STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
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TO PARTIES OF RECORD IN APPLICATION 08-05-022 ET AL.

This is the proposed decision of Administrative Law Judge (ALJ) Sarah R. Thomas. It will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages. Opening comments are due on October 6, 2008. Reply comments shall be due on October 10, 2008 (not October 14, 2008) so that the Commission has time to review them before the October 16, 2008 meeting. Pursuant to Rule 14.3(d), we reduce the reply comment period by one day to ensure that reply comments are considered in the Commission's decision due to the Columbus Day holiday.

Comments must be filed either electronically pursuant to Resolution ALJ-188 or with the Commission's Docket Office. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Thomas at srt@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ JANET A. ECONOME for
Angela K. Minkin, Chief
Administrative Law Judge

ANG:sid
Attachment

Decision **PROPOSED DECISION OF ALJ THOMAS (Mailed 9/16/2008)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of the 2009-11 Low Income Energy Efficiency and California Alternate Rates for Energy Programs and Budget (U39M).	Application 08-05-022 (Filed May 15, 2008)
And Related Matters.	Application 08-05-024 Application 08-05-025 Application 08-05-026

DECISION ON LARGE INVESTOR-OWNED UTILITIES' 2009-11 LOW INCOME ENERGY EFFICIENCY (LIEE) AND CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) APPLICATIONS

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DECISION ON LARGE INVESTOR-OWNED UTILITIES' 2009-11 LOW INCOME ENERGY EFFICIENCY (LIEE) AND CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) APPLICATIONS

1. Summary

Today, we approve the energy-related low income programs totaling approximately $3.6 billion for our four major investor-owned utilities (IOUs) for 2009-11. The Low Income Energy Efficiency (LIEE) program budgets we approve today are almost $1 billion for that period, and the California Alternate Rates for Energy (CARE) subsidy budgets, based on recent experience, will be $2.6 billion.

With ratepayer funding at these levels, the low income programs can no longer operate with a business-as-usual approach. As we state in our recently adopted *California Long-Term Energy Efficiency Strategic Plan (Plan)*,[1] the LIEE program must evolve into a resource program that garners significant energy savings in our state while providing an improved quality of life for California's low income population.

The utilities affected by this decision have proposed significant LIEE budget increases, as we asked them to do in Decision (D.) 07-12-051. That decision set forth a new, strategic direction for the Commission's LIEE program. First and foremost, we emphasized the program's capacity for energy savings. Any program with energy efficiency in the title must, in fact, deliver such savings. We also acknowledged the LIEE program's contribution to the quality of life of low income communities. With this decision, we begin to create a framework within which to carry out this vision.

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[1] *See* www.californiaenergyefficiency.com.

This decision acts on the 2009-11 LIEE and CARE applications of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas). We adopt the following LIEE and CARE budgets for these IOUs:

	Adopted Budget Summary 2009-2011			
	LIEE			
Utility	2009	2010	2011	Cycle Total
PG&E	$109,303,867	$151,406,031	$157,345,062	$418,054,960
SCE	$60,312,799	$61,634,526	$63,691,040	$185,638,365
SoCalGas	$62,718,198	$77,054,706	$78,611,230	$218,384,134
SDG&E	$21,166,172	$21,166,173	$20,401,498	$62,733,842
Total	$253,501,036	$311,261,435	$320,048,831	$884,811,302
	CARE			
	2009	2010	2011	Cycle Total
PG&E	$470,011,651	$479,331,337	$489,228,435	$1,438,571,423
SCE	$208,541,000	$213,312,000	$216,885,000	$638,738,000
SoCalGas	$139,132,786	$140,737,280	$142,489,637	$422,359,704
SDG&E	$49,961,816	$51,516,795	$53,064,454	$154,543,065
Total	$ 867,649,262.40	$884,899,422.01	$901,669,537.33	$2,654,212,191.74

The key changes this decision makes to the IOUs' budget applications are in the following areas:

- *IOUs Shall Focus on Customers with High Energy Use, Burden and Insecurity.* We direct IOUs to target increased outreach to LIEE customers who are high energy users, have high energy burden (the ratio of their energy bills to income) and have high energy insecurity (late payments, threatened service shut-off).

- *IOUs Shall Adopt a "Whole Neighborhood Approach" to Marketing and Installation of LIEE Measures.* IOUs shall minimize costs and greenhouse gas emissions in delivering LIEE measures to low income households. By focusing efforts on whole "neighborhoods" – a term we define expansively – they will be able to treat more households.

- *IOUs Must Serve all Eligible Low Income Customers.* In emphasizing the customers with high energy use, burden or insecurity, the IOUs shall not neglect low income customers with lower energy use.

- *Energy Efficiency Education Shall Occur Near the Time of Measure Installation.* We require that the IOUs' energy efficiency education – in which the IOUs inform low income customers about the benefits of energy efficiency – occur close in time to installation of measures, rather than in a vacuum.

- *Single Statewide Marketing, Education and Outreach (ME&O) Program.* We grant the IOUs' requested ME&O budgets for 2009-11, but only allow them to spend approximately 1/3 of that budget on their current marketing program. The *Plan* and our decision adopting it have set the stage for an integrated, statewide ME&O program for energy efficiency, including LIEE, starting late in 2009 or early in 2010. We expect the single statewide ME&O program will have a comprehensive focus on motivating consumers to adopt energy efficiency as a way of life. The remaining 2/3 of the IOUs' budget shall be targeted toward and coordinated with the statewide ME&O program.

- *The IOUs Shall Enhance Outreach to the Disabled, Who Represent Approximately One-Third of LIEE-Eligible Customers.* Enhanced outreach and service to the disabled community, and efforts to make LIEE programs accessible to this community, will go a long way toward increasing LIEE market penetration, because a large segment of the LIEE-eligible community is disabled.

- *LIEE Budgets Shall Promote Relevant Workforce Education and Training.* The LIEE budget should form part of the spectrum of resources available to educate and train the next generation of workers providing LIEE services to low income households.

- *Lighting Programs Shall Support New Laws and the Rapidly Changing Marketplace.* Significant new state and federal laws are rapidly transforming the lighting market. We approve continued lighting programs, coupled with educating LIEE customers about new energy efficiency lighting laws. Lighting program budgets, including LIEE programs, will diminish as market transformation occurs.

- *Customers Who Have Not Received LIEE Measures Since 2002 Shall be Eligible for New Measures.* We revise the "10 Year Go Back Rule" to require IOUs to provide LIEE measures to customers not treated since 2002, when many new measures were added to the LIEE program.

- *Low Income Customers Shall Receive Measures with High Energy Savings, Even if They Need Fewer Than 3 Measures.* We change the "3 Measure Minimum Rule" in favor of a rule that allows IOUs to install one or two measures in the home as long as those measures produce significant energy savings, according to a table we furnish with this decision.

- *The LIEE-Eligible Population is Larger than the IOUs' Estimates.* We modify the IOUs' estimates of the eligible LIEE population because more customers are willing and eligible to participate in the program than the IOUs estimate.

- *We Will Assess IOUs' Success in Integrating Their Own Demand Side Programs Based on Objective Criteria.* We have long required IOUs to integrate their demand-side programs, but now will require the IOUs to demonstrate success based on measureable criteria.

- *We Will Judge the IOUs' Efforts to Leverage LIEE Marketing and Measure Budgets With Other Government and Private Programs Based on Objective Criteria.* We will measure the IOUs' success in leveraging the LIEE program with external resources using objective criteria, including marketing dollars saved, energy savings gained, and increases in customer enrollment.

- *We Grant the IOUs' Requests to Conduct Some, But Not All, Pilots and Studies.* The IOUs must also do a better job of communicating the results of their pilots and studies to the Commission, other IOUs and other stakeholders.

- *We Give the IOUs Limited Authority to Shift LIEE and CARE Program Funds During the 2009-11 Period. Generally, we allow certain shifting up to 15% of budgets, except where it affects administrative budget categories.*

- *We Set A 90% CARE Penetration Requirement for All IOUs.* While we do not abandon a 100% CARE penetration target, we recognize the difficulty of reaching this goal. Instead, we make 90% penetration a requirement.

2. Background

This is the first budget decision the Commission has issued on the large IOU LIEE and CARE budgets since we articulated a major new policy direction for LIEE in D.07-12-051. In that decision,[2] we found that LIEE programs, in addition to promoting the quality of life of eligible customers, should serve as resource programs. Resource programs are designed to save energy, limit the need for new power plants, and curb greenhouse gas emissions. In D.07-12-051 and our *Plan*, we have stated a long-term vision for the LIEE program, as follows:

> By 2020, 100% of eligible and willing customers will have received all cost effective Low Income Energy Efficiency measures.[3]

We thus made clear that the large IOUs' 2009-11 LIEE budget applications should: (1) treat LIEE as a resource program by focusing on energy savings, in addition to customers' quality of life, (2) propose substantial budget increases so as to provide LIEE measures for 25% of eligible and willing customers in the 2009-11 period, (3) emphasize long term and enduring savings, rather than quick

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[2] In D.06-12-038, we presaged many of the decisions we reached in D.07-12-051.

[3] *California Long-Term Energy Efficiency Strategic Plan*, August 2008, p. 25. The *Plan* is available at http://www.californiaenergyefficiency.com/index.shtml.

fixes, and (4) focus LIEE programs on customers with high energy use, while continuing to serve all eligible low income populations.

To a great extent, the IOUs met our challenge, and proposed budgets and programs that meet the foregoing requirements. However, in some areas, their applications fall somewhat short of these goals, or their plans need further elaboration, and we discuss those issues in detail in this decision.

Prior to the May 2008 deadline for IOUs to file their budget applications, our Energy Division staff conducted two workshops on issues pertinent to the applications – cost effectiveness, program delivery, and ME&O, as ordered in D.07-12-051.[4] The IOUs then filed their applications on May 15, 2008. After receiving the IOUs' applications, we received protests from the Commission's Division of Ratepayer Advocates (DRA) and the Solar Alliance,[5] and replies from PG&E, SoCalGas, SDG&E and SCE. Thereafter, the assigned Commissioner and Administrative Law Judge (ALJ) sent out six rulings seeking additional information from the IOUs (and in some cases allowing parties to weigh in on the issues the rulings addressed).[6] The IOUs served and filed this additional information sequentially, and DRA filed a response to the ALJ's second ruling.

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[4] *See Administrative Law Judge's Ruling Scheduling Workshop on Matters Relating to Cost Effectiveness Tests and Models,* filed February 7, 2008 in Rulemaking (R.) 07-01-042. Prior to the workshops, numerous parties filed comments on several Energy Division questions related to the workshops.

[5] The issue the Solar Alliance raised – whether low income customers wishing solar installations had to already have LIEE measures installed before receiving solar facilities – was resolved prior to this decision. All IOUs concede, and we agree, that low income customers may receive solar facilities (1) if they have already received all feasible LIEE measures, or (2) if they are on the waiting list to receive such measures.

[6] *Assigned Commissioner's Ruling Ordering Large Investor-Owned Utilities to Comply With Prior Commission/Commissioner Directives,* filed June 13, 2008; *Administrative Law Judge's Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-11 Low income*

Footnote continued on next page

Before the June 24, 2008 Prehearing Conference (PHC), the ALJ allowed parties to file PHC statements,[7] and at the PHC, the parties discussed several of the issues raised in the rulings. The ALJ also permitted parties seeking workshops to file information on what they believed the workshops should cover; DRA filed and the Community Action Agency of San Mateo County, Inc., and the Association of California Community and Energy Services (ACCES) emailed a response on June 27, 2008.

On July 16, 2008, the assigned Commissioner and ALJ issued their Scoping Memo, which included within the proceeding's scope all issues the parties raised except two issues: updates of cost effectiveness tests for this budget cycle, and whether to allow IOUs to focus their LIEE programs on customers/communities with high energy usage (which we call tiering/segmentation below). The Scoping Memo determined that D.07-12-051 had already decided the latter issue.

Energy Efficiency/CARE Applications, filed June 17, 2008; *Administrative Law Judge's Second Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency/CARE Applications,* filed June 25, 2008; and *Administrative Law Judge's Third Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency/CARE Applications,* filed July 16, 2008. The ALJ issued her fourth and fifth rulings by e-mail. The second and third ALJ rulings explicitly allowed other parties to comment on the issues raised.

[7] PG&E, A World Institute for Sustainable Humanity (A W.I.S.H.), Quality Conservation Services, Disability Rights Advocates (DisabRA), DRA, Energy Efficiency Council, Community Action Agency of San Mateo County, The East Los Angeles Community Union and the Maravilla Foundation, Bo Enterprises, and the Solar Alliance filed PHC statements; all but PG&E filed their statements in our predecessor proceeding, R.07-01-042, since closed. We consider those statements, and the other record established in R.07-01-042, in this decision.

On July 17, 2008, the ALJ and Energy Division staff held a day-long workshop focused on several of the large issues we discuss below.[8] The ALJ asked the parties to submit briefs discussing any issue raised in the rulings, Scoping Memo, or workshop on August 1, 2008; DRA, the Greenlining Institute (Greenlining), DisabRA, A W.I.S.H., Community Action Agency of San Mateo County, Inc./ACCES/The East Los Angeles Community Union (TELACU)/Maravilla Foundation, Latino Issues Forum (LIF), Energy Efficiency Council, Richard Heath & Associates (RHA), PG&E, SoCalGas, SDG&E and SCE each filed a brief.

This decision is therefore based on a significant written record, as well as the parties' oral input at the PHC and the workshop. While some parties claim we should have held hearings, they did not raise any disputed issue of material fact that required resolution by hearing.

Indeed, most of the parties calling for hearings focused on an issue already decided in D.07-12-051: whether we should have IOUs concentrate at least part of their LIEE programs (including marketing and/or measure installation) on high energy users. In D.07-12-051, we ordered that the IOUs, in their budget applications, "propose specific program participation goals in specific population sectors or segments and budgets designed to meet those goals, consistent with D.06-12-038." D.06-12-038 similarly held that "SCE, SDG&E, PG&E and SoCalGas shall file applications for 2009-11 LIEE and CARE budget

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[8] The Energy Division staff prepared and distributed several handouts at the workshop, available at http://www.liob.org/resultsmt.cfm?meetingtype=Public%20Meeting, and the workshop was also transcribed.

authority and program modifications [that] propose specific program participation goals in specific population sectors or segments…."[9]

Further, the direction that LIEE should be a program designed to meet the state's resource goals – another issue about which several parties call for hearings – first appeared in D.06-12-038 almost two years ago:

> For LIEE, we consider a second criterion and one that we have not emphasized as a primary objective in past years, namely that the *money spent on LIEE programs should, where possible, promote energy efficiency and thereby contribute to resource adequacy*. We have generally considered the main objectives of low income programs to be the provision of services and installations that lower the bills of low income customers and promote their safety and comfort. LIEE has been, for the most part, an equity program. We recognize, however, that LIEE programs benefit all California customers because those programs contribute to a more reliable and environmentally sound energy system.[10] (Emphasis added.)

Thus, the time has come and gone for parties opposing tiering or segmentation of customers to weigh in. We now set forth the details of implementation.

3. Tiering/Segmentation of LIEE Population to Maximize Energy and Bill Savings

3.1. Introduction

We allow LIEE marketing and outreach efforts to focus on customers with high energy use, burden or insecurity (as defined in Footnote 15 below) or other needs. However, we expect the IOUs to install all feasible measures in the homes of customers eligible for LIEE. The installation efforts shall take place based on a

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9 D.06-12-038, Ordering Paragraph (OP) 23.

10 *Id*. p. 7.

"Whole Neighborhood Approach," under which the IOUs install measures on a neighborhood-by-neighborhood basis. Neighborhoods include rural communities.

This approach to customer segmentation will increase energy savings, reduce overhead and transportation costs and encourage leveraging with local entities. For each step of program delivery, the Commission directs the utilities and contractors to employ the following approaches:

- *Identification*: Identify neighborhoods with large numbers of low income customers with the aid of census or other demographic information. Within each neighborhood, identify customers based on energy usage. We expect the IOUs to use their customer databases to the maximum extent possible to target neighborhoods and customers before sending contractors into the field.

- *Outreach*: Target customers within each neighborhood based on energy usage, with high energy users targeted more aggressively.

- *Enrollment*: Permit targeted self-certification in certain neighborhoods.

- *Assessment/Energy Audit and Measure Installation*: Conduct a site-specific energy audit at each residence. Install feasible measures based on housing type and climate zone; increase measure-level cost effectiveness.

Finally, we expect the IOUs to minimize the number of times they visit a home. We expect measure installation to occur at the same time as energy audits, except where impossible.

3.2. Background

In D.06-12-038, which approved budgets for the most recent LIEE budget cycle, 2007-08, the Commission expressed concern that the "[u]tility budgets presented in these applications are not 'goals-based.' This approach to budgeting for LIEE and CARE programs might have benefited from the KEMA Needs Assessment Report [KEMA Report], which the utilities did not have at the time they filed their applications."[11] The decision required that for the next budget cycle, 2009-11, the IOUs should include participation goals in population sectors or segments, with budgets designed to meet those goals. This requirement is in line with Section 2790(d) of the Public Utilities Code,[12] which reads, "Weatherization programs shall use the needs assessment pursuant to Section 382.1 to maximize efficiency of delivery."

The KEMA Report was issued in September 2007. Thus, the proposed budget applications for 2009–11 constituted the first set of LIEE and CARE budget applications able to utilize the information presented. The assessment was conducted to assess the energy-related needs of the state's low income population. Specifically, the KEMA Report makes recommendations to enhance program delivery in specific geographic areas and among specific demographic groups, implying that customer segmentation should be pursued in order to establish an optimal design for program delivery. The KEMA Report states that

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11 D.06-12-038, p. 62, citing KEMA Report, submitted to the Commission on September 7, 2007. On September 27, 2007, the ALJ issued a ruling seeking the parties' comments on how the KEMA Report could be used to develop LIEE program strategies. *ALJ Ruling Seeking Comments on Issues Raised in the KEMA Report and on Natural Gas Appliance Testing Issues*, filed September 27, 2007 in R.07-01-042. Thus, we disagree with the assertion of the Energy Efficiency Council in its August 1, 2008 brief that the "KEMA report has never officially been scrutinized by public hearings or public comment." *Opening Briefs (sic) of the Energy Efficiency Council on the Utility Applications for Approval of the 2009-2011 Low income Energy Efficiency and California Alternate Rates for Energy Programs and Budgets,* filed August 1, 2008, p. 7.

12 Unless otherwise stated, statutory references are to the California Public Utilities Code.

LIEE should target high consumption households for program participation while simultaneously offering measures to low energy users.[13] Following the recommendations, the Energy Division staff prepared a program delivery model prioritizing LIEE outreach and installations according to geographic density and customer energy usage patterns, designed to ensure that all low income customers' energy needs would be met.

In D.07-12-051, the Commission held that "[t]he complementary objectives of LIEE programs will be to provide an energy resource for California while concurrently providing low income customers with ways to reduce their bills and improve their quality of life."[14] In order to meet these objectives, the Commission directed the utilities to devise goals by population segments and consider the staff proposed delivery model as input for the *Plan* and the 2009-11 budget applications. In workshops held pursuant to D.07-12-051, the parties discussed segmentation plans with the intent of using a new model to serve more customers.

In their 2009-11 budget applications, the utilities' proposed strategies include a more segmented approach to marketing, outreach, assessment and measure installation. The utilities also seek higher budgets than in previous years in order to meet the programmatic initiative of reaching all eligible and willing households by 2020.

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[13] *Id*.

[14] D.07-12-051, p. 5.

3.3. IOUs' Proposals

3.3.1. Identification and Outreach

PG&E is currently gathering the data necessary to identify customer segments in order to engage in segmented marketing and outreach. Jointly with SCE, PG&E proposes a study (which we approve later in this decision) to increase the precision of targeting methods to customer segments. Target populations for this study will include high energy users, medium energy users, low energy users, in-language customers (customers with limited English proficiency), and customers with high energy burden and energy insecurity.[15] PG&E intends to use this data to better target these customer segments with appropriate messages regarding the LIEE program. Until this data is readily available, PG&E plans to identify and target customers using its CARE customer enrollment lists.

Like PG&E, SCE plans to use the information gathered through the customer segmentation study to target future customer groups. In the meantime, SCE plans to segment customer groups by climate zone and conduct outreach efforts accordingly. Specifically, SCE plans to set participation goals to be pursued through marketing and outreach efforts based on mild climate zones (climate zones 6, 8, 9) and more extreme, inland climate zones (climate zones 10, 13, 14, 15, 16). Thus, it will direct ¾ of its marketing dollars to households in hot climate zones, and the remaining ¼ to milder zones.[16] The proposed outreach

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[15] Energy burden represents the portion of a household's total income that is spent on energy bills. Those customers spending a large portion of their total income on energy bills have a high energy burden. High energy insecurity refers to customers who have trouble paying their bills, late payments, and actual or threatened utility shutoffs.

[16] We allow this split, as long as SCE installs all feasible measures in all homes.

strategies to target customers in each zone include deploying mobile energy units, sending direct mail, using media and press releases, and distributing door hangers, fact sheets and brochures.

SDG&E and SoCalGas plan to identify neighborhoods with a high density of customers who are likely to meet the LIEE eligibility requirements. They will also identify CARE customers in these neighborhoods who have not enrolled in LIEE. This information will provide SDG&E and SoCalGas with a list of eligible LIEE customers, which the utilities will segment by energy usage. They plan to focus segmented outreach efforts to customers who are high energy users, believing such an approach will result in increased energy savings as soon as possible. The strategies for reaching high users include canvassing, direct customer contact by customer service representatives and telemarketing. SDG&E and SoCalGas do not intend to exclude low energy users and plan to reach this group via direct mail and email blasts. In addition, SDG&E and SoCalGas propose the development of multiple marketing materials aimed at reaching customers of various socioeconomic backgrounds.

3.3.2. Enrollment, Assessment/Energy Audit and Measure Installation

For measure installation, PG&E proposes three separate electric tiers (customers with high, medium and low usage) and two separate gas tiers (customers above baseline and customers below baseline). Though PG&E plans to serve customers in all tiers, the segmentation strategy is designed to ensure that customers receive measures depending upon their energy needs. The model also includes climate related measures and a "hardship override mechanism" through which customers with a lower energy use can receive energy efficiency measures above their energy needs.[17]

SCE states that customers will receive all feasible measures. However, customers may be eligible for different measures depending upon climate zone. For example, the major measures available in mild climate zones involve lighting (compact fluorescent lightbulbs (CFLs), torchieres, and hard-wired porch lights), pre-1993 refrigerators and pool pumps. Customers in more extreme climate zones are more likely to be eligible for heating, ventilation and air conditioning (HVAC) measures in addition to the aforementioned measures. Overall, SCE plans to serve 30,822 customers per year in extreme climate zones at a cost of $31 million. In mild climate zones, SCE plans to serve 44,422 customers at a cost of $11.5 million.

In terms of direct measure installation, SDG&E and SoCalGas plan to conduct a customized and detailed energy audit that focuses on the needs of each household. The audit will take into consideration a household's age and structure as well as the customer's energy consumption pattern. SDG&E will group the customers into tiers by household energy usage (high, medium, and low). SoCalGas will identify customers by high usage (above baseline) and low usage (below baseline) and install measures accordingly. Though the customers will be categorized by energy usage, SoCalGas will not reduce the number of measures low energy users receive.

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[17] As noted below, we disapprove segmentation in measure installation, including any program that delivers measures with less cost effectiveness only to customers with high energy use, as PG&E proposes.

3.4. Parties' Positions

DRA recommends that the Commission not approve reductions in measure delivery, claiming that this strategy is untested and will impact the welfare of lower-use customers. According to DRA, households with very low incomes who reside in smaller dwellings are most likely to be low energy users. As DRA reasons, these customers are more likely to be renters – a group that must receive LIEE treatment in proportion to their percentage of the low income population, as set forth in D.07-12-051. Additionally, DRA believes that the cost effectiveness tests presented in the applications are unreliable and that cost effectiveness should not be the only criterion used to develop utilities' portfolios.

A W.I.S.H. applauds the Whole Neighborhood Approach, which the Energy Division previewed at the July 17, 2008 workshop. Additionally, A W.I.S.H. supports the segmentation approach if used to ensure that all segments of the low income population are reached. However, A W.I.S.H. believes it is important to distinguish between segmentation in outreach and measure installation. A W.I.S.H. supports the concept that high energy households are targeted and that certain customer segments require more aggressive outreach efforts. However, A W.I.S.H. disputes the proposal to provide *measures* based on a customer's energy use, asserting that such an approach unfairly impacts low energy users, overlooks health and safety opportunities, results in expensive bureaucracy, and ignores the transient nature of the low income population.

Greenlining supports outreach to and selection of low income neighborhoods as a segmentation approach. The group points out the overlap of underserved ethnic groups in neighborhoods with a high density and incidence of poverty. Greenlining recommends the targeting of such groups through ethnic media, which we discuss in its own section elsewhere in this decision.

Greenlining supports deploying mobile energy units at community events such as street fairs.

In joint comments, ACCES, the Community Action Agency of San Mateo County, Inc. (CAASM), the East Los Angeles Community Union (TELACU) and the Maravilla Foundation (Maravilla) claim that state law mandates the installation of all feasible measures in a home treated through the LIEE program. They argue that the treatment of a home should not be contingent on the type of user presently occupying the home, given transiency issues and potential health, comfort and safety concerns.

The Energy Efficiency Council suggests incrementally testing the new approach while maintaining the current program design. The Energy Efficiency Council believes the tiered/segmented approach does not give adequate consideration to the issue of transience and unfairly penalizes customers who have tried to keep their energy usage low.[18]

According to Bo Enterprises, a tiered/segmented approach will reduce the number of measures installed per job, thereby limiting the cost a contractor is able to recover from treating a household. The issue of cost recovery poses a concern to this party, given that the prices associated with going out on jobs average $100 per trip and are likely to increase.[19]

3.5. Discussion

3.5.1. Introduction

The Commission adopts a "Whole Neighborhood Approach" to customer segmentation that takes geographic segmentation as well as energy usage into

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[18] *Comments of the Energy Efficiency Council*, filed June 16, 2008.

[19] *Prehearing Conference Statement of Bo Enterprises*, filed June 10, 2008.

consideration in all aspects of program delivery. For purposes of the Whole Neighborhood Approach, a "neighborhood" is a group of households in a particular local area. We implement the Whole Neighborhood Approach model to reduce program costs, leverage the availability of resources at a community level, and serve a greater number of customers. The IOUs may already be employing certain aspects of the Whole Neighborhood Approach in terms of segmentation by neighborhood. However, we think full implementation of this model requires a firm commitment to reducing overhead and transportation costs in carrying out this approach. The IOUs shall make a concerted effort to work directly with local governments, local agencies, local leaders and communities in segmenting by neighborhood, a key strategy in the *Plan.*[20]

Given our stated commitment to making LIEE an energy resource program, customer energy usage should be a segment in the outreach employed by the utilities and their service providers. High energy users are often faced with circumstances beyond their control. For example, high energy users are more likely to need retrofits to their housing structure in order to reduce their energy consumption. Climate zone could also be a factor resulting in high energy usage. The reduction of energy usage through targeted outreach to high energy users honors our pledge to the environment as well as reducing customer hardship.

Additionally, targeting high energy users will assist those customers who exhibit more pressing energy needs, given their higher likelihood of energy burden and insecurity. We define energy burden as the portion of total household income that goes toward paying energy bills. According to the

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[20] *Plan*, p. 93.

KEMA Report, over 43% of the low income population in California spends more than 5% of its total household income on energy. Out of these households, 66% are also energy insecure, which means the customers experience difficulty in paying energy bills and actual or threatened utility shutoffs. As outlined in the chart below, energy burden and energy insecurity demonstrate a high correlation with customers with high energy usage.

Segments of Low Income Population			
	Energy Burden: Percent of Household Spending More than 5% on Energy	Energy Insecurity: Percent of Households that are "Insecure"	Percent of Low Income Population
All Low Income Households	43%	66%	-
High annual electricity consumption (>7,000 kwH/year)	75%	80%	27%
High annual natural gas consumption (>500 therms/year)	70%	77%	26%
High summer electricity consumption (>1,500 kWh/summer months)	65%	77%	41%
High winter electricity consumption (>1,500 kWh/winter months)	65%	78%	36%
High winter natural gas consumption (>500 therms/winter months)	75%	74%	25%

Our approach to segmentation is designed to ensure that the program is delivered in an effective manner and achieves energy savings. Segmentation does not mean that willing and eligible customers within customer segments will be subsequently excluded from program delivery. As set forth in our adopted programmatic initiative, all willing and eligible customers are to be served by the LIEE program.

3.5.2. Identification and Outreach

The first step in program delivery involves identifying customers for LIEE participation and reaching out to these customers. Following past Commission decisions, clear goals for population sectors must be established in order to achieve greater effectiveness in this step of program delivery. To meet the programmatic initiative of serving all willing and eligible households, we must define population segments and develop participation goals and strategies to serve each population segment.

The Commission agrees with Greenlining and A W.I.S.H. that a targeted method to locate low income neighborhoods serves as a pragmatic approach to maximize LIEE penetration. The process of identifying such neighborhoods (*e.g.*, by Zip7 groups,[21] city blocks, and similar groupings) sets the platform for the "Whole Neighborhood Approach" to be utilized in every subsequent step of program delivery. At a given point in time, an IOU will focus its program delivery efforts on a specific set of neighborhoods, maximizing LIEE penetration prior to moving on to the next set of neighborhoods.

The KEMA Report identifies the "most promising" segment for LIEE program delivery as customers exhibiting the highest levels of energy insecurity, energy burden and need for energy efficiency measures. As described above, high energy users typically fall into these categories. To reduce this type of energy hardship and in our effort to make LIEE an energy resource, we concur with the general approach set forth by the IOUs that high energy users should be identified and targeted as a customer segment. We also agree with A W.I.S.H. that high energy households should be targeted for program enrollment, though not to the exclusion of other customers.

3.5.2.1. Identification

While we support giving IOU contractors and outreach workers flexibility to generate leads, the IOUs should be doing more up-front work to provide those involved in the outreach process with information on specific neighborhoods and households that qualify for LIEE. The IOUs have far more technical capacity

[21] ZIP7s are sub zip-codes and serve as the smallest geographical area for which reliable income and demographic data is available. The analysis of sub zip-codes allows the utility to locate small pockets of low income households. ZIP7s can be thought of as "neighborhoods" for purposes of this program delivery model.

and customer data at their disposal than most agencies and contractors involved in program delivery. Moreover, customer segmentation requires a strategic and deliberate approach to program delivery, which should be guided by the IOUs. All in all, the tools, analytical expertise and local contacts maintained by each utility should be employed to carefully devise a geographic approach to segmentation.

The utilities have several tools at their disposal to locate such neighborhoods and the customers in these neighborhoods. For instance, some of the IOUs already use census data (generally, ZIP7 information) and lists of customers receiving the CARE subsidy to identify pockets of low income customers in their service territory. We encourage the utilities to take additional steps to seek out data on underserved neighborhoods in their service territory. The utilities can also locate neighborhoods in need of revitalization by working with outside entities, including local governments and agencies.

SDG&E's and SoCalGas' proposal includes identifying neighborhoods with a high density of low income customers and the households within each neighborhood that have not been treated by the LIEE program. SDG&E and SoCalGas will first locate neighborhoods with a high density of low income customers and thereafter segment eligible customers within each neighborhood by energy usage. We agree with this approach and require PG&E and SCE to use it as well.

Additionally, we acknowledge concerns expressed by DRA that other customers may have unmet energy needs. For example, customers with late utility bill payment histories and customers on medical baseline are very likely to need energy efficiency services provided through the LIEE program. The IOUs should identify these customers within each neighborhood. The utilities can locate this information using the CARE databases. The CARE databases or customer lists provide important information on the customer base shared by both LIEE and CARE.

3.5.2.2. Outreach

The Commission recognizes the importance of increasing LIEE outreach efforts in order to target these customer segments and meet 25% of its programmatic initiative over the next budget cycle. However, targeting each customer segment must be done in a strategic, low-cost manner in order to spend more money on the direct installation of measures. Outreach methods to pre-identified neighborhoods and the customers within each neighborhood should be conducted simultaneously, thereby supplementing one another.

Certain outreach methods will be geared toward the entire neighborhood, simultaneously reaching a wide array of customers. Greenlining suggests cooperating with community stakeholders and leaders in order to reach more customers in a specific location. SCE proposes the deployment of mobile energy units to community events, which can be used in conjunction with tabling at such events.

We require the IOUs to use these outreach methods, along with press releases and advertising in local papers, especially ethnic media, to generate publicity for LIEE in specific neighborhoods. The use of local and ethnic media should be especially effective when the utility is partnering with local governments and agencies to target a specific neighborhood, which we also require the utilities to do. We expect that outreach conducted by neighborhood segment will generate word of mouth publicity for the LIEE program, thereby making customer-to-customer referrals a more important source of new LIEE customers.

The IOUs should consider the particular neighborhood and its population when deciding which neighborhood outreach methods to employ. According to the KEMA Report, remote rural areas (without a lot of low income households per square mile) and areas with a high concentration of low income households (typically urban areas) require different approaches to targeting customers for program enrollment. The IOUs should work with local governments and agencies to understand which strategies work best in which neighborhoods. By partnering with such entities, the utilities can take advantage of pre-existing, built-in networks that have the trust and experience in working with the pre-identified customer base.

Other outreach methods under the new program delivery model must be customer specific. Again, we support the approach put forth by SDG&E and SoCalGas to reach out to customers within each neighborhood by energy usage. We require the utilities to follow this model, using more aggressive outreach to target high energy users (and customers with late payment histories and on medical baseline), though not to the exclusion of low energy users. For example, high energy users, particularly those in the third, fourth and fifth rate tiers, may take interest in the LIEE program via direct customer contact by customer service representatives while low energy users may be targeted through less costly methods, such as direct mail and email blasts. The utilities must utilize the existing CARE infrastructure to the greatest extent possible in order to reduce the costs of such outreach methods.

3.5.3. Enrollment, Assessment/Energy Audit and Measure Installation

The Commission agrees with the concern expressed by A W.I.S.H. about the high initial infrastructure costs required to reach a home. The KEMA Report also addresses this issue, stating that the LIEE programs go to considerable expense in identifying customers to target and enroll customers, a few measures in many homes. The Commission calls for the reduction of such overhead costs in order to ensure that customers receive the greatest number of measures possible under the approved funding levels. With the objective to serve 25% of all eligible and willing customers in the next budget cycle, it is imperative that those involved in program delivery employ more cost effective approaches to enrollment, assessment and measure installation.

For the purpose of reducing overhead and transportation costs, we require those involved in enrollment, assessment and measure installation to focus on specific neighborhoods as segments. The focus on certain neighborhoods will reduce costs required to enroll, assess and treat a home. For example, the reduction of travel time from house to house can save contractors and outreach workers both time and cost. The approach also reduces transportation costs, in turn decreasing the program's carbon footprint, consistent with the Commission's goal of reducing statewide greenhouse gas emissions. The identification of and outreach to specific neighborhoods will lay the groundwork for this approach.

Additionally, the focus on a particular neighborhood creates important opportunities for leveraging local assistance. We encourage the utilities to devise creative ways to encourage involvement by local groups and individuals in conducting enrollment, assessment and measure installation. For instance, individuals, community groups and residents in each respective neighborhood may offer their assistance. These volunteers could complete the tasks that require minimal technical expertise, such as CFL installation.

3.5.3.1. Enrollment

To ensure that all eligible and willing customers are served by 2020, it is crucial to ease barriers to LIEE enrollment in order to increase LIEE program penetration. Though this issue was not discussed in the budget applications, it is an important, non-controversial component to improve program delivery.

D.05-10-044, issued in light of anticipated high natural gas prices in the winter of 2005-06, eased enrollment processes in certain areas. Specifically, the Commission allowed SDG&E and SoCalGas to use 2000 census tract data to identify neighborhoods with 80% of the households at or below 200% of the federal poverty line. In these areas, SDG&E and SoCalGas could suspend income documentation requirements and instead enroll customers in the LIEE program through self-certification.

SDG&E reported that self-certification resulted in a 21% increase in customers enrolling in the LIEE program during November and December of 2005 compared to the level of enrollment during the same period in 2004. SoCalGas reported an increase in customer enrollment by approximately 12% over the same period. In D.06-08-025, the Commission allowed SoCalGas and SDG&E to continue enrolling customers in these areas using self-certification for the rest of 2006. The self-certification proposal raised no objections and offered great appeal as it cut costs and increased program participation. Although certain risks existed that non-qualifying customers would receive program benefits, we found the benefits to be offsetting. In D.06-12-038, the Commission approved the continuation of targeted self-certification and enrollment for 2007-08.

We approve the continuation of this approach for SDG&E and SoCalGas in the 2009–11 budget cycle. Additionally, we require PG&E and SCE to also implement targeted self-certification and enrollment in areas of their service territory where 80% of the customers are at or below 200% of the federal poverty line. Given that self-certification has been met with success in increasing LIEE penetration, extending this approach through the next budget cycle will help the IOUs meet the programmatic initiative of serving 25% of the eligible population.

To make LIEE an energy resource, it is important to provide energy efficiency services to as many customers as possible at the lowest possible cost.

For the sake of coordinating subscribership between low income programs overseen by the Commission, the categorical eligibility requirements that apply to the California LifeLine Telephone Program (LifeLine)[22] should be the same as those for LIEE and CARE. The IOUs shall allow customers receiving federal means-tested Supplemental Security Income (SSI) to qualify for LIEE and CARE categorically. This allowance will ease the enrollment process and reduce the transaction costs that can limit customer participation in LIEE.

Other than self-certification, categorical eligibility is another enrollment procedure designed to ease enrollment processes in both LIEE and CARE. The Commission approved utilities' proposals to implement categorical eligibility procedures in D.06-12-038. With categorical eligibility, customers who can provide documents proving participation in one of several state or federal programs do not need to provide additional income documentation in order to qualify for enrollment in LIEE and CARE.

To be categorically eligible for LIEE and CARE, customers must prove enrollment in the following programs: Medi-Cal, Food Stamps, Temporary Assistance to Needy Families (TANF, the successor to Aid to Families with Dependent Children (AFDC)); the Women and Infant Children program (WIC), the federal Low Income Home Energy Assistance Program (LIHEAP), administered in California by the Department of Community Services and Development (DCSD); and Healthy Families Categories A & B.

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[22] LifeLine provides discounts to basic telephone service for eligible California telephone customers.

LifeLine, another low income program overseen by the Commission, also uses categorical eligibility to ease enrollment barriers. In LifeLine, customers of landline phone services receive a minimum of 50% off basic service, $10 off the connection fee, and exemption from all California telecommunications surcharges. At 150% of the federal poverty level, the threshold for qualifying for LifeLine is lower than LIEE and CARE. However, LifeLine allows customers categorical enrollment for programs that LIEE does not. Specifically, customers can be categorically eligible for Lifeline by proving enrollment in the following programs: Medi-Cal; Food Stamps, TANF; WIC; LIHEAP; Healthy Families Category A; SSI; Federal Housing Assistance/Section 8; NSL Free Lunch Program; Bureau of Indian Affairs General Assistance; and Head Start Income Eligible (Tribal only).

