, comments and other filings to help advise the Commission and the utilities on ways to achieve our~~ The Commission's ultimate vision is ~~such~~ that (a) the ESA Program effectively evolves into a resource program that garners significant energy savings in our state, as envisioned in the Strategic Plan, while providing an improved quality of life for California's low income population; and (b) the CARE Program continues its current and successful course of effectively providing the necessary assistance to those eligible customers.

7. While some parties claim that there should have been an evidentiary hearing held, no evidentiary hearings were held. The evidentiary record in the case consists of the written documents included in Appendix A to the March 7, 2012 "Administrative Law Judge's Ruling

Correcting March 1, 2012 Ruling” ~~they did not raise any disputed issues of material fact that were ripe and poised for hearing.~~

~~8. The issues raised by the parties requesting hearing focused on several issues which the Assigned Commissioner and the ALJ concluded required further exploration in the months to come, during the second phase of this consolidated proceeding, following this decision and as directed in this decision; thus, those issues were not hearing ready.~~

[New] The ESA program is funded by all ratepayers.

[New] The CARE program is funded by all ratepayers except those enrolled in the CARE program.

9. In D.07-12-051, the Commission held that “[t]he complementary objectives of ESA Program 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.”

[New] The California Energy Efficiency Strategic Plan was adopted September 18, 2008. The CPUC’s Decision 08-11-031 authorizing the ESA program for 2009 – 2011 was issued November 6, 2008. Together, these two documents contain the direction for the expanded program ESA program.

[New] The utilities were directed to file their applications for 2012 -2014 in accordance with the California Energy Efficiency Strategic Plan vision, goals and strategies. This direction can be found in the Assigned Commissioner’s Ruling Providing Guidance Concerning the California Alternative Rates for Energy (CARE) Program and Energy Savings Assistance Program (Formerly and Generally Referred to as Low Income Energy Efficiency (LIEE) Program) and Related 2012-2014 Budget Applications, March 30, 2011, A.08-05-022 et. Al., Attachment A.

[New] In D.08-11-031, regarding the ESAP program, the Commission held that energy savings of the portfolio must increase over time with correlation between program spending and energy savings.

11. The ESA Program measures offered are generally selected based upon ~~cost-effectiveness evaluation~~ application of the Commission's low-income energy efficiency Cost Effectiveness Methodology most recently approved in D.08-11-031 and vary by IOU territory and other factors, such as climate zones and housing types.

12. ~~The ESA Program cost-effectiveness approach is designed to ensure that most efficient use is made of finite ratepayer funds to yield optimal ESA Program success and energy savings.~~

13. The ESA Program ~~has made great strides in the recent years and~~ has treated over 1 million low income homes and gained 16,132,316 kilowatt hour (kWH) savings and 232,979,182 therms savings during the 2009-2011 program years.

14. The ESA Program successes ~~are in part due to~~ requires the program's to refocus on the programmatic cost-effectiveness as well as cost-effectiveness of installed measures, promoting and encouraging workforce education and training, using smarter, flexible and creative approaches towards outreach (including a whole neighborhood approach), and, where appropriate, focusing on customers with high energy use, burden and insecurity.

[New] Energy bill savings can result from lower energy use.

[New] Lower energy use can result from improving the energy efficiency performance of a residential dwelling.

15. Some notable lessons learned from the last program cycle in the ESA Program are that: (a) The ESA Program is armed with a larger ~~more experienced and poised~~ administration and workforce, ~~ready and "fully ramped up"~~ in most of the IOUs' territories. During the last program cycle, the treated homes numbers steadily climbed, ~~and in some instances, more dramatically climbed, to confirm this observation;~~ and (b) The IOUs' impressive 2011 treated home figures is compromised by the inclusion of approximately 100,00 SCE households reported as treated that received only energy education and no installations or services. ~~also illustrate that the ESA Program has the capacity to treat more homes than the conservative 2012-2014 projections proposed by the IOUs.~~

16. ~~Based on our observations of the IOUs' successes during the last cycle, the adopted number of homes targeted treated should be viewed as the minimum number of homes to be treated this cycle, and we strongly urge and challenge the IOUs to exceed their projected 1/3 of the remaining homes for treatment by the end of the 2012-2014 cycle.~~

17. ~~By treating more homes in the 2012-2014 than currently projected, the IOUs would be ready to apply more focus to tailor their programs to the remaining and more difficult to reach untreated low income households during the final two cycles, 2015-2017 and 2018-2020.~~

19. Integrating demand side program offerings has been an ongoing objective of the Commission since ~~2007~~.

23. The current general IDSM Taskforce efforts, being undertaken in the general energy efficiency docket pursuant to D.09-09-047, have not addressed integration among the ESA program and other IDSM programs. ~~are more broadly focused.~~

[New] Some utilities recommend adding an ESAP component to the general IDSM Taskforce efforts.

27. During the past program cycles, we learned that the IOUs' leveraging efforts resulted in partnerships and other collaboration with non-IOU sources, and primarily reflect increased program enrollment. The utilities annual reports state and indicate that it is difficult to quantify most importantly, resulted in dollar savings, and energy savings and benefits that have resulted from leveraging. ~~and/or increased program enrollment.~~

31. Despite the challenges we experienced during this last program cycle, of which the primary challenge is the lack of a LIHEAP database available to the IOUs, the Commission is still committed to the important objectives of that MOU.

[New] SCE reports that LIHEAP contracts are able to utilize the SCE ESAP database to avoid homes that have already been treated by ESAP but does not report that this leveraging goes the other way.

[New] The utilities do not propose tracking homes treated by both ESAP and LIHEAP.

32. ~~As the Commission and CSD both oversee large-scale, statewide weatherization programs in California, In the current landscape of so many exciting energy efficiency efforts,~~ these types of leveraging efforts are essential, and even critical, to transforming the ESA Program into a more effective resource program that yields home energy benefits to the low income community while also creating cost savings for the IOUs and the ratepayers.

33. ~~Looking at the accomplishments during the 2009-2011 program years, the IOUs' leveraging strategies are on the right track, but there is still room for improvements to achieve optimal leveraging with CSD and many other programs.~~

34. Some of the same barriers continue to exist today as they did three years ago where service providers still do not always know if a house has had any previous weatherization treatment until they arrive at a home. This wastes ~~time, effort and~~ outreach resources.

35. ~~The current ESA Program design and delivery model provides the necessary guidance to the contractors while also affording contractors, including the assessment contractors, a level of flexibility and operational discretion to best adapt their program delivery to each household.~~

36. ~~This model allows the assessment contractors to assess each household to determine and tailor measures offerings for individual households in accordance to program rules as well as provide tailored energy education.~~

37. ~~Utilizing each IOU's sophisticated workflow database, installation contractors are then dispatched to customer households to install energy efficiency measures.~~

38. ~~The ESA Program can benefit from some design and delivery improvements.~~

39. ~~The Commission has time and again stressed the critical importance of integrated demand side management and the need for the IOUs to integrate and coordinate marketing messages for customers.~~

46. Through the IOUs' creative and innovative outreach efforts during prior program cycles, one of the ~~most notable~~ barriers in reaching the low income segment was identified as lack of trust in

the low income community which was further compounded by cultural and language barriers which stifled the low income communities' understanding of the ESA and CARE Programs.

47. To overcome these barriers and to reach these harder to reach low income customer segments, an effective media outreach therefore should include local and ~~ethnic~~ targeted media to better engage these communities and be tailored to those low income communities they are striving to penetrate.