In R.04-12-001, the Commission addresses LifeLine and ways to pursue synergies and coordinate subscribership between the Commission's low income programs. Additional state or federal programs should be included under LIEE and CARE categorical eligibility processes, thereby achieving greater coordination in subscribership between LifeLine and the state's low income energy programs. In doing so, we permit the utilities to also use SSI as a program through which customers can qualify for both LIEE and CARE by demonstrating proof of enrollment. Additional programs may also be added to further achieve coordination in subscribership and ease enrollment processes; the IOUs should seek such additions by Advice Letter.

3.5.3.2. Assessment/Energy Audits, Measure Installation and Inspections

In these final stages of program delivery, we require the IOUs to utilize geographic segments in carrying out assessment/energy audits, measure installation and inspections. By following the Whole Neighborhood Approach, the utilities should continue to demonstrate reduced overhead, transportation and installation costs. The utilities should serve all willing and eligible customers in a targeted geographic area prior to moving on to the next targeted geographic area.

However, and for several reasons, customers should not be segmented by energy usage in the direct installation of measures. Instead, we require a "whole house" approach to meeting customer's energy needs. This approach focuses on making the state's entire housing stock energy efficient, rather than installing small measures in a scattering of homes on a piecemeal basis.[23] Each house receives an individualized energy audit so that it receives all feasible measures necessary for maximal energy efficiency.

Utilities will install measures in a customer's home based on housing type and climate zone. This approach will require additional funding as utilities strive to meet the programmatic initiative of serving all willing and eligible customer. Ultimately, however, the Whole Neighborhood Approach will reduce programmatic costs required to carry out this provision. Moreover, the new programmatic focus on cost effectiveness (discussed in the next section of this decision) eliminates certain measures from program installation, thus further reducing costs.

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[23] The *Plan* (p. 17) describes the whole house approach as follows:

> The overall objective [of the approach] is to reach all existing homes and maximize their energy efficiency potential through delivery of a comprehensive package of cost-effective, whole-house energy efficiency retrofit measures—including building shell upgrades, high-efficiency HVAC units, and emerging deep energy reduction initiatives— with comprehensive audits, installation services and attractive financing. This can be achieved through parallel and coordinated initiatives among utility programs, private market actors, and state and local government policies.

The *Plan* states that residential energy efficiency programs should move from a "widget" based approach to a "whole house" approach that installs a comprehensive menu of energy efficiency measures in homes based on individual home energy audits. For purposes of achieving greater integration and coordination between the Energy Efficiency program and LIEE, the whole house approach should also apply to LIEE.

DRA states that measure installation based on customer energy usage misses opportunities to invest in the state's low income housing stock. We agree with this statement, especially given the pertinence of improving the housing stock in the context of the *Plan*. Additionally, DRA points out that "[t]reating more homes now will also increase future bill savings for LIEE customers and result in CARE program cost savings because energy savings from LIEE is accumulated over time."[24] The same can be said for measure installation, as giving homes with mobile occupants more measures now will allow for future bill savings and energy savings.

The transiency of the low income population further justifies the installation of all feasible measures. According to the KEMA Report, "overall, 38% of California's low income households have lived in their current home for two years or less and 11% have lived in their current home for 20 or more years."[25] This high rate of transiency undermines the rationale for segmenting each household for measure installation purposes by energy usage. As A W.I.S.H. points out, one cannot assume that a home weatherized for a low

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24 *Brief of the Division of Ratepayer Advocates on the Applications of PG&E, SDG&E, SoCalGas and SCE for Approval of 2009-11 LIEE and CARE Programs and Funding*, filed August 1, 2008, p. 8.

25 *KEMA Report*, p. 4-24.

energy user will remain occupied by such users for a long period of time. In order to achieve long-term and enduring energy savings, a home should be treated with long-term occupancy patterns in mind, thus resulting in the installation of all feasible measures.

A W.I.S.H. claims the provision of measures contingent upon one's energy usage undermines overall programmatic cost effectiveness. The utilities must spend a great deal of funding to locate, enroll and assess a customer's home prior to measure installation. We agree with A W.I.S.H. in their recommendation that such efforts not be wasted. Moreover, the cost of weatherizing a home now is less than it will be in the future. It makes sense to treat a household with all feasible measures now given the significant energy challenges the state now faces.

Furthermore, we require the IOUs to minimize the number of times they visit a home. We expect measure installation to occur at the same time as energy audits, except where impossible.

3.5.4. Segmentation is a Lawful Means of Focusing LIEE Resources

Some parties claim that any focus on customer segments violates the LIEE statutes' requirements that all eligible customers receive "all feasible measures." While this argument is mooted by our requirement that IOUs not use energy usage or other segmentation to install fewer measures in certain homes, we address the issue here to clarify what "all feasible measures" means in Commission practice.

ACCES/CAASM/Maravilla/A W.I.S.H. jointly contend that installation of different measures based on energy usage may violate § 453(a)'s prohibition on utility discrimination and the LIEE statutory provisions of §§ 2790(a)-(b).[26] A W.I.S.H. supports measure differential based on climate, hardship and energy burden/insecurity, but raises a concern that differentiating between high and low energy users in measure installation constitutes unlawful discrimination in violation of Pub. Util. Code § 453.

Section 2790 does not contain the language "all feasible measures."[27] Instead, it states that "the commission shall direct any electric or gas corporation to provide *as many of these measures*[28] *as are feasible* for each eligible low income dwelling unit." (Section 2790(b)(2) (emphasis added).) The statute further states that:

> "Weatherization" may also include other building conservation measures, energy-efficient appliances, and energy education programs *determined by the commission to be feasible, taking into consideration for all measures both the cost effectiveness of the measures as a whole and the policy of reducing energy-related hardships* facing low income households. (Section 2790(c) (emphasis added).)

Thus, under the statute, several principles guide Commission decisions. First, the Commission has discretion to determine what measures are feasible. Second, feasibility depends in part on the cost effectiveness of measures. Third,

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[26] *Joint Reply Brief of The Association of California Community and Energy Services (ACCES), The Community Action Agency of San Mateo County (CAASM), The East Los Angeles Community Union (TELACU), the Maravilla Foundation, and A World Institute for a Sustainable Humanity (A W.I.S.H.)*, filed August 13, 2008, p. 4.

[27] While we have occasionally stated that the LIEE program requires that IOUs install all feasible measures, we have not cited the statute in doing so. *See, e.g.,* D.02-12-019, 202 Cal PUC LEXIS 854, *10.

[28] The referenced measures are attic insulation, caulking, weather-stripping, low flow showerheads, water heater blankets, and door and building envelope repairs that reduce air infiltration.

feasibility must also focus on reducing energy-related hardships facing low income households. While the legislation does not define "energy-related hardships," at least three such hardships affecting low income households are high energy usage and thus energy bills, energy burden, and energy insecurity.

Thus, the statute enables the Commission to determine what is feasible, taking into account cost effectiveness and hardships. We have exercised this discretion in many past decisions. We have, for example, prohibited households from receiving any measures if they do not need a minimum of three measures. (We modify the 3 Measure Minimum rule elsewhere in this decision, in favor of an approach that allows installation of as little as one measure if it produces significant energy savings.) We have not allowed IOUs to treat homes that were treated within the prior 10-year period. (We also discuss the 10 Year Go Back rule in this decision.) The 2006 LIEE Policy and Procedures Manual (P&P Manual)[29] contains 25 pages of conditions that render each measure in the LIEE program infeasible under certain circumstances.

While we agree that "all feasible measures" should continue to be the standard, we must acknowledge that the term does not mean "all *available* measures." The IOUs have in the past installed different measures in different homes, and nothing in this decision prohibits them from continuing to do so. It may not be "feasible" within the meaning of § 2790, for example, to install a high cost measure such as air conditioning in a home with low energy usage in a mild climate. Such a measure is neither cost effective – one criterion the statute considers essential to a determination of feasibility – nor does it reduce "energy

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[29] The P&P Manual is available at http://www.liob.org/docs/2006%20Low%20Income%20Energy%20Efficiency%20Program%20Statewide%20Policy%20and%20Procedures%20Manual%2010-25-05.pdf.

related hardship" – another factor on which § 2790 hinges a feasibility determination.

We have tried to take the guess-work out of future feasibility determinations in our discussion of tiering and segmentation in this decision, but we must acknowledge that some level of subjective judgment has always existed in this program. We expect the IOUs to treat all customers fairly, including low energy users, but the LIEE program has never consisted of a cookie cutter set of measures in every home.

4. Energy Savings and Cost Effectiveness

4.1. Introduction

The *Plan* requires that LIEE programs serve as an energy resource for California, while continuing to enhance low income customers' quality of life. To ensure that the program achieves maximum energy savings, focuses on long term and enduring measures, and enhances customers' quality of life, we have reviewed the IOUs' measure portfolios carefully. We have examined the cost effectiveness of each measure, and assigned it a score as explained below.

Generally speaking, measures with Utility Cost Test (UCT) and Modified Participant Cost (PC_m) test cost effectiveness figures lower than 0.25 are disqualified from LIEE program funding, and as of January 1, 2009 may not be installed as part of the LIEE program. There are exceptions if substantial argument can be made that significant non-energy benefits are not currently being accounted for in the cost effectiveness calculations we discuss below, or there are other compelling policy or program considerations that require the measure to be retained. The IOUs shall report these exceptions, which we expect to be rare, in their monthly reports.

Any measure with a ratio equal to or greater than 0.25 may be installed in a low income customer's home. The 0.25 threshold will maintain relatively cost effective measures in the LIEE program while eliminating less cost effective measures that add nominal benefit to the customer given the costs of delivering the measures, housing type and climate zone of the home. For example, once applying this new threshold, the IOUs will no longer provide expensive cooling and heating measures to customers in housing types and climate zones that generally do not have a need for them.

The net result of our approach is that measures that produce greater energy savings and are most appropriate for a climate zone remain in the program, while measures that deliver little energy savings drop out of the program.

4.2. Introduction

For the 2009-11 LIEE program cycle, the Commission directed the IOUs to review the cost effectiveness of each of their LIEE programs using the UCT, which is calculated from the point of view of the utility; and the PC_m, which assesses measures from the perspective of LIEE participants, as well as identifying the benefit/cost ratio for each measure/program. Additionally, the IOUs performed the Total Resource Cost (TRC) test, as directed in the *Assigned Commissioner's Ruling Providing Guidance for Low Income Energy Efficiency 2009-11 Budget Applications*, filed April 1, 2008 in R.07-01-042, and included them in their filings for information purposes.

We approve the IOUs' costs effectiveness and energy savings analysis for purposes of the 2009 program year. In regards to energy savings, we will require that IOUs perform a 2009 Impact Evaluation study using updated cost effectiveness numbers and use the new results of that study to recalculate the expected energy savings for the remaining program years. In addition, we will require the IOUs to report the new energy savings values in their next annual report to the Commission once the Impact Evaluation Study is complete. In these published results, we expect the energy savings of the portfolio to increase over time, and that the budget increases we authorize result in correlating increases in energy savings.

In our ongoing effort to increase the cost effectiveness of the LIEE programs, the Commission here establishes a new methodology for determining whether specific measures will be added, retained or eliminated from the 2009-11 portfolios. We direct the IOUs to apply the adopted methodology to their 2009-11 LIEE programs as further explained below.

By adoption of the above directives, we expect increases in energy savings and cost effectiveness of the overall program.

4.3. Energy Savings

The IOUs' increased LIEE budgets do not bring with them increased energy savings. We make changes to their program portfolio to increase energy savings, and we also expect the 2009 Impact Evaluation we approve in this decision to show greater savings. As we move toward 2020, the IOUs must be prepared to demonstrate that they are focusing on and achieving energy savings for California through the significant expenditures of the LIEE program.

4.3.1. Parties' Positions

4.3.1.1. PG&E

PG&E projects the following energy savings for program year 2009-11 for the number of homes expected to be treated:

	PG&E				
	Homes Treated	Program Budget	KWH Savings	MW Reduction	Therms
2008[30]	63,319	$ 77,733,500.00	27,554,191	5,410	1,208,300
2009	80,000	$ 112,702,000.00	32,512,408	6,504	1,402,586
2010	110,000	$ 152,011,000.00	44,619,340	8,932	1,910,241
2011	110,000	$ 157,625,000.00	44,735,113	8,949	1,928,886
3 Years	300,000	$ 422,338,000.00	121,866,861	24,385	5,241,713

In response to an ALJ ruling on this subject,[31] PG&E states that are several reasons why energy savings will not increase in the same ratio as spending. According to PG&E, costs went up each year to account for inflation, while energy savings remained constant. Further, different Impact Evaluation study results were used for previous years than were used for 2009-11, skewing the numbers. The 2005 Impact Evaluation was used to determine the 2009-11 savings, whereas the 2001 Impact Evaluation Study was used to determine previous years' energy savings. PG&E states that the 2005 Impact Evaluation Study defines generally lower savings for LIEE measures than the 2001 Impact Evaluation Study.[32]

4.3.1.2. SDG&E

SDG&E projects the following energy savings for program year 2009-11 for the number of homes expected to be treated:

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30 *PG&E Response to ALJ Thomas' Ruling Seeking Further Information on Large Investor Owned Utilities' 2009-11 Low income Energy Efficiency/Care Application,* filed June 27, 2008.

31 *ALJ Thomas' Ruling Seeking Further Information on Large Investor Owned Utilities' 2009-11 Low income Energy Efficiency/Care Application,* filed June 17, 2008, p. 1.

32 PG&E also notes that a condition unique to its application – its request for increased funding for its REACH PLUS subsidy program – adds LIEE program cost without providing energy savings.

SDG&E					
	Homes Treated	Program Budget	KWH Savings	KW Reduction	Therms
2008	15,000	$ 13,302,750.00	6,170,007	0.000	179,453
2009	20,000	$ 21,000,000.00	8,887,914	2,010.000	478,745
2010	20,000	$ 21,000,000.00	8,887,914	2,010.000	478,745
2011	20,000	$ 20,250,000.00	8,575,260	1,965.000	452,749
3 Years	60,000	$ 62,250,000.00	26,351,088	5,985.000	1,410,239

SDG&E agrees that the increase in its budget does not result in a comparable increase in energy savings and gives the following reasons: (1) measure costs are increasing, (2) contractor installation costs are increasing, (3) its measure mix has changed for 2009-11 with a larger proportion of savings coming from gas measures, (4) a different set of savings estimates is being used for this application, many of which are lower than those previously used, (5) outreach and education activities are being increased for 2009-11, and (6) development costs for an audit tool are included in its budget.

SDG&E states that on a total program basis, the increase in energy savings is significant. If both kWh savings and therms are converted to a common denominator, the total energy savings estimated for 2009 is an increase of 101% over 2008 compared to a budget increase of 58%. The majority of the increased savings is attributable to gas measures, SDG&E claims.[33]

4.3.1.3. SCE

SCE projects the following energy savings for program year 2009-11 for the number of homes expected to be treated:

SCE					
	Homes Treated	Program Budget	KWH Savings	KW Reduction	Therms
2008	36,933	$ 32,609,290.00	20,841,957	3,389	0
2009	75,243	$ 53,594,000.00	29,605,000	10,952	0

[33] SoCalGas cites largely the same factors explaining its budget increases.

2010	75,243	$ 54,783,000.00	32,992,000	12,276	0
2011	75,243	$ 56,633,000.00	33,031,000	12,483	0
3 Years	225,729	$ 165,010,000.00	95,628,000	35,711	0

SCE responds that its energy savings forecasts for 2009-11 are based on the 2005 LIEE Impact Evaluation with supplementary estimates drawn from other sources (*e.g.*, 2001 LIEE Impact Evaluation by KEMA, DEER,[34] utility engineering estimates, etc.) where appropriate savings were not available, and in many instances the savings according to the 2005 Impact Study are significantly lower than the savings used for the 2008 forecast. In addition to these significant reductions in forecasted per-unit energy savings, the planned 2009-11 program also contains more expensive, greatly enhanced energy education materials for which SCE is not claiming any direct energy savings. (We disallow spending ratepayer money to produce and distribute many of these materials, as discussed below in the Energy Education section of this decision.)

4.3.1.4. SoCalGas

SoCalGas projects the following energy savings for program year 2009-11 for the number of homes expected to be treated:

	SoCalGas				
	Homes Treated	Program Budget	KWH Savings	KW Reduction	Therms
2008	65,000	$ 33,211,971.00	0	0	1,056,949
2009	95,000	$ 53,599,000.00	0	0	2,564,567
2010	123,000	$ 65,849,000.00	0	0	3,292,424
2011	125,000	$ 67,184,000.00	0	0	3,345,967
3 Years	343,000	$ 186,632,000.00	0	0	9,202,958

[34] California Energy Commission Database for Energy Efficient Resources, available at http://www.energy.ca.gov/deer/.

SoCalGas cites most of the same reasons as SDG&E for why the increase in its budget does not result in a comparable increase in energy savings. It notes, however, that its portfolio results in a higher relative increase in total energy savings than in 2008 primarily because it has replaced low benefit-cost ratio measures in its program with measures having higher benefit-cost ratios. One of the new measures proposed by SoCalGas is a forced air unit (FAU) furnace pilot conversion that provides significantly higher energy savings in comparison to weather-stripping, which SoCalGas has proposed to remove from the available mix of measures.

4.3.1.5. DRA

In its original protest, DRA expressed concern that the IOUs' applications were seeking large budget increases without corresponding energy savings. DRA recommended that the IOUs supplement their applications to require a greater match between spending and energy savings. In its August 1, 2008 brief, DRA again asked that the IOUs deliver long term and enduring energy and bill savings.

4.3.1.6. A W.I.S.H.

In its August 1, 2008 brief, A W.I.S.H. states that increased LIEE budgets should be accompanied by concomitant increases in energy savings. It urges adoption of a mix of measures that does not solely consist of CFLs or energy education. It notes that the true cost of the LIEE program appears to be in reaching the home, rather than in the measures themselves, and therefore opposes eliminating measures from the program given that measures in the program already deliver low levels of cost effectiveness. Measures that are not cost effective may nonetheless deliver non-energy benefits, A W.I.S.H. contends, or may interact with other, more cost effective measures in a positive way. Finally, A W.I.S.H. questions the accuracy of the IOUs' energy savings estimates.

4.3.1.7. Greenlining

In its August 1, 2008 brief, Greenlining notes that many measures, including attic insulation and envelope and air sealing take up large portions of IOU LIEE budgets (between 13% of SDG&E's proposed budget and up to 32% of SoCalGas' budget) while delivering little energy savings. Greenlining compares the IOUs' weatherization programs unfavorably with the U.S. Department of Energy Weatherization Assistance Program. Greenlining favors a focus on *effective* weatherization methods, which according to Greenlining to involve a comprehensive utilization of all different measures, rather than individual measures.

4.3.2. Discussion

We are concerned about the low level of energy savings we see in the 2009-11 budget applications by PG&E and SCE, and for SDG&E its electric savings, as compared to the requested budget increases. We would expect to see a closer correlation between budget increase and rises in overall program energy savings. The following are the IOUs' actual numbers, which show that budget increases will not produce corresponding energy savings:

	PG&E			SDG&E			SoCalGas		SCE	
	% Increase in Budget from 2008	% Increase in Energy Savings (kWh)	% Increase in Energy Savings (Therms)	% Increase in Budget from 2008	% Increase in Energy Savings (kWh)	% Increase in Energy Savings (Therms)	% Increase in Budget from 2008	% Increase in Energy Savings	% Increase in Budget from 2008	% Increase in Energy Savings
2009	45%	18%	16%	58%	44%	167%	61%	143%	64%	42%
2010	96%	62%	58%	58%	44%	167%	98%	212%	68%	58%
2011	103%	62%	60%	52%	39%	152%	102%	217%	74%	58%

We remind the IOUs that the key policy objective for LIEE programs is to provide cost effective energy savings that serve as an energy resource and to promote environmental benefits. As a result, we should be seeing LIEE energy savings for the IOU portfolios increase over the years rather than decrease. We will require that the IOUs perform a 2009 Impact Evaluation study, as discussed in the section of this decision relating to the IOUs' proposed pilots and studies, below. We will also require that the IOUs report the new energy savings values in the next annual report to the Commission once the Impact Evaluation Study is complete. We will require that these published results show that energy savings of the portfolio are increasing over time, with correlation between program spending and energy savings.

4.4. Cost Effectiveness of Proposed Measures

4.4.1. Parties' Positions

4.4.1.1. PG&E

PG&E forecasts the following cost effectiveness values for its 2009-11 portfolio:

Summary of LIEE Program Cost Effectiveness
Pacific Gas and Electric Company

	Ratio of Program Benefits over Program Costs [2]		
	Utility Cost Test	**Modified Participant Test**	**Total Resource Cost Test**
PY 2008 [1]	0.46	0.63	0.36
PY 2009	0.48	0.70	0.37
PY 2010	0.47	0.72	0.36
PY 2011	0.45	0.71	0.34

[1] These forecasted values for 2008 are based on 2007 actuals

[2] The Utility Cost Test (UCT) and Modified Participant Cost Test (PC_m) both include NEBs and were adopted for LIEE in D.02-08-034. The TRC is included for information purposes only, as specified in the ACR Providing Guidance for LIEE 2009-2011 Budget Applications, dated 4/01/08. Cost Benefit tests are described in this 2009-2011 LIEE testimony, Section IV.A.

4.4.1.2. SDG&E

SDG&E forecasts the following cost effectiveness values for its 2009-11 portfolio:

	A	B	C	D
1	Summary of LIEE Program Cost Effectiveness			
2	San Diego Gas & Electric Company			
3				
4		Ratio of Program Benefits over Program Costs		
5		Utility Cost Test	Modified Participant Test	Total Resource Cost Test
6	PY 2008	0.40	0.58	0.31
7	PY 2009	0.61	0.86	0.51
8	PY 2010	0.61	0.86	0.51
9	PY 2011	0.61	0.86	0.51
10				
11				
12	NOTE: The benefit cost ratio for PY 2009 - 2011 was calculated using energy impacts primarily from the 2005 LIEE Impact Evaluation. The benefit cost ratio for PY 2008 was calculated using energy impacts from previous studies.			

4.4.1.3. SCE

SCE forecasts the following cost effectiveness values for its 2009-11 portfolio:

	A	B	C	D
1	Summary of LIEE Program Cost Effectiveness			
2	Southern California Edison			
3				
4		Ratio of Program Benefits over Program Costs		
5		Utility Cost Test	Modified Participant Test	Total Resource Cost Test
6	PY 2008[1]	0.59	1.29	0.52
7	PY 2009	0.72	2.15	0.57
8	PY 2010	0.68	2.12	0.55
9	PY 2011	0.64	2.08	0.54

4.4.1.4. SoCalGas

SoCalGas forecasts the following cost effectiveness values for its 2009-11 portfolio:

	A	B	C	D
1	Summary of LIEE Program Cost Effectiveness			
2	Southern California Gas Company			
3				
4		Ratio of Program Benefits over Program Costs		
5		Utility Cost Test	Modified Participant Test	Total Resource Cost Test
6	PY 2008	0.23	0.57	0.17
7	PY 2009	0.45	0.92	0.35
8	PY 2010	0.45	0.92	0.35
9	PY 2011	0.45	0.92	0.35
10				
11	Note: The benefit cost ratio for PY 2009 - 2011 was calculated using energy impacts primarily from the 2005 LIEE Impact Evaluation. The benefit cost ratio for PY 2008 was calculated using energy impacts from previous studies.			

4.4.1.5. DRA

In its PHC statement filed June 10, 2008, DRA questioned the validity of the IOUs' cost effectiveness test results. According to DRA, the utilities included administrative costs in measure-level cost effectiveness tests, therefore skewing the results. DRA also believes the program-level total resource cost test results are invalid because the IOUs, contrary to the direction in D.02-03-034, did not include Non-Energy benefits as inputs to the test.

In its August 1, 2008 brief, DRA continues to question the validity of the cost effectiveness results, noting that updates required in the non-low income Energy Efficiency program did not occur in the LIEE program. DRA points out that the IOUs also filed errata to their original applications that changed the cost effectiveness results, "call[ing] into question the degree to which their applications are informed by cost effectiveness."[35] DRA suggests that the LIEE program employ the same rigorous Evaluation, Measurement and Verification (EM&V) standards as the Energy Efficiency program.

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[35] *Brief of [DRA] on the Applications of [PG&E, SDG&E, SoCalGas and SCE] for Approval of 2009-11 LIEE and CARE Programs and Funding,* filed August 1, 2008, p. 15.

4.4.2. Discussion

In 2001, the Commission ordered the utilities to develop a cost benefit test that included non-energy benefits to assess LIEE program cost effectiveness, both for the overall program and for the individual low income program measures.[36] LIEE cost effectiveness was assessed at both the LIEE program level and at the individual measure level, using low income cost effectiveness tests that incorporate such non-energy benefits as comfort, health and safety as well as direct energy-related benefits.[37]

The cost-effectiveness approach adopted by the Commission in D.02-08-034 directed the application of two tests: a UCT, and a PC_m Test (see Section 4.2 above. Both tests incorporate non-energy benefits as well as direct energy related benefits. Non-energy benefits capture a variety of effects, such as changes in comfort and reduction in hardship, that are not captured by the energy savings estimates derived from load impact billing evaluations, and are ignored in more traditional cost effectiveness approaches like the TRC Test.

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36 *Final Report for LIEE Program and Measure Cost Effectiveness, submitted to the CPUC by the Cost Effectiveness Subcommittee of the Reporting Requirements Manual (RRM) Working Group and the LIEE Standardization Project Team*, March 28, 2002; *The Joint Utilities Revised Results of Measure Cost Effectiveness*, submitted to the CPUC by the LIEE Standardization Project Team, January 6, 2003; and *LIEE Measure Cost Effectiveness Final Report*, submitted to the CPUC by the LIEE Standardization Project Team, June 2, 2003.

37 The final Low Income Public Purpose Test (LIPPT) model was created for the RRM Working Group (including representatives from PG&E, SCE, SDG&E, SCG, CPUC Energy Division, DRA, and the public) by TecMRKT Works, SERA Inc., and Megdal Associates in 2001. The cost effectiveness methodology was later modified by the Cost Effectiveness Subcommittee of the RRM Working Group and the LIEE Standardization Team in 2002 to incorporate two separate tests, the Utility Cost Test and a modified Participant Test, both that incorporate non-energy benefits working in conjunction with Equipoise Consulting, Inc.

For the 2009-11 LIEE program cycles, the Commission directed the IOUs to review the cost effectiveness of each of their LIEE programs using the UCT and the PC_m test, as well as identify the benefit/cost ratio for each measure/program. Additionally, the IOUs performed the TRC test, as directed in the *Assigned Commissioner's Ruling Providing Guidance for Low income Energy Efficiency 2009-11 Budget Applications*, dated April 1, 2008, and included them in their filings for informational purposes.

In reviewing the IOUs' benefit-cost ratio results, it was difficult to compare the program level cost effectiveness across utilities. In addition, comparing the same measures across IOUs was also challenging. Variations in measure mix provided, gas versus electric savings, IOU climate zones, housing types and reported program costs make such comparisons problematic.

For this application cycle, the Commission adopts a methodology for testing the cost effectiveness of the specific measures offered under the LIEE program. This methodology considers the cost effectiveness of the LIEE program and measures from two perspectives using the UCT and the PC_m test.

A measure is deemed to have "passed" the cost effectiveness test if its benefit-cost ratio is greater than or equal to the 0.25 benefit-cost ratio benchmark for that utility. Decisions on the inclusion and exclusion of measures for LIEE will not be made exclusively on the basis of cost effectiveness tests, but may also explicitly take into account policy and program considerations. We adopt the following methodology, as of January 1, 2009, for determining whether specific measures are cost effective (taking into account the housing type as well as climate zone) and set forth an approach to screening all measures going forward:

1. Measures that have both a PC_m 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

shall be included in the LIEE program. This rule applies for both existing and new measures.

2. Existing measures that have either a PC_m or a UCT benefit-cost ratio less than 0.25 shall be retained in the program.

3. Existing and new measures with both PC_m and UCT test results less than 0.25 for that utility shall be excluded from the LIEE program unless the utility presents substantial information that significant non-energy benefits are not currently being accounted for in the PC_m and UCT values or there are other policy or program considerations that require the measure be retained. (For example, a measure may not pass based on the benefit-cost ratios of the single measure but it may have interactive effects with other measures that enhance savings or benefits.)

Under this approach, the elimination of measures with low cost effectiveness will slowly raise the average program PC_m and UCT values, thus increasing the cost effectiveness of the overall portfolio and program. This is more restrictive approach to adding new measures is justified because adding measures increases support costs (*e.g.*, development of standards, training, etc.) and measures already in the program have received some level of scrutiny. Additionally, some non-energy related measures are already in the program for policy reasons (*e.g.*, furnace repair/replacement, some minor home repairs). These measures will need to be assessed on a case-by-case basis.

The reasoning behind retaining measures that pass one test and fail the other test is that either marginal adjustments in the measure offering or changes in economic conditions can swing measures back into a pass/no pass situation.

Attachment F contains the list of measures proposed by the IOUs for 2009-11. For each measure, we break down by climate zone the measures that meet and do not meet the 0.25 test. A measure labeled "Fails" falls below the cut-off, and therefore is not a measure the IOUs may continue to install as part of their

LIEE programs. A measure labeled "Passes" meets the 0.25 test, and may be retained in the LIEE program. The IOUs shall make appropriate revisions to the P&P Manual by incorporating the results of Attachment F therein.

We direct the IOUs to apply the adopted methodology to their 2009-11 LIEE programs. To the extent the IOUs have proposed to add new measures that fail in their application in the foregoing test, we disapprove the request, unless we approve the measure as a pilot program as discussed in the Pilots and Studies section below.

5. Energy Efficiency Education Should Result in Measure Installation

5.1. Introduction

We strongly support energy efficiency education that happens at the same time as installation of energy efficient measures. However, we deny funding for energy efficiency education that occurs on its own and does not result in prompt LIEE measure installation. The IOUs' responses to data requests the ALJ issued during the proceeding[38] indicate that they are complying with this principle, with the exception of SCE.

This approach to LIEE budgets does not mean that LIEE-eligible customers will not receive energy efficiency education. The single statewide ME&O program we discuss later in this decision will deliver comprehensive energy efficiency education to all customers, including low income customers. However, we question the efficacy of balkanized education efforts by individual

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[38] The data provided below under "IOUs' Education Proposals" come from the responses to *ALJ Thomas' Ruling Seeking Further Information on Large Investor Owned Utilities' 2009-11 Low income Energy Efficiency/Care Application,* filed June 17, 2008.

IOUs, especially if they lead to no actual measure installation or concomitant energy savings.

5.2. IOUs' Education Proposals and Parties' Positions

SCE states that in 2009, every treated household will receive an in-home education kit that includes three CFLs to be installed by the customer. (We disallow such CFL giveaways in our section on Lighting.) According to SCE, the kits will contain a step-by-step guide to taking immediate action to save energy, money and the environment, as well as a thermometer and other simple tools that the customer can use to take measurements and make adjustments to their refrigerator, freezer, hot water heater and HVAC system.

No measures will be installed as part of this program because "installation fees will not be paid to contractors for CFLs delivered through the in-home education kit." SCE also proposes door-to-door canvassing structured to provide energy education and awareness to low income customers who might otherwise not be treated through LIEE due to ineligibility for LIEE measures.[39] SCE also proposes handing out the education kits at community events.

PG&E proposes to treat 300,000 homes during 2009-11, and each home will receive in-home energy education. PG&E increased the number of homes treated (and thus receiving education) in order to meet the Commission's programmatic initiative of treating 25% of estimated eligible PG&E customers through 2011. PG&E currently provides (and will continue to provide in 2009-11) energy education/assessment to all customers treated through the LIEE

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[39] *Response of Southern California Edison Company to the 2008 Administrative Law Judge's Ruling Seeking Further Information On Large Investor Owned Utilities' 2009-11 Low Income Energy Efficiency/CARE Applications*, filed June 27, 2008, p. 3.

program. Increased numbers of customers treated results in increased numbers of energy education sessions. In-home energy education is provided to LIEE participants during the initial visit, at the same time the participant's home is assessed to determine what measures can be installed. Each of these assessed and educated homes will receive energy efficiency measures, either immediately or through appointments.

For SDG&E, the difference in in-home energy education provided in 2008 as compared to 2009 is reflective of the number of treated homes proposed for each year. SDG&E proposed treating 10,440 homes in 2008 and is proposing to treat 20,000 homes each year for 2009 through 2011. SDG&E's in home education budget will increase by over 700% over the prior budget cycle, but we find that its customized approach is tied directly to measure installation.

SDG&E will carry out a customized energy assessment and audit in each home. As we note in discussing our Whole Neighborhood Approach, we require all IOUs to implement this approach. As a result of the audits, SDG&E will offer each customer energy savings tips specific to that home based on the assessment and audit results. SDG&E states that it expects that the majority of education sessions will result in installation of energy efficiency measures. Where an opportunity to install measures through the LIEE program guidelines exist, those measures will typically be installed within 30 days.

It is unclear why the energy audit and measure installation visits do not occur at the same time. As we discuss in the Tiering/Segmentation section of this decision, the Whole Neighborhood Approach shall include energy audits and measure installation that occur at the same time, except where impossible.

SoCalGas proposes to increase energy education sessions in order to further the Commission's goal of accomplishing the programmatic initiative of reaching 25% of all willing and eligible households in the 2009-11 period.

SoCalGas anticipates that the increase in energy education sessions, combined with SoCalGas' new customized, audit-based approach to energy education, will generate greater adoption of energy saving practices by customers. Based on the results of the customized audit, energy education tailored to the individual customer will consist of the following:

> Measures to be installed and associated energy savings; customer-generated goals related to energy use; potential benefits to the customer and the environment and economy; potential improvements to health, comfort, safety, and quality of life; and comparison of energy usage patterns of households with similar characteristics.

Customer safety and comfort will be addressed and likely increased because SoCalGas will identify household energy behaviors and install the appropriate mix of measures that will improve the comfort of the residence, while also assuring that any potentially unsafe conditions are found and corrected. In addition, the energy education component of the program will continue to provide safety and comfort related information covering topics such as natural gas and electric safety rules, what do to if you smell gas, helping the environment through energy efficiency (including water conservation) and reducing greenhouse gases emissions, and other low income assistance programs.

SoCalGas will conduct energy education at the same time that LIEE customers are qualified and enrolled in the LIEE program and SoCalGas anticipates that the majority of customers receive energy efficient measures within 30 days of the enrollment date. As we note in connection with our Whole Neighborhood Approach discussion, we expect all IOUs to hasten this process so that, except where impossible, energy audits and measure installation occur at the same time.

DRA objects to PG&E's proposal to expand its 2007-2008 pilot of Energy Education workshops in 2009-11. Noting that such workshops are not connected to the LIEE program delivery model of obtaining immediate installations and savings, DRA asks that the Commission remove the costs of the energy education workshops from the LIEE budget.

A W.I.S.H. also opposes funding of education-only programs. "[W]e enthusiastically endorse the ALJ's admonition that energy education or CFLs alone will not carry the day, but rather that enduring measures are needed."[40]

5.3. Discussion

We disallow the portion of SCE's budget devoted to effort that involves education-only kits not tied to measure installation. We also disallow SCE's proposal for "door-to-door canvassing structured to provide energy education and awareness to low income customers who might otherwise not be treated through LIEE due to ineligibility for LIEE measures." PG&E's Energy Education workshops also violate the principles set forth above, and we disallow them.

6. Single Statewide Marketing, Education and Outreach (ME&O) Program

6.1. Introduction

The IOUs spend significant funds every year marketing various energy efficiency and low income energy efficiency programs with different names, taglines, and target markets. Acknowledging the inefficiency of these disparate approaches, the *Plan* specifies a single statewide ME&O program that combines

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[40] *Comments by [A W.I.S.H.] on Applications for Low Income Programs for 2009-11,* filed August 1, 2008, p. 1.

low income and non-low income energy efficiency messages, uses a single program name and tagline, and targets all eligible communities.

We anticipate that the lion's share of work to develop this ME&O strategy will take place in the general Energy Efficiency application dockets. Thus, we allow the IOUs approximately one third of their proposed ME&O funding to pursue their own, individual marketing campaigns in 2009. The IOUs shall implement this marketing in coordination with the *Plan's* work on a single statewide ME&O program. All stakeholders will be invited to participate in the development of this program, and the IOUs will be directly involved. Thus, those IOU personnel involved in developing the single statewide ME&O program shall communicate with the IOUs' LIEE program personnel and ensure that 2009 IOU marketing for the LIEE program is consistent with the direction of the single statewide ME&O program.

For 2010-11, while we approve the IOUs' requested funding, we do not allow the IOUs to spend the funds on the marketing efforts they propose. Rather, they shall hold this money in reserve so that it forms part of the single statewide ME&O program budget. Once we approve the single statewide ME&O program in our Energy Efficiency proceeding, the IOUs will receive further direction on how to allocate this funding. All parties interested in this issue shall monitor the Energy Efficiency proceeding to understand the nature of and funding for the single statewide ME&O program. To assist parties in the monitoring of the Energy Efficiency proceeding, we will provide notice to those on service list A.08-05-022 concurrently when we provide notice to the Energy Efficiency proceeding service list.

We also order the IOUs to increase their marketing in low-cost, high impact ethnic and other specialty media as part of their 2009 marketing budgets, using the funding we allocate here.