48. ~~Local, regional, ethnic as well as ethnically owned media are ready and available tools that are clear and direct gateways to many of these low income communities to help tear down some of those barriers.~~

53. ~~With the backdrop of the over two decades of program experience, the Strategic Plan, D.07-12-051 and D.08-11-031, the Commission has~~ D.08-11-031 ~~devised the current cost-effectiveness framework for the ESA Program, including~~ reducing the individual measure threshold from each utility's average program cost-effectiveness ratio to a flat 0.25 ratio overall ~~cost-effectiveness methodologies applying a measure based analysis with two tests, threshold values~~ but allowing and some exceptions.

62. D.08-11-031 set out the current measure-by-measure cost-effectiveness test (CE Test) for the ESA Program to determine whether a specific measure is cost effective (taking into account the housing type, ~~as well as climate zone~~ and administrative overhead) and set forth an approach to screening each measure for cost-effectiveness.

63. ~~Today, we adopt and apply the same methodologies, outlined in D.08-11-031, for this cycle for evaluating cost-effectiveness of each proposed measure (taking into account the housing type as well as climate zone), including when we grant exceptions to such CE Test, as follows:~~

(a) ~~CE Test: Measures that have both a PCm and a UCT benefit-cost ratio greater than or equal to 0.25 (taking into consideration the housing type and climate zone for that measure) for that utility pass the CE Test and shall be included in the ESA Program. This rule applies for both existing and new measures.~~

(b) ~~Two exceptions to CE Test are:~~

~~(i) Existing measures that have either a PCm or a UCT benefit-cost ratio less than 0.25 (taking into consideration the housing type and climate zone for that measure) is deemed to have passed the CE Test and shall be retained in the ESA Program; and (ii) Existing and new measures with both PCm and UCT test results less than 0.25 (taking into consideration the housing type and climate zone for that measure) for that utility may be included in the ESA Program for health safety and comfort reasons as add back measures, by first securing Commission's approval for such exception; and all approved add back measures are subject to additional reporting requirements.~~

~~64. Under the add back measures provision of the ESA Program's CE Test, the Commission recognizes and prioritizes the equity needs of the ESA Program customers and allow the IOUs to offer certain measures that fall below the 0.25 threshold, with additional attendant reporting requirements to track and better understand those add back measures' impact to the program budget and energy savings.~~

~~65. Any proposed add back measure or proposed new measures to the ESA Program for 2012-2014 program cycle in the IOUs' Applications that fail the CE Test and/or we did not expressly approve in this decision, have been denied.~~

~~66. In addition to the CE Test, the Commission also has in place the modified 3MM Rule to further the ESA Program's programmatic cost-effectiveness.~~

~~69. Based on the data provided by the IOUs and other parties, having approved the smart power strip, we are ~~not~~ convinced that the modified 3MM Rule creates a significant barrier to energy savings and programmatic cost-effectiveness. as presented by some of the parties.~~

~~70. Now more than ever with program costs rising ever so rapidly, we find value in eliminating the modified 3MM Rule consistent with our finding in 2001 that and developing a new provision to ensure households receive a minimal level of measures is necessary to maintain overall programmatic cost-effectiveness.~~

~~95. Some of the major lessons learned during the last program cycle suggest, CARE Program experiences extremely high attrition rate and the program design may need to be tightened so to~~

~~ensure that CARE discount rate and subsidy are not being unlawfully diverted to ineligible customers, at the expense of the ratepayers.~~

~~96. Some have estimated much of the approximate remaining 10% percent of the CARE eligible households may be unwilling or unlikely to participate in CARE Program.~~

97. We therefore recognize and acknowledge that the per-household efforts and associated costs to identify, target and reach the remaining CARE eligible population (ranging from 1% in SCE territory to approximately 15% in SDG&E territory) will invariably be more difficult and costly.