6.2. Parties' Positions

The IOUs propose the following ME&O budgets for the 2009-11 period:

	PG&E			
	2009	2010	2011	Cycle
Original ME&O	$1,286,276	$1,678,842	$1,749,738	$4,714,856

	SCE			
	2009	2010	2011	Cycle
Original ME&O	$475,000	$475,000	$475,000	$1,425,000

	SoCalGas			
	2009	2010	2011	Cycle
Original ME&O	$800,000	$900,000	$900,000	$2,600,000

	SDG&E			
	2009	2010	2011	Cycle
Original ME&O	$743,200	$804,000	$799,000	$2,346,200

The IOUs also discussed the extent to which their ME&O would focus on marketing in ethnic media, in response to an ALJ ruling on the issue. PG&E had no LIEE ethnic marketing campaign during 2006-08. For CARE, it spent $505,000 in three years. (PG&E also states that it spent $400,000 each year on print advertising in the Pennysaver newspaper/coupon book, but we do not view this as advertising in ethnic media.) PG&E requests $525,000 annually for CARE ethnic marketing for 2009-11.[41]

SoCalGas appears to have had a fairly comprehensive approach to ethnic media advertising in the 2006-08 period for CARE and LIEE. In 2006, it spent $222,674 on print, radio, and television (although an unspecified amount of this was for the Pennysaver publication, which has no ethnic focus, and $9,675 was for door hangers, which are not media-based efforts). In 2007, it spent $342,034,

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41 *Response of Pacific Gas and Electric Company to June 25, 2008 Administrative Law Judge's Ruling Seeking Further Information On Large Investor Owned Utilities' 2009-11 Low income Energy Efficiency/CARE Applications,* answer 8.

and in 2008 it spent $305,239 (although $31,200 was for bus advertising, which we subtract as not being media-based). SoCalGas' total expenditure was higher than PG&E's, with a total expenditure of more than $800,000 in ethnic media during the 2006-08 period. It plans to spend approximately $450,000 annually LIEE/CARE on ethnic marketing in 2009-11.[42]

SDG&E had LIEE and CARE ethnic media expenditures of approximately $325,000 in 2006, and $230,000 in 2007, and more than $300,000 in 2008 (not counting Pennysaver and transit advertising), for a total 2006-08 expenditure of $855,000. It plans to spend about the same amounts annually in 2009-11.[43]

SCE under-spent its counterparts, spending only $380,975 during 2006-2008 on ethnic media concentrated in the radio and print sectors. It plans to spend approximately $350,000 annually in 2009-11.[44]

In its August 1, 2008 brief, Greenlining states that ethnic media has the potential to be far more effective in reaching and informing LIEE and CARE eligible populations because media outlets serving low income populations will be more receptive to issues that are important to them. Further, ethnic media can serve readers/viewers in their own languages. Greenlining asks the Commission to order increases in the relevant IOU budgets.

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[42] *Response Of Southern California Gas Company To The Administrative Law Judge's Second Ruling Seeking Further Information From The Large Investor-Owned Utilities' 2009–2011 Low Income Energy Efficiency/CARE Applications*, filed July 7, 2008, answer 8.

[43] *Response Of San Diego Gas And Electric Company To The Administrative Law Judge's Second Ruling Seeking Further Information From The Large Investor-Owned Utilities' 2009–2011 Low Income Energy Efficiency/Care Applications*, filed July 7, 2008, answers 8a-8d & Attachments 3A-3B.

[44] *Response Of Southern California Edison Company (U 338-E) To The Administrative Law Judge's Second Ruling Seeking Further Information On Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency/Care Applications*, filed July 7, 2008, answer 8.

Latino Issues Forum states generally that ME&O should reach ethnic communities, limited English proficient households, immigrants and other hard to reach populations, with a workforce in place to conduct such outreach.[45]

6.3. Discussion

6.3.1. Single Statewide ME&O Program

The *Plan* concludes individual IOU ME&O budgets lack focus and that a single statewide marketing approach is preferable:

> Between 2006 and 2008, California IOU ratepayers will have funded approximately $300 million for public education, marketing, and outreach to support customer demand-side programs. Of this amount, $176 million funds public education and outreach for IOU energy efficiency programs. The majority of these outreach efforts have focused primarily on promoting isolated consumer actions, such as buying solar panels or compact fluorescent lightbulbs, or reducing usage to prevent outages during peak periods. By and large, ME&O messages have lacked the comprehensive focus necessary to engage consumers in adopting energy efficiency as a way of life. While program and service area differentiation of messaging will remain an important aspect of overall ME&O efforts, the launch of a coherent statewide campaign will be instrumental in bringing consumer awareness of the value of energy efficiency to the next level. Accordingly, it is a top-level priority for the next round of efficiency investment.
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> The CPUC's 2007 October Decision (D.07-10-032) directed that this approach be changed significantly, under Commission direction and oversight, beginning in 2009 in order to better leverage ratepayer ME&O funding for more effective results.[46]

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[45] *Comments of Latino Issues Forum on the Investor Owned Utilities' Program and Budget Applications for Low Income Assistance Programs*, filed August 1, 2008, p. 5.

[46] *Plan*, p. 83. *See also* D.07-10-032, p. 57 ("[I]t is time to implement a more strategic use of ratepayer ME&O and training funds….")

The *Plan* states that the Commission anticipates achieving the goal of a single statewide ME&O effort through four strategies:

1. *An Energy Efficiency Brand*: Creation of an instantly recognized brand for "California Energy Efficiency" with clear delineation of what the brand encompasses.

2. *Integrated Marketing*: Development of marketing messages that offer bundles of demand side management programs targeted to specific customer groups and delivery of the messages using partnerships with a range of energy efficiency participants, including local governments, retailers and manufacturers.

3. *Social Marketing*: Use of social marketing techniques to create emotional and intellectual drivers for consumers to make a commitment to change and participate in energy efficiency.

4. *Internet-Based Networking*: Creation of a web portal that allows energy efficiency practitioners and consumers to exchange information and solutions on implementing energy efficiency programs and measures.[47]

In the 2009-11 timeframe, the *Plan* anticipates research on best practices for delivering a ubiquitous LIEE message. We expect to conduct statewide segmentation research, including the low income population and other hard to reach groups, on interests, awareness, and attitudes/perceptions related to energy efficiency and global warming messaging.

We anticipate that the single statewide ME&O program will be comprehensive, and cover all of the areas – and more – currently covered by the IOU ME&O budgets. Thus, for example, we anticipate that the single statewide ME&O program will consist of several "buckets," some large, some small.

[47] *Plan*, p. 84.

Representative "buckets" may include the following: (1) Statewide marketing of Energy Efficiency, (2) Statewide marketing of LIEE, (3) Regional marketing of IOUs' own individual programs, (4) Statewide marketing to individual in-language groups, and so on. Thus, the single statewide ME&O program, which will also focus on specific geographic areas and sub-populations around the state, will eventually supplant the IOUs' current ME&O programs.

The IOUs have begun the process of trying to coordinate their program names and taglines. During July 2008, they used a market research company to test various possibilities, and, as of this decision, have recommended the following statewide LIEE name and tagline:

> *Name:* Energy Savings Assistance Program
>
> *Tagline:* A no-cost energy saving program for qualified renters and homeowners."

The Commission plans to engage marketing professionals and others to develop the statewide ME&O program, and it is premature to decide whether the IOUs' proposal is acceptable. Thus, while we grant all of the IOUs' requested funding, they may only spend the amounts we authorize for 2009, and shall hold the other funding in abeyance and dedicate it to the single statewide ME&O program that we will develop and approve as part of our Energy Efficiency rulemaking. We authorize the following IOU budgets for LIEE ME&O:

PG&E				
	2009	2010	2011	Cycle
Original ME&O	$1,286,276	$1,678,842	$1,749,738	$4,714,856
ME&O Budget Reduction	-$857,517	-$1,119,228	-$1,166,492	-$3,143,237
NEW ME&O Budget	$428,759	$559,614	$583,246	$1,571,619
*Adjustment for New Projected Elig. Customers	$488,244.52	$637,253.69	$664,164.34	$1,789,662.55

SCE				
	2009	2010	2011	Cycle
Original ME&O	$475,000	$475,000	$475,000	$1,425,000
ME&O Budget Reduction	-$316,667	-$316,667	-$316,667	-$950,000
NEW ME&O Budget	$158,333	$158,333	$158,333	$475,000
*Adjustment for New Projected Elig. Customers	$175,944.86	$175,944.86	$175,944.86	$ 527,834.59

SoCalGas				
	2009	2010	2011	Cycle
Original ME&O	$800,000	$900,000	$900,000	$2,600,000
ME&O Budget Reduction	-$533,333	-$600,000	-$600,000	-$1,733,333
NEW ME&O Budget	$266,667	$300,000	$300,000	$866,667
*Adjustment for New Projected Elig. Customers	$312,172	$351,152	$351,123	$1,014,447

SDG&E				
	2009	2010	2011	Cycle
Original ME&O	$743,200	$804,000	$799,000	$2,346,200
ME&O Budget Reduction	-$495,467	-$536,000	-$532,667	-$1,564,133
NEW ME&O Budget	$247,733	$268,000	$266,333	$782,067
*Adjustment for New Projected Elig. Customers	$252,489.81	$273,145.60	$271,446.93	$ 797,082.35

6.3.2. Ethnic and Specialty Media

Many parties assert, and we agree, that ethnic marketing is a key way of reaching language minorities and communities of color. The amounts the IOUs have spent on ethnic monitoring in the past seem small in comparison to their overall marketing budgets. However, the record contains no guidance as to the amount each IOU should be expected to spend on such marketing. All the record shows is the amounts the IOUs spend, and the relationship of those expenditures to total marketing budgets. We do not, therefore, have a basis to determine the adequacy of the IOUs' ethic marketing efforts.

However, PG&E's ethnic advertising must add a LIEE component. Beyond that, we cannot assess the adequacy of the IOUs' efforts.

7. The Utilities Should Enhance Outreach and Program Delivery to the Disabled Community

7.1. Introduction

Because more than 20% of low income customers are disabled, increasing LIEE outreach and service to the disabled community serves to enhance program penetration in the low income community. For this reason, we approve the IOUs' proposals for increasing and expanding their efforts to target the disabled community to reach those with the greatest need, interest and accessibility.

However, disabled customer enrollment in LIEE appears to be lagging behind need. We therefore set a goal for the IOUs to increase their disabled household enrollments for the 2009-11 program years so that disabled customers comprise approximately 15% of new LIEE enrollments annually. We also require the IOUs to leverage their LIEE program outreach with the Commission's Deaf and Disabled Telecommunications Program (DDTP) and disability-related community based organizations (CBOs) in California.

Because disabled customers may not always self-identify or be obvious, we will allow IOUs to count customers they enroll in LIEE as a result of leveraging with CBOs that serve the disabled community, or with the DDTP, toward the 15% annual enrollment goal. IOUs may also count customers who self-identify as disabled or whom the IOUs enroll from the Medical Baseline program.

7.2. Parties' Positions

PG&E's application proposes five pilots aimed at traditionally hard-to-reach low and very low income customers, including disabled customers.[48] PG&E also plans several ME&O efforts in 2009-11 that target specific populations, including the disabled community. Further, PG&E proposes projects that will help disabled customers, including a partnership with Meals on Wheels to provide microwave ovens and other LIEE measures to homebound clients. In conjunction with SCE, PG&E proposes a household segmentation and targeting study to help identify and conduct outreach to potential LIEE customers, including disabled customers.[49]

SDG&E states that it will continue to target customer segments, including the disabled community, based on the extent to which they have high energy use and other characteristics on which SDG&E plans to focus its segmentation strategies. SDG&E will also coordinate its LIEE program promotions with its Medical Baseline program to leverage with agencies that serve persons with disabilities. SDG&E will continue to make program materials available in large print for visually-impaired customers and intends to maintain a working relationship with agencies that serve seniors.

In SCE's application, SCE proposes plans for Cool Center programs, adoption of which will further the Commission's objective of providing assistance to low income, disabled residents living in isolated, extreme climate areas during the hot summer months. SCE adds that even though these cooling measures tend to be less cost effective than other measures such as CFLs and

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[48] *Pacific Gas and Electric Company Testimony in Support of Application for the 2009, 2010, and 2011 Low Income Energy Efficiency Program and the California Alternate Rates for Energy Program*, p. 1-5.

refrigerators, they provide relief from the heat and are essential to the comfort, health, and safety of SCE's low income, disabled customers.[50] In addition, SCE plans to target ME&O efforts by specific population segments, including the disabled community, and to use the Medical Baseline program account to enroll and target persons with disabilities.

SoCalGas proposes to continue to target the disabled community with brochures and applications available in multiple languages and large font and has also designed a brochure, Services for Customers with Disabilities, for customers with special needs. In addition, SoCalGas provides TTY/TTD telephone service 24 hours a day, seven days a week for hearing impaired customers. SoCalGas annotates the accounts of their hearing and vision impaired customers to enable it to generate a list for direct mailing and outbound dialing campaigns. SoCalGas' website is designed to ensure that visually impaired customers have full access to information and its website is compatible with assistive technology such as screen readers.

SoCalGas states that its outreach activities for CARE and special needs customers will be expanded in 2009-11, and future efforts will include direct mailings to senior centers in SoCalGas' service territory. In addition, SoCalGas will advertise CARE and Medical Baseline in local newspapers and medical publications, and participate in local events focusing on persons with disabilities. SoCalGas approximates $35,000 is needed to fund this cost category for each program year.

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[49] *Id.* at 1-49, 1-50.

[50] *Testimony of Southern California Edison Company in Support of Application for Approval of Low income Assistance Programs and Budgets for Program Years 2009 through 2011*, pp. 37-38.

In its protest,[51] DRA asserts that PG&E's application fails to explain what methods it will use to increase participation among the disabled. DRA recommends that the Commission direct PG&E to work with the Commission's DDTP to help increase disabled participation in the LIEE program. DRA also offers to work with PG&E and Disability Rights Advocates (DisabRA) to enhance LIEE service to the disabled community

In its Prehearing Conference Statement, DisabRA states its primary concern is that outreach efforts specifically target persons with disabilities and that information used in such outreach efforts be accessible to the disabled.[52] In later comments, DisabRA urges the Commission to require the IOUs to: (1) engage in targeted outreach to persons with disabilities to inform them about and, where appropriate, enroll them in the LIEE and CARE programs; (2) make all ME&O efforts and materials used by the utilities accessible to persons with disabilities; and (3) tailor LIEE customer segmentation to the needs of persons with disabilities.[53]

7.3. Discussion

The Commission recognizes the needs of persons with disabilities in the context of its low income programs. In D.06-12-038, we stated that structures, information and services related to CARE and LIEE programs must be accessible

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[51] *Protest of the Division of Ratepayer Advocates to the Application of Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas and Electric Company for Approval of their 2009-11 Low income Assistance Programs and Funding*, filed June 19, 2008, pp. 33-34.

[52] *Prehearing Conference Statement of Disability Rights Advocates,* filed June 9, 2008, p. 1.

[53] *Comments of Disability Rights Advocates Regarding the Utilities' 2009-11 Low Income Assistance Program Application*, filed August 1, 2008, p. 3.

to and tailored to the needs of disabled customers in order for utility programs to be provided on an equal basis to all qualified customers.[54]

However, there is more that needs to be done than just making LIEE and CARE accessible to the disabled community. Disabled persons are disproportionately low income, and serving the disabled community with LIEE outreach and especially measure installation will enhance penetration of the LIEE program in the low income community. Thus, the IOUs should go beyond accessibility to actively target and serve the disabled community with LIEE measures.

According to the KEMA Report, nearly one in every two low income households contains a member who is either elderly and/or disabled. While we recognize that not all elderly persons are disabled, we have other data that show a high number of disabled customers in low income households. KEMA reports that overall, 23% of low income households contain a member who has a hearing, vision or physical disability, and 15% of low income households have a member who is mentally and/or emotionally disabled. Finally, among all low income households, 22% contain a member who is disabled and also responsible for paying the utility bill. In addition, the results of the KEMA segmentation analysis indicate that households with disabilities demonstrate significant need for the programs' services.[55]

For this reason, an IOU that adequately targets the disabled community in its LIEE outreach will end up targeting a large segment of the low income community. Thus, setting a 15% goal for IOUs to strive for in marketing LIEE to the disabled community does not simply target a "niche," but rather focuses on a

[54] D.06-12-038, pp. 63-67.

community that can enhance IOUs' in reaching low income households on the whole.

To meet our penetration goal that 15% of annual new LIEE customer enrollments come from the disabled community, IOUs should pursue new leveraging opportunities with disability rights and service organizations in California.

SoCalGas has a notable existing ME&O program targeted at the disabled community, and encourage the other IOUs to follow suit. Simply identifying various ME&O efforts for reaching this population segment is insufficient. The benefits of such efforts should be measurable. We thus set a goal that for the 2009-11 program years approximately 15% of the total households enrolled in LIEE should have at least one disabled member. This 15% goal is far below the representation of disabled persons in the LIEE-eligible population, and thus is reasonable.

We will also require the IOUs, if they are not doing so already, to coordinate with the DDTP to help increase participation among the disabled in accordance with the KEMA Report's recommendations, and as recommended in DRA's protest. In addition, the Commission also encourages the IOUs to leverage with DisabRA, the Disability Rights Education and Defense Fund, and other organizations or CBOs serving the disabled in California to better market to, educate, and target the low income disabled community. We ask the disabled advocates active in this proceeding and DRA to coordinate this work with the IOUs.

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[55] *Id.* p. 7-14.

We require that the IOUs report the status of this effort in their annual reports to the Commission identifying the level to which their efforts meet the 15% penetration goal. In cases where the participation from the disabled community is below the 15% goal, the IOUs shall provide an explanation. Further, the IOUs shall also describe their efforts to target outreach to persons with disabilities to inform them about the LIEE and CARE programs to make their ME&O efforts and materials accessible to persons with disabilities, and lastly, how their LIEE customer segmentation for ME&O and program delivery takes into account the needs of persons with disabilities. The utilities shall ensure accessible ME&O for CARE and LIEE by providing alternate formats for communications.

Specifically marketing to this community and setting the above 15% disabled household penetration goal supports the programmatic initiative of enrolling all eligible and willing low income customers in the LIEE program by 2020, resulting in home energy benefits to those most in need. Additionally, we encourage the IOUs to continue exploring new and creative leveraging efforts and partnerships with the disabled community and affiliated organizations, and expect an overall increase in the enrollments as well as improved and/or increased customer benefits.

8. Workforce Education and Training (WE&T)

In D.07-12-051, the Commission stated "[t]he LIEE portion of the statewide strategic plan should include specific training strategies for reaching disadvantaged communities. Utilities should also work with community stakeholders to assist them in the development of training strategies."[56] We also

[56] D.07-12-051, p. 48.

stressed the importance of targeted outreach and training efforts to teach minority, low income, and other disadvantaged communities skills needed to succeed at such jobs. The *Plan* sets forth the goal of giving all eligible customers the opportunity to participate in LIEE by 2020. To accomplish this goal, the *Plan* envisions that "IOUs will act as a catalyst to change by implementing several foundational activities that are necessary to accurately identify specific WE&T needs and recommendations for action."[57]

The IOUs should form one of several parts of a statewide WE&T strategy. Stakeholders supporting action toward developing "green jobs" in California are numerous, and ratepayers will fund but a part of these efforts. Other funding and training will come from taxpayers, community-based and nonprofit organizations, educational institutions, the business community, and labor organizations. The IOUs are not in a position to effectuate the level of change needed to create a comprehensive WE&T program, nor can IOU ratepayers fully fund the effort. However, the Commission and IOUs should focus on training for LIEE installation workers so those expanded programs also benefit from a trained workforce.

The *Plan* contains a specific chapter on WE&T. The Vision described in this chapter states that "by 2020, California's workforce is trained and engaged to provide the human capital necessary to achieve California's economic energy efficiency and demand-side management potential. The *Plan* sets forth two goals: (1) establish energy efficiency education and training at all levels of California's educational systems, and (2) ensure that minority, low income and

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[57] *Plan*, p. 80.

disadvantaged communities fully participate in training and education programs at all levels of the energy efficiency industry.

In order to reach these goals, the *Plan* describes several near term actions. The first involves conducting an in-depth formal statewide training and education resource inventory and needs assessment. In our general Energy Efficiency docket we are taking steps to commence that assessment. After that assessment is completed, there is a need to develop a WE&T plan that includes a low income-specific section to train qualified diverse business enterprises from minority, low income and disadvantaged communities. We direct the IOUs to cooperate in the inventory and needs assessment to ensure it addresses low income WE&T issues.

Concurrently, the Commission plans to seek out an optimum training program that works within the low income community to recruit people looking to improve their skills. To do so, we will issue a Request for Proposals (RFP) for the development of low income-focused WE&T programs. Specifically, the Commission will request, review and select certain proposals to recruit and train residents of disadvantaged, low income communities to install energy efficiency measures in households as part of the LIEE program. As part of this proposal, a LIEE contractor and an educational institution will work with a utility to develop and implement an in-class and hands-on curriculum to be used as part of a certificated program through an educational institution.

The selected proposals will receive partial funding required to carry out their WE&T programs. The funding will be distributed by the utility in the pilot's service territory. We initially allocate $300,000 across all the IOUs, covering three years, toward this effort, allocated across the large IOUs proportionately according to the size of their total budgets.

To qualify, each proposal must be able to fund 60% of the project through other sources such as local, state or federal grants. Proposals must include collaboration between an educational institution and a current LIEE contractor. A Memorandum of Understanding (MOU) regarding each party's responsibilities is required between the educational institution, the LIEE contractor, and the utility.

We will use the results of the WE&T pilots carried out during the 2009-11 budget cycle to determine whether to expand the pilots statewide during the 2012-14 cycle. The training program should expand and enhance the LIEE workforce, resulting in skill development and job opportunities for residents of disadvantaged, low income communities.

Timeline for Development of WE&T Pilots
Commission develops RFP – October 2008 to December 2008
Parties develop MOUs – October 2008 to December 2008
Parties develop and submit proposals to Commission – January 2008 to March 2009
Commission selects proposals and awards grants – May 2009
Selected proposals implemented – June 2009 to August 2009
Training programs implemented – August 2009 to January 2011
Evaluation of programs – January 2011 to March 2011

We also require the IOUs to better track the training and hiring of a low income energy efficiency workforce. No IOU currently keeps track of this data, or mandates such hiring. SDG&E states that in 2009-11 it will continue to encourage contractors and CBOs to hire and train from the local low income communities, and that it and SoCalGas will explore the feasibility of coordinating with other existing job training programs for minority and disadvantaged groups, such as the Employment Development Department (EDD). The EDD focuses on the needs of low income and displaced workers in general, and also provides grants to governmental units, nonprofits and private companies that engage in job training.

SoCalGas will also work with the Los Angeles Trade Tech College Utilities and Construction Prep Program, a program that creates an industry driven pathway providing adults the full range of skills and competencies needed to secure entry level jobs and enter apprenticeships or other continuing education programs with public and private utilities, unions, and construction trades employers. Further, SoCalGas plans to initiate discussions with the California Employment Training Panel (ETP), which provides funding to California businesses to support customized worker training, and to assess the potential for collaboration. We applaud these efforts.

Within legal limits, hiring of low income workers should be a mandatory part of the LIEE program. The RFP discussed above shall address this issue directly.

9. Lighting Programs

9.1. Introduction

CFLs are currently the mainstay of the LIEE lighting program; all of the large electric IOUs include CFLs as part of their standard treatment of an LIEE-enrolled home. Indeed, they collectively plan to install over three million bulbs over the period 2009-11.

We have expressed concern about the extent to which IOU energy efficiency programs rely heavily on light bulbs to meet energy savings and cost effectiveness requirements.[58] However, close examination of the IOU 2009-11 LIEE application cycle reveals that CFLs continue to provide low income

[58] D.07-12-051, pp. 38, 78.

customers the opportunity for significant energy savings in a cost effective manner. The reason is obvious: CFLs are relatively inexpensive, all low income households use and need lighting, and we can still capture major energy savings by switching low income customers from high energy use incandescent bulbs to CFLs.

There is a second reason why we should continue to allow the IOUs to offer large numbers of CFLs to low income households in this three-year budget cycle. Significant state and federal legislation[59] will mandate energy efficient and non-toxic lighting fixtures starting in 2011, as we discuss in detail below. We need to prepare low income customers to meet these mandates by installing CFLs now so that customers are familiar with new kinds of lighting when such lighting becomes mandatory. We cannot expect our low income customers to make an easy switch to energy efficient lighting if we do not prepare them in advance. However, we are not convinced the LIEE program should subsidize CFLs to the low income community beyond 2011.

Further, while we allow the IOUs to continue their CFL LIEE programs for the 2009-11 cycle to facilitate transition to new legislative requirements, we do so with six provisos. First, we will require the IOUs (or their agents) to install the CFLs. While this step may seem superfluous and costly, the KEMA Report tells us that 20%-30% of customers who receive the bulbs do not install them.[60] SCE also cites an APPRISE study that states that uninstalled CFLs amount to approximately 30%.[61] A customer will not capture energy and bill savings until

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[59] See Section 9.4 below.

[60] *KEMA Report*, p. 7-23 (footnote).

[61] *Response Of Southern California Edison Company To The Administrative Law Judge's Ruling Seeking Further Information On Large Investor-Owned Utilities' 2009-11 Low Income*

Footnote continued on next page

someone installs the measure. Second, the IOUs shall include information with CFLs explaining how to dispose of them safely, as the new legislation requires safe disposal. Third, today's decision does not establish any presumption for ratepayer CFL funding in the pending general Energy Efficiency applications. Fourth, we will be giving direction in the general Energy Efficiency application docket on lighting programs for the 2009-2011 cycle. We direct the IOUs low income program managers to participate in that effort to ensure the general and low income lighting programs are coordinated – even if different strategies are used – during the 2009-2011 period.

Fifth, we set a $6.90 per installed bulb cost that is the same across IOUs, although IOUs shall install bulbs at a lower cost if they can negotiate the costs downward. Data we received from the IOUs[62] shows that the three electric utilities (SDG&E, PG&E and SCE) have very different per installed bulb costs, with almost a $5 per bulb difference. PG&E's cost is the highest at $11.82 per installed bulb. The $6.90 bulb cost includes approximately $1.90 for the bulb itself; the rest is overhead (transportation, warehousing and installation). To the extent it reduces bulb costs, the IOUs should be procuring lightbulbs jointly.

Sixth, we are concerned that there may be a worldwide shortage of CFLs as demand for them increases in developing nations (particularly China, where CFLs are manufactured). The IOUs shall begin monitoring this situation given the millions of bulbs they install as part of the Energy Efficiency and LIEE

Energy Efficiency/CARE Applications, filed June 27, 2008, p. 3, citing Jackie Berger, "Impacts of Consumer Based Education Based Programs," *Applied Public Policy Research Institute for Study and Evaluation*, June 17, 2008, p. 47.

[62] These data appear in the *Responses to Administrative Law Judge's Fifth Data Request*, filed by each of the three IOUs on September 5, 2008.

programs, and begin contingency planning if shortages or bulb price increases appear possible.

9.2. Parties' Positions

In considering Assembly Bill (AB) 1109 (Ch. 534, 2007) and general lighting strategy for LIEE during the 2009–2011 budget cycle, the parties set forth the following positions:

Since AB 1109 will not ban the sale of incandescent bulbs during the 2009-11 program period, PG&E believes that its LIEE program should continue to distribute CFLs at least through 2011. PG&E argues that CFLs provide cost effective energy savings, and as long as less expensive incandescent choices are widely available, low income customers will continue to purchase and use these less energy efficient measures. Furthermore, PG&E believes that if IOUs provide education about the energy efficiency benefits of CFLs before the new laws take effect, customers will be more aware of available options and ready to make the transition when incandescent bulbs disappear from store shelves.

SCE proposes to continue distribution and promotion of standard CFLs throughout the 2009-11 period. SCE believes continued delivery and installation of CFLs is an effective way of increasing the use of CFL technology in low income communities while achieving significant electric energy savings. In addition, SCE claims promotion of CFLs will enhance public awareness of this new technology and help ease the transition when incandescent bulbs are no longer available.

SCE believes it is unclear when the Legislature will adopt policies that promote the safe disposal of CFLs. Therefore, SCE plans in 2009-11 to inform LIEE customers about the proper disposal of CFLs throughout many disposal sites across Southern California and to include information on disposal in its home energy education program and other CFL promotions.

SDG&E believes that since incandescent lights will be available through 2011, AB 1109 should not change SDG&E's 2009–11 LIEE program. SDG&E claims it is premature at this time to try and develop a strategy to inform and educate customers on the changes the laws will bring. SDG&E proposes trialing light emitting diode (LED) nightlights, which costs pennies per bulb per year.

DRA states in its August 1, 2008 brief that low income households still need the savings generated from exchanging incandescent bulbs with CFLs. DRA notes that across all low income households, just over one third (35%) already use CFLs and about 8% use CFL porch lights. According to DRA, most low income households that already have CFLs have between one and four of them, while only 9% of all low income households have five or more. Although CFLs provide some of the shortest-term savings, removing CFLs as a LIEE measure would save only a small fraction of overall costs. For this reason, DRA supports permitting contractors to install CFLs as proposed by the utilities. DRA also recommends that IOUs leverage with other programs to educate low income customers on proper disposal of CFLs.

DRA opposes SCE's proposal to hand out CFLs without installing them. (SCE proposes to deliver but not install CFLs to 13,000 customers each year.)

A W.I.S.H. believes that CFLs alone will not carry the day, and that enduring measures are needed. A W.I.S.H. urges the Commission to reject the concept that small users such as senior households or the disabled should receive only CFLs or energy education rather than enduring and comprehensive measures.

9.3. Discussion

9.3.1. Introduction

Energy efficient lighting is currently undergoing a major shift towards newer, more efficient bulb technologies running the gamut from outdoor lights to bulbs used inside appliances like refrigerators and ovens. As we collectively move away from the common incandescent bulbs we find on store shelves today, there will not be a "one bulb" solution that takes their place. Instead, we anticipate that customers will be offered with a selection of new lighting technologies.

For the 2009–11 LIEE budget cycle, the utilities' programs may continue to install CFLs as part of their standard measures, because they still have potential for cost effective energy savings in low income households, when installed. The table below, provided in the KEMA Report,[63] shows that installed CFLs continue to be beneficial to a substantial portion of the low income population[64]:

Table 5-38
Potential for Additional CFLs in Low Income Dwellings

Number of CFLs Needed	Percent of All Low Income Households[1]
0	17%
1	4%
2	6%
3	9%
4	64%

[1] Sample Size: n=1,531

[63] *KEMA Report*, p. 5-51.

[64] The "number of CFLs needed" refers to the fact that KEMA Report found during its surveys that nearly 64% of low income homes could use an additional 4 bulbs in their

Footnote continued on next page

However, the high performance lighting market is no longer focused solely on CFLs; rather, the shift is to performance based, technology-neutral standards based on lumens per watt (brightness per watt of electricity used). The Commission advises the utilities to pay close attention to these developments over the next few years and to institute new lighting technologies and approaches into their LIEE portfolios no later than 2012.

9.3.2. New Lighting Laws

A major prerequisite to increased energy efficiency in both California and the United States involves research, development, and deployment of energy efficient lighting. Last year, in the Energy Independence and Security Act of 2007 (EISA 2007),[65] the federal government set energy efficiency standards for general purpose lighting. Its modified standards for lighting efficiency are set to begin phase-in from 2012-14 (Tier 1), with a second round of updated standards to begin phase-in from 2018-20 (Tier 2).

In 2007, California adopted its own standard for general purpose lighting in Assembly Bill (AB) 1109 (Huffman). The law requires the California Energy Commission (CEC) to adopt regulations (in combination with other programs and activities affecting lighting use) that will reduce the average indoor residential lighting consumption by 50% and average indoor commercial and outdoor lighting levels by 25% relative to 2007 levels, by 2018. New energy efficiency standards for CFLs and other types of general purpose lighting in California are to be developed by CEC by December 31, 2008, and to come into full affect by January 1, 2011.

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home. In other words, while some already had these types of bulbs, on average 64% of low income homes have an additional 4 fixtures that could hold CFLs.

[65] 42 U.S.C. § 17001 *et seq.* (H.R.6, Pub. L. 110-140 (2007)).

AB 1109 updates California Health and Safety Code § 25210.11(a) and requires the Department of Toxic Substances Control (DTSC), in cooperation with the California Integrated Waste Management Board (CIWMB), to develop the following:

(1) The most effective, cost efficient, and convenient method for the consumer to provide for the proper collection and recycling of any end-of-life general purpose lights generated in this state.

(2) Methods to educate consumers about the proper management and collection opportunities for end-of-life general purpose lights.

(3) Designations on the general purpose light and light packaging regarding the proper recycling of the light and compliance of the light with this article.

AB 1109 also requires that general purpose lights meet specific standards for hazardous materials (particularly mercury) and that the CIWMB consider methods for the safe disposal of general purpose lights. Recommendations for the collection and recycling plan of CFLs, through a task force convened by DTSC and the CIWMB, were filed on September 1, 2008.

9.3.3. Application of New Laws to LIEE Program

The IOUs 2009-11 IOU budget applications generally assume that the energy efficiency, toxicity, and recycling/collection requirements for lighting under the new state and federal laws are still undecided and have little or no impact on the 2009-11 cycle. This assumption is erroneous. While the CEC, DTSC and CIWMB must still resolve the finer details of AB 1109, we already know the key dates for implementation. The new law will drastically alter the marketplace for lighting, and it is imperative that we and the IOUs begin to prepare customers for the transition. Given the timelines in the legislation, such preparation must begin now.

In D.07-12-051, we directed the utilities to provide information in their 2009-11 budget applications about how they plan to implement the changes proposed by AB 1109. We set forth their positions[66] and other parties' responses below. There is much to be done in the next three years to prepare for the significant changes that take effect on January 1, 2012. The IOUs must now begin to ready themselves – and especially the low income customers they serve – for the many changes to come.

The IOUs should be aware of the following upcoming dates, and be prepared to comply with the requirements put in place thereafter:

- September 1, 2008 – Recycling/collection plan for CFLs developed by DTSC/CIWMB;
- December 31, 2008 – CEC to release efficiency standards for general purpose lighting in California;
- January 1, 2010 – All models of CFLs used shall comply with Europe RoHS[67] standards on toxicity (including mercury);
- December 31, 2010 – All models of CFLs used shall comply with CEC standards.

As new technologies in lighting come into play between 2009 and 2011, the IOUs shall both adhere to the new legal standards and, more importantly, modify lighting measures and program strategies, as needed.. They shall report

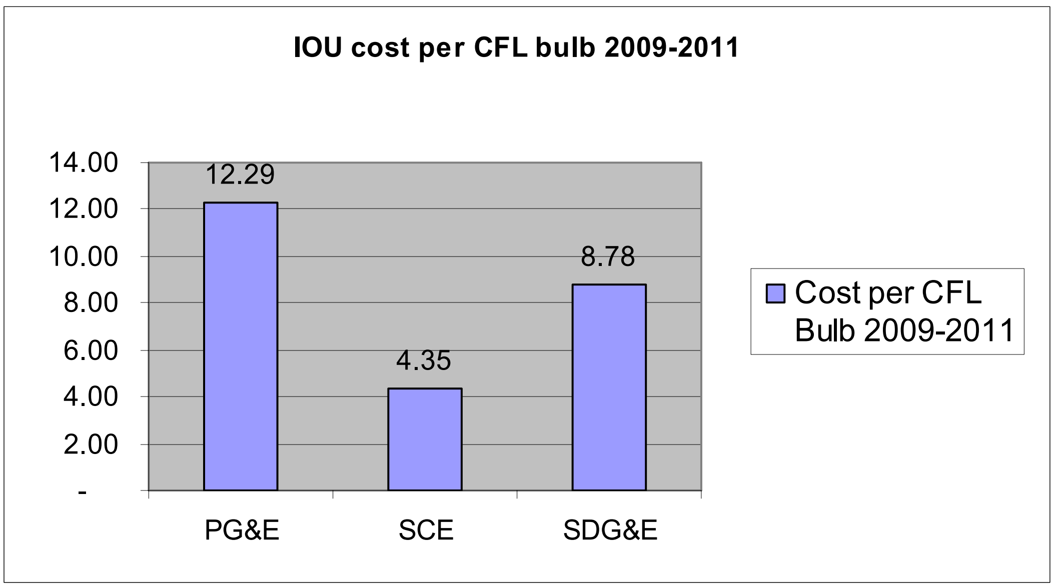
[66] The IOUs gave us information about their plans in response to the ALJ's third ruling, filed July 16, 2008.

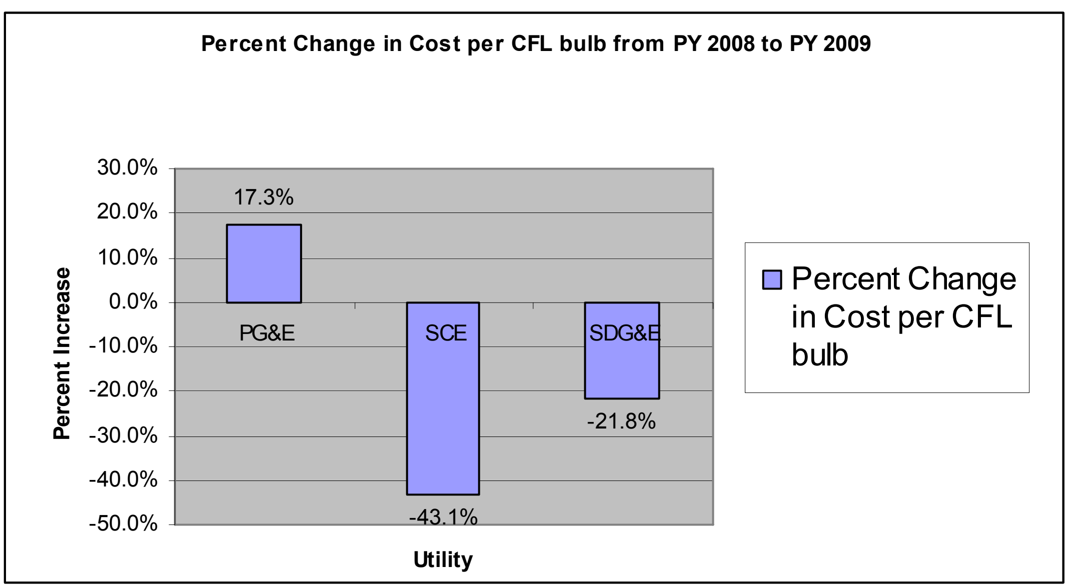
[67] European Union Reduction of Hazardous Substances standards, described at http://www.ul-europe.com/en/solutions/services/rscs.php.

in their annual reports how they are prepared to meet the new legal requirements and changing markets.

9.3.4. CFL Procurement

The utilities' budget applications displayed a large discrepancy in the cost per bulb from 2009-11 as well as the percentage increase in the cost per CFL bulb between the 2007-2008 program and the new 2009-11 program. The figures they initially submitted display this difference.





The IOUs updated their numbers slightly in September 2008. SCE and SDG&E submitted certain its numbers under seal, while PG&E submitted all of its numbers publicly. We know from the public numbers that SCE spends $5.00 per bulb on overhead/warehousing/installation/transportation, and that PG&E spends $1.92 per bulb, which we round to $1.90 for ease of application. This combined figure results in $6.90 per bulb, the lowest figure supported by the data.

We approve a budget of $1.90 per bulb for each IOU. We also deny all requests for overhead/warehousing/installation/transportation for each bulb is more than $5.00. Thus, we approve budgets of $6.90 per bulb (installed) for each IOU. We order the IOUs immediately to coordinate their lightbulb purchasing, warehousing and transportation so that all receive the lowest possible price per bulb, unless such action raises the price above $1.90 per bulb price and $5.00 for other costs. We do not approve any CFL budget for bulbs that IOUs do not install, as discussed below.

9.3.5. CFL Installation

We will require the IOUs, as of January 1, 2009, to install all CFLs they give to LIEE customers. We acknowledge that this requirement will add cost to the program, but since more than 30% of CFLs given away to customers are not installed, we cannot continue to allow giveaways. Neither customers nor Californians as a whole will benefit from the energy savings light bulbs contribute to the program if they are never installed.

Further, we expect few customers to receive only CFLs during a home visit. Rather, since we are requiring the IOUs to install all feasible measures for which a home qualifies (see Tiering/Segmentation discussion above), we expect that CFLs will be but one measure among others. Indeed, while we are changing the 3 Measure Minimum, we are only doing so where a home needs at least one large measure, so CFLs will never be the only measure installed in any home.

10. 10-Year Go-Back Rule

10.1. Introduction

In the past, and with certain exceptions, the Commission has limited customers from participating in the LIEE program more than once in a 10-year period.[68] This rule, called the "10-year go back rule" was designed "to promote equity (*e.g.*, continuing expansion of dwellings previously not provided LIEE measures), considering the utilities' constrained budgets."[69]

Noting that we planned to increase LIEE budgets substantially in the 2009-11 timeframe, we decided in D.07-12-051 we should examine whether to modify or eliminate the 10-year go back rule for the 2009-11 program period and thereafter.[70] We asked the IOUs to address how to do so in their budget applications in a way that avoids duplicative installations and promotes the installation of new measures and technologies in all households.

10.2. Parties' Proposals

The IOUs do not propose to eliminate the 10-year go back rule. Instead, they recommend modifying the rule by making specific changes to Section 2.8 ("Previous Program Participation") in the 2006 LIEE P&P Manual. Under their

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[68] Under the P&P Manual, certain restrictions apply to homes that have been previously treated under the LIEE program. Under Section 2.8 of the Manual, homes that have participated in the LIEE Program within the last 10 years are generally not eligible for services. *See also* D.01-03-028, OP 1 and Attachment 3, and D.01-12-020, OP 5.

[69] D.07-12-051, p. 53.

[70] *Id.* p. 54.

proposed modifications, the utilities would be allowed to return to previously treated homes in the following circumstances:

- New cost effective measures or technologies are available through the LIEE program. Such measures were not available when the home was originally treated.

- A key program eligibility requirement makes a customer eligible for measures not offered when the utility originally treated the home.

PG&E supports this modification to the 10-year go back rule for the purpose of potentially replacing more refrigerators through the LIEE program. Under the current rules, a customer must have a working refrigerator manufactured before 1993 in order to qualify for a replacement refrigerator under the LIEE program. PG&E states that the refrigerator degradation study proposed by the IOUs may reveal that energy savings from refrigerators trail off in less time than the current program assumes. If the study produces this result and the Commission adopts a new, shorter, time frame for refrigerator replacement, the modification of the "go-back" provision would allow previously treated customers who were denied refrigerators to receive this measure under the new criteria. PG&E notes that a program that emphasizes refrigerators follows the Commission's guidance that the IOUs' LIEE programs focus on long term and enduring savings in D.07-12-051 rather than on measures that deliver only short-term energy savings.[71]

PG&E also suggests modifying the 10-year go back rule by treating qualifying homes that have not been treated by either LIEE or LIHEAP since 2002. PG&E reasoned that in 2001, the Commission implemented a "Rapid

Deployment" strategy that increased the number of measures each customer received, and that the IOUs have introduced only a few new measures since 2002. Thus, if IOUs are allowed to re-treat customers who received LIEE services prior to 2002, they will be installing significant measures.

SCE claims that the proposed modifications would give the utilities full flexibility to return to previously treated homes and provide these homes with cost effective measures. SCE specifically supports the modification to Section 2.8 for the purposes of replacing refrigerators or central air conditioners, both of which would result in long term and enduring energy savings.

According to SDG&E and SoCalGas, the proposed recommendations to Section 2.8 would result in increased energy savings and bill savings for low income customers. They present specific examples of how the recommended revisions would impact program delivery. Accordingly, a utility would return to a home treated in the last 10 years under the following circumstances:

- Introduction of new cost effective measures/technologies into the LIEE program

- Modification in program guidelines, such as the changes in requirements for refrigerator replacement

- Change in household occupancy from a low energy user to a high energy user, leading to the need for one or more cost effective measures

- Change in household occupancy to a new tenant willing to have a measure installed that was refused by the prior resident

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[71] *Id*. p. 91.

- Air conditioning system was previously non-operational and has been repaired by the owner, making it eligible for replacement

LIF supports the modification of the 10-year go back rule, stating that homes should be served with greater frequency because rapid deterioration of low income housing stock makes such measures needed more often. LIF explains that low income households tend to have large families, placing greater wear and tear upon the measures offered through the LIEE program.

10.3. Discussion

We agree generally with the IOUs' proposals and modify the go back rule to allow IOUs to go back and treat customers who have not received measures since 2002, when the measure mix became far more robust. In D.01-05-033 the Commission added new measures to the LIEE program, beginning in 2002. Therefore, any customer served since 2002 will have received up-to-date LIEE treatment for the most part while those served prior to 2002 may be in need of energy efficiency upgrades. The proposal to "go back" to households treated prior to 2002 also makes sense in light of the methodology employed to calculate the eligible and willing LIEE population. In this methodology, all customers treated prior to 2002 are deemed as eligible participants.

Though we direct that IOUs to treat customers served prior to 2002, we stress that the IOUs should first seek out new households that have not yet been treated. In making this recommendation, we wish to ensure equity among the low income population. Moreover, energy efficiency retrofits should be targeted to customers with the greatest need for energy savings. For the purposes of achieving the greatest energy savings in the shortest period of time, it is imperative that new customers be enrolled in the program. These previously untreated households are more likely to have pressing energy needs, such as energy burden and insecurity.

11. 3 Measure Minimum Rule

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.)

11.1. Introduction

In D.01-03-028, the Commission granted IOUs permission not to treat homes needing only a few measures, on the ground that such a rule was necessary to maintain reasonable, programmatic cost effectiveness. The Commission and the utilities also concurred that such a provision would allow funding to be geared toward homes that had not yet received energy efficiency upgrades.

Known as the "3 Measure Minimum," this provision appears in the P&P Manual. Specifically, Section 2.9 of the P&P Manual states: "A home must need a minimum number of Program services in order to be eligible for participation in the Program." The following eligibility conditions apply to IOUs:

- In areas served by a combined gas and electric utility, the minimum is ceiling insulation, window/wall air conditioning, evaporative cooling, refrigerator replacement or three other measures.

- In areas served by a gas utility but not an electric utility, the minimum is ceiling insulation or three other measures.

- In areas served by multiple gas and electric utilities, the minimum is defined as if the home were served by a combined electric and gas utility.[72]

11.2. Parties' Proposals

In their recent budget applications, PG&E, SoCalGas and SDG&E propose the elimination of the 3 Measure Minimum, outlining several reasons for its elimination.

PG&E claims that the elimination of this provision will allow for more leveraging opportunities with the DCSD and LIHEAP. Under current guidelines, LIHEAP requires that a minimum of four measures be installed in a home in order for it to qualify for treatment. A home requires at least seven measures to qualify for treatment jointly by LIEE and LIHEAP, leaving out homes that do not require seven measures.

Certain housing types, such as multi-family homes, do not generally need this many measures. This barrier to leveraging will be eased by removing the 3 Measure Minimum. In cases where leveraging with LIHEAP providers is not an issue, PG&E states that the comprehensive energy education and measure assessment conducted during enrollment will ensure that a home receives all feasible measures for which it qualifies.

SoCalGas claims that the comprehensive energy audit will result in an adequate number of measures in each home, regardless of whether or not the 3 Measure Minimum is eliminated. SoCalGas estimates that 10%-15% of the homes served in 2009-11 could receive fewer than three measures, based on the total number of gas and electric measures installed in a dwelling in its shared

[72] *Id.*, pp. 2-15 – 2-16.

service area with SCE. The majority of these homes would be multi-family homes, according to SoCalGas. The utility plans to begin documenting the status of every home contacted by an outreach specialist, thereby allowing for the identification of any home not served because it does not meet the 3 Measure Minimum. SoCalGas has begun documenting the status of every home currently ineligible under this provision, in hopes of following-up with these customers in 2009.

SDG&E asserts that many of its customers only need a small number of measures to improve energy efficiency. Based on historic data and SDG&E's proposed approach for the upcoming budget cycle, SDG&E estimates that approximately 12%-15% of the homes served in 2009-11 may receive fewer than three measures, the majority of which would be multi-family homes. The elimination of the 3 Measure Minimum would allow for greater involvement of outreach personnel in measure installation, as these workers can install most minor measures. With more outreach personnel involved in measure installation, more customers could be served. Like SoCalGas, SDG&E has begun documenting the status of every home currently ineligible under this provision, in hopes of following-up with these customers in 2009.

DRA states that the Commission should not allow utilities to reduce the number of measures delivered to certain customers, as doing so could negatively impact the welfare of such households. Under the IOUs' budget proposals, DRA claims that low energy users residing in rental units are likely to receive fewer than three measures. DRA argues the elimination of the 3 Measure Minimum runs counter to the Commission's mandate that renters receive LIEE treatment in proportion to their percentage of the low income population, as outlined in D.07-12-051.

Other parties also take issue with the elimination of this provision. A W.I.S.H. claims that the elimination of the 3 Measure Minimum undermines the whole house approach and results in increased overhead costs per measure. A W.I.S.H. points out that the installation of minimal measures may reduce the program's cost effectiveness. Citing the comments of insulation contractors at the July 17 workshop, A W.I.S.H. states that "the cost for minimal services is almost as great as the full spectrum of work needed with a much lower cost-benefit ratio."[73]

Similarly, Greenlining states that effective weatherization requires the use of an array of different measures, as opposed to individual measures.

11.3. Discussion

We recognize that certain households may need fewer than three measures to adequately improve energy efficiency. However, the Commission also remains in agreement with our finding in 2001 that a provision to ensure households receive a minimal level of measures is necessary to maintain overall programmatic cost effectiveness. The costs of outreach, enrollment and assessment are already quite substantial. Given these costs, the IOUs should ensure that a household receives sufficient measures when being treated.

In an effort to balance these competing issues, we agree to allow certain exceptions to the 3 Measure Minimum. Specifically, we permit the utilities to deliver fewer than three measures to a home, as long as at least one measure results in measure-level energy savings amounting to either 125 kWh/annually or 25 therms/annually. (See Attachment G.) The measures that qualify under this new provision will be updated each budget cycle.

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[73] *Comments by A W.I.S.H.*, filed August 1, 2008, p. 12.

By making this modification, the Commission also ensures a base level of energy savings. The program remains in compliance with the goal of achieving long-term and enduring energy savings and increased leveraging opportunities with LIHEAP. In addition, the new energy savings threshold ensures increased program-level cost effectiveness and measure provision to all eligible and willing customers.

12. Eligible Population for LIEE

12.1. Introduction

The *Plan* and D.07-12-051 set forth the following programmatic initiative:

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

In order to obtain this vision, the IOUs must reach approximately 25% of all eligible and willing households in 2009-11. The assigned Commissioner issued a guidance document for the IOU budget applications on April 1, 2008, asking the IOUs to calculate the number of eligible and willing LIEE customers based on utility's proposed "standard means of deriving the number of LIEE customers on which to base 1/4 of the Commission's programmatic initiative."[74]

In their budget applications, the IOUs proposed a joint methodology designed to obtain a base point of eligible and willing customers for each utility's service area. This base point represents the population to be reached in order to meet the 2020 goal, 25% of which should be served in the next budget cycle. The proposed methodologies for calculating the base point were basically the same

[74] *Assigned Commissioner's Ruling Providing Guidance for Low Income Energy Efficiency 2009-11 Budget Applications,* filed in R.07-01-042 on April 1, 2008.

for each utility, with one specific difference. The methodology used to calculate the base point for the programmatic initiative can be simplified as follows:

A: Total number of households estimated eligible for LIEE Program in 2008

B: Total number of households treated by LIEE from 2002 - 2008 (actual plus estimate for 2008)

C: Total number of households treated by LIHEAP from 2002 - 2008 (actual plus estimate for 2008)

D: 10% of A who are estimated as unwilling to participate

A – B – C – D = Base point for calculating 25% of the programmatic initiative, as proposed by SDG&E and SoCalGas

A – D – B – C = Base point for calculating 25% of the programmatic initiative, as proposed by PG&E and SCE[75]

Step A of the IOU proposed methodology includes obtaining an estimate of the overall eligible population. The IOUs estimated the number of CARE eligible customers, using a methodology developed in D.01-03-028 and designed to be used as an interim methodology until 2000 Census data became available. Using the 1990 Census as a foundation for household size and income estimates, the methodology included data adjusted for growth in households and income using other sources. Based on the methodology outlined in D.01-03-028, the

[75] The calculation we perform below demonstrates the A-B-C-D methodology, rather than PG&E's and SCE's proposal. Obviously, the point at which one subtracts "unwilling" customers has a significant effect on the bottom line. We prescribe a consistent approach across all IOUs, as we discuss below.

IOUs presented an overall population estimate for 2009 of 5.404 million customers.

Step B of the proposed methodology involves subtracting the number of households that have been served by the LIEE program between 2002 and 2008. The IOUs selected this time frame based on a reexamination of the "10 Year Go Back" rule, in which the utilities do not serve households that have been treated within the last decade. However, given the Commission's directive to reconsider this rule, the utilities concluded that households served after 2001 should not be included in the base point estimate. The year 2002 marked an increase in measures included as part of the LIEE program, as authorized in D.01-05-033. The utilities state that households treated from 2002–08 received similar measures to households to be treated in the upcoming budget cycle and should not be included as part of the base point population estimate.

Step C includes estimating the number of households treated by the LIHEAP from 2002 through 2008. The joint utilities claim that customers served by this federal program should not be included as part of the households to be treated in order to reach the 2020 goal. LIHEAP offers a majority of the measures available through LIEE, if not more measures. For this reason, homes treated by LIHEAP are determined to be ineligible for service under LIEE and should not be included in the base point calculation, the utilities assert.

In Step D, the utilities propose subtracting the number of customers who are likely to be unwilling to participate in LIEE. The utilities estimate this number to be 10% of the eligible population, based on the KEMA Report, which states, "Using the information collected through the onsite survey, we estimated that 10 percent of all low income households would be unwilling or unlikely to participate in CARE."

Based on this methodology, the final IOU population estimates are as follows:

		Number of Residential Customers in Utility Service Area	Number of Eligible and Willing LIEE Customers	Number of Treated LIEE Customers Since 2002	Number of Eligible and Willing Customers Remaining to be Treated	Customers Treated by LIEE in Program Year	Percent of LIEE Programmatic Initiative Achieved
PG&E							
	PY 2007	6,137,507	1,681,738	290,153		63,319	0%
	PY 2008	6,191,516	1,604,345	353,472		58,200	0%
	PY 2009	6,191,516	1,604,345	411,672	1,192,673	80,000	7%
	PY 2010	6,191,516	1,604,345	491,672	1,192,673	110,000	16%
	PY 2011	6,191,516	1,604,345	601,672	1,192,673	110,000	25%
SCE							
	PY 2007	4,271,645	1,229,072	235,789		44,323	0%
	PY 2008	4,312,896	1,208,651	286,789	921,862	51,000	0%
	PY 2009	4,312,896	1,208,651	362,032	921,862	75,243	8.2%
	PY 2010	4,312,896	1,208,651	437,275	921,862	75,243	16.3%
	PY 2011	4,312,896	1,208,651	512,518	921,862	75,243	24.5%
SDG&E							
	PY 2007	1,260,605	310,753	69,717		13,074	0%
	PY 2008	1,260,605	310,753	82,791		15,000	0%
	PY 2009	1,260,605	310,753	97,791	212,962	20,000	9%
	PY 2010	1,260,605	310,753	117,791	212,962	20,000	19%
	PY 2011	1,260,605	310,753	137,791	212,962	20,000	28%
SoCalGas							
	PY 2007	5,232,672	1,841,477	238,713		44,176	0%
	PY 2008	5,267,509	1,753,200	282,889		65,000	0%
	PY 2009	5,267,509	1,753,200	347,889	1,470,311	95,000	6%
	PY 2010	5,267,509	1,753,200	442,889	1,470,311	123,000	15%
	PY 2011	5,267,509	1,753,200	565,889	1,470,311	125,000	23%

The IOUs recognize that the estimate needs to be better developed by tracking the number of homes unwilling to participate. In doing so, they plan to track this information based on two sub-components. The first sub-component includes customers who affirmatively reject LIEE program participation. The second sub-component includes customers who have been contacted on multiple occasions but do not indicate whether or not they would like to participate in the LIEE program. The utilities question at what point to consider such a customer as "unwilling."

12.2. Parties' Positions

DRA makes several claims that the utilities are underestimating the willing and eligible population. Based on various revisions to the proposed methodology for calculating the programmatic initiative, DRA recommends that the utilities treat 1,135,189 households over the next budget cycle, 2009-11. In contrast, the utilities plan to treat 928,729 households in the same period.

According to Greenlining, the proposed methodology contains "fuzzy math" and could potentially underestimate the base point. Greenlining recommends that the adopted methodology be as simple as possible.

Beginning with the eligible population estimates, represented as A, DRA points out that the utilities' estimate of 5.404 million for 2009 is lower than other estimates. Specifically, DRA cites the estimated population of 5.633 million households for 2006 from the KEMA Report. DRA does not believe that the eligible low income population will "shrink" over time, as the utilities seem to suggest, given the current economic downturn and population growth likely to have occurred from 2006–09. DRA states that a record number of California customers are in arrears and that various state agencies are escalating services for the low income community to confront the expected increase in this population.

DRA also questions the constancy of the utilities' population estimates from 2009–11. As part of the eligible population estimate, DRA believes that the utilities should include a projection of population growth from year to year, which would serve as a better estimate of the eligible population and allow for the inclusion of low income households in the program's target market. Specifically, DRA recommends an annual growth rate of 1% to take population growth into consideration. Accordingly, this conservative figure is based on the average change in population claimed by the IOUs between 2005 and 2008.

To further justify these modifications, DRA submitted an email sent by John Peterson, a consultant who provides the IOUs with annual estimates of the CARE and LIEE eligible population. Peterson sent an email on June 22 to various utility representatives, stating "I wish that we had used 5.63 million and a growth rate, but I understand the reasons for the approach taken."

PG&E stated that it does not know the reasons for the decrease in the eligible population but offers the following:

> The disjunction between a given year's CPUC guideline setting based on previous years' national CPI estimates and the current year's empirical midyear CPI from the California Department of Finance; the methods and sources used by the vendor supplying current year small area (block group) marginal distributions on household income, household size, and householder age; and that 2007 was the first year in which Census PUMS data was supplemented with accumulated 2005-2006 American Community Survey estimates, a method that should generate more robust partners.

SoCalGas and SDG&E claim they did not use the population estimate of 5.633 million from the KEMA Report because the study contained inaccuracies and has not been authorized for use by the Commission. In contrast, they claim, the Commission endorsed the methodology presented in D.01-03-028. In addition, the use of the methodology from D.01-03-028 allowed for the inclusion of more recent and relevant data than that which was used in the KEMA Low Income Needs Assessment, according to the utilities.

PG&E does not support the growth rate suggested by DRA, asserting that the eligibility estimate should serve to pinpoint a moment in time as opposed to forecast future population estimates. If the Commission decides to forecast population growth on a yearly basis, PG&E requests that a commensurate level of funding be provided.

SoCalGas and SDG&E propose that the IOUs annually update their population growth rates based on actual annual meter growth. According to them, this more accurate indicator of overall customer growth is easily accessible.

DRA contends that households treated by LIHEAP in future years should not be subtracted from the population, as the Commission does not guarantee LIHEAP service. According to DRA, subtracting homes that have not yet been treated is premature. Instead, the Commission should allow utilities to retroactively subtract homes treated by LIHEAP from the eligible population.

LIF asserts that the households treated by LIHEAP should not be excluded from the estimate of the eligible and willing LIEE population. LIF believes that the Commission cannot be certain that weatherization and/or energy efficiency services were provided to these homes. LIF also believes that customers treated by LIEE and LIHEAP more recently than 2002 should be included in the base point calculation. LIF asserts that low income residences tend to wear out at a faster rate than other homes because they are located in dilapidated environments, house multiple families in single units, and experience significant turnover in occupancy given the transient nature of the low income population.

Greenlining also expresses its concern with the 10% unwillingness factor. They believe that the figure is unsubstantiated. Greenlining argues that currently, a rising number of customers are defaulting on their energy bills, making very few likely to be “unwilling” to participate. It believes that the lack of participation may be due to the confusing and difficult participation requirements, as opposed to outright unwillingness.

The utilities assert that the LIHEAP program provides participants with all feasible measures, with the majority of the measures available under both programs. For this reason, the utilities believe customers treated by both LIEE and LIHEAP since 2002 should be excluded from the base point. According to SoCalGas and SDG&E, the DCSD provided the IOUs with the actual number of households treated by LIHEAP from 2002–07 and the estimated number of households to be served by LIHEAP in 2008. The utilities argue these numbers are valid and should be subtracted from the eligible and willing population, argue the utilities.

DRA does not agree with the subtraction of 10% of eligible customers who are deemed as unwilling to participate. DRA claims that the utilities are inappropriately using information concerning the CARE optimal penetration rate to calculate the unwillingness factor for LIEE. According to the KEMA Report, only 5% of customers are unwilling to participate in LIEE (p. 5-69). This dissimilar estimate should not be used, especially in a time of rising energy costs and greater importance placed on emissions reductions.

DRA claims that the IOUs have committed to tracking customers who are unwilling to participate in LIEE. As part of this process, DRA believes the IOUs should retroactively subtract any unwilling customers tracked through their efforts from the total population estimate, calculated as part of the base point. The tracking mechanism should distinguish between those already treated and other utility customers. According to them, this will encourage accurate tracking on the part of the utilities as well as identify a more specific and verifiable understanding of the willing LIEE population.

LIF believes that the inclusion of a 10% unwillingness factor would diminish the goals of the LIEE program. LIF believes the program should account for all eligible households and that the IOUs can retroactively subtract households who are verifiably unwilling to participate. LIF notes that the KEMA

Report estimated that only 2% of those surveyed were deemed as "*not at all willing* to participate in CARE."[76]

The utilities state, in rebuttal, that additional onsite surveys incorporated into the CARE unwillingness factor led to their IOU estimate of 10% as "unwilling and unlikely to participate in CARE." They state that the KEMA Report did not include a similar estimate for customers both unwilling and unlikely to participate in LIEE. The utilities believe the LIEE 5% unwillingness factor is deficient and should be higher, especially given that LIEE presents greater participation barriers than CARE. The utilities believe that a 10% unwillingness factor serves as a reasonable, and perhaps conservative, estimate of customers who are unwilling or unlikely to participate in LIEE.

The utilities state that they aim to treat all eligible and willing customers by 2020. They believe the 10% unwillingness factor enables them to project realistic three-year budgets that are not too burdensome for all ratepayers. Additionally, they claim that the treatment of additional customers would substantially impact ratepayers and require additional budgets to do so.

12.3. Discussion

12.3.1. Introduction

The Commission has carefully considered the information presented by the parties regarding this issue. We recognize that the actual population of willing and eligible customers is difficult to definitively ascertain. We use the information presented by the IOUs and the parties as a starting point for devising a CPUC methodology for determining the eligible and willing LIEE population. Taking each position and estimate into consideration, we have

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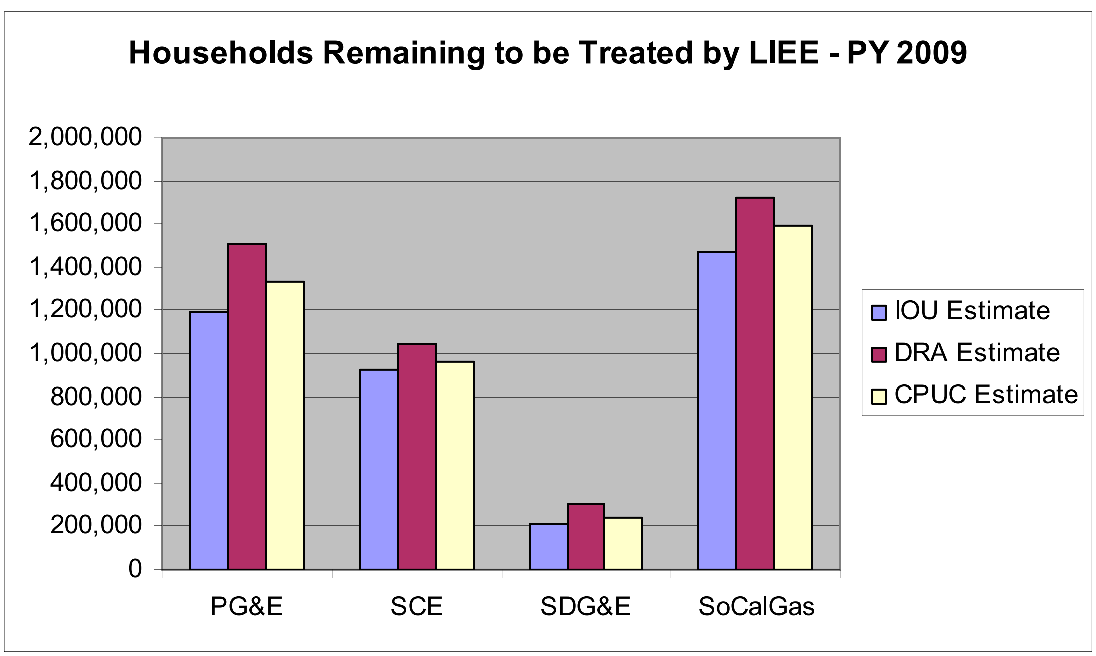
[76] LIF cites the KEMA Report, p. 5-68.

devised a standard methodology and subsequent estimates of the number of households to be treated over the next budget cycle. We direct the utilities to plan to treat the number of households we have calculated for each respective utility.

We agree with DRA that it is cheaper now to treat the homes than it will be three years from now, given expected inflation and the urgency of reducing energy costs in the present. However, we do not want to place an additional strain upon the ratepayers in the process of serving more homes. Therefore, our methodology strikes a balance between the utilities' proposed methodology and the recommendations of DRA. Moreover, we take Greenlining's suggestion into consideration, attempting to make the methodology for calculating the programmatic initiative as simple and clear as possible.

The following graph illustrates the proposed estimates of households remaining to be treated by LIEE for 2009, demonstrating the middle-of-the-road approach we adopt today.



12.3.2. Methodology

Under our adopted methodology, the number of households eligible for LIEE is first estimated. The Commission agrees with DRA that the utilities' overall population estimate of 5.404 million customers for 2009 should not be used, given that this number is significantly lower than previous years' estimates. Though we are not in a position to verify DRA's claims that the utilities are underestimating the eligible population, it is unlikely that the low income population diminished by 4% from 2006–09. However, we also recognize that data collection can lag and processes for collecting such information may vary, which could explain the decrease in the eligible population estimates.

To resolve this issue, we turn to the IOUs annual reports, in which the utilities present estimates of the number of eligible households for the current year. On May 1, 2008, the utilities submitted their 2007 annual reports to the Commission, including eligible household estimates of 1,868,598 for PG&E; 1,368,584 for SCE; 354,489 for SDG&E; and 2,046,086 for SoCalGas. In total, approximately 5,637,757 households were eligible for the LIEE program in 2007. We use this number as the starting point for the estimate of eligible LIEE customers.

While the utilities presented a static estimate of the eligible population, DRA's estimate is factored up annually by 1%, thereby accounting for population growth and economic conditions. We agree with DRA that population growth should be taken into consideration. Therefore, the estimate of 5.637 million households is factored up by 1% annually, resulting in an estimated population of 5.751 million households for 2009.

In the next step of the methodology, we consider the number of households unwilling to participate in LIEE. Various parties expressed their concerns with the subtraction of 10% of the customers based on a deemed unwillingness. The Commission agrees that the IOUs have inappropriately used this estimate from the KEMA Report.[77] The assessment clearly states that 5% of customers are unwilling to participate in LIEE. As this latter number is a more valid estimate for our purposes, we take 5% of the given population from each annual eligible population estimate, resulting in 287,554 customers in 2009 estimated as unwilling.

In doing so, we agree with the PG&E/SCE proposal to use the total population as the basis for this estimate, given that any estimate of unwillingness takes the entire population into account. Future estimates of willingness may be more precise and may be considered for the 2012-14 budget cycle.

After estimating the number of unwilling households, the Commission methodology calculates the number of households treated by LIEE from 2002-08. To do so, we first turn to the joint utilities' reports for the 4th quarter of 2007. In the reports, the utilities present estimates of the number of households treated during this time frame, a total of 939,367 households. We must also include the number of homes to be treated in 2008. We obtain this information from the projections of homes to be treated in 2008, as specified in the utilities' budget applications.

We obtain this information from the projections of homes to be treated in 2008, obtained from the budget applications."

Households Treated by LIEE Program from 2002 - 2008								
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Total**
PG&E	70,683	44,837	47,702	56,388	66,043	60,368	58,200	**404,221**
SCE	29,685	33,731	37,348	36,420	53,017	42,316	51,000	**283,517**

[77] The 10% figure refers to the number of customers unwilling to participate in CARE.

SDG&E	14,089	15,706	14,897	11,254	13,771	13,074	15,000	**97,791**
SoCalGas	49,464	57,179	54,677	40,523	36,843	39,352	65,000	**343,038**
Total	**165,923**	**153,456**	**156,628**	**146,590**	**171,680**	**157,117**	**191,208**	**1,128,567**

Households treated under the LIHEAP program should also be counted as treated, given that LIHEAP offers most of the same measures offered by LIEE, as well as additional measures not offered by LIEE. Additionally, under LIHEAP, more money is spent to treat a home than under LIEE. With data obtained directly from the Department of Community Services and Development, approximately 224,387 homes were treated by LIHEAP from 2002-07. We do not include the estimated number of households treated in 2008, given that this data is not final. The number of households treated in 2008 can be subtracted from the estimate of households to be treated in the 2012-14 budget cycle.

Households Weatherized from 2002 - 2007			
	DOE	**LIHEAP**	**Total**
PG&E	14,524	62,013	**76,537**
SCE	11,722	54,358	**66,080**
SDG&E	1,596	6,444	**8,040**
SoCalGas	13,374	60,356	**73,730**
Total	**41,216**	**183,171**	**224,387**

Under our adopted methodology, the estimates of unwilling households, households treated by LIEE from 2002–08, and households treated by LIHEAP from 2002-07 must be subtracted from the estimate of the eligible LIEE population. After conducting this calculation, we must estimate the number of households to be treated in the next budget cycle. To do so, we divide each annual estimate by 25%, leaving the utilities to determine how many households are treated annually in order to reach the estimate for 2011. Overall, the utilities must treat a total of 1,055,096 households over the next budget cycle to meet 25% of the programmatic initiative. Specifically, utilities must treat the following number of households over the next budget cycle - PG&E at 341,622 customers, SCE at 250,837 customers, SoCalGas at 401,485 customers and SDG&E at 61,152 customers.

Projected Number of Homes to be Treated 2009-2011								
	2009		2010		2011			
Utility	Original	New Projection	Original	New Projection	Original	New Projection	Total Cycle - Original	Total Cycle - New
PG&E	80,000	91,099	110,000	125,261	110,000	125,261	300,000	341,622
SCE	75,243	83,612	75,243	83,612	75,243	83,612	225,729	250,837
SoCalGas	95,000	111,211	123,000	143,973	125,000	146,301	343,000	401,485
SDG&E	20,000	20,384	20,000	20,384	20,000	20,384	60,000	61,152
Total	270,243	306,307	328,243	373,230	330,243	375,559	928,729	1,055,096

Improved data will likely be available in the next budget cycle, via the 2010 census and information from utilities' proposals to improve the tracking of customers. Such information will improve the validity of the population estimates conducted in the 2012–14 budget cycle.

If the population is lower, the higher estimates of eligible and willing customers in this budget cycle will make the utilities' 2020 goal easier to reach. However, we conclude the methodology described above is the best way to ensure that we target the correct goal.

13. Integration of LIEE with Other Utility Demand-Side Programs

13.1. Introduction

In their budget applications, the utilities presented a variety of proposals on integration. We approve those proposals, with some important conditions. Simply listing proposals is insufficient and may not ensure that the IOUs meet the Commission's requirement of pursuing successful integration and coordination. Therefore, we use this decision to present a clear definition of integration and a set of objective metrics to be used to track and report integration proposals. Moreover, we require the IOUs to conduct additional efforts to achieve greater integration and coordination above and beyond the utilities' own proposals.

On October 19, 2007, the Commission issued D.07-10-032 which promotes the objective of achieving maximum savings by providing integrated customer demand-side programs. The Commission also outlined policy and program guidance for the LIEE program in D.07-12-052, including the following integration goal:

> LIEE programs should be integrated with other energy efficiency programs to allow the utilities and customers to take advantage of the resources and experience of energy efficiency programs, promote economies of scale and scope, and improve program effectiveness.[78]

Specifically, we directed the utilities in their LIEE programs to "emphasize long term energy savings that … are, to the extent cost effective and practical, integrated with other demand-side programs, such as energy efficiency programs, solar installations, demand response and other programs."[79]

13.2. Discussion

13.2.1. Definition of Integration

The IOUs' proposals demonstrate some confusion regarding the difference between "integration" and "leveraging"; thus, a definition is in order. We define integration in the context of LIEE programs as follows:

> Integration constitutes an IOU's *internal* efforts among its various departments and programs to identify, develop, and enact

[78] D.07-12-051, p. 11.

[79] *Id*. p. 88.

cooperative relationships that increase the effectiveness of demand side management programs. Integration should result in more efficiency and savings than would have occurred in the absence of integration efforts.

13.2.2. Required Metrics

Certain standards or metrics are needed in order to measure and thereby promote integration within each IOU. Though the utilities agreed at the July 17, 2008 workshop that such metrics are appropriate, they state that the assessment of these metrics is difficult without sound data or input from impacted stakeholders who need compatible databases to track such metrics. We disagree; integration is an internal effort conducted by the IOU itself. Incompatibility of databases therefore should not pose a concern, as the IOU will be tracking data internally. Utilities are likely to track this information as a part of regulatory reporting requirements and good business practices.

The utilities also suggest conducting a study on potential metrics and using quarterly public meetings[80] as a venue to discuss this strategy. It would be imprudent to wait for a study to be completed. Instead, we move the integration process forward in this decision by adopting working integration metrics to be used in the context of the LIEE program.

To be considered a successful integration effort, integration should meet certain criteria and achieve certain results. The metrics for evaluating the results of integration should be replicable in other demand side management programs. Therefore, the Commission establishes certain metrics to be used in the context of

[80] DRA asks us to discontinue quarterly public meetings, which supplanted a process known as Standardization Teams that worked on standardizing measures and procedures in the LIEE program. We decline this proposal, as we believe public input into the LIEE program is vital to the program's credibility and relevance.

the LIEE program. We may change these metrics in future program cycles, but they serve as a good first step in giving the utilities a clear set of criteria and results to work toward meeting over the upcoming cycle.

In order to be counted as successful, an integration effort must accomplish at least two of the following four goals:

(i) *Interdepartmental Coordination:* Increased coordination in work efforts between departments within the utility. This type of integration results in cost and/or resource savings as well as one or both of the following:
   a. Consolidation of work efforts,
   b. Elimination of overlapping and/or repetitive tasks.

(ii) *Program Coordination:* Increased coordination between multiple programs managed by the utility. This type of integration results in cost and/or resource savings as well as one or both of the following:
   a. Increased services provided to customers,
   b. Greater number of customers served by a program.

(iii) *Data Sharing:* Increased information and data sharing between departments within the utility and/or multiple programs managed by the utility. This type of integration results in cost and/or resource savings as well as one or both of the following:
   a. Greater number of customers served,
   b. Consolidation of work efforts.

(iv) *ME&O Coordination:* Consolidation of marketing, education and outreach for multiple programs managed by the utility. This type of integration results in cost and/or resource savings as well as any or all of the following:
   a. Greater number of customers reached,
   b. More cost effective marketing, education and/or outreach to customers,
   c. Elimination of customer confusion.

We will require that the IOUs track and report the status of each of the integration efforts listed in their applications. The utilities also should track additional integration efforts, using the guidance set forth in this decision to devise such efforts. They shall present the results in their annual report submitted to the Commission each May. In cases where the integration effort does not meet at least two of the above goals, the IOUs shall provide a reasonable explanation. We direct Energy Division to review the reports and work with IOUs to enhance integration during the 2009-11 cycle if our metrics are not met; the IOUs likewise are directed to work with Energy Division as appropriate.

13.2.3. IOU Integration Proposals

The IOUs have made certain integration proposals in their budget applications. We approve all proposals, using the above definition to distinguish between integration and leveraging, where appropriate. Some utilities have gone to greater lengths than others to outline efforts designed to achieve integration and coordination. We require the utilities to pursue additional efforts in certain cases, as outlined below.

13.2.4. Integration with CARE

The IOUs propose various means of integration of LIEE with CARE. This is an obvious strategy for integration, given that the programs serve the same eligible population. We direct the utilities to coordinate all LIEE outreach with CARE. This form of integration utilizes the pre-existing CARE infrastructure and results in targeting the same customer segment at an incrementally low cost to the LIEE program. The IOUs shall also pursue integration in other program functions such as income verification. Overall, we require that all utilities integrate CARE and LIEE functions to the greatest extent possible to reduce costs.

DRA recommends that the Commission require utilities to offer CARE and LIEE enrollment during customer service calls. We agree this form of integration will require the utilities not only to pursue further coordination between CARE and LIEE, but also achieve coordination with the section of the utility that handles customer service calls.

13.2.5. Integration with Energy Efficiency

D.07-12-051 directed the utilities to integrate the LIEE and Energy Efficiency programs through complementary approaches with the intent of eventually managing both as a single program. All utilities should increase coordination between LIEE and Energy Efficiency departments, thereby achieving greater interdepartmental coordination. With each utility's differing internal structures, we do not wish to be overly prescriptive in outlining how integration should occur. What we are looking for are efforts that save costs and resources, consolidate internal work efforts, and eliminate tasks that overlap between respective departments.

Certain IOUs propose low-cost and clearly defined plans for integrating components of the LIEE program with Energy Efficiency programs. The residential Energy Efficiency programs are especially obvious areas to pursue programmatic coordination. We commend the utilities' intentions to integrate at the programmatic level. We especially applaud the proposals that do not include an additional budget request, given that integration should be about reducing costs, not increasing costs. We require all utilities to increase programmatic coordination between LIEE and Energy Efficiency programs, thereby increasing the availability of energy efficiency services to a greater number of customers.

Local Government Partnerships (LGPs) are an obvious and ideal place to pursue integration between LIEE and Energy Efficiency at the programmatic level. LGPs are managed by the general Energy Efficiency program and involve local governments as a third-party administrator in carrying out an array of projects. By coordinating LGPs with the LIEE programs, the IOUs can use the pre-established working relationships between the utility and the local government to pursue leveraging opportunities. Additionally, the LIEE infrastructure can be used for the benefit of other programs. The utilities shall examine current and future LGPs and pursue any potential synergies that exist with the LIEE program to ultimately reduce costs. This form of integration can be achieved without additional budget requests.