108. The IOUs, in their Applications, have identified several instances in which a significant concern that the current enrollment process that enables the low income customers to be eligible for the CARE program benefits through an expedited process commonly referred to as Categorical Eligibility or Enrollment Program leades to the enrollment of households with incomes in excess of 200% of the Federal Poverly Level. ~~leads to CARE subsidies being diverted from legitimate CARE eligible customers and ratepayers to ineligible households.~~

109. The Categorical Eligibility and Enrollment Program is one of two methods of being eligible ~~permits a low income customer to be deemed income qualified and therefore eligible for the CARE program benefits, if they happen to be enrolled in one or more of the preapproved listed governmental low income programs.~~

110. ~~It assumes that the other approved~~ The Commission determined in D.02-07-033 that the verification of income eligibility for several other low income assistance programs met or exceeded the standards of verification for the CARE program, and as such it would be an unwise use of administrative funds to require the customer to verify income for the CARE program. Has already verified that customer's income and that verified income level aligned with the CARE income threshold of 200% federal poverty guideline.

111. ~~After more than 20 years of outreach and enrollment efforts, the CARE Program is looking at extraordinarily high enrollment figures and penetration rates that should raise some eyebrows for the stewards of ratepayer funds.~~

112. ~~PG&E's The CARE Program has a growing subsidy amounts in 2012 – 2014 are expected to exceed \$3.6 billion decline each year in the 2012-2014 cycle.~~

113. Under the current projections, CARE participation/penetration rate is ~~reaching (and may exceed) 100%~~ projected to reach 90% of SDG&E's and PG&E's of the CARE eligible population, 95% of SCE's CARE eligible population, and 99% of SCE's CARE eligible population. within many of the IOUs' territories.

114. The IOUs correctly identify ~~he loopholes in the~~ that as penetration in the CARE Program reaches high levels it is important to verify eligibility of customers least likely to qualify for the program and continue to enroll those other customers eligible for the CARE that might go unnoticed if program administrators do not have confidence in the eligibility of all CARE customers and to proactively devise and propose solutions to address these problem areas as they have done so in their Applications.

115. During the 2009-2011 program cycle and in this proceeding, ~~PG&E the parties, members of the public, print media and even the legislature have brought forth the issue of CARE egregious usage customers issue as a significant~~ explained its concern that the highest electric usage of CARE customers was inconsistent with low-income usage studies where low-income households generally consume less energy than non-low-income households.

116. ~~We have been working toward tightening the CARE Program and its administration and in doing so any misuse, abuse or potentially fraudulent allocation of CARE funds is carefully monitored and reconciled.~~

[New] The utilities' applications describe the evolution of their CARE verification practices and processes among which include the development of SDG&E's CARE probability model in 1992, modifications to this model by various utilities over time, and the incorporation of lessons learned through PG&E and SCE's 2009 -2011 studies focused on customer segmentation, and recertification and verification response rates.

117. ~~During t~~ Many of the 2009-2011 cycle we experienced numerous delays and budget overruns relating to the approved pilots and studies were not complete in advance of the utilities' filing of their applications and we and also found that, even during and after the pilots or studies were completed, they may not have been carefully monitored and overseen.

[New] The Impact Evaluation containing the energy use impacts that serve as the basis for the utilities' applications were publicly release on June 16, 2011. The Draft Impact Evaluation release in March 2011 contained different energy use impacts and program results than the Final Report.

### **Conclusions of Law**

[new] The California Energy Efficiency Strategic Plan Residential Goal #2, updated January 2011, is inclusive of residential households of all income levels: Energy consumption in existing homes will be reduced by 20% by 2014 and 40% by 2020 through universal demand for highly efficient homes and products.

[New] The results of the ESAP program in 2009 - 2011 are judged by whether they meet the directives of the California Energy Efficiency Strategic Plan relevant to residential households and D.08-11-031.

[New] The Commission should conduct a low-income needs assessment, as ordered by California Public Utilities Code Section 382(d), as soon as practicable.

2. The ESA Program must be directed, administered and delivered in a manner so as to yield significant bill and energy savings.

[New] Bill savings accrue to ESA program participants when their energy use after participation in the ESA program is lower than their energy use before participation in the program.

3. ~~To achieve optimal energy savings, the~~ The ratepayer-funded ESA Program must be administered cost-effectively to yield maximum energy savings at reasonable costs.