13.2.6. Integration with Demand Response Programs

D.07-12-051 also encourages the IOUs to pursue integration between their LIEE and Demand Response programs. Both PG&E and SDG&E propose pilots involving the Demand Response program, each with a pilot specifically geared to prepare low income customers for the implementation of Advanced Metering Infrastructure (AMI). The IOUs shall make sure that what they learn in their Demand Response proceedings is leveraged with the LIEE program.

13.2.7. Integration with California Solar Initiative

The Commission has committed 10% of overall funds available through the California Solar Initiative (CSI) for low income customers and affordable housing projects. As part of the CSI, the Commission approved D.07-11-045 on November 16, 2007, adopting the Single Family Low Income (SFLI) program. Designed to provide incentives for solar photovoltaic systems to single-family, owner-occupied, low income homes, the program offers incentives ranging from $4.75 to $7.00 per watt. Approximately 5,000 households are expected to receive incentives through the SFLI program. The Multifamily Affordable Solar Housing (MASH) program is currently under development in R.08-03-008.

D.07-11-045 set certain parameters for integrating the SFLI Program and the LIEE Program, specifically stating, "[l]ow income incentive applicants should obtain an energy efficiency audit and enroll in LIEE, if eligible, and have all feasible LIEE measures installed or be on the waiting list for installation prior to receiving solar incentives." The decision requires the system size eligible for low income incentives to be based upon an estimate of household load with all feasible LIEE measures installed. We also directed the Energy Division in D.07-11-045 to explore methods for expediting low income solar incentive applicants' receipt of LIEE benefits.

D.07-12-051 directed the utilities to consider how the low income element of the CSI program will be coordinated with the LIEE program. A follow-up ruling issued by the assigned Commissioner on July 13, 2008 requested further details on this issue. In their responses, the utilities claimed they could not fully comment on their plans to coordinate given that the SFLI program implementation plan had not yet been devised. Moreover, the utilities point out that a final decision on the MASH program remained pending.

As the SFLI program and the MASH program have not yet been implemented, we direct the utilities to prepare for this process by giving full consideration as to how coordination with LIEE will occur. Though we do not wish to be overly prescriptive at this point, both interdepartmental coordination and programmatic coordination between LIEE program administrators and the CSI low income program manager(s) will be required. In addition, in accordance with D.07-11-045, the Commission directs the utilities to remove any barriers to LIEE participation for eligible customers who wish to participate in the CSI low income programs. Solar applicants should be fast-tracked through the LIEE program in the event that a waiting list for LIEE measure installation exists.

The eligibility criteria for LIEE and the CSI low income programs are not exactly the same. For example, only those households that meet definition of "low income residential housing" in Pub. Util. Code § 2852 can participate in SFLI and MASH. This may not overlap 100% with those who qualify for LIEE programs.

Nevertheless, certain synergies and cost savings opportunities for coordinated marketing and outreach between LIEE and the CSI low income programs may exist, given the overlap in the programs' customer bases. Subsequently, the Commission directs the utilities to pursue coordinated marketing and outreach in areas where residences are likely to qualify for the SFLI and MASH programs. If appropriate, the program manager, Energy Division and the IOUs may agree to modify LIEE outreach materials to include information on customers' potential eligibility for CSI installations and CSI contact information.

14. Leveraging of LIEE with Other Programs Offered in California

14.1. Introduction

We require IOUs to prove that efforts at "leveraging" their LIEE program dollars with programs outside the IOU are effective. We define leveraging as

> an IOU's effort to coordinate its LIEE programs with programs outside the IOU that serve low income customers, including programs offered by the public, private, non-profit or for-profit, local, state, and federal government sectors that result in energy efficiency measure installations in low income households.

The Commission has long attempted to require such leveraging, but the results thus far are less than optimal. We therefore require the IOUs to track and report in the annual filings the extent to which their leveraging efforts result in partnerships or other collaboration with non-IOU sources, and most importantly, in dollar savings, energy savings and benefits, and/or increases in program enrollment. We require this showing to ensure that leveraging efforts yield direct benefits to low income households and the LIEE program overall.

14.2. Parties' Positions

PG&E's application describes five new pilot projects that will help PG&E leverage its own LIEE program with the resources of other groups to better find and serve traditionally hard-to-reach low and very low income customers, including shut-in seniors and disabled, near homeless families with children, neighborhoods in so much need that they require complete revitalization, rural and/or remote populations, and non-English speaking families.

These pilots include working with Habitat for Humanity, Meals on Wheels, the City of San Jose, the City of San Joaquin (Fresno County), Public Housing Authorities (PHAs), as well as other IOUs. In addition, PG&E proposes to: (1) use its CARE customer list in an attempt to enroll all willing CARE customers in LIEE programs, which will provide significantly more customers than needed for the 25% *Plan* target for 2009-11; (2) incorporate CARE and LIEE enrollment into the public housing intake process; (3) support LIHEAP by waiving the minimum measure rule,[81] supporting federal legislation, and continuing the refrigerator leveraging program[82]; (4) support the CSI by ensuring all LIEE retrofits are performed before solar panels are installed on low income homes or after customers are on the solar waiting list; (5) expand funding of the

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[81] PG&E proposes a change the LIEE and LIHEAP home weatherization minimum three-measure rules to qualify a home for treatment.

[82] Under this program, interested LIHEAP agencies that are not LIEE contractors may contract with PG&E to provide refrigerators to eligible PG&E customers. By providing

Footnote continued on next page

REACH PLUS Program; and (6) achieve economies of scale by bulk purchasing products where possible.

SDG&E currently coordinates its LIEE program promotions with its Medical Baseline program to leverage with agencies that serve persons with disabilities, as well as with SoCalGas' LIEE program where SDG&E and SoCalGas plan to co-brand activities, in order to increase customer awareness of the LIEE programs and services available, and reduce costs.

SDG&E plans to coordinate future efforts with various communities and agencies including LIHEAP, the San Diego County Health and Human Services, City of Chula Vista, National City, City of San Marcos, San Ysidro community, Metropolitan Water District, California American Water Company, the San Diego Unified School District, and 211 San Diego. SDG&E and the Metropolitan Water District (MWD) are in negotiations to develop a partnership to leverage available program funds for the direct installation of high-efficiency clothes washers. MWD proposes to contribute $110 towards the purchase cost of each high efficiency clothes washer that SDG&E's LIEE program installs.

SCE states that it will continue to leverage and expand its partnerships with local organizations and will seek to include organizations representing seniors, persons with disabilities, mobile home and apartment associations and other groups with ties to potentially eligible customers. In addition, through a coordinated effort with SoCalGas, SCE will continue to leverage the outreach of customers in the areas jointly served by SCE and SoCalGas.

SCE also proposes new leveraging opportunities with the Home Energy Efficiency Rebates (HEER) program, Multifamily Energy Efficiency Rebate

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the refrigerator under LIEE funding, the LIHEAP agency can stretch its dollars to offer

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Program (MFEER), California New Homes Program, Comprehensive Mobile Home Program (CMHP), Home Energy Efficiency Survey (HEES), Efficient Affordable Housing (EAH), WE&T School Program, Mobile Energy Unit (MEU), Community Language Outreach Program (CLEO), Energy Leader Partnership (ELP), Summer Discount Plan (SDP), Advanced Metering Infrastructure, Medical Baseline, and The Energy Assistance Fund/Rate Relief Assistance Program.

SoCalGas will continue to coordinate its LIEE program with SDG&E's LIEE program in their overlapping service territory in South Orange County, with plans to co-brand activities with other IOUs to increase customer awareness about the LIEE programs and services available as well as developing joint forms with SCE, thus streamlining the enrollment process for both the customer and LIEE program personnel.

SoCalGas also plans to coordinate future efforts with various communities and agencies including LIHEAP, the Imperial Irrigation District, the MWD, Los Angeles Department of Water and Power, in addition to other various cities and local communities, water agencies, and CBOs. Like SDG&E, SoCalGas and the MWD are in negotiations to develop a partnership to leverage available program funds for the direct installation of high-efficiency clothes washers. MWD proposes to contribute $110 towards the purchase cost of each high efficiency clothes washer that SoCalGas' LIEE program installs.

In its protest, DRA expresses concern that the IOUs only propose leveraging that result in dollar savings through existing rather than new leveraging mechanisms. DRA recommends the Commission or the IOUs create a

more services to more homes.

"leveraging application." In its August 1, 2008 brief,[83] DRA recommends that all utilities measure leveraging by the following criteria: duplicative activities eliminated, ratepayer costs saved, and resources attracted to serve households increased.

14.3. Discussion

14.3.1. Introduction

We require the IOUs' leveraging projects to meet three objective criteria. The leveraging must increase energy savings, result in new customer enrollments, or save program costs.

14.3.2. Definition of Leveraging

Because the IOUs' description of their leveraging efforts include instances where they intend to coordinate their own programs, it is clear that a definition of leveraging is required. Leveraging does not include an IOU's internal efforts to coordinate programs. (Such activity is considered integration, which we discuss earlier in this decision.) Instead, we define leveraging as

> an IOU's effort to coordinate its LIEE programs with programs outside the IOU that serve low income customers, including programs offered by the public, private, non-profit or for-profit, local, state, and federal government sectors that result in energy efficiency measure installations in low income households.

14.3.3. Leveraging Metrics

In setting forth a strategic direction for energy efficiency, D.07-10-032 emphasized the need to leverage resources by looking beyond the boundaries of

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[83] *Brief of the Division of Ratepayer Advocates on the Applications of Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company for Approval of 2009-11 LIEE and Care Programs and Funding,* filed August 1, 2008, pp. 30-33.

utility territories, Commission jurisdiction, and existing energy efficiency programs. In D.07-12-051, the Commission reiterated this emphasis for LIEE programs and required the utilities to broaden the scope of their efforts, and coordinate with other agencies and businesses in designing, delivering and implementing LIEE programs.

In the *Plan*, we outline a strategy of increasing collaboration and leveraging of other low income programs and services in order to meet the goal of making the LIEE programs an energy resource. The *Plan* calls on the IOUs to work with various participants in the industry to identify key areas where data sharing is possible and advantageous; seek legislative changes to ease data sharing between agencies; and develop partnerships with community organizations and other agencies to leverage resources available from local governments, federal, state, and private project funding sources.

The Commission commends the IOUs for providing lists of entities with which they will continue to coordinate or new efforts they will pursue going forward. We direct the IOUs to continue to explore new opportunities and coordinate actual program delivery to promote long term enduring energy savings and cost efficiency. However, simply listing leveraging efforts and new opportunities is not sufficient to meet the criteria we set forth below. The efforts and associated benefits must be measurable.

In response to an ALJ ruling on the subject of leveraging,[84] each IOU agreed on the appropriateness of objective metrics for assessing the success of the IOUs' leveraging programs. The IOUs suggested, however, that such metrics

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[84] *ALJ Thomas' Second Ruling Seeking Further Information on Large Investor Owned Utilities' 2009-11 Low Income Energy Efficiency/Care Application,* filed June 25, 2008 *(ALJ Second Ruling),* p. A-2.

be developed at an upcoming Low Income Joint Utility Public Meeting.[85] In DRA's response to the ALJ ruling, DRA agreed that the Commission should establish objective metrics by which to assess IOU leveraging efforts and require the IOUs to report their efforts in their annual reports provided each May.[86] At the July 17, 2008 workshop on the IOUs' LIEE budget applications, Commission staff presented a preliminary draft of the criteria we discuss here, and each IOU agreed in principle to track and report their performance based on them.

The IOUs shall the following three criteria to measure the level of success of each of their leveraging efforts and partnerships. Further, all partnerships must be outside the IOU and be the subject of an MOU.

(i) *Dollars saved.* Leveraging efforts are measurable and quantifiable in terms of dollars saved by the IOU (Shared/contributed/ donated resources, elimination of redundant processes, shared/contributed marketing materials, discounts or reductions in the cost of installation, replacement, and repair of measures, among others are just some examples of cost savings to the IOU).

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[85] *Response Of Pacific Gas And Electric Company (U 39 M) To June 25, 2008 Administrative Law Judge's Ruling Seeking Further Information On Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency/CARE Applications,* filed July 7, 2008, pp. 5-6; *Response Of San Diego Gas And Electric Company To The Administrative Law Judge's Second Ruling Seeking Further Information From The Large Investor-Owned Utilities' 2009 – 2011 Low Income Energy Efficiency/Care Applications*, filed July 7, 2008, pp. 8-9; *Response Of Southern California Gas Company To The Administrative Law Judge's Second Ruling Seeking Further Information From The Large Investor-Owned Utilities' 2009 – 2011 Low Income Energy Efficiency/CARE Applications*, filed July 7, 2008, pp. 6-7; *Response Of Southern California Edison Company (U 338-E) To The Administrative Law Judge's Second Ruling Seeking Further Information On Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency/Care Applications*, filed July 7, 2008, pp. 4-5.

[86] *Response of the Division of Ratepayer Advocates to the Administrative Law Judge's June 25, 2008 Ruling*, filed July 7, 2008, p. 2.

(ii) *Energy savings/benefits.* Leveraging efforts are measurable and quantifiable in terms of home energy benefits/ savings to the eligible households.

(iii) *Enrollment increases.* Leveraging efforts are measurable and quantifiable in terms of program enrollment increases and/or customers served.

We will require that the IOUs measure each of the existing and proposed leveraging efforts listed in their applications using these metrics and report the status of each in their annual reports provided each May to the Commission. The IOUs shall identify the level to which the proposed leveraging efforts meet each criterion, and in cases where the leveraging effort or relationship does not meet a criterion, shall provide a reasonable explanation. Energy Division shall make recommendations to the Commission if the IOUs' leveraging efforts are failing to meet the objective metrics we establish here, and the IOUs shall cooperate with the Energy Division, as necessary to assist the division in making its recommendations.

Setting the above criteria will help transition the LIEE program into a resource program that results in home energy benefits to the low income community while also creating costs savings for the IOUs. As identified in the Commission-issued *Plan*, successful leveraging is a goal that will in the end help streamline and improve customer identification and program delivery. The above criteria should encourage and foster beneficial leveraging partnerships.

14.3.4. Leveraging with LIHEAP

The most obvious leveraging opportunity is the federal LIHEAP program, administered by the DCSD. The record of the July 17, 2008 workshop provides evidence that leveraging between the IOU programs and LIHEAP requires improvement. This Commission will execute a MOU with the DCSD to ensure we are facilitating leveraging to the maximum extent possible, and we have initiated contacts for this process, but we need the IOUs to focus far more attention in this area.

From the workshop record, we know that the IOUs' current programs do not adequately leverage with LIHEAP. They do not always know if a house has had LIHEAP treatment until they get there. This data vacuum is untenable, and IOUs shall immediately change it. The IOUs shall also make arrangement with DCSD or LIHEAP contractors to have their personnel trained on what the LIHEAP program entails. This training should accomplish two things – build bridges between LIEE and LIHEAP personnel, so they can begin working closely together – and make sure LIEE personnel are well aware of the nature and services of the LIHEAP program.

The IOUs make proposals for better LIHEAP leveraging. For example, SDG&E will work to: (1) implement a structured referral system to allow for flexibility between program participation where customers can be referred to the other party should a service or measure not be provided in one program; (2) track customer referrals in the program database and measures installed by LIEE or LIHEAP; and (3) provide LIHEAP contractors serving the San Diego area access to SDG&E's LIEE database to enable them to pre-screen their clients to see if they have received LIEE services from SDG&E along with a list of the measures installed. SoCalGas proposes data sharing and a structured referral system with the LIHEAP program to avoid duplication of effort. PG&E contracts with LIHEAP for distribution of bulk purchased refrigerators. This is a good start, although we are surprised this leveraging is not already taking place.

The goal is for LIHEAP and LIEE measure installation to happen at the same time, or sequentially, as part of the Whole Neighborhood Approach. The IOUs shall, as part of their leveraging strategies, immediately begin this leveraging process. We expect to see significant progress toward a goal of 100% LIHEAP and LIEE leveraging and coordination in the IOUs annual reports.

15. Eligibility of Public Housing Tenants for CARE/LIEE

In D.07-12-051, we directed the large IOUs to automatically qualify public housing tenants for CARE and LIEE, finding that they have already proven their low income status by qualifying for public housing.[87] We acknowledged, however, that some Section 8 tenants might have incomes higher than the LIEE income levels, but did not resolve how the IOUs should treat such customers.[88]

To qualify for Section 8 housing assistance, a household must typically meet criteria set annually by the Department of Housing and Urban Development (HUD). The HUD uses data from the Bureau of Labor Statistics to calculate the "Area Median Income" (Area MI) for each county. Income thresholds to qualify for public housing are, then, defined by reference to the Area MI. Extremely low income households are defined as ones that earn 30% of the Area MI or less. Very low income households can have income up to 50% of the Area MI, and low income households can earn up to 80% of the Area MI.

The county-by-county structure of these public housing programs does not align with California's statewide CARE and LIEE income requirements, and the

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[87] "[T]enants of public housing should automatically qualify for LIEE programs."" D.07-12-051, p. 65. "The utilities should automatically qualify for CARE discounts those customers who live in public housing because they have already demonstrated to public officials their low income status." *Id.,* OP 11.

[88] "PG&E raises concerns that some tenants of Section 8 housing may have incomes that substantially exceed the income levels that would qualify customers for LIEE programs. It recommends the Commission consider ways to implement this idea in ways that promote consistent application of existing eligibility rules. We agree." D.07-12-051, p. 65, n.50.

IOUs have not been able to reach a consensus on how to address this problem.[89] Although most or all extremely low income households qualify for LIEE and CARE, depending on county Area MI, low income and even very low income households may not qualify for CARE and LIEE.[90]

The discrepancy described above can be demonstrated using examples from particularly high-income counties. For instance, in Orange County a two-person household earning $59,500 still qualifies as "low income" under HUD criteria.[91] In San Francisco County, a four-person household earning $90,500 can qualify as being low income, and a single-person household qualifies as "very low income" even if it earns $39,600 annually.[92] Households with such high incomes, however, do not qualify for CARE or LIEE. It has been estimated that at least 10,481 households across the state receive housing vouchers or live in public housing but are "merely" classified as HUD low income households (and, hence, would probably not qualify for CARE/LIEE).[93]

Aligning public housing requirements with CARE and LIEE requirements is made even more difficult because the public housing recipients who do not

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89 *Response of San Diego Gas and Electric Company to the Administrative Law Judge's Second Ruling Seeking Further Information from the Large Investor-Owned Utilities' 2009 – 2011 Low Income Energy Efficiency/CARE Applications,* filed July 7, 2008, p. 12.

90 *Response of Southern California Gas Company to the Administrative Law Judge's Second Ruling Seeking Further Information from the Large Investor-Owned Utilities' 2009 – 2001 Low Income Energy Efficiency/CARE Applications*, filed July 7, 2008, pp. 10-11.

91 Figures taken from Fiscal Year 2008 Income Limits chart for California, available at http://www.huduser.org/Datasets/IL/IL08/ca_fy2008.pdf.

92 *Id.*

93 *Response of San Diego Gas and Electric Company to the Administrative Law Judge's Second Ruling Seeking Further Information from the Large Investor-Owned Utilities' 2009 – 2011 Low Income Energy Efficiency/CARE Applications,* filed July 7, 2008, p. 12.

qualify for CARE/LIEE are not evenly distributed across all of the IOUs' service territories.[94] SDG&E, for instance, noted that their service territory had a significantly smaller number of public housing participants than other IOU's. Perhaps as a result of this disparity, SDG&E and SoCalGas have indicated a willingness to categorically enroll public housing and Section 8 participants in their service area into CARE and LIEE, but other IOUs have been unwilling to take this step.[95]

Each IOU should make a reasonable effort to differentiate between eligible and ineligible public housing residents for CARE and LIEE enrollment. Given the diverse county by county discrepancy, we will leave it to the IOUs' discretion how to do this in each of their service areas, but they shall not enroll ineligible customers in the programs.

16. Natural Gas Appliance Testing (NGAT) – Funding Source

PG&E has requested that the Commission fund Natural Gas Appliance Testing (NGAT) under the LIEE program rather through rates approved in its general rate case (GRC).[96] PG&E claims that NGAT is currently funded through general rates because of an archaic understanding that "carbon monoxide testing conducted under the LIEE program is part of the 'routine' service to ratepayers and is already authorized in rates," when in fact "the NGAT procedures adopted

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[94] *Id.* at 12-13.

[95] *Id.*

[96] *Pacific Gas and Electric Company Testimony in Support of Application for the 2009, 2010, and 2011 Low income Energy Efficiency Program and the California Alternate Rates for Energy Program*, p. 1-34.

by the Commission are specific to LIEE."[97] PG&E notes that NGAT has "become an integral element of the LIEE program" and that it "is specifically designed to address the needs of low income households that receive infiltration measures through LIEE."[98] PG&E further states that the program is currently "regulated along with other LIEE program policies and procedures."[99] PG&E claims that the procedural similarities in the programs, would reduce administrative complexity if NGAT to fall within the LIEE budget. PG&E promises that ratepayers will not be double-billed for NGAT if it is funded through LIEE,[100] and claims that the testing protocols involved in "LIEE-related NGAT have [recently] become more complex" and expanded to cover more households.[101] Thus, according to PG&E, NGAT will require additional funding.

While we agree that NGAT has become a crucial component of LIEE, we reaffirm our 2005 and 2006 determinations will not alter the current funding arrangement that NGAT is "designed to promote safety."[102] NGAT testing is not an appropriate area for LIEE funding, but rather is "a basic utility service."[103] As we stated in D.05-04-052, denying a similar request by SDG&E and SoCalGas:

> We do not believe SDG&E and SoCalGas have adequately demonstrated that we should change the status quo and move funding for LIEE-related CO testing from base rates to PGC funding. We believe safety testing is a normal utility function for a gas utility

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97 *Id*.

98 *Id.* at 1-35-36.

99 *Id.* at 1-36.

100 *Id.* at 1-35.

101 *Id.*

102 D.06-12-038, p. 14.

103 D.05-04-052, Finding of Fact 10.

> and should be paid for out of base rates. LIEE funding is limited in amount and is designed to fund activities that help low income customers save energy. Safety, on the other hand, is something the utilities owe all customers, whether they are low income or not. Such testing should not depend on a separate stream of funding, but should be guaranteed for any customer receiving utility service. Thus, CO testing should continue to be funded from base rates. We deny SDG&E and SoCalGas' request, and remove the requested amounts for CO testing from their proposed 2005 LIEE budgets.

Notwithstanding these findings, PG&E renews an argument that was earlier presented by SDG&E and SoCalGas that the types of testing performed under the NGAT procedures go beyond the routine service and that they should be funded separately from the GRC.[104]

The Commission's finding that "[s]afety testing (including the cost of testing devices) is – and should continue to be – provided for in the utilities' base rates"[105] does not rest on a vision of NGAT being wholly separate from LIEE or on a belief that NGAT is routinely performed for all customers. Rather, NGAT was classified as a basic utility service because promoting customer safety is a general utility function. Therefore, despite the close ties between NGAT and LIEE, NGAT is not an appropriate expenditure for LIEE funds and refuse PG&E's request.

We order PG&E and the other IOUs to cease requesting this budget shift, given the many decisions in which we have denied it.

17. REACH Funding (PG&E)

PG&E has requested that the Commission provide additional funding for its REACH PLUS program through the LIEE or CARE budgets. REACH is an

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[104] *Id.* at 90.

[105] *Id.* at 85.

assistance program managed by PG&E in partnership with the Salvation Army.[106] The REACH PLUS program offers one-time cash grants to qualifying low income customers who experience unplanned or uncontrollable changes in their ability to sustain their energy service.[107] PG&E proposes an expansion of the program's funding to $10 million per year, noting the program's distinguished track record of helping 40,000 low income customers avoid shut off of their utility services in the past 18 months.[108]

Other IOUs have similar programs. These programs include SCE's Energy Assistance Fund (which is administered by the United Way of Greater Los Angeles, and assists about 7,600 customers per year),[109] SDG&E's Neighbor-to-Neighbor program,[110] and SoCalGas' Gas Assistance Program.[111] During 2006, the Commission approved a request to allow SCE and SDG&E to use funds from the Energy Resource Recovery Account (ERRA) as a one-time supplement for the two companies' programs. The funds provided additional assistance and expanded the scope of the programs to help vulnerable customers in wake of the

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106 D.06-12-032 at n.21.

107 A.08-05-022, p. 15.

108 *Id.*

109 *Response of Southern California Edison Company (U 338-E) to the Administrative Law Judge's Second Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency/CARE Applications*, filed July 7, 2008, p. 9.

110 *Response of San Diego Gas & Electric Company to the Administrative Law Judge's Second Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency/CARE Applications*, filed July 7, 2008, p. 19.

111 *Response of Southern California Gas Company to the Administrative Law Judge's Second Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-11 Low income Energy Efficiency/CARE Applications*, p. 21.

July 2006 heat storm.[112] Historically, all three IOUs listed above have funded their programs without public good charge monies. Both SDG&E and SCE plan to return their programs to donation-based funding after the ERRA funding is exhausted.[113]

The REACH program is without question an inspiring example of corporate generosity and social responsibility, as are the corresponding programs run by the other IOUs. Indeed, the program is likely to become even more important given the special difficulties that low income households are experiencing in the current economic climate. The rising cost of gasoline, food, and other necessities is likely to increase the number of families who are unable to afford basic utilities. Nevertheless, we are bound by statute to restrict the activities funded through LIEE to those intended by the Legislature. The statutes governing LIEE and CARE do not allow their budgets to be used for REACH PLUS.

When the Legislature created LIEE, it authorized funds for the program to be used only for the narrow field of performing "home weatherization services for low income customers."[114] REACH PLUS does not fit within the definition of home weatherization provided by the statute.[115]

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112 *SDG&E's Response*, p. 19.

113 *SCE's Response*, p. 10.

114 Pub. Util. Code § 2790(a).

115 Pub. Util. Code § 2790(b):
(1) For purposes of this section, "weatherization"" may include, where feasible, any of the following measures for any dwelling unit:
(A) Attic insulation.
(B) Caulking.
(C) Weatherstripping.
(D) Low flow showerhead.

Footnote continued on next page

Nor can we find statutory justification for supporting the REACH PLUS program using CARE funds. The Legislature created the CARE program in order to "ensure CARE program participants are afforded the lowest possible electric and gas rates and, to the extent possible, are exempt from additional surcharges attributable to the energy crisis of 2000-01."[116] To that end, the Legislature approved use of CARE funds to provide low income customers with a "level of discount [that] correctly reflects the level of need."[117] While REACH PLUS does assist low income customers pay their utility bills, one-time assistance grants like the ones provided by REACH PLUS do not constitute discounts.

Indeed, the stated intent of the code section confirms that the Legislature envisioned only long-term reductions in low income customers' utility bills. For instance, the statute's goals of providing "the lowest possible electric and gas rates" and exempting participants "from additional surcharges attributable to the energy crisis of 2000-01" are both forms of long-term assistance, designed to reduce rates for a large group of vulnerable ratepayers.

Thus, under the existing law, we cannot use CARE or LIEE as a source of REACH PLUS funding.[118] While REACH PLUS, CARE, and LIEE are all intended to help low income customers with their utility costs, the means through which LIEE and CARE are to operate have been carefully circumscribed by the Legislature.

(E) Water heater blanket.

(F) Door and building envelope repairs that reduce air infiltration.

116 Pub. Util. Code § 739.1(f).

117 Pub. Util. Code § 739.1(a).

18. Pilots and Studies

18.1. Introduction

The Commission encourages thoughtfulness and innovation in the design and delivery of LIEE/CARE programs. Past decisions have allowed each utility to fund new pilots and studies when the IOUs have demonstrated the pilots have a reasonable likelihood of success. We are concerned, however, that once completed, the results of the pilots and studies are not communicated across all IOUs. Therefore, for all pilots and studies we approve here, we will require the IOUs to meet with staff, the other IOUs, and other stakeholders to review the results of pilots and studies. Especially as to pilots, we expect the IOUs to make clear recommendations as to whether the pilots should be expanded statewide.

With this proviso, we authorize most of the IOUs' proposed pilots and studies, but reject some proposals. The following are the budgets we approve for pilots and studies for 2009-11:

Utility	Authorized Pilots	Authorized Studies	Total for Utility 2009-11
PG&E	$1,910,000	$566,660	$2,461,660
SCE	□	$602,000	$602,000
SoCalGas	$750,000	$212,500	$962,500
SDG&E	$375,000	$194,100	$569,100
Total	**$3,035,000**	**$1,575,260**	**$4,595,260**

[118] PG&E may, of course, consider pursuing REACH PLUS funding in general rates, as the other large IOUs have done.

For 2009-11, the utilities proposed a combined total of 12 pilot projects totaling approximately $4.1 million. They also propose a combined seven studies totaling $1.8 million. This decision authorizes, in total, approximately $3 million for authorized pilots, and $1.6 million in authorized studies. During the 2009-11 funding cycle, the Commission is intent on improving the IOUs' accountability for outcomes of their authorized pilots and studies so that the LIEE and CARE programs benefit directly from these initiatives. This section reviews the positions of the parties on this issue, approves or disapproves individual and/or joint pilot programs and studies, and provides general guidance for the implementation, reporting, and assessment of these activities.

18.2. Comments Regarding Pilots and Studies

DRA recommends that the Commission require the IOUs to have a publicly reviewed evaluation plan in place before commencing any pilot or study. DRA also recommends that the Commission require the IOUs to demonstrate that they know whom, how, and what will be evaluated and what knowledge they will gain from their studies and pilots.[119]

The Commission held a workshop on July 17, 2008 during which time parties discussed this issue at length. There appeared to be general agreement among the parties that further reporting requirements and more detailed evaluation plans would be appropriate for pilots that would be authorized in 2009-11, and the utilities acknowledged that this was a reasonable request.[120]

A W.I.S.H. believes the value of non-energy benefits to LIEE participants, other ratepayers, and society as a whole has not been adequately captured in

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[119] *Protest of DRA*, filed June 19, 2006, p. 9.

[120] *Transcript of July 18, 2008 LIEE/CARE Budget Application Workshop*, pp. 77-97.

California. PG&E and others propose pilots during this funding cycle to explore non-energy benefits further, but unless those studies or pilots have significant input from a broad stakeholder constituency, A W.I.S.H. feels they may lack the breadth or depth to adequately inform the issue.

18.3. Discussion – Pilots

The following table presents, in summary, the proposed and authorized budgets for the IOUs' 2009-11 pilots:

Utility	Pilot Name	Proposed Budget				Authorized Budget				Difference
		Amount	2009	2010	2011	2009	2010	2011	Total	
PG&E	Meals on Wheels	$300,000	$90,000	$90,000	$120,000	$90,000	$90,000	$120,000	$300,000	$0
	Habitat for Humanity	$300,000	$100,000	$100,000	$100,000	$0	$0	$0	$0	($300,000)
	City of San Jose	—	—	—	—	$0	$0	$0	$0	
	Online LIEE/Energy Partners Training	$450,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$450,000	$0
	City of San Joaquin	$410,000	$164,000	$164,000	$82,000	$164,000	$164,000	$82,000	$410,000	$0
	High Efficiency Clothes Washers	$750,000	$750,000	$0	$0	$750,000	$0	$0	$750,000	$0
	SmartAC	(Through SmartAC Program)								
	SmartMeter ™	$40,000	—	$40,000	—	$0	$0	$0	$0	
	Total	**$2,250,000**	**$1,254,000**	**$544,000**	**$452,000**	**$1,154,000**	**$404,000**	**$352,000**	**$1,910,000**	**($340,000)**
	Community-based Energy Education Workshop	$759,375	$202,500	$253,125	$303,750	$0	$0	$0	$0	($759,375)
	Total	**$759,375**	**$202,500**	**$253,125**	**$303,750**	**$0**	**$0**	**$0**	**$0**	**($759,375)**
SoCalGas	Natural Gas High-Efficiency Forced Air Unit (FAU) Furnace Pilot	$725,000	$725,000	$0	$0	$725,000	$0	$0	$725,000	$0
	Total	**$725,000**	**$725,000**	**$0**	**$0**	**$725,000**	**$0**	**$0**	**$725,000**	**$0**
SDG&E	In-Home Display Pilot (IHD)	$145,000	$0	$145,000	—	$0	$145,000	$0	$145,000	$0
	Programmable Communicating Thermostat (PCT)	$230,000	$0	$0	$230,000	$0	$0	$230,000	$230,000	$0
	Total	**$375,000**	**$0**	**$145,000**	**$230,000**	**$0**	**$145,000**	**$230,000**	**$375,000**	**$0**
	Total 2009-2011	**$4,109,375**	**$2,181,500**	**$942,125**	**$985,750**	**$1,879,000**	**$549,000**	**$582,000**	**$3,010,000**	**($1,099,375)**

The remainder of this section discusses the proposed pilots for each utility and specifies those that the Commission authorizes and denies for 2009-11. We discuss reporting requirements and evaluation mechanisms after delineating each pilot.

18.3.1. PG&E's Pilots

The Commission authorizes the following pilots:

Pilot Name	Budget Requested
Meals on Wheels	$300,000
Online LIEE/Energy Partners Training	$450,000
City of San Joaquin	$410,000
High Efficiency Clothes Washers	$750,000
SmartAC	n/a
Total	**$1,910,000**

18.3.1.1. Meals on Wheels – LIEE Microwave Program

PG&E proposes to partner with local community Meals on Wheels programs to identify eligible customers from its program, including elderly, homebound, frail or at-risk populations, to receive microwave ovens to use in lieu of conventional ovens when heating up the frozen meals they receive each week. Stating that microwaves use up to 80% less energy than conventional ovens,[121] PG&E proposes to spend $285,000 giving 5,000 microwaves to eligible customers over the 2009-11 period.

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[121] *PG&E Testimony in Support of Application for the 2009 – 2011 Low income Energy Efficiency Program and the California Alternative Rates for Energy Program*, Appendix D, Attachment A.10-01.

18.3.1.2. Online (Off-Site) PG&E LIEE/Energy Partners Training Pilot

PG&E's LIEE program faces the growing challenge of training enough personnel (whom PG&E calls "Energy Specialists") to effectively reach the proposed goal of providing all eligible and willing low income households with energy efficiency measures by 2020. As a part of streamlining the training process for Energy Specialist certification, PG&E proposes to study which elements of its current training program, currently conducted onsite at the PG&E Energy Training Center (ETC) in Stockton, California, can be moved to a web-based training module. PG&E believes this pilot has the potential for cost savings through a more individualized training regimen as well as added capacity in the ETC schedule for training activities that must take place onsite. PG&E proposes to spend $450,000 from 2009-11 on this pilot, which may lead to further syllabus and curriculum development for the training certification program.

18.3.1.3. City of San Joaquin

PG&E proposes to work with the City of San Joaquin on a leveraging-oriented pilot project that models the "local government/utility" partnership that the Commission is interested in promoting for energy efficiency efforts in California. PG&E's LIEE team will work closely with the municipality's grant-funded "City Rehabilitation Project" to help implement the residential direct install program. In addition to direct installation activities, this pilot will incorporate workforce education and training (WE&T) activities by working with contractors to identify local residents interested in energy efficiency apprenticeships. This pilot will develop ME&O activities using the variety of untapped channels that the local government and its associated agencies have to the community. The budget of $410,000 from 2009-11 is estimated to provide 314,000 kWh and 11,437 therms in energy savings.

We note, however, that there is a Community Choice Aggregator (CCA) in the area near San Joaquin. PG&E recently settled a case with the San Joaquin Valley Power Authority regarding its marketing in that area of California. PG&E shall not use the San Joaquin pilot in an attempt to persuade customers eligible to join the CCA to retain their business with PG&E.

18.3.1.4. High Efficiency Clothes Washers

High efficiency clothes washers, in comparison to standard models, are estimated to save 259 kWh, 117 therms, and 7,000 gallons of water per year per machine.[122] PG&E proposes to target low income households of five (5) or more residents and provide them with a free, high-efficiency washer that is expected to provide a decrease in both energy and water costs for the customer as well as energy savings for the LIEE program. This pilot has a budget of $750,000 for 1,000 units, with implementation scheduled to occur fully within 2009.

18.3.1.5. Smart AC

Smart AC is a PG&E demand response program that gives customers incentives to install devices on their central air conditioning units that PG&E can utilize to lower power usage when demand for electricity nears capacity. There are rules in place to maintain customer safety and comfort, and customers receive a one-time cash reward of $25 for each installed unit. PG&E plans to work with the Smart AC program and offer marketing and outreach channels for this program to its low income customers. All costs for this pilot are borne fully by the Smart AC program.

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[122] *Id.,* Attachment A.10-07.

The following pilots are not authorized for 2009-11:

18.3.1.6. Habitat for Humanity

PG&E proposes to partner with Habitat for Humanity in the East Bay Area with a budget of $300,000 dollars over the 2009-11 period. The Commission recognizes that this represents a good opportunity to leverage the resources of the LIEE program with a well-known and respected institution serving the low income community. However, the details in Attachment A.10-02 of Appendix D of PG&E's application, including the expected number of homes to be treated and/or estimated energy savings from each year's activities, are insufficient. Without such details, the funding for this pilot cannot be approved at this time.

18.3.1.7. City of San Jose Partnership

This pilot proposes to conduct a community awareness and education initiative in partnership with the City of San Jose's "Strong Neighborhood Initiative." Over three years, the pilot would focus on a comprehensive approach to environmental sustainability, and the role energy efficiency plays in this action. While the impetus behind this pilot is laudable, ratepayer funded low income energy efficiency education henceforth will be funded only in association with tangible energy efficiency measures, as discussed above. Therefore, we do not authorize this pilot for 2009-11.

18.3.1.8. Community- Based Energy Education Workshops

In its 2007-2008 budget application, PG&E asked for authorization of an Energy Education Workshop pilot working with CBOs in more rural areas of its territory to provide outreach and education to consumers who might not be eligible for LIEE measures.[123] D.06-12-038 granted $400,000 per year for these workshops in 2007-2008,[124] but denied PG&E's request for $50,000 to perform an evaluation of the program.[125]

PG&E briefly reported this pilot in its 2007 LIEE annual report. In that report it states "in 2007, the education curriculum was developed and training classes were set up. Training classes were held during the first quarter of 2008, and Group Energy Education workshops will be conducted beginning in the second quarter of 2008."[126] What is not clear in this report is why only 1.6% or $6,230, of the $400,000 available for the year 2007 was used. Similarly, as of June 2008, only 3.5% or $13,826 of $400,000 available for the year was used.[127]

As discussed elsewhere in this decision, the Commission will generally authorize only low income education that is conducted with near-term energy efficiency measure installation. The energy education workshops do not guarantee immediate energy savings from installed measures, and as we attempt to increase the cost effectiveness of the low income program, these activities do not provide clear proof of their effectiveness. The Commission does not authorize this pilot for 2009-11.

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123 *PG&E Testimony In Support Of Application For The 2007-2008 Low Income Energy Efficiency Program And The California Alternate Rates For Energy Program*, June 30, 2006, p. 2-6.

124 D.06-12-038, Appendix, Table 3.

125 *Id.*, p. 39.

126 *PG&E Low Income Energy Efficiency Program Annual Report* for 2007, pp. 2-6 and 2-7.

127 *PG&E Low Income Programs Monthly Report* for June 2008, Table 1L, p. 6.

18.3.1.9. SmartMeter Program

This pilot proposes to educate PG&E's low income customers about PG&E's Advanced Metering Infrastructure (AMI) technology, called SmartMeter. AMI technology will have application to the LIEE program, but PG&E has not presented enough information to authorize this pilot.

Further, we have approved Demand Response pilots in the various IOUs' Demand Response proceedings. We approved a programmable thermostat pilot for SDG&E in connection with its most recent Demand Response decision, and are considering one for SCE at this time. We are concerned that the IOUs are seeking to carry similar pilots in different proceedings, with no integration/coordination among the requests or the pilots themselves. We do not approve.

18.3.2. SCE's Pilots

SCE does not propose any pilots for 2009-11.

18.3.3. SoCalGas' Pilots

The Commission authorizes the following pilot:

Natural Gas High-Efficiency Forced Air Unit (FAU) Furnace Pilot	$725,000
Total	**$725,000**

18.3.3.1. Natural Gas High-Efficiency Forced Air Unit Furnace Pilot

SoCalGas proposes a pilot to begin after the 2008-2009 winter season that would install 250 high-efficiency natural gas Forced Air Units in low income customers' homes whose space heating needs are at or above 300 therms for the winter season. The total cost for the pilot is $725,000. Focus on long term and enduring measures is one of the keys to increased energy efficiency in California, and we thus authorize this pilot.

18.3.4. SDG&E's Pilots

The Commission authorizes the following pilots:

Pilot Name	Budget Requested
In-Home Display (IHD) Pilot	$145,000
Programmable Communicating Thermostat (PCT)	$230,000
Total	**$375,000**

18.3.4.1. In-Home Display Pilot

SDG&E proposes a pilot in 2010 that will offer an In-Home Display – a digital display that gives real-time energy use and billing information – to qualified low income customers. The budget for this pilot is $145,000 and is expected to reach 300 customers. SDG&E estimates that participating customers will save approximately 10%-15% off their monthly energy consumption.

This type of technology, and the benefits to low income customers that receive proper training in its use, embodies the direction we are moving in for the future of energy efficiency in California. In authorizing this pilot, the Commission encourages SDG&E to follow DRA's recommendations in its protest of June 19, 2008, especially those that establish sub-groups for the studied population.[128]

18.3.4.2. Programmable Controllable Thermostat (PCT) Pilot

SDG&E proposes a pilot for 2011 offering a Programmable Controllable Thermostat (PCT) to 250 low income customers. The pilot will test the impact of appliances that are linked via a network device (the PCT) in the homes of

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128 *Protest of the Division Of Ratepayer Advocates to the Applications of Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas and Electric Company for Approval of their 2009-11 Low income Assistance Programs and Funding*, filed June 19, 2008, p. 35.

customers with both electric consumption above 500 kWh per month and electric appliances that the PCT can control. This pilot will help SDG&E in evaluating demand response and energy efficiency whole-house solutions by providing customers with the technology to reduce both electric energy consumption and peak demand. The cost for this pilot is set at $230,000. This pilot provides education for a measure that will be installed in the near term and has the potential for enduring energy savings. We therefore authorize this pilot.

18.3.5. Pilot Implementation, Reporting, and Assessment

The Commission believes that the pilots should be accompanied by reporting and evaluation requirements. We held a workshop on July 17, 2008[129] for parties to discuss these activities. This section sets forth implementation, reporting, and assessment requirements for the authorized pilots discussed in the previous section.

18.3.5.1. Implementation

We group the pilots roughly under three categories: measure, non-measure, or combined pilots. Measure pilots involve trials of new technology and/or energy efficiency hardware on a small scale, with the intention of expanding the measure to the entire utility and/or sharing results with other utilities if proven successful. Non-measure pilots consist of partnership, leveraging, education, training and/or other types of trial initiatives that involve increased leveraging or more efficient use of utility resources in execution of its low income programs. Combined pilots have elements of both measure and non-measure pilots.

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[129] The July 18, 2008 workshop included discussion of pilots as well as studies, which is discussed in the next section.

Following this decision, all utilities will be required to submit a compliance Advice Letter meeting the requirements of this section of the decision. The Advice Letters shall expand upon Program Implementation Plans (PIPs) provided in attachments to the IOUs' budget applications and be submitted to the Commission's Energy Division staff for approval prior to the start of each pilot. These materials shall include:

- A timeline: Projected start and finish dates, report dates, assessment timeline and final assessment date;

- Projected breakdown of budgets: Categories displaying material costs, administration, data collection and analysis, reporting costs, etc., should be included along with a brief paragraph explaining the breakdown;

- Estimated Energy Savings – (Measure Pilots);

- Estimated Resources Leveraged/Saved[130] (Non-Measure Pilots);

- Combined estimation of Energy Savings/Shared Resources (Combined Pilots);

- Overview of Pilot Evaluation Plan (PEP): The PEP should identify target data for capture, specify data capture activities, state how the IOU will provide results for estimated energy savings or resources leveraged/saved, give relevant dates and deadlines, and set forth a definition of success for the pilot.

The IOUs shall submit these materials to the Energy Division in aggregate in the form of an Advice Letter. For pilots not due to start until later years in the

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130 Refer to the section on Leveraging to incorporate possible metrics.

cycle, the affected IOUs must submit the Advice Letter at a later date, but prior to the start of the pilot.

18.3.5.2. Reporting

Utilities shall submit "budget used" against "budget authorized" calculations in their monthly reports. The utilities must also submit in their annual reports, in the years a pilot is active, updates on each pilot that include the following information:

- A narrative overview discussing activities undertaken in the pilot since its inception; description of pilot progress, problems encountered, ideas on solutions, and description of activities anticipated in the next quarter and the next year;
- Status of Pilot Evaluation Plan (PEP).

18.3.5.3. Final Pilot Report

Utilities shall submit, upon completion of the pilot and the subsequent evaluation, a Final Pilot Report that includes the following:

- Overview of pilot;
- Description of Pilot Evaluation Plan (PEP);
- Budget spent vs. authorized budget;
- Final results of pilot; including energy savings (for measure pilots and/or resources leveraged/saved (for non-measure pilots) and
- Recommendations, including whether the pilot should be expanded to all eligible customers and/or expanded to other partners as well as reasons for or against this action; solutions to problems that were encountered, and changes proposed for expanding successful pilots to the larger LIEE program.

The Commission realizes and expects that each pilot will have a unique set of questions and problems it is seeking to understand, and thus a final report for any of these shall have distinct sections and characteristics that may not be applicable to other final pilot reports. The above guidelines represent a bare minimum that must be covered in the scope of these final reports.

18.4. Discussion – Studies

The following table presents, in summary, the proposed and authorized budgets for the IOU's 2009-11 studies:

Utilities	Study Name	Budget Requested	Budget Authorized
PG&E	2010 CARE Recertification and Post-Enrollment Verification Non-Response Study	$75,000	$75,000
SCE	High Usage Needs Assessment	$200,000	$200,000
PG&E / SCE / SDG&E	Refrigerator Degradation EUL Study	$200,000	$200,000
	PG&E Share	*$66,600*	*$66,600*
	SCE Share	*$67,000*	*$66,800*
	SDGE Share	*$66,600*	*$66,600*
PG&E / SCE	Household Segmentation Study	$200,000	$200,000
	PG&E Share	*$120,000*	*$120,000*
	SCE Share	*$80,000*	*$80,000*
Joint Utility	Low Income Non-Energy Benefits (NEBs) Study	$300,000	$0
	2009 Process Evaluation (Programmatic M&E)	$250,000	$100,000
	PG&E Share	*$75,000*	*$30,000*
	SCE Share	*$75,000*	*$30,000*
	SoCalGas	*$62,500*	*$25,000*
	SDGE Share	*$37,500*	*$15,000*
	2010 Impact Evaluation (Programmatic M&E)	$600,000	$600,000
	PG&E Share	*$180,000*	*$180,000*
	SCE Share	*$180,000*	*$180,000*
	SoCalGas	*$150,000*	*$150,000*
	SDGE Share	*$90,000*	*$90,000*
	Total	**$1,825,000**	**$1,375,000**

This section discusses the proposed studies for each utility, including joint utility studies. No IOU shall commence any of the approved studies without first coordinating with the Energy Division.

18.4.1. PG&E's Studies

For 2009-11, the Commission authorizes the following studies:

18.4.1.1. 2010 CARE Recertification and Post-Enrollment Verification Non-Response Study

Working with the CARE Program, PG&E proposes a study in 2010 that looks at (1) customer non-response to multiple recertification and post-enrollment income verification requests, (2) why customers do not recertify or provide requested income documentation, and (3) how PG&E can overcome these barriers in its delivery of the CARE program. The budget for this study is $75,000. In view of our discussion elsewhere in this decision of the IOUs' post-enrollment CARE recertification activities, this is an important issue to investigate and we therefore authorize this study.

18.4.2. SCE's Studies

18.4.2.1. High Usage Needs Assessment

SCE proposes a study which will seek to identify causes of high-tier CARE customer energy use in mild climate zones. The study will also help assess and identify energy inefficient practices, evaluate appliances, and recommend best energy efficient practices to this group of customers. This study has a budget of $200,000. This research may provide useful insight into the future delivery of the CARE/LIEE program and therefore authorizes this study.

18.4.3. PG&E/SCE Joint Study

18.4.3.1. Household Segmentation Study

PG&E and SCE propose a joint study that will look at better ways of identifying eligible customers willing to participate in LIEE programs. The utilities will investigate what messaging "drives energy efficiency awareness and behavior" for low- income customers and will attempt to use this information to tailor messages, products, and services to low income customers more effectively. The joint utility cost for this study is $200,000 ($120,000 for PG&E and $80,000 for SCE). Household segmentation continues to be an important issue for many of the parties, and that this study will provide further guidance on the issue. We therefore authorize this study.

However, this study must occur in the first part of 2009, in order for its results to be coordinated into the single statewide ME&O program. Before commencing the study, the IOUs shall coordinate the study's development with IOU and Commission staff developing the ME&O program. After the study is completed, the IOUs shall communicate and discuss the results with the same individuals.

18.4.4. PG&E/SCE/SDG&E Joint Study

18.4.4.1. Refrigerator Degradation Study

The joint electric utilities (PG&E, SCE and SDG&E) propose a Refrigerator Degradation Study for 2009 with a budget of $200,000. The current LIEE program allows for refrigerator replacement if the unit was manufactured before 1993, the year efficiency standards for refrigerator appliances rose substantially.

The Database for Energy Efficient Resources (DEER) estimates that the effective useful life (EUL) of most refrigerators is 10-15 years.[131]

Based on this EUL, in 2009-11, we may start to see energy efficiency losses in refrigerators that the LIEE program replaced back in the mid-1990s. For this reason, the joint electric utilities wish to study and determine an appropriate age at which to replace older refrigerators in the program in order to achieve maximum energy savings. It may be that refrigerator energy savings diminish over time – *e.g.*, as freon in the unit deteriorates or evaporates – and that more frequent refrigerator replacement is warranted that the current program allows.

In the LIEE program, refrigerator replacement provides significant, cost effective energy savings, and we strongly endorse a continued focus on this measure. Further study of this long term and enduring energy savings measure will prove itself useful to better program delivery and therefore approve this pilot. If more frequent refrigerator replacement would garner new, significant and cost effective energy savings, we may decide to allow such replacement in the future.

18.4.5. Joint Utilities' Programmatic Measurement and Evaluation (M&E) Studies (PG&E / SCE / SoCalGas / SDG&E)

18.4.5.1. 2009 Process Evaluation

The joint utilities propose a Process Evaluation – a study of the effectiveness of the overall program that will make recommendations for improved program design and delivery – in 2009 and with a budget of $250,000.

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131 *PG&E Testimony In Support Of Application For The 2007-2008 Low Income Energy Efficiency Program And The California Alternate Rates For Energy Program,* June 30, 2006, Appendix D, Attachment A.10-13.

The Commission agrees with the utilities that a process evaluation is necessary and should be done.

We authorized $150,000 in D.06-12-038 for a 2007 Process Evaluation,[132] which appears to never have been completed. Thus, the Commission orders that the $150,000 from the 2007–08 budget be carried forward to the 2009-11 cycle, and that the requested amount for the 2009 Process Evaluation be reduced by this amount. That is, we approve this study; the authorized budget now will be $100,000, in addition to the carry forward funds of $150,000 from the last cycle. The Commission also instructs the utilities to complete any Process Evaluation studies in a time frame so as to inform the next budget applications and decisions (2012-14), meaning that a final report will be due no later than the end of 2010.

However, because such studies must be independent of the IOUs, Energy Division shall conduct the study. The IOUs shall pay for the contract, but otherwise shall involve the Energy Division at the earliest possible time in the RFP and bid evaluation process so that independence is assured. The Commission, not the IOUs, will choose the contractor, and the IOUs shall have no involvement in directing the contractor's work.

18.4.5.2. Impact Evaluation

The joint utility-proposed 2010 Impact Evaluation – a study to determine the electric and gas energy savings impacts of the LIEE program – should occur in 2009. Given that past Impact Evaluations have typically fallen behind or shifted schedules to consistently miss the "every two year" evaluation goal, a cycle of every three years would better preserve continuity, as well as parallel

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[132] D.06-12-038, p. 30.

the new three-year cycle for budget applications. The utilities are planning on a 2008 Impact Evaluation of the LIEE program; the last one was performed in 2005. We modify this request to specify a 2009 evaluation, since we change so many program details in this decision and because 2009 is the first year of the 2020 *Plan* goal period.

As with the Process Evaluation study, the Energy Division shall run the Impact Evaluation, select the contractor and coordinate with the IOUs on all duties. The IOUs shall pay for the contract, but otherwise shall involve the Energy Division at the earliest possible time in the RFP and bid evaluation process so that independence is assured. The Commission, not the IOUs, will choose the contractor, and the IOUs shall have no involvement in directing the contractor's work.

For 2009-11, the Commission does not authorize the following studies:

18.4.6. LIEE Group Energy Education – 2007-08 Program Evaluation

This study by PG&E would have investigated the success of energy education that occurs farther from direct installation of measures, and could lead to reinstitution of the pilot, possibly on a wide scale, if it is deemed successful. This evaluative study would have allowed a one-time shift of $50,000 from the Energy Efficiency category (Energy Workshops) through to the 2009-11 M&E category. Because we deny energy education only programs, we disapprove funding for this study.

18.4.7. Joint Utilities (PG&E/SCE/SoCalGas/SDG&E)

18.4.7.1. Low Income Non-Energy Benefits (NEBs) Study

The joint utilities propose a Non-Energy Benefits (NEBs) study with a budget of $300,000 for 2009-11. They note that the last NEBs study was done in 2001 and that the numbers developed from that research are no longer applicable to the low income program. Work on this issue in the near-term is not a priority, and a more comprehensive plan should be in place before approving such a study. Therefore, the Commission does not approve this study at this time.

18.4.8. Study Implementation, Reporting, and Assessment

Similar to the section on pilots, this section lays out a framework of implementation, reporting, and assessment guidelines for the authorized studies discussed in the previous section.

18.4.8.1. Implementation

All utilities are required to submit compliance Advice Letters meeting the requirements listed in this section. The Advice Letters shall expand upon each study's PIP provided in the attachments to the IOUs' budget applications and be submitted to the Commission's Energy Division staff for approval prior to the start of each study. The Advice Letter materials shall include:

- A timeline: Projected start and finish dates, reporting dates, and tentative final report date;
- Projected breakdown of budgets: Categories displaying material costs, administration, data collection and analysis, reporting costs, contractor fees (when applicable), should be included along with a brief narrative paragraph explaining the breakdown;
- Specification of Contractor: For Programmatic M&E Studies – provide a brief narrative of selection process for the chosen contractor.

The IOUs may submit these materials to the Energy Division in aggregate in a single statewide ME&O program Advice Letter, or in individual Advice Letters closer to, but no later than 90 days prior to, the start of the relevant study.

D.03-10-041 contains guidelines that the utilities must follow in contracting for and administration of the Impact Evaluation.[133] These guidelines are a good template for the process evaluation as well, and the Commission directs the utilities to follow this template in any contract and administration activities associated with the process evaluation.

D.06-12-038 specifies in ordering paragraph 6 that "The IOUs shall also comply with D.06-12-038 in carrying out any pilot or study approved in this decision: "SCE, PG&E, SoCalGas and SDG&E shall receive written approval from the Commission's Energy Division Director or his designee prior to issuing any request for proposal, awarding any contract to any consultant or issuing any report for LIEE or CARE programs." We reiterate this policy and direct the utilities closely cooperate with Energy Division staff in meeting these critical support activities.

18.4.8.2. Reporting

For studies, utilities shall submit "budget used" against "budget authorized" calculations in their monthly reports. The utilities shall also submit in their annual reports, in the years a study is active, updates on the study that include the following information:

- A narrative overview discussing activities undertaken in the study since its inception; description of study progress, problems encountered, ideas on solutions, and description of activities anticipated in the next quarter and the next year; and

- Spent vs. total budget, broken down into categories as set forth in the compliance advice letter.

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[133] D.03-10-041, OPs 1-5.

18.4.8.3. Final Study Report

Utilities shall submit, upon completion of the study and the subsequent evaluation, a Final Study Report that includes the following:

- Overview of study;
- Budget spent vs. authorized budget;
- Final results of study; and
- Recommendations, including whether the study has implications for all eligible customers, can be expanded to other partners as well as reasons for or against this action; solutions to problems that were encountered, and changes to the larger LIEE program that may come from the increased understanding delivered by the study.

The Commission realizes and expects that each study will have a unique set of questions and problems it is seeking to understand, and thus a final report for any of these will have distinct sections and characteristics that may not be applicable in other final study reports. The above guidelines represent a bare minimum that must be covered in the scope of these final reports.

19. Customer Rewards

19.1. Parties' Positions

SDG&E and SoCalGas propose to augment their program delivery to include a customer rewards element. SDG&E will use its proposed comprehensive energy audit program[134] to analyze customer energy usage for

[134] SDG&E proposes a customized and detailed energy audit that creates a personalized energy-use profile for each customer that focuses on the needs of the household, will better align the assessment process with the goal of achieving energy savings, reducing greenhouse gas emissions, and lowering customer bills.

the previous 12 months to establish a base level of energy consumption. If, for a consecutive six-month period after LIEE measures are installed, customers achieve and maintain the projected energy savings, SDG&E's LIEE customers will be eligible to receive a customer reward of $37.50 (customers who reduce their energy consumption by 20% or more) or $25 (customers who reduce their energy consumption by 15% to 19%). The rewards will be $20 and $10, respectively, for SoCalGas customers. SoCalGas customers may receive up to two rewards in one year during the first year of program participation.

SDG&E and SoCalGas claim that evaluations of their 2005 20/20 program show that rewards increase energy savings. In the evaluated program, 92,325 households were issued bill credits for reducing their consumption by at least 20% from the previous year. Total MWh reduction for these customers was 70,899. After adjusting for free-riders and for customers who reduced without knowledge of the program or incentive, the net savings attributed to active program participants was 14,994 MWh.

SDG&E and SoCalGas state that a bill credit is the most appropriate reward to offer participating LIEE customers because it will assist customers who may be in arrears on their bill and may also reduce the likelihood of service shut-offs. The IOUs will monitor the success of the program by comparing the estimated energy savings from the measures installed to actual customer energy consumption. After the first year, the IOUs will review the accomplishments of the program and make any modifications to increase the effectiveness of the program.

DRA recommends the Commission approve SDG&E and SoCalGas' rewards program proposal as a component of its LIEE program and recommends that SDG&E and SoCalGas consider expanding its program from homes treated beginning in 2009 to include homes treated before 2009. DRA reasons that this change would make the program more equitable, and provide an excellent means of comparing the impact of LIEE with and without the rewards program.

19.2. Discussion

The Commission grants the request of SDG&E and SoCalGas on a pilot basis. SoCalGas and SDG&E shall monitor the effectiveness of the rewards program and provide in their annual reports due each May details of whether the program has (1) contributed to new customer enrollments or (2) enhanced program energy savings. Their report shall also contain a narrative section candidly explaining the results of the pilot. Once the results of the program are reviewed, the Commission will determine if the program results in the desired behavioral changes and sustained energy savings and will determine at that point whether such a program should be implemented beyond the pilot stage.

20. Fund Shifting

20.1. Introduction

Each IOU has requested flexibility in shifting authorized LIEE and CARE funds with minimal Commission supervision. In addition, the dual-commodity IOUs (PG&E and SDG&E) have requested permission to shift funds between their LIEE electric and gas programs, which historically has required the filing of an Advice Letter.[135] We have addressed similar budget flexibility requests many times over the past decade,[136] and decide the issue consistently with prior

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[135] We approve the IOUs' requests for budget allocations across their electric and gas programs of 62/38 electric/gas for PG&E (LIEE) and 80/20 (CARE) and 50/50 for SDG&E.

[136] *See, e.g.,* Resolution E-3586 (1999), D.01-05-033, D.02-12-019, D.05-04-052, D.05-12-026 and D.06-12-038.

decisions to allow partial but not full flexibility. We do not expand the IOUs' ability to shift funds.

In summary, we decide the following:

- LIEE: Fund shifting from one year to another within 2009-11 cycle: Allowed up to 15% of total LIEE budget without Advice Letter subject to limitation below; Advice Letter required for larger amounts;

- LIEE: Fund shifting into future cycles ("carry forward" funding):

  - Long term projects that require funding beyond the three year program cycle; commitment of funds from the next program cycle to fund programs that will not yield savings in the current cycle: Allowed under strict limitations described below;

  - Carry over of remaining, unspent funds from program year to program year or budget cycle to budget cycle: The utilities may carry over funds from previous periods to the 2009-11 budget periods but may not allocate carry-over funds to administrative overheads, regulatory compliance costs or pilots and studies.

  - Fund shifting between gas/electric programs: Advice Letter required;

- LIEE: Spending of next cycle funds in the current budget cycle ("carry back" funding): Allowed only once the next cycle portfolio has been approved to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs. IOUs may borrow funding without Commission approval up to 15% of the current program cycle budget, subject to the limitation below. Beyond that amount, the utilities are required to seek approval by filing an Advice Letter;

- LIEE: Fund shifting among program categories. Allowed except that IOUs may not shift additional funds to administrative overhead costs, regulatory costs or the costs of studies. In addition, moving funds into or out of the Education subcategory of the Energy Efficiency program category requires an Advice Letter. Transactions must be well-documented and reported on in monthly reports relevant to the period in which they took place. An Advice Letter is required if IOU wishes to transfer funds into or among the general administration, regulatory compliance, measurement and evaluation or pilots and studies categories.

- LIEE Limitation: IOUs must receive ALJ's written approval for how to allocate funds in the up-to-15% range if IOU proposes to allocate them to different program categories or to administrative overheads. IOUs may therefore shift up to 15% of LIEE funds among budget categories with the exception that allocations may be to program areas only, not administrative overheads or regulatory compliance costs.

- CARE: IOUs must file an Advice Letter if they wish to move funds into or out of the Measurement and Evaluation, Regulatory Compliance, and General Administration. The utilities may shift, at their discretion, funds between all other CARE program categories. All fund shifting, regardless of whether the Commission reviews it or not, must be reported in IOUs' monthly and annual reports as well as in future budget applications.

We will allow the fund shifting requests from prior periods that the IOUs include in their budget applications. SoCalGas proposes to partially fund the 2009 budget requirements of $53.599 million by using $13.0 million in unspent LIEE program funds from previous years. For ratemaking purposes, SoCalGas is only seeking recovery of the net amount of $40.599 million. We grant this request.

20.2. Parties' Positions

In general, all IOUs:

- Request authorization to carry forward and carry back funding into 2009, 2010, and 2011; dual-fuel utilities look to transfer funds between gas and electric program departments, and.

- Request authority to shift funds among program categories.

20.3. Discussion

20.3.1. Definitions

We adopt the following definitions to make our decision clear:

1. **Program –** organizational name given to LIEE and CARE.

2. **Program Categories** – organizational name given to budget elements that represent major activities for which funds are to be used. For example:

   - LIEE Program Categories: Energy Efficiency, Training Center, Inspections, Marketing, etc.

   - CARE Program Categories: Subsidies and Benefits, Pilots, M&E, General Administration, etc.

3. **Subcategories** – organizational name given to further detailed budget levels falling within a Program Category. For the current budget applications, only Energy Efficiency is split out into subcategories, which includes items like Gas and Electric Appliances, Weatherization Measures, Pilots, etc.

4. **Program Department** – Specifically relevant to dual-fueled utilities PG&E and SDG&E (SCE and SoCalGas have only one fuel, and therefore one Program Department), electric and gas make up two program departments that fall under one LIEE Budget. The program departments split the authorized LIEE Budget based on a preauthorized or newly requested ratio submitted by the utilities and based on projected need.

The LIEE table template below, from Attachment A-1 to the IOUs' applications, illustrates the distinction between these terms.

	Authorized PY 2008	Planned			3-Year Request
		PY 2009	PY 2010	PY 2011	PY 2009-11
LIEE Program:	-- Program --				

Energy Efficiency	-- Category --
- Gas Appliances	-- Subcategories --
- Electric Appliances	
- Weatherization	
- Outreach & Assessment	
- In Home Education	
- Education Workshops	
- Pilot	
Training Center	-- Categories --
Inspections	
Marketing	
M&E Studies	
Regulatory Compliance	
General Administration	
CPUC Energy Division	

20.3.2. Fund Shifting for the LIEE Program

20.3.2.1. "Carry Back" and "Carry Forward" Funding

Each IOU asks for a varying degree of fund shifting. In the most recent low income decision, D.07-12-051, the Commission stated its desire to "encourage long-term LIEE investments and avoid program interruptions that might result from budgeting conventions."[137] The Commission therefore applied to LIEE the fund shifting guidelines it had adopted for the broader Energy Efficiency program in D.07-10-032.

We allowed "carry back" funding (spending of next cycle funds in the current budget cycle) in D.07-12-051 and allow it under the same conditions here:

> We will therefore modify our fund-shifting rules to permit the utilities to spend next-cycle funds in the current budget cycle (once the next-cycle portfolio has been approved) to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs. We authorize the utilities to borrow funding

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[137] D.07-12-051, p. 51.

> without Commission approval up to 15% of the current program cycle budget. Beyond that amount, the utilities are required to seek approval by filing an Advice Letter. The utilities should tap into the next-cycle funds only when no other energy efficiency funds (*i.e.*, unspent, uncommitted funds from previous program years, or 2006-2008 funds that will not be needed) are available to devote to this purpose. This requirement is consistent with the Commission's treatment in D.05-09-043 of "carry back" funding from 2006 for use in 2005.

"Carry forward" funding includes three possible actions. The first deals with providing funding for longer-term energy efficiency investments. D.07-12-051 held it was allowed in narrow circumstances, which we apply again here:

> [W]e will allow the utilities to commit funds from the next program cycle to fund programs that will not yield savings in the current cycle. Long-term funding commitments will be subject to the following conditions:
>
> - Long-term projects that require funding beyond the three-year program cycle shall be specifically identified in the utility portfolio plans and shall include an estimate of the total costs broken down by year and associated energy savings;
> - Funds for long-term projects must be actually encumbered in the current program cycle;
> - Contracts with all types of implementing agencies and businesses must explicitly allow completion of work beyond the end of a program cycle;
> - Encumbered funds may not exceed 20% of the value of the current program cycle budget to come from the subsequent program cycle, except by approval in an advice letter process; Long-term obligations must be reported and tracked separately and include information regarding funds encumbered and estimated date of project completion; and

- Energy savings for projects with long lead times will be calculated by defining the baseline as the applicable codes and standards at the time of the issuance of the building permit.

The second type of "carry forward" funding involves the ability of IOUs to carry over remaining funds from program year to program year (and effectively budget cycle to budget cycle). Most recently, D.06-12-038, echoing previous Commission decisions,[138] allowed the utilities to carry over funding from year to year (and effectively cycle to cycle). We apply the same rule here:

> The utilities may carry over funds from previous periods to the 2007-2008 budget periods but may not allocate carry-over funds to administrative overhead costs, regulatory costs or the costs of studies. . . .[139]

For 2009-11, the policy allowing IOUs to carry funds from year to year and between budget cycles within the same program department budget (gas to gas, electric to electric) should continue. The IOUs should properly document these amounts, including interest, and report them in their annual reports and future budget applications.

The third type of "carry forward" funding entails the transfer of surplus funds in one program department (electric) over to balance the budget of another program department (gas), and vice versa. We disallow such transfers without an Advice Letter. PG&E and SDG&E provide both electric and gas services to their customers, and devise a percentage split of their LIEE funding to go into separate gas and electric department funds. They occasionally adjust these

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138 D.05-04-052.

139 D.06-12-038, OP 15.

percentage splits based on forecasted need.[140] Because the allocations are based on forecasts, over- and under-spending of funds can occur on both the gas and electric side. When this occurs, previous decisions have required the utilities to file Advice Letters before initiating any sort of transfer between the program departments,[141] which PG&E did most recently in a 2007 filing for 2006, the process of which is detailed in a Commission audit issued in February 2008.[142]

We are not persuaded to alter our policy requiring the dual-fuel utilities to file timely Advice Letters for gas/electric shifting. We have disallowed cross-subsidization of gas and electric programs because their funding comes from separate ratepayer populations. In addition, PG&E, in its response to the aforementioned audit, agreed that as a "process improvement" it would set up triggers within its process and control system that monitor for pending over-expenditures in either category to allow them to initiate an Advice Letter in a timeframe that allows continuity in LIEE program delivery.[143] This improvement, if properly implemented, should minimize the effects of the gas/electric shifting issue. We will require both PG&E and SDG&E to follow this process.

In formulating a course of action for this process, PG&E and SDG&E should keep in mind the period we are talking about falls at the end of the calendar year in November and December. This means that near the end of

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140 For example, D.05-04-052, p. 26.

141 D.05-12-026, p. 21; D.01-05-033, p. 10.

142 California Public Utilities Commission – Division of Water and Audits, *Regulatory Compliance and Financial Audit of the California Alternative Rates for Energy Program Administrative Costs and the Low Income Energy Efficiency Program of Pacific Gas and Electric Company (PG&E) (U-93-E),* February 29, 2008, pp. 28-31.

143 *Id*. p. 29 & Appendix B.

September of each year, the utilities should have a good idea of whether they have spent close to 75% of their authorized budget in each program department for the current program year. If there is potential for a serious shortfall in either category, no more than 5% over budget, a timely and forthcoming Advice Letter filed at the beginning of October should, without protest, become effective within 30 days. If the amount is under 5%, the budget transfer can occur through the process described next.

The Commission understands that full accounting of year-end activities could still be inaccurate given that LIEE activities can slow down, stop, or speed up around the end/beginning of each calendar year, and full costs of a project may not be realized until months after December of the previous year. PG&E and SDG&E should, if necessary, file an Advice Letter by April 1 of each year to account for any balancing that must be done between the two program departments. Through these two yearly Advice Letters, once in the fall and once in the spring, the utilities should be able to maintain successful continuity in program delivery.

20.3.2.2. Shifting Funds Among Program Categories

We established fund shifting rules among program categories in D.06-12-038:

> The utilities may shift funds between LIEE programs so as to promote the efficient and effective implementation of the LIEE program but may not shift additional funds to administrative overhead costs, regulatory costs or the costs of studies as set forth herein.[144]

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[144] D.06-12-038, OP 17.

This policy should continue through the 2009-11 budget cycle. To ameliorate any confusion going forward, the Commission interprets "[t]he utilities may shift funds between LIEE programs" to mean LIEE program categories, as defined at the beginning of this discussion; it should not be interpreted to mean shifting funds between program departments (electric and gas) or between LIEE and other low income programs like CARE.

The utilities may shift funds within each category, or between subcategories, as defined above, with the additional exception of moving funds into or out of the Education subcategory of the Energy Efficiency program category. Any funding shift into this subcategory requires that the IOU file an Advice Letter.

To be clear, funds in the program categories Energy Efficiency, Training Center, Inspections, and Marketing can be shifted among these at the IOUs' discretion. The Commission expects these transactions to remain well-documented and reported on in monthly reports relevant to the period in which they took place. We continue to require Advice Letters if IOUs wish to transfer funds into or among the General Administration, Regulatory Compliance, and Measurement and Evaluation[145] categories as they require more Commission oversight.

20.3.3. Fund Shifting for the CARE Program

The IOUs also request maximum flexibility in shifting funds between CARE program categories during the 2009-11 budget cycle.[146] While D.06-12-038

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145 *See* D.06-12-038, Sect. II. H and OP 6.

146 We use the same definitions of terms Program, Program Category, and Program Subcategory in this discussion as we do for the LIEE program.

did allow for this flexibility,[147] we will require IOUs to file an Advice Letter if they wish to move funds into or out of the Measurement and Evaluation, Regulatory Compliance, and General Administration. The utilities may shift, at their discretion, funds among all other CARE program categories. All fund shifting, regardless of whether the Commission reviews it or not, must be reported in IOUs' monthly and annual reports as well as in future budget applications.

21. CARE Administrative Costs

21.1. Introduction

We approve the IOUs' CARE budgets, even though they reflect an increased level of administrative cost for the 2009-11 period over the prior period. We find that the IOUs' budgets have increased because it costs more to reach each new customer as IOU CARE penetrations reach higher levels; postage and mailing costs have increased; the need for supervision and oversight of the program increases as penetration increases; capitation fees to contractors have increased as the program expands; and due to other more individualized reasons. We therefore approve the budgets as requested.

In addition to the IOU budget request we approve an additional $167,000 for a pilot to pursue automatic enrollment through One-E-App, as discussed later in this decision. In 1005, the Legislature passed Senate Bill 580 requiring the Commission to work with the California Health and Human Services Agency. Over the past several years, the Commission has pursued several avenues to fulfill this requirement to no avail. The pilot authorize herein provides a step in the right direction to fulfilling our responsibility.

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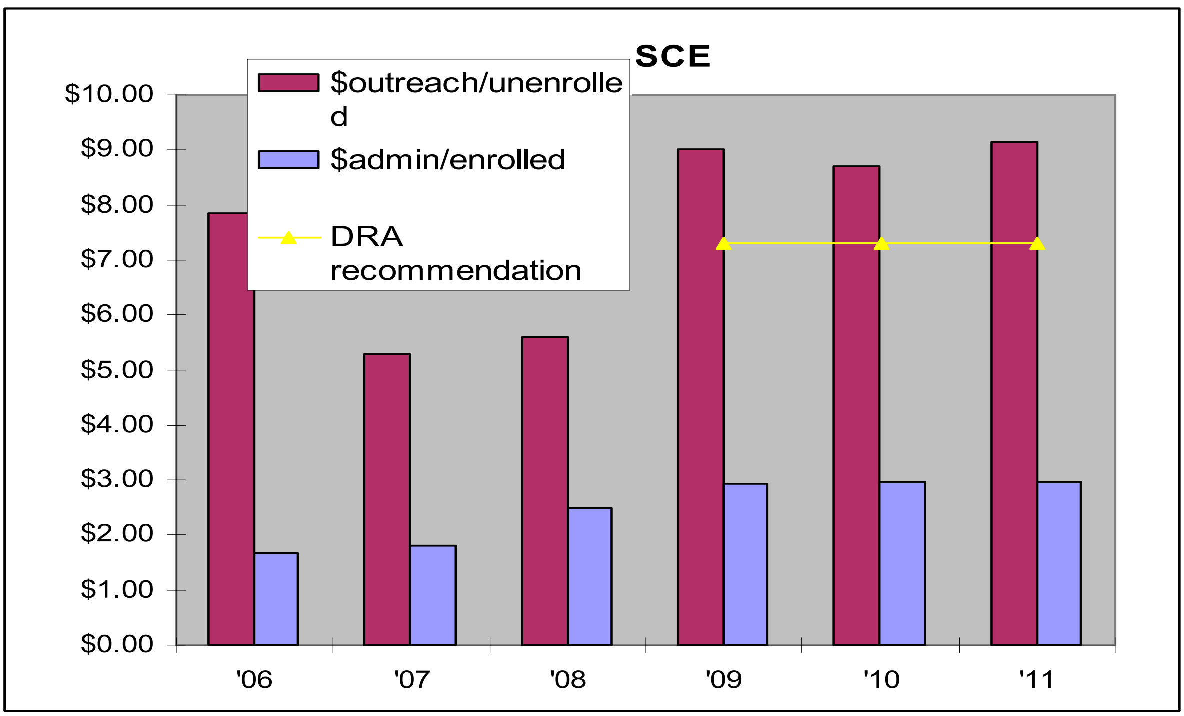
[147] D.06-12-038, OP 16.

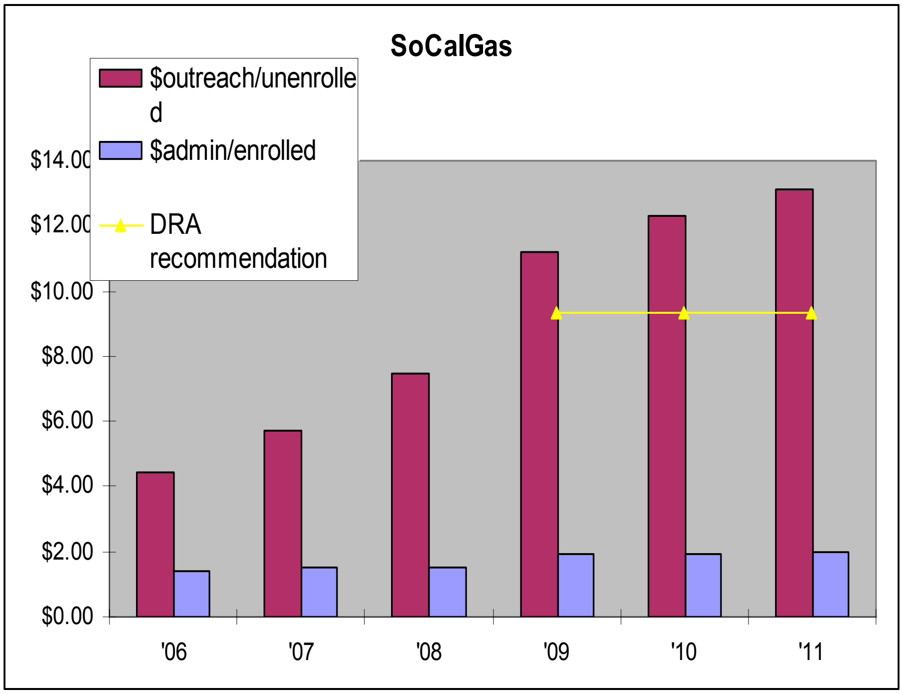
21.2. Parties' Positions

DRA challenges the IOUs' CARE administrative costs as too high, and asks us only to approve costs at a level commensurate with the 2006-08 program. DRA asserts that the Commission's direction over the last several years to employ automatic enrollment, categorical eligibility, census-based targeting, and the like should be reflected in lower CARE administrative costs. DRA recommends that the IOUs' customer service representatives handling all customer calls begin to handle CARE outreach, with no increase in CARE budgets because such services are part of the general utility function.[148]

DRA presents the following tables to illustrate the IOUs' proposed administrative budgets and DRA's proposed reductions.