~~4. In this program cycle, with the strategies, directions and significant budgets we provide, the IOUs should take advantage of the current ESA Program momentum and available workforce to find smarter ways (e.g. integration, leveraging, etc.) to exceed their projected 1/3 of the remaining homes for treatment by the end of the 2012-2014 cycle.~~

[New] As significant questions remain about how many and to what degree ESAP participants benefitted from the program in 2009 – 2011, the number of households treated in 2012 – 2014 should be reduced until the Commission issues a decision on the outstanding issues among which are cost-effectiveness, multi-family households, and standards for installation of attic insulation and Heating, Ventilation, and Air-Conditioning.

~~5. The low income communities and the ESA Program present unique concerns relative to integration; thus, there must be due consideration given to those unique concerns so to effectively and appropriately integrate the ESA Program with those other programs.~~

~~9. The Commission should take actions necessary to ensure that t~~The CARE Program is efficiently and effectively administered and delivered in ways that ensure that the benefits (CARE discount rate) are delivered to the maximum number of households that are eligible.

~~10. The Commission should resolve the issues in this decision that are poised based on the record of this proceeding, including the directions and budgets necessary to continue the ESA and CARE Programs during the 2012-2014 program cycle.~~

~~11. Several of the more~~ The utilities should formally propose resolutions to the several outstanding complex issues should be further investigated, examined, explored, debated and brought back to the Commission through the frameworks we set in this decision , then parties' should respond on the record, for consideration of the Commission's decision -during the second phase of this proceeding-including the pilots, working groups and studies.

~~12. As a mature and largely successful program~~ the first program cycle of the ESA program has just concluded, it is imprudent to continue this expanded program with declining savings and increasing costs. make whole sale changes to the ESA Program, unless Several proposed

changes are likely to yield significantly more benefits ~~and~~ than the costs associated with those same changes ~~are outweighed by the benefits to be attained.~~

14. The Commission should update the CARE Program to ensure that CARE discount rate and subsidy are delivered to the maximum number of eligible customers with targeted, cost-effective quality assurance strategies to maintain program confidence. ~~not being unlawfully diverted to ineligible customers, at the expense of the ratepayers.~~

15. The Commission should ~~maintain~~ remove the current ~~past~~ emphasis on a 90% CARE penetration target outlined in D.08-11-031 and approve the utilities' requests to slightly increase Post Enrollment Verification rates to ensure program quality. ~~redirect the IOUs' focus to delivering the CARE Program to only those customers for whom it was designed.~~

16. Categorical Eligibility and Enrollment Program should not be eliminated and the Commission should approve the utilities' requests pursuant to D.08-11-031 to conduct workshops to ensure individual Categorical program are reasonably aligned with CARE income limits, and that CARE program rules are designed with consideration of coordinating with other major low-income assistance programs. ~~but it should be updated to ensure that CARE discount rate and subsidy are not being unlawfully diverted to ineligible customers, at the expense of the ratepayers.~~

17. The IOUs should ~~income verify all Categorically Enrolled customers through Post Enrollment Verification within three months of enrollment.~~

18. The IOUs should ~~raise their number of Post Enrollment Verifications of the CARE customers to 25% of the total enrolled customers per year.~~

19. The IOUs should ~~track the number and reason for each CARE customer dropped during the Post Enrollment Verification process (either through customer non-response or deemed ineligible for the program).~~

20. The IOUs should track information concerning those dropped and ineligible CARE customers and the number of those CARE customers removed from the program that provide documentation of eligibility within two years of being removed from the program. how they were initially enrolled in the CARE Program (e.g. capitation agency, self-certification, categorical enrollment, etc.).

21. Categorical Eligibility and Enrollment process is a best practice of low-income assistance programs and should remain a well-promoted option for ~~be made available only to new CARE customer enrollments, recertification and verification.~~

22. The IOUs should continue their success methods of self-recertification. ~~not allow any CARE customers to self-recertify without providing income documentation.~~

[New] IOUs requiring enhanced Post Enrollment Verification should establish processes to work with those customers who may have difficulty producing government-verified income documentation because they do not file taxes or only receive cash compensation.