148 "[W]here a cost is one the utility would have to incur regardless of the presence of the low income programs, it should be funded in base rates, rather than by the limited/earmarked PGC surcharge." D.05-04-052, p. 52.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DRA recommendation
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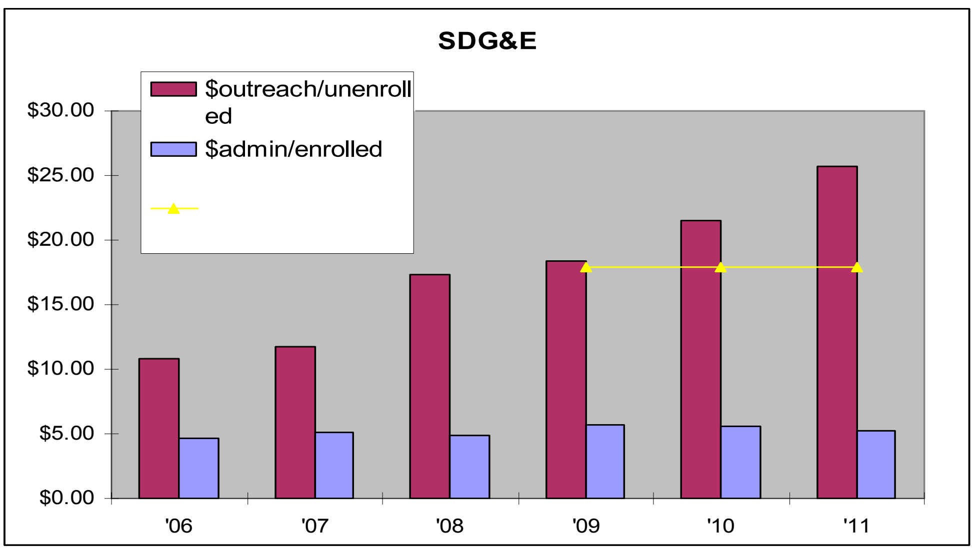
SDG&E
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$30.00
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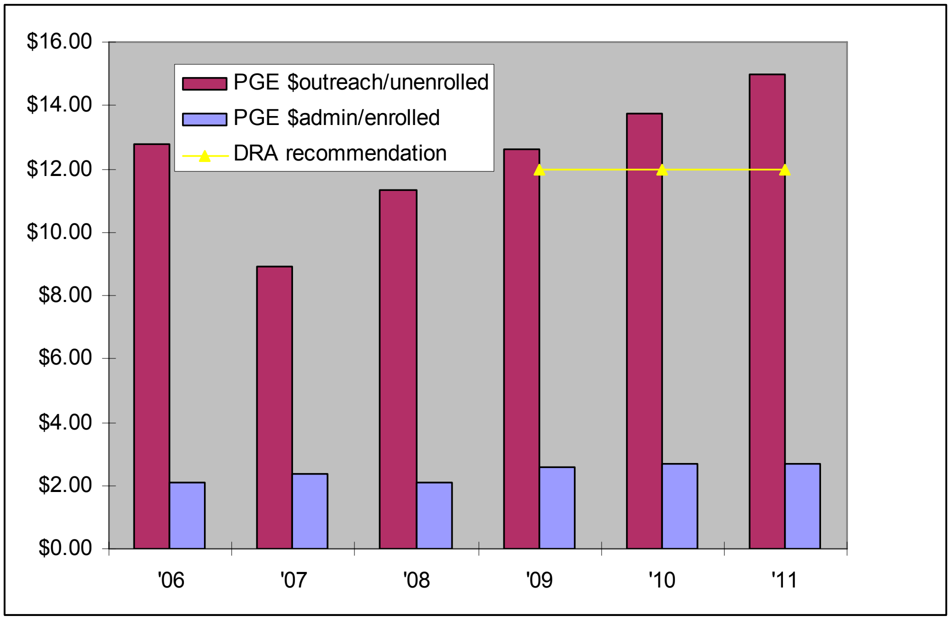

2009 CARE OUTREACH/ADMINISTRATIVE BUDGET (based on cost per customer)				
	PG&E	SDG&E	SoCalGas	SCE
IOU Proposed	$8.8 mill	$2.9 mill	$6.3 mill	$5.5 mill
DRA Recommended	$7.8 mill	$2.7 mill	$5.1 mill	$3.8 mill

The IOUs counter that their costs have gone up for several reasons. First, the IOUs state it costs more to reach and enroll new CARE customers as the IOUs' penetration levels increase. The IOUs claim they already reach the customers who are easier to find, so they must spend more time and money reaching customers who are eligible but not enrolled.

PG&E also explains that because it has so many more customers than it did before we increased the CARE income guidelines to 200% of federal poverty level in 2005, its overall costs have increased to retain these customers, especially since it recertifies eligibility every two years. PG&E also argues larger CARE customer base increases the need for management and oversight.

SCE states that most of its cost increases stem from a computer upgrade designed to streamline CARE and FERA enrollment processes and provide a more efficient process for SCE's low income customers' enrollment, recertification and verification. Further, SCE is proposing several aggressive multilingual outreach and door-to-door campaigns. Utilization of multilingual media outlets within Southern California is very expensive, according to SCE. In addition, within the current 2008 program year, SCE has seen more than a 900% increase in enrollment efforts by CARE Capitation agencies. At year end 2007, SCE expended slightly more than $27,000 to CARE capitation agencies for more than 2,100 new CARE enrollments. However, as of May 2008, SCE has expended nearly $270,000 for nearly 19,000 new CARE enrollments. According to SCE, approximately $450,000 of SCE's increase in CARE administrative expenses is to make provision for these increased efforts by the community-based organizations participating in SCE's CARE Capitation Program.[149]

SDG&E states it has increases due to new computer requirements in each of the three years of the budget cycle, and new program requirements for sub-metered CARE customers.

21.3. Discussion

We find increases in CARE administrative costs are warranted. We agree with the IOUs that it costs more to reach customers once penetration levels increase, since the customers that are easiest to reach are already in the program. We find it reasonable that increased penetration requires additional staffing and management, raises capitation payments, and increases recertification costs. We

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149 *Response Of [SCE] To The Administrative Law Judge's Ruling Seeking Further Information From The Large Investor-Owned Utilities' 2009–2011 Low Income Energy Efficiency/CARE Applications*, filed June 27, 2008, answer 14.

support SCE's increased focus on multilingual outreach. Finally, we support computer upgrades for the CARE program, especially since we are requiring the IOUs to make better use of CARE data for the LIEE program (as we discuss in the Tiering/Segmentation section earlier in this decision). Thus, we allow the increases as requested.

We will not require all IOU service/customer representatives to inform all customers about CARE, although they shall do so when it is likely a customer needs program assistance. Such service shall not be charged to the CARE administrative budget; we agree with DRA that telling customers about services for which they are likely eligible is a basic utility function to be borne in general rates.

22. CARE Penetration Level

22.1. Introduction

In D.02-07-033, the Commission established the goal of enrolling 100% of all eligible customers in the CARE Program. The IOUs have not met this goal, although they have made significant progress in this direction. In 2008, the estimated penetration rate for CARE enrollment is as follows: PG&E – 70%; SCE – 79%; SoCalGas – 79.6%; and SDG&E – 72%. In their applications, the IOUs estimate their enrollment goals for 2009-11:

CARE Penetration Estimated Goal Rate				
	2008	**2009**	**2010**	**2011**
SDG&E	72.0%	75.0%	77.0%	80.0%
PG&E	70.0%	71.0%	72.0%	74.0%
SoCalGas	79.6%	81.0%	82.2%	83.2%
SCE	79.0%	80.0%	81.0%	82.0%

The KEMA Report suggests that the CARE penetration goal of 100% may not be attainable.[150] Reasons for this include the difficulty in identifying and reaching certain customers. In addition, certain customers have a very low energy burden, would not benefit greatly by participating in the program, and/or are unwilling to participate. The assessment concludes that "10% of all low income households would be unwilling or unlikely to participate in CARE."[151]

The authors of the KEMA Report recommend that the Commission modify its existing 100% penetration goal; they suggest that "a conservative starting point for the optimal CARE Program penetration would be 90%." Alternatively, the study recommends a CARE penetration target of 95% for SCE, 90% for PG&E and SDG&E, and 80% for SoCalGas. Such numbers are based on certain factors, including previous enrollment rates and barriers to enrollment in each utility service area. According to the Report, "this is the percentage of the low income population that is eligible for, would be interested in, and would likely benefit from participation."[152]

22.2. Parties' Positions

PG&E agrees with the 90% overall optimal penetration but claims that it is unlikely that it can reach this penetration target in the next budget cycle. PG&E opposes mandated enrollment targets, but supports the Commission's encouragement in reaching higher penetration rates. PG&E attributes its low enrollment of 70% to customers failing the recertification and post-enrollment

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150 *KEMA Report*, p. 7-20.

151 *Id.*

152 *Id.*

verification. As 29% of its estimated CARE-eligible customers reside in rural zip codes, the cost of face-to-face contacts to enroll these customers also contributes to PG&E's lower penetration level.

SCE believes 90% is a reasonable estimate of optimal overall CARE penetration and states it continuously seeks to enroll 100% of all eligible and willing customers. SCE cites the frequency of customers' service establishment, service termination, failure to recertify and failure to respond to verification request as reasons why this level of penetration may not be achieved.

SDG&E did not comment on whether or not 90% should be the maximum possible penetration rate, instead citing its concerns with the accuracy and results of the estimate provided by the KEMA Report. SDG&E went on to discuss the different factors impacting enrollment in each service territory, which include demographics and differing customer habits and characteristics. The factors in SDG&E's service territory include an expensive housing market which results in frequent movement of low income customers out of the service territory. In addition, SDG&E states the small size of its service territory and lack of a shared service area limit its ability to pursue economies of scale in outreach and data sharing.

SoCalGas believes it has already enrolled the majority of willing and eligible customers in its service territory but claims it will continue to strive to achieve the 100% penetration goal. SoCalGas claims the lack of data on how the KEMA Report determined its recommended penetration rates make it difficult to comment on the accuracy and achievability of the recommended CARE penetration targets.

According to each IOU, they share best practices methods for customer enrollment, recertification and verification processes, implementing such methods when feasible. However, certain strategies work better in certain areas than others and there is no single way to reach all eligible customers. With the differences in each service territory and range of methods used to reach customers, the utilities claim it is difficult to determine a precise reason for the difference in penetration rates. The utilities do not offer input on how the Commission can resolve the difference

DRA discusses the rising cost of electricity and gas, stating that CARE may provide greater value to more low income households. DRA suggests the Commission immediately instruct the utilities to enroll enough households to meet the KEMA Report's optimal penetration rates of 90% for PG&E and SDG&E, 80% for SoCalGas and 95% for SCE. DRA suggests this can be accomplished by using all tools available. By doing so, the Commission will prepare low income families to cope with rising energy costs.

PG&E claims another reason for different penetration levels: post-enrollment verification rates vary among the IOUs. Each month, PG&E selects an average of 1% of newly enrolled/recertified customers for post-enrollment verification. Approximately 65% of the selected customers fail to provide the requested income documentation and are dropped from CARE. PG&E suggests the Commission implement more consistency in post-enrollment verification among the utilities.

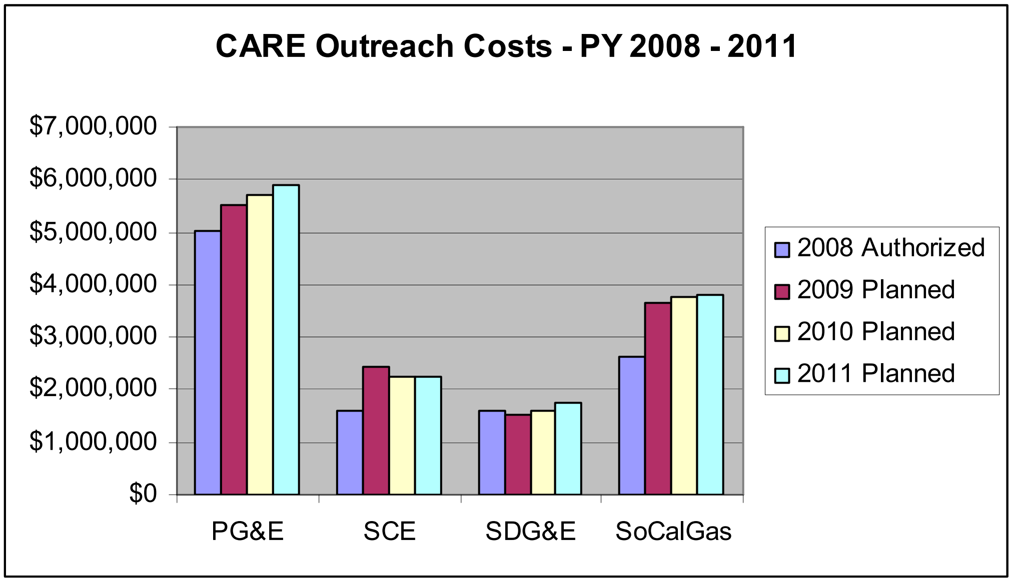
DRA objects to PG&E's post-eligibility income verification efforts. DRA notes that PG&E received $5 million to be spent in 2007-08 on CARE outreach in order to increase penetration rates. Despite this funding increase, PG&E's level of CARE penetration has not increased to projected levels. Moreover, DRA claims that PG&E's post-enrollment verification process resulted in a net decrease of 36,228 customers. DRA requests that the Commission set clear certification guidelines to ensure that this does not occur again. (We discuss recertification in the next section of this decision.)

22.3. Discussion

The Commission recognizes the efforts conducted by the utilities to find additional customers to enroll in CARE. PG&E's efforts are unacceptable; its penetration rates are far below the other IOUs and must improve or we will have to consider sanctions or other remedies.

The IOUs' outreach efforts include everything from sending direct mail[153] to placing advertisements in ethnic media. These efforts are important, given that low income customers need the financial assistance afforded by the CARE subsidy, especially in the face of rising energy costs. Outreach strategies designed to enroll customers in CARE are set to continue, with increases in outreach funding in the next budget cycle and outlined in the following graph:

[153] SoCalGas seeks to add telemarketing to its list of outreach methods, although this may be only for a LIEE program. We have concerns about marketing abuses associated with telemarketing, based on experience on the telecommunications side. We do not prohibit telemarketing outright, but SoCalGas shall be sure that it is carefully screening the firm(s) it uses, making sure services are in-language, and preventing abuse. SoCalGas shall report candidly on its experience in the Mid-Course Correction Proceeding.



The Commission recognizes that the goal of reaching all eligible customers in each service territory may be prohibitively expensive, as the utilities go to great lengths to reach out to customers, often with disappointing and costly results. Under the current budget, costs of reaching certain customers can be quite high. For example, the cost of direct mail can be as high as $21 per customer enrolled, as illustrated by the following table:

Cost and CARE Penetration Achieved through Direct Mail

Utility	Cost	Customers Reached	Customers Enrolled	Cost/Enrolled
PG&E	$1,372,446	3,324,109	69,948	$20
SCE	$680,000	107,627	72,629	$9
SDG&E	$188,194	259,300	8,850	$21
SoCalGas	$613,949	978,746	58,391	$11

Other efforts are even more costly yet produce even less impressive results. For instance, SDG&E's mass media campaign (which includes radio, TV, and print) cost a total of $239,020 in 2007 yet only resulted in a net enrollment of 900 customers, a cost of $266 per customer enrolled. Similarly, SCE conducted several outreach events for CARE in 2007, spending $33,000 for a net enrollment of only 1,033 customers (a $32 per customer enrolled cost).

As the IOUs note, the KEMA Report does not go into great detail on how it obtained the optimal CARE penetration levels for each individual utility. Given that we believe a CARE penetration goal of 100% to be exceedingly expensive and difficult to meet, we set a new CARE penetration goal of 90% for all large IOUs. We base this goal on the KEMA Low Income Needs Assessment's estimate that 10% of low income customers are unwilling or unlikely to participate in CARE. Over the next budget cycle, the utilities should strive to meet this standard penetration goal.

The record on 10% of eligible customers as unwilling or unlikely to participate in CARE has been developed in this proceeding, especially in the context of calculating the number of eligible and willing LIEE customers. In addition, the 90% CARE penetration goal is viewed as a "conservative starting point" and based on evidence collected in an onsite survey. By making this the new goal, customers who have a very low energy burden, would not benefit greatly by participating in the program, and/or are unwilling to participate are factored into a more feasible estimate of how many customers should be reached in the next budget cycle.

The 90% goal is not a stretch goal, or one to which the IOUs should simply strive. It is a requirement in a way that 100% could not be realistically. In the process of trying to meet this new goal, the Commission welcomes new ideas on how to achieve higher penetration rates without substantially increasing the CARE outreach budget. The Commission may reconsider this penetration goal in future decisions, in case barriers to enrollment are removed that make the 100% penetration rate more feasible.

23. CARE Recertification

The IOUs regularly recertify customers' income eligibility for CARE by contacting them and requiring them to prove that they continue to be eligible. Each IOU does this in various ways, as we discuss below.

DRA raises a concern that PG&E's recertification efforts have caused over 36,000 customers to drop out of the CARE program. DRA expresses concern that otherwise eligible customers have been dropped from the program for failing to respond to notices, and asks the Commission to step in and preclude PG&E's practices.

We have authorized the IOUs on several occasions to recertify customers receiving CARE, and we support such efforts. As we note in the beginning of this decision, the CARE subsidy approaches $2.7 billion, and it is the joint responsibility of this Commission and the IOUs to ensure that these large subsidies only benefit those eligible to receive them. Thus, we disagree with DRA that IOUs have no authority to recertify CARE customers' income eligibility on a periodic basis. We continue to allow IOUs to engage in recertification efforts.

By the same token, recertification efforts must be structured to make sure eligible customers have adequate opportunity to remain in the CARE program. To this end, we have taken, and will take, the following steps:

First, we have examined informal complaints filed with our Consumer Affairs Branch (CAB) for 2007-08. We have found 5 complaints that can be construed as related to recertification, a minute fraction (0.9%). By contrast, we had more than 5,000 complaints about the recertification of low income customers for the LifeLine telecommunications subsidy program after the Federal Communications Commission ordered states to implement income verification. Thus, we are not aware of a significant problem with current IOU recertification efforts, and CAB has not determined that the number of complaints it has received to date warrants special investigation or other action on the issue as a whole.

Second, however, we will require the IOUs to begin reporting, with their monthly and annual reports, the number of customer complaints they receive (formal or informal, however and wherever received) about their CARE recertification efforts, and the nature of the complaints. The IOUs shall immediately begin tracking this data so they are ready to submit their first report by December 31, 2008. We otherwise allow the IOUs their requested changes to their recertification process.[154]

Third, we direct CAB to track CARE complaints more specifically. Currently, we place all calls about CARE in the same category, regardless of their nature. We direct CAB to segregate complaints about recertification so we have better data. With this decision, we order CAB to begin this tracking immediately. Energy Division shall consult with CAB periodically and notify us if the volume of complaints increases significantly; if it does, we will determine whether further action is warranted.

24. Post Decision Action

We have made several substantial changes to the IOUs' proposed LIEE programs in this decision. It is essential to the long-term goals of the *Plan* that the IOUs make substantial progress toward the "100% by 2020" programmatic initiative goal during the next three years. After the IOUs submit their 2009 annual report, which shall contain all new reporting and tracking we discuss in this decision, we will examine the submission closely to see how the IOUs are

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[154] PG&E seeks leave to change the certification period for CARE sub-metered customers from one year to two years, which we approve.

progressing. We direct Energy Division to review the annual reports when the IOUs submit them, and to notify the Commission if the IOUs are not meeting the directives and goals of this decision and of the LIEE aspects of the *Plan.*

Thus, we place the IOUs on notice that we will continue to review the consistency of their LIEE program with the goals and requirements of this decision and the *Plan.* We reserve the right to change the funding we allocate in this decision if we find that the IOUs are not meeting the requirements of this decision and the *Plan.*

Further, we direct the Energy Division to create a link or section on the Commission's website that contains all monthly, annual and other reporting the IOUs make, so that all stakeholders have easy access to the reports. Finally, we direct the IOUs to coordinate with the Energy Division to incorporate all changes we make to the LIEE program in the LIEE P&P Manual within 180 days of the effective date of this decision. The IOUs shall thereafter serve a link to the updated version of the Manual on the service list for this proceeding.

25. One-E-App Pilot

25.1. Introduction

In response to a request from the Commission, The Center to Promote Health Care Access (The Center) provided a proposal to integrate the California Alternative Rates for Energy (CARE) Program into the One-E-App system. One-E-App is a Web-based one stop eligibility system. This pilot proposal is the result of conversations with the Commission and a meeting that took place July 1, 2008 with the CPUC, PG&E, SCE, SDG&E, and SoCalGas to explore how One-E-App can compliment current outreach and eligibility efforts in CARE and move toward automatic enrollment as required by SB 580. Based on these discussions, the priority needs for the program include the following:

- Increase participation in CARE;
- Partner to help expand the network of outreach and enrollment channels for low income hard to reach customers, starting with a pilot project in collaboration with PG&E;
- Leverage application and eligibility data used for establishing eligibility in other categorical programs, such as Medi-Cal and WIC to support the determination of CARE eligibility; and
- Streamline the screening, eligibility, and retention of participants in CARE, with a focus on how to reduce "churn" or disenrollment of participants at the time of program eligibility renewal.

On October 7, 2005, the Governor signed into law Senate Bill 580 (Escutia) that among several things, required the Secretary of the State's Health and Human Services Agency to evaluate, before April, 2006, how the agency's databases could be optimized to facilitate automatic CARE enrollment of eligible low income customers. Initial discussions about pilot project approaches explored leveraging WIC enrollment data; however, to-date these discussions have not been conclusive nor have they resulted in an agreed upon pilot.

The IOUs achieve their current CARE penetration rate through a variety of outreach efforts, including:

- Electronic applications available in several languages which are publically accessible through the Internet.
- Automated CARE data exchange between utilities.
- Eligibility assistance provided by contracted community organizations that are provided a per application financial incentive to encourage and reward application assistance to community members that results in a successful CARE application.

CARE applications do not require verification documents to be submitted in order for an application to be approved. However, recertification efforts are conducted that require the submission of verifications to substantiate the information submitted by the applicants on their CARE application, such as income and eligibility in other categorical programs.

25.2. One-E-App

One-E-App is a Web-based eligibility solution used by a variety of CBOs and other organizations (schools, clinics, churches and others) for eligibility in a wide range of health and social services. By including CARE in One-E-App, the Commission will leverage both the tool and the associated resources that are dedicated to helping enroll low income vulnerable community members in these important support programs.

The outreach provided by CBOs is tailored to individual communities and delivered in a context that is both culturally and linguistically appropriate. By factoring in elements such as location (*e.g.*, church, library, clinic, and resource center), culture, language and literacy, many community-based organizations are able to circumvent barriers to building community awareness and engagement that are experienced when efforts rely primarily on mainstream efforts (*e.g.*, print and self-help online applications).

Through One-E-App, the CARE program will be introduced as an available resource to a variety of community service organizations, including hospitals, clinics, schools, and a variety of community-based organizations (CBOs), that take as their mission helping to serve vulnerable communities and work to connect them to available health and social service programs. The incorporation of CARE in One-E-App will enable these application assistance experts to include CARE in the compliment of programs to which they strive to connect community members.

One-E-App screens (in real time) across a broad range of programs. By using the data already gathered in One-E-App for these programs, plus a few additional data elements required by CARE, the One-E-App rules engine will screen for CARE simultaneously when screening for other categorical programs. This will increase the odds of finding eligible CARE participants, and make the eligibility process more user-friendly and rational for families who would otherwise need to provide the same information on separate applications. For example, an individual applying for Medi-Cal at a community clinic is assisted by a certified application assister (CAA) who collects the information and verification documents needed to complete a Medi-Cal application. If the clinic uses One-E-App to determine eligibility and generate applications for multiple programs, the individual will also learn that, based on the information collected, he or she is also eligible for CARE, and can be assisted with electronically submitting an electronic CARE application. Equally as important, the utilities and CPUC will have more ability to know that the population they are serving is also likely eligible for these other public programs.

One-E-App will support the CARE eligibility renewal process by providing CAAs the information required to support renewal activities, such as the date on which a renewal application is required to guarantee ongoing participation in CARE. Using One-E-App, CAAs are well equipped to help prevent a disruption in program participation as One-E-App provides a tickler system, contact management tools, automatically generated letters, and most importantly, pre-populated electronic applications that only require updates at the time of renewal. But more important than all these tools offered in One-E-App, the applicants are far more likely to return to get help from an organization that has been helpful to them in the past to conduct their renewal or change in circumstance applications. This helps to reduce the administrative inefficiencies resulting from participants churning in and out of the program. Program renewal application assistance is regularly provided for other programs in One-E-App, again highlighting the opportunity to leverage existing efforts.

In summary, One-E-App will provide another channel for low income customers to learn about and participate in CARE, and help enrolled CARE customers maintain eligibility through the renewal process by using a tested tool, a committed and growing network of users and a robust rules engine that provides an accurate and reliable screen across programs.

With the opportunities identified, the next section outlines the project approach for a pilot that will help establish the benefits of the CPUC partnership with the Center and One-E-App.

25.3. Description of Pilot

The aforementioned discussions resulted in a decision whereby the most likely utility to work with The Center in a pilot was PG&E. Outcomes and lessons learned in the pilot will inform subsequent expansion of CARE eligibility via One-E-App. The pilot will integrate only the CARE program, but will explore the feasibility of adding other Commission assistance programs into One-E-App in the future.

The Center proposes conducting the pilot in two One-E-App counties. The Center suggests a two-county pilot because of county variation in size and other demographics. A two-county pilot will provide a more informed perspective for expanding to new areas. The pilot will include the following:

1. Analysis to determine population cross over;

2. Integration of CARE rules in One-E-App;

3. Development of interface to deliver and receive data electronically between One-E-App and PG&E;

4. Testing and Training;

5. Launch; and

6. Analysis and Implementation Plan.

Deliverables for this pilot will include:

- Cross over analysis summary report
- Go-live in two counties
- Three-month report post go-live
- Implementation plan for rollout beyond the pilot counties and recommending the inclusion of additional utility subsidy programs as appropriate

The cost of the two-county pilot project described in this proposal is $167,000, which we allocate to PG&E's CARE budget. Costs include analysis of the population crossover, a Subject Matter Experts (SME) session with CARE program administrators, system configuration, development, testing, training, post-launch support, county engagement and project management.

25.4. Discussion

We adopt this pilot project to move toward fulfillment of the responsibilities given to us by the Legislature in SB 580. Additionally, as we discussed before, we have directed the utilities reach a 90% CARE penetration rate. We anticipate that the results of the One-E-App pilot will assist the utilities in reaching that rate.

26. Conclusion

To the extent this decision does not disapprove other aspects of the IOUs' LIEE and CARE applications, they are approved here. All in all, we approve the following budgets:

Adopted Budget Summary 2009-2011				
	LIEE			
Utility	2009	2010	2011	Cycle Total
PG&E	$109,303,867	$151,406,031	$157,345,062	$418,054,960
SCE	$60,312,799	$61,634,526	$63,691,040	$185,638,365
SoCalGas	$62,718,198	$77,054,706	$78,611,230	$218,384,134
SDG&E	$21,166,172	$21,166,173	$20,401,498	$62,733,842
Total	$253,501,036	$311,261,435	$320,048,831	$884,811,302
	CARE			
	2009	2010	2011	Cycle Total
PG&E	$470,011,651	$479,331,337	$489,228,435	$1,438,571,423
SCE	$208,541,000	$213,312,000	$216,885,000	$638,738,000
SoCalGas	$139,132,786	$140,737,280	$142,489,637	$422,359,704
SDG&E	$49,961,816	$51,516,795	$53,064,454	$154,543,065
Total	$ 867,649,262.40	$ 884,899,422.01	$ 901,669,537.33	$ 2,654,212,191.74

27. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ____________________, and reply comments were filed on ________________________ by ___________________. Pursuant to Rule 14.3(d), we reduce the reply comment period by one day to ensure that reply comments are considered in the Commission's decision. Reply comments are due on October 10, 2008.

28. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Sarah R. Thomas is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. In D.07-12-051 and the *Plan*, the Commission has stated its long-term vision for the LIEE program: "By 2020, 100% of eligible and willing customers will have received all cost effective Low Income Energy Efficiency measures."

2. This decision is based on a significant written record, as well as the parties' oral input at the PHC and the workshop. Parties claiming we should have held hearings do not raise any disputed issue of material fact that requires resolution by hearing.

3. The direction that LIEE should be a program designed to meet the state's resource goals first appeared in D.06-12-038 almost two years ago.

4. It is most cost effective for an IOU to install all feasible measures once it incurs the expense and expends the effort to reach eligible customers.

5. In D.07-12-051, we ordered that the IOUs, in their budget applications, "propose specific program participation goals in specific population sectors or segments and budgets designed to meet those goals, consistent with D.06-12-038."

6. D.06-12-038 held that "SCE, SDG&E, PG&E and SoCalGas shall file applications for 2009-11 LIEE and CARE budget authority and program modifications [that] propose specific program participation goals in specific population sectors or segments…."

7. In D.07-12-051, the Commission held that "[t]he complementary objectives of LIEE programs will be to provide an energy resource for California while concurrently providing low income customers with ways to reduce their bills and improve their quality of life."

8. By targeting whole neighborhoods at once the LIEE program will become more visible in the communities the program serves.

9. The transiency rate among the low income population is high.

10. By installing measures in homes based on what is feasible for the housing type, rather than based on the current occupants' energy usage, the LIEE program will be more in line with the "whole house approach" outlined in the *Plan*. That approach focuses on making California's housing stock increasingly energy efficient.

11. On September 27, 2007, the ALJ issued a ruling seeking the parties' comments on how the KEMA Report could be used to develop LIEE program strategies. Parties thus had an opportunity to comment on the Report.

12. High energy burden represents the portion of a household's total income that is spent on energy bills; households that spend a large portion of income on such bills have a high energy burden.

13. High energy insecurity refers to customers who have trouble paying their bills, late payments, and actual or threatened utility shutoffs.

14. High energy users are more likely to need retrofits to their housing structure in order to reduce their energy consumption.

15. Over 43% of the low income population in California spends more than 5% of its total household income on energy. Out of these households, 66% are also energy insecure, which means the customers experience difficulty in paying energy bills and actual or threatened utility shutoffs.

16. Energy burden and energy insecurity demonstrate a high correlation with high energy usage.

17. The IOUs have a great deal more technical capacity and customer data at their disposal than most agencies and contractors involved in program delivery.

18. Customers with late utility bill payment histories and customers on medical baseline are very likely to need energy efficiency services provided through the LIEE program.

19. Overall, 38% of California's low income households have lived in their current home for two years or less and 11% have lived in their current home for 20 or more years.

20. The CARE databases or customer lists provide important information on the customer base shared by both LIEE and CARE.

21. Remote rural areas require different approaches to targeting customers for program enrollment than urban areas.

22. LIEE programs go to considerable expense in identifying customers to target and enroll customers, and then only install a few measures in many homes.

23. The reduction of travel time from house to house can save contractors and outreach workers both time and cost. The approach also reduces transportation costs, in turn decreasing the program's carbon footprint, consistent with the Commission's goal of reducing statewide greenhouse gas emissions.

24. D.05-10-044, issued in light of anticipated high natural gas prices in the winter of 2005-06, eased the LIEE enrollment processes in certain areas.

25. In D.06-12-038, the Commission approved the continuation of targeted self-certification and enrollment for 2007-08.

26. LIEE self-certification after the issuance of D.05-10-044 resulted in a 21% increase in customers enrolling in the LIEE program during November and December of 2005 compared to the level of enrollment during the same period in 2004.

27. The LIEE self-certification proposal in D.05-10-044 raised no objections while cutting costs and increasing program participation.

28. Self-certification has been met with success in increasing LIEE penetration. Extending this approach through the next budget cycle will help the IOUs meet the programmatic initiative of serving 25% of the eligible population.

29. LifeLine allows customers categorical enrollment for programs that LIEE does not. Customers can be categorically eligible for LifeLine by proving enrollment in the following programs: Medi-Cal; Food Stamps, TANF; WIC; LIHEAP; Healthy Families Category A; SSI; Federal Housing Assistance/Section 8; NSL Free Lunch Program; Bureau of Indian Affairs General Assistance; and Head Start Income Eligible (Tribal only).

30. Section 2790 does not contain the language "all feasible measures."

31. The Commission has often exercised discretion to limit the number of type of measures installed in individual LIEE-eligible homes.

32. The 2006 P&P Manual contains 25 pages of conditions that render each measure in the LIEE program infeasible under certain circumstances.

33. The LIEE program has never consisted of a cookie cutter set of measures in every home.

34. The 0.25 threshold for measure installation will maintain relatively cost effective measures in the LIEE program while eliminating less cost effective measures that add nominal benefit to the customer given the costs of delivering the measures, housing type and climate zone of the home.

35. The UCT and PC_m Tests incorporate non-energy benefits as well as direct energy related benefits.

36. Non-energy benefits capture a variety of effects, such as changes in comfort and reduction in hardship, that are not captured by the energy savings estimates derived from load impact billing evaluations.

37. The elimination of measures with low cost effectiveness from the LIEE program will slowly raise the average program PC_m and UCT values, thus increasing the cost effectiveness of the overall portfolio and program.

38. The IOUs spend significant funds every year marketing various energy efficiency and low income energy efficiency programs with different names, taglines, and target markets.

39. The *Plan* mandates a single statewide ME&O program that combines low income and non-low income energy efficiency messages, uses a single program name and tagline, and targets all eligible communities.

40. Ethnic marketing is a key way of reaching language minorities and communities of color.

41. Because more than 20% of low income customers are disabled, increasing LIEE outreach and service to the disabled community serves to enhance program penetration in the low income community.

42. In D.06-12-038, we stated that structures, information and services related to CARE and LIEE programs must be accessible to and tailored to the needs of disabled customers.

43. Disabled persons are disproportionately low income, and serving the disabled community with LIEE outreach and especially measure installation will enhance penetration of the LIEE program in the low income community.

44. Nearly one in every two low income households contains a member who is either elderly and/or disabled.

45. Twenty-three percent of low income households contain a member who has a hearing, vision or physical disability, and 15% of low income households have a member who is mentally and/or emotionally disabled. Among all low income households, 22% contain a member who is disabled and also responsible for paying the utility bill.

46. In D.07-12-051, the Commission stated "[t]he LIEE portion of the statewide strategic plan should include specific training strategies for reaching

disadvantaged communities. Utilities should also work with community stakeholders to assist them in the development of training strategies."

47. The *Plan* envisions that "IOUs will act as a catalyst to change by implementing several foundational activities that are necessary to accurately identify specific WE&T needs and recommendations for action."

48. Stakeholders supporting action toward developing "green jobs" in California are numerous, and ratepayers will fund but a part of these efforts. Other funding and training will come from taxpayers, community-based and nonprofit organizations, educational institutions, the business community, labor organizations and others.

49. CFLs are currently the mainstay of the LIEE lighting program; all of the large electric IOUs collectively plan to install over three million bulbs over the period 2009-11.

50. CFLs continue to provide low income customers the opportunity for significant energy savings in a cost effective manner.

51. Significant state and federal legislation will mandate energy efficient and non-toxic lighting fixtures starting in 2011.

52. 20%-30% of customers who receive CFLs through LIEE do not install them.

53. A customer will not capture a LIEE measure's energy and bill savings until someone installs the measure.

54. The three electric utilities (SDG&E, PG&E and SCE) have very different per installed bulb costs, with almost a $5 per bulb difference.

55. There may be a worldwide shortage of CFLs as demand for them increases in developing nations (particularly China, where CFLs are manufactured).

56. Energy efficient lighting is currently undergoing a major shift towards newer, more efficient bulb technologies.

57. The high performance lighting market is no longer focused solely on CFLs.

58. Any customer served since 2002 will have received up-to-date LIEE treatment for the most part.

59. Customers served by LIEE prior to 2002 may be in need of energy efficiency upgrades.

60. Certain households may need fewer than three measures to adequately improve energy efficiency.

61. The costs of outreach, enrollment and assessment are substantial.

62. John Peterson, a consultant who provides the IOUs with annual estimates of the CARE and LIEE eligible population, sent an email on June 22 to various utility representatives, stating "I wish that we had used 5.63 million and a growth rate, but I understand the reasons for the approach taken."

63. It is unlikely that the low income population diminished by 4% from 2006-09.

64. The 2007 annual reports showed eligible LIEE household estimates of 1,868,598 for PG&E; 1,368,584 for SCE; 354,489 for SDG&E; and 2,046,086 for SoCalGas. In total, approximately 5,637,757 households were eligible for the LIEE program in 2007.

65. Five percent of customers are unwilling to participate in LIEE.

66. The number of homes treated under LIEE in 2008 is 1,128,567 households.

67. Approximately 224,387 homes were treated by LIHEAP from 2002-07.

68. "Integration" constitutes an IOU's internal efforts among its various departments and programs to identify, develop, and enact cooperative relationships that increase the effectiveness of demand side management programs.

69. Incompatibility of databases should not pose a concern for integration, since IOUs will be tracking data internally.

70. LGPs are an ideal place to pursue integration between LIEE and Energy Efficiency programs.

71. By coordinating LGPs with the LIEE programs, the IOUs can use the pre-established working relationships between the utility and the local government to pursue leveraging opportunities.

72. "Leveraging" is an IOU's effort to coordinate its LIEE programs with programs outside the IOU that serve low income customers, including programs offered by the public, private, non-profit or for-profit, local, state, and federal government sectors that result in energy efficiency measure installations in low income households.

73. The most obvious LIEE leveraging opportunity is the federal LIHEAP program.

74. The IOUs' current LIEE programs do not adequately leverage with LIHEAP.

75. The income qualifications for LIEE/CARE and for subsidized housing are different; residents of such housing may have incomes over the LIEE/CARE levels.

76. Public housing recipients who do not qualify for CARE/LIEE are not evenly distributed across all of the IOUs' service territories.

77. NGAT testing is a basic utility service.

78. IOUs other than PG&E fund REACH-type shutoff assistance programs through general rates.

79. The pilots and studies we approve in this decision are described adequately by the IOU, contribute to the program goals we outline in this decision, and/or are required by statute.