[New] ESA program auditors who visit a high usage household should be trained to make referrals to the Medical Baseline program.

23. SCE's proposal that CARE customers who fail to respond to a utility's request for income verification should be barred from self-certified re-enrollment in the CARE Program for 24 months is reasonable and is consistent with the other utilities' verification practices.

27. PG&E's proposed CARE Program modified by the TURN/Greenlining/Center for Accessible Technology's appeals provision, to changes to address the ~~egregious electric users~~ customers using the highest amounts of electricity on the CARE rate are reasonable.

28. PG&E's proposed CARE Program changes to address the egregious electric users on the CARE rate, as modified by the TURN/Greenlining/Center for Accessible Technology's appeals provision, ~~in this decision,~~ should be adopted and the resulting CARE Program rules changes should apply to all of the electric utilities to implement the statewide program changes.

[New] A CARE customer consuming more than 600% of baseline would only be removed from CARE if:

- (a) The customer did not respond to an IOUs initial notification requiring enrollment in ESA, enhanced Post Enrollment Verification (PEV) and an energy audit;
- (b) The customer responds to the requirement notification but fails the PEV process, or,
- (c) The customer meets all the requirements for ESA Program participation, PEV and an energy audit, but then after 180 days, does not respond to the notification that he or she must file an appeal.

[New] IOUs would have an appeals process for customers who have usage above 600% of baseline. The appeals process would include an appeals form (in-language and with key information in large print and available in alternative formats on request). The process will commence at the end of the 180 day period and will contain two elements:

- (1) A process for customers to demonstrate that their high usage is based on legitimate household needs; and
- (2) A process to demonstrate that their reported household income is consistent with the registered usage in the meter.

~~33. In cases where their ESA Program integration effort does not meet at least two of the goals we set in this decision, the IOUs should provide a reasonable explanation in their annual report.~~

[New] The Commission should utilize the Advice Letter process to increase accountability for meeting CARE and LIEE program goals.

[New] The utilities will describe in an Annual Compliance Advice Letter filing (on May 1<sup>st</sup> of each year) their success in 1) increasing the amount by which the energy savings of the ESAP portfolio has increased relative to spending.

~~34. The Energy Division should review the IOUs' ESA Program integration related reports, work with IOUs to enhance integration during the 2015-2018 cycle if our metrics are not met, and make recommendations to the Commission if the IOUs' integration efforts are failing to meet the above metrics.~~

~~69. SCE's request to further modify the modified 3MM Rule is not reasonable and should be denied.~~

~~70. The modified 3MM Rule, as modified in D.08-11-031 and clarified in D.09-06-026, should be changed to a 4% threshold per utility fuel, as described by DRA. not be further modified and we should deny: (a) SCE's proposal to install CFLs at the time a home is assessed without being required to meet the modified 3MM Rule, (b) SCE's proposal to count a home as "treated" with the receipt of only CFLs and energy education, (c) DRA's proposal to replace the modified 3MM Rule with a 4% Threshold Approach, (d) EEC's recommendation of instituting the policy to install CFLs during the enrollment and education process as well as lifting the cap of 5 CFLs per household, and (e) TELACU's proposal to eliminate the rule and allow all income eligible customers to receive energy education and CFLs regardless of the modified 3MM Rule requirement.~~

~~102. We should also make several changes to Categorical Eligibility and Enrollment Program to ensure that only the eligible customers stay enrolled in the program, as ordered in this decision.~~

~~103. The IOUs should focus on delivering the program to only those customers for whom it was designed.~~

~~104. All prior pre-approved categorical enrollment programs should be retained; however, the IOUs should verify all Categorically Enrolled customers to undergo Post Enrollment Verification within three months of enrollment.~~

~~105. Categorical Eligibility should be retained for the enrollment of new CARE customer enrollments only.~~

~~106. All CARE recertifications should require income documentation verification for renewal, and no customers should be allowed to self-recertify without providing income documentation.~~

~~107. The IOUs should raise their number of Post Enrollment Verifications of its CARE customers to 25% of enrolled customers per year.~~

~~108. In addition to tracking the number and reason for each CARE customer dropped during the Post Enrollment Verification process (either through customer non-response or deemed ineligible~~

for the program), the IOUs should begin tracking information concerning those dropped and ineligible customers and how they were initially enrolled in the CARE Program (e.g. capitation agency, self-certification, categorical enrollment, etc.).

109. SCE's request, for CARE customers who fail to respond to an income verification request be barred from self-certified re-enrollment in the CARE Program for 24 months, is reasonable and should be approved.

136. DRA's and SDG&E's co-pay policy proposal for certain central systems in multifamily unit is inconsistent with Commission policy, and should be adopted, and does not recognize landlord obligations with respect to heating and hot water under § 1941.1 of Civil Code.

137. The current program policy and procedures, prior decisions, the Commission's interpretation and application of Civil Code § 1941.1, and available alternatives through existing statewide programs suggest that DRA's recommendation/proposal is imprudent and unnecessary.

143. While IOU budget will be affected by changes in heating and water supply rules and subsidies, we find the impacts to be highly acceptable given the efficiency gains. reversing our prior decisions on heating and hot water measures could effect In addition, such proposal would require upward adjustments to] the IOUs' proposed budgets, we find that any such effects would not have an unacceptable impact on the overall cost of ESAP; that such costs can be contained, as proposed by various parties including NCLC/CHPC/NHLP, DRA, and NRDC; and that reversing the prior decision is necessary if we are to meet our goal that by "2020, 100 percent of eligible and willing customers will have received all cost effective" ESAP measures, supra, Findings of Fact ¶ 3. [as noted by PG&E, at substantial expense to the ratepayers which we cannot justify at this time.

### **Ordering Paragraphs**

*1. The Amounts Authorized for ESAP in 2014-2014 should reflect the number of households proposed to be treated in the utilities' ESAP applications. The Amounts Authorized for the CARE and ESAP in 2014-2014 should match the CARE administrative expenses requested by the utilities in their Applications.*

2. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall treat at least 1 million households over the 2012-2014 budget cycle with the Energy Savings Assistance Program Budget approved in this decision.

~~47. We eliminate the 3 Measure Minimum rule (which prohibits IOUs from installing measures in a home that does not require at least three measures) in favor of a rule that allows IOUs to install one or two measures in a home, as long as the measures achieve energy savings of at least either 125 kWh/annually or 25 therms/annually. Attachment G to this decision specifies, based on the data the IOUs provided with their applications, which measures qualify.~~

87. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall retain and follow our current Categorical Eligibility and Enrollment Program to continue to allow continued ease of access for enrolling into the California Alternate Rates for Energy (CARE) Program with the following new modification:

~~(a) We remove our past emphasis on a 90% CARE penetration target outlined in Decision 08-11-031 and we redirect the Utilities' focus to delivering the program to only those customers for whom it was designed.~~

~~(b) All prior pre-approved categorical enrollment programs are to be retained; however, the Utilities are directed to verify all Categorically Enrolled customers to undergo Post Enrollment Verification within three months of enrollment. Additionally, Categorical Eligibility is to be retained for the enrollment of new CARE customer enrollments only and that all CARE recertifications shall require income documentation verification for renewal. No customers shall be allowed to self-recertify without providing income documentation.~~

~~(c) The Utilities are directed to raise their number of Post Enrollment Verifications of the CARE customers to 25% of enrolled customers per year.~~

~~(d) In addition to tracking the number and reason for each CARE customer dropped during the Post Enrollment Verification process (either through customer non-response or deemed ineligible for the program), these utilities are directed to begin tracking information concerning those dropped and ineligible customers and how they were initially enrolled in the CARE Program (e.g. capitation agency, self-certification, categorical enrollment, etc.).~~

~~89. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall implement the California Alternate Rates for Energy (CARE) Program rule changes below:~~

~~(a) We remove our past emphasis on a 90% CARE penetration target outlined in Decision 08-11-031 and we redirect these utilities' focus to delivering the program to only those customers for whom it was designed.~~

~~(b) All prior pre-approved categorical enrollment programs are to be retained; however, these utilities are directed to verify all Categorically Enrolled customers to undergo Post Enrollment Verification within three months of enrollment. Additionally, Categorical Eligibility is to be retained for the enrollment of new CARE customer enrollments only and that all CARE recertifications shall require income documentation verification for renewal. No customers shall be allowed to self-recertify without providing income documentation.~~

~~(c) These Utilities are directed to raise their number of Post Enrollment Verifications of the CARE customers to 25% of enrolled customers per year.~~

~~(d) In addition to tracking the number and reason for each CARE customer dropped during the Post Enrollment Verification process (either through customer nonresponse or deemed ineligible for the program), these utilities are directed to begin tracking information concerning those dropped and ineligible customers and how they were initially enrolled in the CARE Program (e.g. capitation agency, self certification, categorical enrollment, etc.).~~

[New] The Commission should conduct a low-income needs assessment, as ordered by California Public Utilities Code Section 382(d), as soon as practicable.

95. Pacific Gas and Electric Company's ~~proposed~~ final proposal for California Alternate Rates for Energy (CARE) Program changes, ~~as modified below~~ as contained in PG&E's Reply Testimony and Reply Brief, is approved, and to ensure consistency statewide, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (electric utilities) shall implement the statewide program changes, as follows:

~~(a) CARE electric customers with usage above 600% of baseline have 60 days to drop usage substantially or be removed and barred from the program for 24 months; and~~

(b) CARE electric customers with usage ~~between 400% - 600%~~ above 400% of baseline must undergo Post Enrollment Verification and apply for Energy Savings Assistance Program within 45 days of notice. The electric Utilities should develop and field a standard income verification document for these instances which may require customers to provide a state or federally verified form of

income proof, such as the household's annual tax returns.

(c) IOUs requiring enhanced Post Enrollment Verification should establish processes to work with those customers who may have difficulty producing government-verified income documentation because they do not file taxes or only receive cash compensation.

(d) ESA program auditors who visit a high usage household should be trained to make referrals to the Medical Baseline program.

(e) Effective notice in all of an IOUs supported languages must be provided to CARE customers with very high usage, informing them of the requirements they must fulfill to remain on the CARE program.

[New] A CARE customer consuming more than 600% of baseline would be removed from CARE if:

(a) The customer did not respond to an IOUs initial notification requiring enrollment in ESA, enhanced Post Enrollment Verification (PEV) and an energy audit;

(b) The customer responds to the requirement notification but fails the PEV process, or,

(c) The customer meets all the requirements for ESA Program participation, PEV and an energy audit, but then after 180 days, does not respond to the notification that he or she must file an appeal.

[New] IOUs would have an appeals process for customers who have usage above 600% of baseline. The appeals process would include an appeals form (in-language and with key information in large print and available in alternative formats on request). The process will commence at the end of the 180 day period and will contain two elements:

(a) A process for customers to demonstrate that their high usage is based on legitimate household needs; and

(b) A process to demonstrate that their reported household income is consistent with the registered usage in the meter.

108. ~~The proposal by Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company are required to file annually on May 1 a for-Tier 2 Advice Letter process for mid-cycle changes, as an alternative to petition to modify process, to California Alternate Rates for Energy and Energy Savings Assistance Programs is denied.~~ That describes their progress in meeting this decision's 1) ESAP integration metrics, 2) ESAP leveraging metrics, and 3 )requirement to increase the energy savings of the ESA program relative to cost.

127. The due date for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets applications for 2015-2018 is ~~March~~ July 1, 2014.