80. The pilots and studies we disapprove in this study either are not adequately described by the IOU, or are inconsistent with the program goals set forth in this decision.

81. There is a CCA in the area near San Joaquin, where PG&E proposes a pilot.

82. The Commission in the past has allowed fund shifting in the LIEE and CARE programs on a limited basis, with an Advice Letter required in other situations.

83. IOUs' CARE administrative budgets have increased because it costs more to reach each new customer as IOU CARE penetrations reach higher levels; postage and mailing costs have increased; the need for supervision and oversight of the program increases as penetration increases; capitation fees to contractors have increased as the program expands; and due to other more individualized reasons.

84. In 2008, the estimated penetration rate for CARE enrollment is as follows: PG&E – 70%; SCE – 79%; SoCalGas – 79.6%; and SDG&E – 72%.

85. A CARE penetration goal of 100% may not be attainable because of the difficulty in identifying and reaching certain customers; the fact that certain customers have a very low energy burden; and unwillingness to participate.

86. 10% of all low income households are unwilling or unlikely to participate in CARE.

87. CARE outreach expenses will increase in 2009-11.

88. Costs of reaching certain CARE customers can be quite high. The cost of direct mail can be as high as $21 per customer enrolled. SDG&E’s mass media campaign (which includes radio, TV, and print) cost a total of $239,020 in 2007 yet only resulted in a net enrollment of 900 customers, a cost of $266 per customer enrolled. SCE conducted several outreach events for CARE in 2007,

spending $33,000 for a net enrollment of only 1,033 customers (a $32 per customer enrolled cost).

89. The IOUs regularly recertify customers' income eligibility for CARE by contacting them and requiring them to prove that they continue to be eligible. Each IOU does this in various ways.

90. The Commission's CAB has received approximately 5 complaints about the IOUs' CARE recertification efforts in 2007-08, according to a review of records that are not categorized by type of CARE issue involved.

91. When the Commission began certifying income for LifeLine, we received more than 5,000 complaints.

92. By including CARE in One-E-App, the Commission will leverage both the tool and the associated resources that are dedicated to helping enroll low income vulnerable community members in these important support programs.

Conclusions of Law

1. We should allow LIEE marketing and outreach efforts to focus on customers with high energy use, burden or insecurity.

2. The IOUs should target neighborhoods with high energy usage/burden/insecurity, severe climate zones, or other customer segments in choosing where to install feasible measures first, so as to ensure the greatest energy savings from the LIEE program, but all customers shall ultimately receive measures.

3. The IOUs should focus on treating homes, rather than customers, because while a home will remain, its occupants may change.

4. The LIEE program should serve all willing and eligible customers.

5. PG&E and SCE should use the segmentation approach to be employed by SDG&E and SoCalGas, which will first locate neighborhoods with a large

numbers of low income customers and thereafter segment eligible customers within each neighborhood by energy usage.

6. The IOUs should consider the particular neighborhood and its population when deciding which neighborhood outreach methods to employ.

7. The IOUs should work with local governments and agencies to understand which strategies work best in which neighborhoods.

8. The IOUs should use more aggressive outreach to target high energy users (and customers with late payment histories and on medical baseline), though not to the exclusion of low energy users.

9. The categorical eligibility requirements that apply to LifeLine should be the same as those for LIEE and CARE. The IOUs should allow customers receiving federal means-tested Supplemental Security Income (SSI) to qualify for LIEE and CARE categorically.

10. IOUs should be allowed to add additional means tested programs to the list of programs that afford categorical eligibility for LIEE and CARE, so long as they receive approval to add such programs by Advice Letter.

11. IOUs should not segment customers by energy usage or other characteristics in deciding which measures to install.

12. We should require a "whole house" approach to meeting customer's energy needs, which focuses on making the state's entire housing stock energy efficient, rather than installing insignificant measures in a scattering of homes on a piecemeal basis.

13. Each house IOUs serve in the LIEE program should receive an individualized energy audit so that it receives all feasible measures necessary for maximal energy efficiency.

14. In order to achieve long-term and enduring energy savings, a home should be treated with long-term occupancy patterns in mind, thus resulting in the installation of all feasible measures.

15. IOUs should minimize the number of times they visit a home as part of the LIEE program.

16. LIEE measure installation should occur at the same time as energy audits, except where impossible.

17. The Commission has discretion to determine what measures are feasible, taking into account cost effectiveness and hardships. Feasibility depends in part on the cost effectiveness of measures. Feasibility must also focus on reducing energy-related hardships facing low income households.

18. "All feasible measures" for LIEE does not mean "all available measures."

19. We should adopt the following methodology, as of January 1, 2009, for determining whether specific measures are cost effective (taking into account the housing type as well as climate zone) and set forth an approach to screening all measures going forward:

a. Measures that have both a PC_m 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 shall be included in the LIEE program. This rule applies for both existing and newly measures.

b. Existing measures that have eight a PC_m <u>or</u> of a UCT benefit-cost ratio less than 0.25 shall be retained in the program.

c. Existing and new measures with both PC_m and UCT test results less than 0.25 for that utility shall be excluded from the LIEE program unless the utility presents substantial information that significant non-energy benefits are not currently being accounted for in the PC_m and UCT values or there are other policy or program considerations that require the measure be retained.

(For example, a measure may not pass based on the benefit-cost ratios of the single measure but it may have interactive effects with other measures that enhance savings or benefits.)

20. The IOUs should be allowed to make rare exceptions to the 0.25 test set forth in the preceding paragraph if substantial argument can be made that significant non-energy benefits are not currently being accounted for in the cost effectiveness calculations or there are other compelling policy or program considerations that require the measure to be retained. The IOUs should report these rare exceptions in their monthly reports.

21. Any LIEE measure with a ratio equal to or greater than 0.25 should be eligible for installation in a low income customer's home, except where infeasible.

22. The IOUs should perform a 2009 Impact Evaluation study using updated cost effectiveness numbers, and use the new results of that study to recalculate the expected energy savings for the remaining program years.

23. The IOUs should report the new energy savings values in their next annual report to the Commission once the 2009 Impact Evaluation Study is complete.

24. The 2009 Impact Evaluation Study should show that energy savings of the portfolio are increasing over time, with correlation between program spending and energy savings.

25. We should disallow the portion of SCE's budget devoted to effort that involves education-only kits not tied to measure installation. We also should disallow SCE's proposal for "door-to-door canvassing structured to provide energy education and awareness to low income customers who might otherwise not be treated through LIEE due to ineligibility for LIEE measures."

26. PG&E's Energy Education workshops should not occur unless they lead to direct installation of energy efficiency measures.

27. We do not have a record to determine the adequacy of the IOUs' ethnic marketing efforts.

28. The Commission and IOUs should focus on training for LIEE installation workers so those expanded programs also benefit from a trained workforce.

29. New state and federal law will drastically alter the marketplace for lighting, and it is imperative that we and the IOUs begin to prepare customers for the transition. Given the timelines in the legislation, such preparation must begin now.

30. Buying and installing lightbulbs should be a fungible activity funded equally across all IOUs.

31. Population growth should be taken into consideration in determining the number of customers eligible for LIEE.

32. Households treated under the LIHEAP program should also be counted as treated in determining the number of LIEE eligible customers, given that LIHEAP offers most of the same measures offered by LIEE.

33. The LIEE and CARE statutes do not allow for funding of programs such as PG&E's REACH utility shutoff assistance program.

34. We should not approve pilots or studies that the IOUs fail adequately to describe, or that would accomplish goals that are inconsistent with the mandates of this decision.

35. The Commission should approve SDG&E and SoCalGas' LIEE customer rewards program on a pilot basis.

36. The Commission should approve LIEE and CARE fund shifting consistently with its prior decisions.

37. Telling customers about services for which they are likely eligible is a basic utility function to be borne in general rates.

38. CARE recertification is essential so that ineligible customers do not receive the often substantial subsidies the program affords.

O R D E R

IT IS ORDERED that:

1. We approve 2009-11 Low Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) budgets of the large investor owned utilities (IOUs), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas), as follows:

Adopted Budget Summary 2009-2011				
	LIEE			
Utility	2009	2010	2011	Cycle Total
PG&E	$109,303,867	$151,406,031	$157,345,062	$418,054,960
SCE	$60,312,799	$61,634,526	$63,691,040	$185,638,365
SoCalGas	$62,718,198	$77,054,706	$78,611,230	$218,384,134
SDG&E	$21,166,172	$21,166,173	$20,401,498	$62,733,842
Total	$253,501,036	$311,261,435	$320,048,831	$884,811,302
	CARE			
	2009	2010	2011	Cycle Total
PG&E	$470,011,651	$479,331,337	$489,228,435	$1,438,571,423
SCE	$208,541,000	$213,312,000	$216,885,000	$638,738,000
SoCalGas	$139,132,786	$140,737,280	$142,489,637	$422,359,704
SDG&E	$49,961,816	$51,516,795	$53,064,454	$154,543,065
Total	$ 867,649,262.40	$ 884,899,422.01	$ 901,669,537.33	$ 2,654,212,191.74

2. We grant the following IOUs LIEE Marketing, Education and Outreach (ME&O) budgets, which we adjust to account for the larger populations we require them to serve:

PG&E				
	2009	2010	2011	Cycle
Original ME&O	$1,286,276	$1,678,842	$1,749,738	$4,714,856
ME&O Budget Reduction	-$857,517	-$1,119,228	-$1,166,492	-$3,143,237

NEW ME&O Budget	$428,759	$559,614	$583,246	$1,571,619
*Adjustment for New Projected Elig. Customers	$488,244.52	$637,253.69	$664,164.34	$1,789,662.55

SCE				
	2009	2010	2011	Cycle
Original ME&O	$475,000	$475,000	$475,000	$1,425,000
ME&O Budget Reduction	-$316,667	-$316,667	-$316,667	-$950,000
NEW ME&O Budget	$158,333	$158,333	$158,333	$475,000
*Adjustment for New Projected Elig. Customers	$175,944.86	$175,944.86	$175,944.86	$ 527,834.59

SoCalGas				
	2009	2010	2011	Cycle
Original ME&O	$800,000	$900,000	$900,000	$2,600,000
ME&O Budget Reduction	-$533,333	-$600,000	-$600,000	-$1,733,333
NEW ME&O Budget	$266,667	$300,000	$300,000	$866,667
*Adjustment for New Projected Elig. Customers	$312,172	$351,152	$351,123	$1,014,447

SDG&E				
	2009	2010	2011	Cycle
Original ME&O	$743,200	$804,000	$799,000	$2,346,200
ME&O Budget Reduction	-$495,467	-$536,000	-$532,667	-$1,564,133
NEW ME&O Budget	$247,733	$268,000	$266,333	$782,067
*Adjustment for New Projected Elig. Customers	$252,489.81	$273,145.60	$271,446.93	$ 797,082.35

3. The IOUs may only spend the ME&O amounts awarded in the preceding ordering paragraph for 2009, and they shall coordinate 2009 LIEE marketing so that it is consistent with the developing single statewide ME&O program.

4. The IOUs shall not spend ME&O funding we allocate for 2010-11 except on the single statewide ME&O program, which we expect to be in place in late 2009 or early 2010 as part of the Commission's general Energy Efficiency proceeding.

5. The IOUs shall, for the 2009-11 period, continue or institute the LIEE targeted self-certification and enrollment activities the Commission ordered for

2007-08 in Decision (D.) 06-12-038. Such LIEE self-certification and enrollment consists of offering LIEE in areas of their service territory where 80% of the customers are at or below 200% of the federal poverty line.

6. The IOUs shall make all categorical eligibility requirements that apply to LifeLine the same as those for LIEE and CARE.

7. The IOUs shall allow customers receiving federal means-tested Supplemental Security Income (SSI) to qualify for LIEE and CARE categorically.

8. The IOUs may add additional means-tested programs to the list of programs that confer categorical eligibility on customers seeking CARE or LIEE benefits beyond those identified in the previous two ordering paragraphs. The IOUs shall seek such additions by Advice Letter.

9. To carry out the "Whole Neighborhood Approach," the IOUs shall use their own data about customer energy usage, late bill payment, and service shutoffs or threatened shutoffs to find neighborhoods (including rural areas) with concentrated high energy usage, burden and insecurity.

10. IOUs may segment customers by energy usage or other attributes in conducting LIEE outreach.

11. The IOUs shall install all feasible measures for all eligible LIEE customers.

12. The IOUs shall pursue a "whole house" approach to meeting LIEE customers' energy needs. Each eligible home shall receive an individualized energy audit so that it receives all feasible measures necessary for maximal energy efficiency.

13. We adopt the following methodology, as of January 1, 2009, for determining whether specific measures are cost effective (taking into account the housing type as well as climate zone) and set forth an approach to screening all measures going forward:

a. Measures that have both a PC_m 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 shall be included in the LIEE program. This rule applies for both existing and new measures.

b. Existing measures that have either a PC_m or a UCT benefit-cost ratio less than 0.25 shall be retained in the program.

c. Existing and new measures with both PC_m and UCT test results less than 0.25 for that utility shall be excluded from the LIEE program unless the utility presents substantial information that significant non-energy benefits are not currently being accounted for in the PC_m and UCT values or there are other policy or program considerations that require the measure be retained. (For example, a measure may not pass based on the benefit-cost ratios of the single measure but it may have interactive effects with other measures that enhance savings or benefits.)

14. To the extent the IOUs have proposed to add new measures that fail in their application in the foregoing test, we disapprove the request, unless we approve the measure as a pilot program as discussed in the Pilots and Studies.

15. Measures with Utility Cost Test (UCT) and Modified Participant Cost (PC_m) test cost effectiveness figures lower than 0.25 are disqualified from LIEE program funding, and as of January 1, 2009 may not be installed as part of the LIEE program.

16. Exceptions to the 3 foregoing ordering paragraphs may be made if the IOU makes a substantial argument that significant non-energy benefits are not currently being accounted for in the cost effectiveness calculations or there are other compelling policy or program considerations that require the measure to be retained. Such exceptions may occur where they will improve a customer's quality of life, if a case can be made that certain benefits to the customer are not being captured in the UCT and PC_m tests, or if a mix of measures would increase

the overall benefits to the customer. The IOUs shall report these exceptions, which shall be rare, in their monthly reports.

17. IOUs shall perform a 2009 Impact Evaluation study using updated cost effectiveness numbers from those provided in the 2009-11 applications. The IOUs shall use the results of that study to recalculate the expected energy savings for the remaining program years. The IOUs shall report the new energy savings values in their next annual report to the Commission after the Impact Evaluation Study is complete.

18. We disallow the portion of SCE's budget devoted to effort that involves education-only kits not tied to measure installation. We also disallow SCE's proposal for "door-to-door canvassing structured to provide energy education and awareness to low income customers who might otherwise not be treated through LIEE due to ineligibility for LIEE measures."

19. To the extent PG&E's Energy Education workshops do not result in immediate installation of energy efficient measures, they shall be removed from PG&E's LIEE program.

20. We allow the IOUs approximately one third of their proposed ME&O funding to pursue their own, individual marketing campaigns in 2009. The IOUs shall implement this marketing in coordination with the *California Long-Term Energy Efficiency Strategic Plan's (Plan)* work on a single statewide ME&O program.

21. Those IOU personnel involved in developing the single statewide ME&O program shall communicate with the IOUs' LIEE program personnel and ensure that 2009 IOU marketing for the LIEE program is consistent with the direction of the single statewide ME&O program.

22. For 2010-11, while we approve the IOUs' requested funding, we do not allow the IOUs to spend the funds on the marketing efforts they propose.

Rather, they shall hold this money in reserve so that it forms part of the single statewide ME&O program budget. Once we approve the single statewide ME&O program in our Energy Efficiency proceeding, the IOUs will receive further direction on how to allocate this funding.

23. PG&E's shall add a LIEE component to its ethnic advertising campaign for 2009.

24. We set a goal for the IOUs to increase their disabled household enrollments for the 2009-11 program years so that disabled customers comprise approximately 15% of new LIEE enrollments annually.

25. We require the IOUs to leverage their LIEE program outreach with the Commission's Deaf and Disabled Telecommunications Program (DDTP) and disability-related community based organizations (CBOs) in California.

26. We will allow IOUs to count customers they enroll in LIEE as a result of leveraging with CBOs that serve the disabled community, or with the DDTP, toward the 15% annual disabled enrollment goal. IOUs may also count customers who self-identify as disabled or whom the IOUs enroll from the Medical Baseline program.

27. We require that the IOUs report the status of the disabled enrollment effort in these annual reports to the Commission identifying the level to which their efforts meet the 15% penetration goal. In cases where the participation from the disabled community is below the 15% goal, the IOUs shall provide an explanation.

28. The IOUs shall track the training and hiring of a low income energy efficiency workforce, and report on progress in their annual reports.

29. The Commission directs the Energy Division to issue a Request For Proposals for the development of Workforce Education and Training (WE&T)

pilot programs. The selected proposals shall receive funding to be distributed by the utility in the pilot's service territory.

30. IOUs or their agents shall install all CFLs distributed in the LIEE program.

31. The IOUs shall include information with CFLs explaining how to dispose of them safely.

32. This decision does not establish any presumption for ratepayer CFL funding in the pending general Energy Efficiency applications.

33. We set a $6.90 per installed bulb cost that is the same across IOUs, although IOUs shall install bulbs at a lower cost if they can negotiate the costs downward.

34. The IOUs shall immediately pursue joint lightbulb procurement, warehousing, transportation and related expenses unless such procurement will raise the per-bulb price above $1.90 and/or the overhead and related expense per bulb above $5.00.

35. The IOUs shall begin monitoring whether lightbulb shortages are threatened, and begin contingency planning if shortages or bulb price increases appear possible. They shall also notify the Energy Division in their monthly reports if shortages may affect the LIEE program.

36. For the 2009–11 LIEE budget cycle, the utilities' programs may continue to install CFLs as part of their standard measures, because they still have potential for cost effective energy savings in low income households, when installed.

37. As new technologies in lighting come into play between 2009 and 2011, the IOUs shall adhere to the new legal standards in introducing lighting measures to LIEE portfolios. They shall report in their annual reports their preparation to meet the new legal requirements.

38. We allow the IOUs to go back and treat any customer not treated since 2002, but the IOUs shall first seek out new households that have not yet been treated.

39. 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.

40. The utilities must treat a total of 1,055,096 households over the next budget cycle to meet 25% of the programmatic initiative, as shown in the following table:

Projected Number of Homes to be Treated 2009-2011								
	2009		2010		2011			
Utility	Original	New Projection	Original	New Projection	Original	New Projection	Total Cycle - Original	Total Cycle - New
PG&E	80,000	91,099	110,000	125,261	110,000	125,261	300,000	341,622
SCE	75,243	83,612	75,243	83,612	75,243	83,612	225,729	250,837
SoCalGas	95,000	111,211	123,000	143,973	125,000	146,301	343,000	401,485
SDG&E	20,000	20,384	20,000	20,384	20,000	20,384	60,000	61,152
Total	270,243	306,307	328,243	373,230	330,243	375,559	928,729	1,055,096

44. In order to be counted as successful, an integration effort must accomplish at least two of the following four goals:

- *Interdepartmental Coordination:* Increased coordination in work efforts between departments within the utility. This type of integration results in cost and/or resource savings as well as one or both of the following:
  - Consolidation of work efforts,
  - Elimination of overlapping and/or repetitive tasks.

- *Program Coordination:* Increased coordination between multiple programs managed by the utility. This type of integration results in cost and/or resource savings as well as one or both of the following:
    - Increased services provided to customers,
    - Greater number of customers served by a program.

- *Data Sharing:* Increased information and data sharing between departments within the utility and/or multiple programs managed by the utility. This type of integration results in cost and/or resource savings as well as one or both of the following:
    - Greater number of customers served,
    - Consolidation of work efforts.

- *ME&O Coordination:* Consolidation of marketing, education and outreach for multiple programs managed by the utility. This type of integration results in cost and/or resource savings as well as any or all of the following:
    - Greater number of customers reached,
    - More cost effective marketing, education and/or outreach to customers,
    - Elimination of customer confusion.

45. We decline DRA's proposal to discontinue the Quarterly Public Meetings.

46. IOUs shall track and report the status of each of the integration efforts listed in their applications or *Plan* submissions in their annual report submitted to the Commission each May. In cases where the integration effort does not meet at least two of the above goals, the IOUs shall provide a reasonable explanation. We direct Energy Division to review the reports and work with IOUs to enhance integration during the 2009-11 cycle if our metrics are not met.

47. The utilities shall coordinate all LIEE outreach with CARE.

48. The IOUs shall pursue integration in other program functions such as income verification.

49. All utilities shall increase coordination between LIEE and Energy Efficiency departments, thereby achieving greater interdepartmental coordination.

50. The utilities shall examine current and future Local Government Partnerships and pursue any potential synergies that exist with the LIEE program to ultimately reduce costs.

51. The IOUs shall make sure that what they learn in their Demand Response proceedings is leveraged with the LIEE program.

52. In accordance with D.07-11-045, the Commission directs the utilities to remove any barriers to LIEE participation for eligible customers who wish to participate in the CSI low income programs. Solar applicants should be fast-tracked through the LIEE program in the event that a waiting list for LIEE measure installation exists.

53. Low income customers may receive solar facilities (1) if they have already received all feasible LIEE measures, or (2) if they are on the waiting list to receive such measures.

54. IOUs shall use the following three criteria to measure the level of success of each of their leveraging efforts and partnerships:

(i) Leveraging results in dollars saved;

(ii) The opportunity results in energy savings/benefits; and

(iii) The opportunity results in enrollment increases;

55. The IOUs shall report the extent to which their LIEE leveraging efforts meet the foregoing metrics in their annual reports provided each May to the Commission. In cases where the leveraging effort or relationship does not meet a criterion, the IOU shall provide a reasonable explanation. We direct Energy

Division to review the reports and work with IOUs to enhance leveraging during the 2009-11 cycle if our metrics are not met.

56. IOUs shall ensure immediately that no LIEE contractor goes to a home without first knowing whether that home has received LIHEAP measures and the type of measures involved.

57. The IOUs shall make arrangement with DCSD or LIHEAP contractors to have their personnel trained on what the LIHEAP program entails.

58. LIHEAP and LIEE measure installation shall happen at the same time, or sequentially, as part of the Whole Neighborhood Approach. The IOUs shall, as part of their leveraging strategies, immediately begin this leveraging process. The IOUs shall show significant progress toward a goal of 100% LIHEAP and LIEE leveraging and coordination in the IOUs annual reports.

59. Each IOU shall make a reasonable effort to differentiate between eligible and ineligible public housing residents for CARE and LIEE enrollment, and only enroll eligible public housing residents in the programs. We grant the IOUs discretion how to do this in each of their service areas.

60. Natural Gas Appliance Testing (NGAT) funding shall be from general rates and not the LIEE program. No IOU shall request otherwise in future LIEE requests, as we have resolved the issue in the same manner for many LIEE program cycles.

61. The IOUs shall coordinate with the Energy Division to incorporate all changes we make in this decision to the relevant sections of the 2006 LIEE Policy and Procedures Manual within 180 days of the effective date of this decision. The IOUs shall thereafter serve a link to the updated version of the Manual on the service list for this proceeding.

62. For all pilots and studies we approve here, all IOUs shall meet with Energy Division staff, and the other IOUs, and other stakeholders to review the

pilots' and studies' results. In the annual reports filed after the completion of each pilot, the affected IOUs shall make clear recommendations as to whether the pilots

63. should be expanded statewide.

64. We approve the following budgets for pilots and studies for 2009-11:

Utility	Authorized Pilots	Authorized Studies	Total for Utility 2009-11
PG&E	$1,910,000	$566,660	$2,461,660
SCE	□	$602,000	$602,000
SoCalGas	$725,000	$212,500	$962,500
SDG&E	$375,000	$194,100	$569,100
Total	**$3,010,000**	**$1,575,260**	**$4,595,260**

65. The following table presents, in summary, the proposed and authorized budgets for the IOUs' 2009-11 pilots:

Utility	Pilot Name	Proposed Budget				Authorized Budget				Difference
		Amount	2009	2010	2011	2009	2010	2011	Total	
PG&E	Meals on Wheels	$300,000	$90,000	$90,000	$120,000	$90,000	$90,000	$120,000	$300,000	$0
	Habitat for Humanity	$300,000	$100,000	$100,000	$100,000	$0	$0	$0	$0	($300,000)
	City of San Jose	—	—	—	—	$0	$0	$0	$0	
	Online LIEE/Energy Partners Training	$450,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$450,000	$0
	City of San Joaquin	$410,000	$164,000	$164,000	$82,000	$164,000	$164,000	$82,000	$410,000	$0
	High Efficiency Clothes Washers	$750,000	$750,000	$0	$0	$750,000	$0	$0	$750,000	$0
	SmartAC	(Through SmartAC Program)								
	SmartMeter ™	$40,000	—	$40,000	—	$0	$0	$0	$0	
	Total	**$2,250,000**	**$1,254,000**	**$544,000**	**$452,000**	**$1,154,000**	**$404,000**	**$352,000**	**$1,910,000**	**($340,000)**
	Community-based Energy Education Workshop	$759,375	$202,500	$253,125	$303,750	$0	$0	$0	$0	($759,375)
	Total	**$759,375**	**$202,500**	**$253,125**	**$303,750**	**$0**	**$0**	**$0**	**$0**	**($759,375)**
SoCalGas	Natural Gas High-Efficiency Forced Air Unit (FAU) Furnace Pilot	$725,000	$725,000	$0	$0	$725,000	$0	$0	$725,000	$0
	Total	**$725,000**	**$725,000**	**$0**	**$0**	**$725,000**	**$0**	**$0**	**$725,000**	**$0**
SDG&E	In-Home Display Pilot (IHD)	$145,000	$0	$145,000	—	$0	$145,000	$0	$145,000	$0
	Programmable Communicating Thermostat (PCT)	$230,000	$0	$0	$230,000	$0	$0	$230,000	$230,000	$0
	Total	**$375,000**	**$0**	**$145,000**	**$230,000**	**$0**	**$145,000**	**$230,000**	**$375,000**	**$0**

	Total 2009-2011	$4,109,375	$2,181,500	$942,125	$985,750	$1,879,000	$549,000	$582,000	$3,010,000	($1,099,375)

66. PG&E shall not use its pilot in San Joaquin to attempt convince customers eligible to sign up for the San Joaquin Valley Power Authority CCA to retain their service with PG&E.

67. All IOUs shall file a compliance Advice Letter expanding upon the Program Implementation Plans (PIPs) provided in attachments to the IOUs' budget applications prior to the start of each pilot we approve herein. The expanded materials shall include:

a. A timeline: Projected start and finish dates, report dates, assessment timeline and final assessment date;

b. Projected breakdown of budgets: Categories displaying material costs, administration, data collection and analysis, reporting costs, etc., should be included along with a brief paragraph explaining the breakdown;

c. Estimated Energy Savings – (Measure Pilots; Measure pilots involve trials of new technology and/or energy efficiency hardware on a small scale, with the intention of expanding the measure to the entire utility and/or sharing results with other utilities if proven successful);

d. Estimated Resources Leveraged/Saved (Non-Measure Pilots; Non-Measure pilots consist of partnership, leveraging, education, training and/or other types of trial initiatives that involve increased leveraging or more efficient use of utility resources in execution of its low income programs);

e. Combined estimate of Energy Savings/Shared Resources (Combined Pilots; Combined pilots have elements of both measure and non-measure pilots);

f. Overview of Pilot Evaluation Plan (PE): The PEP should identify target data for capture, specify data capture activities, state how the IOU will provide results for estimated energy savings or resources leveraged/saved, give relevant dates and deadlines, and set forth a definition of success for the pilot.

68. For pilots not due to start until later years in the cycle, the affected IOUs must submit the Advice Letter at a later date, but prior to the start of the pilot.

69. For all approved pilots, the IOUs shall submit "budget used" against "budget authorized" calculations in their monthly reports. The utilities must also submit in their annual reports, in the year(s) a pilot is active, updates on each pilot that include the following information:

a. A narrative overview discussing activities undertaken in the pilot since its inception; description of pilot progress, problems encountered, ideas on solutions, and description of activities anticipated in the next quarter and the next year;

b. Status of Pilot Evaluation Plan (PEP);

70. At a bare minimum, the IOUs shall submit upon completion of the pilot and the subsequent evaluation, a Final Pilot Report that includes the following:

a. Overview of pilot;

b. Description of Pilot Evaluation Plan (PEP);

c. Budget spent vs. authorized budget;

d. Final results of pilot; including energy savings (for measure pilots and/or resources leveraged/saved (for non-measure pilots) and

e. Recommendations, including whether the pilot should be expanded to all eligible customers and/or expanded to other partners as well as reasons for or against this action; solutions to problems that were encountered, and changes proposed for expanding successful pilots to the larger LIEE program.

71. The following table presents, in summary, the proposed and authorized budgets for the IOUs' 2009-11 studies:

Utilities	Study Name	Budget Requested	Budget Authorized
PG&E	2010 CARE Recertification and Post-Enrollment Verification Non-Response Study	$75,000	$75,000
SCE	High Usage Needs Assessment	$200,000	$200,000
PG&E / SCE / SDG&E	Refrigerator Degradation EUL Study	$200,000	$200,000
	PG&E Share	*$66,600*	*$66,600*
	SCE Share	*$67,000*	*$66,800*
	SDGE Share	*$66,600*	*$66,600*
PG&E / SCE	Household Segmentation Study	$200,000	$200,000
	PG&E Share	*$120,000*	*$120,000*
	SCE Share	*$80,000*	*$80,000*
Joint Utility	Low Income Non-Energy Benefits (NEBs) Study	$300,000	$0
	2009 Process Evaluation (Programmatic M&E)	$250,000	$100,000
	PG&E Share	*$75,000*	*$30,000*
	SCE Share	*$75,000*	*$30,000*
	SoCalGas	*$62,500*	*$25,000*
	SDGE Share	*$37,500*	*$15,000*
	2010 Impact Evaluation (Programmatic M&E)	$600,000	$600,000
	PG&E Share	*$180,000*	*$180,000*
	SCE Share	*$180,000*	*$180,000*
	SoCalGas	*$150,000*	*$150,000*
	SDGE Share	*$90,000*	*$90,000*
	Total	**$1,825,000**	**$1,525,000**

72. Because a 2007 Process Evaluation was not completed, $150,000 from the 2007–08 budget shall be carried forward to the 2009-11 cycle, and the requested amount for the 2009 Process Evaluation is reduced by this amount.

73. The final Process Evaluation report is due no later than the end of 2010.

74. Energy Division shall conduct the 2009 Process Evaluation. The IOUs shall pay for the contract, but otherwise shall involve the Energy Division at the earliest possible time in the RFP and bid evaluation process so that independence

is assured. The Commission, not the IOUs, will choose the contractor, and the IOUs shall have no involvement in directing the contractor's work.

75. The next LIEE Impact Evaluation shall take place in 2009. The Energy Division shall run the impact Evaluation, select the contractor and coordinate with the IOUs on all duties. The IOUs shall pay for the contract, but otherwise shall involve the Energy Division at the earliest possible time in the RFP and bid evaluation process so that independence is assured. The Commission, not the IOUs, will choose the contractor, and the IOUs shall have no involvement in directing the contractor's work.

76. The results of the 2009 Impact Evaluation shall show that the energy savings of the portfolio are increasing over time, with correlation between program spending and energy savings.

77. All IOUs shall submit compliance Advice Letters that expand upon each study's PIPs provided in the attachments to the IOUs' budget applications. The new materials shall consist of the following:

a. A timeline: Projected start and finish dates, reporting dates, and tentative final report date;

b. Projected breakdown of budgets: Categories displaying material costs, administration, data collection and analysis, reporting costs, contractor fees (when applicable), should be included along with a brief narrative paragraph explaining the breakdown; and

c. Specification of Contractor: For Programmatic M&E Studies – provide a brief narrative of selection process for the chosen contractor.

78. The IOUs may submit the materials in the preceding ordering paragraph to the Energy Division in aggregate in a single statewide ME&O program Advice Letter, or in individual Advice Letters closer to, but no later than 90 days prior to, the start of the relevant study.

79. The IOUs shall follow the guidelines contained in D.03-10-041 in contracting for and administration of the Process Evaluation ordered here.

80. The IOUs shall also comply with D.06-12-038 in carrying out any pilot or study approved in this decision: "SCE, PG&E, SoCalGas and SDG&E shall receive written approval from the Commission's Energy Division Director or his designee prior to issuing any request for proposal, awarding any contract to any consultant or issuing any report for LIEE or CARE programs.

81. For all studies we approve herein, the IOUs shall submit "budget used" against "budget authorized" calculations in their monthly reports. The utilities shall also submit in their annual reports, in the years a study is active, updates on the study that include the following information:

a. A narrative overview discussing activities undertaken in the study since its inception; description of study progress, problems encountered, ideas on solutions, and description of activities anticipated in the next quarter and the next year; and

b. Spent vs. total budget, broken down into categories as set forth in the compliance advice letter.

82. At a minimum, the IOUs shall submit, upon completion of the study and the subsequent evaluation, a Final Study Report that includes the following:

- Overview of study;
- Budget spent vs. authorized budget;
- Final results of study; and
- Recommendations, including whether the study has implications for all eligible customers, can be expanded to other partners as well as reasons for or against this action; solutions to problems that were encountered, and changes to the larger LIEE

program that may come from the increased understanding delivered by the study.

83. The Commission grants the request of SDG&E and SoCalGas to distribute LIEE customer rewards on a pilot basis. SoCalGas and SDG&E shall monitor the effectiveness of the rewards program and provide in their annual reports due each May details of whether the program has (1) contributed to new customer enrollments or (2) enhanced program energy savings. Their report shall also contain a narrative section candidly explaining the results of the pilot. Once the results of the program are reviewed, the Commission will determine if the program results in the desired behavioral changes and sustained energy savings and will determine at that point whether such a program should be implemented beyond the pilot stage.

84. We grant and deny the IOUs' requests for fund shifting in the CARE and LIEE programs as follows:

- LIEE: Fund shifting from one year to another within 2009-11 cycle: Allowed up to 15% of total LIEE budget without Advice Letter subject to limitation below; Advice Letter required for larger amounts;

- LIEE: Fund shifting into future cycles ("carry forward" funding):

    - Long term projects that require funding beyond the three year program cycle; commitment of funds from the next program cycle to fund programs that will not yield savings in the current cycle: Allowed under strict limitations described in the body of this decision;

    - Carry over of remaining, unspent funds from program year to program year or budget cycle to budget cycle: The utilities may carry over funds from previous periods to the 2009-11 budget periods but may not allocate carry-over funds to administrative overheads, regulatory compliance costs, measurement and evaluation, or pilots and studies.

- Fund shifting between gas/electric programs: Advice Letter required;

- LIEE: Spending of next cycle funds in the current budget cycle ("carry back" funding): Allowed only once the next cycle portfolio has been approved to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs. IOUs may borrow funding without Commission approval up to 15% of the current program cycle budget, subject to the limitation below. Beyond that amount, the utilities are required to seek approval by filing an Advice Letter;

- LIEE: Fund shifting among program categories. Allowed except that IOUs may not shift additional funds to administrative overhead costs, regulatory compliance costs, measurement and evaluation, or the costs of pilots and studies. In addition, moving funds into or out of the Education subcategory of the Energy Efficiency program category requires an Advice Letter. Transactions must be well-documented and reported on in monthly reports relevant to the period in which they took place. An Advice Letter is required if IOU wishes to transfer funds into or among the administrative overhead, regulatory compliance, measurement and evaluation, or pilots and studies categories.

- LIEE Limitation: IOUs must receive the Administrative Law Judge's (ALJ) written approval for how to allocate funds in the up-to-15% range if IOU proposes to allocate them to different program categories or to administrative overheads. IOUs may therefore shift up to 15% of LIEE funds among budget categories with the exception that allocations may be to program areas only, not administrative overhead, regulatory compliance, measurement and evaluation, or pilots and studies categories.

- CARE: IOUs must file an Advice Letter if they wish to move funds into or out of the administrative overhead, regulatory compliance, measurement and evaluation, or pilots and studies categories.. The utilities may shift, at their discretion, funds between all other CARE program categories. All fund shifting, regardless of whether the Commission reviews it or not, must be reported in IOUs' monthly and annual reports as well as in future budget applications.

85. We grant SoCalGas' request to partially fund the 2009 budget requirements of $53.599 million by using $13.0 million in unspent LIEE program funds from previous years.

86. We approve the IOUs' requested CARE administrative budgets for 2009-11, as set forth in Ordering Paragraph 1 above.

87. We grant $167,000 for a pilot to pursue CARE automatic enrollment.

88. We deny DRA's request that all IOU service/customer representatives be required inform all customers about CARE. However, such personnel shall provide information about CARE when it is likely a customer needs program assistance. Such service shall not be charged to the CARE administrative budget.

89. In the 2009-11 period, the IOUs shall each reach CARE penetration levels of 90 percent. This is a hard requirement, not just a target. The Commission may reconsider this penetration goal in future decisions, in case barriers to enrollment are removed that make the 100% penetration rate more feasible. The IOUs shall report their penetration levels in their annual reports.

90. With their first report due on or about December 31, 2008, IOUs shall begin reporting, with their monthly and annual reports, the number of customer complaints they receive (formal or informal, however and wherever received) about their CARE recertification efforts, and the nature of the complaints.

91. The Commission's Consumer Affairs Branch (CAB) shall begin tracking complaints from customers claiming they were dropped from CARE during recertification.

92. Energy Division shall consult with CAB periodically and notify us if the volume of complaints in the preceding ordering paragraph increases significantly; if it does, we will determine whether further action is warranted.

93. No requirement of reporting in this decision shall discontinue or alter any reporting requirement the Commission has already imposed on the IOUs, unless we specifically eliminate or change a requirement.

94. After the IOUs submit their 2009 annual report, which shall contain all new reporting and tracking we discuss in this decision, we will examine the submission closely to see how the IOUs are progressing. We direct Energy Division to review the annual reports when the IOUs submit them, and to notify the Commission if the IOUs are not meeting the directives and goals of this decision and of the LIEE aspects of the *Plan.*

95. We reserve the right to change the funding we allocate in this decision if we find that the IOUs are not meeting the requirements of this decision and the *Plan*.

96. Energy Division shall create a link or section on the Commission's website that contains all monthly, annual and other reporting the IOUs make, so that all stakeholders have easy access to the reports.

97. The IOUs shall coordinate with the Energy Division to incorporate all changes we make to the LIEE program in the LIEE P&P manual within 180 days of the effective date of this decision. The IOUs shall thereafter serve a link to the updated version of the Manual on the service list for this proceeding.

98. We adopt a One-E-App pilot to be carried out in two counties in PG&E's territory and allocate $167,000 to the pilot. We add this amount to PG&E's CARE budget.

99. PG&E may change the CARE recertification period for sub-metered customers from one year to two years.

100. To the extent this decision does not disapprove other aspects of the IOUs' LIEE and CARE applications, we approve them here.

101. Application (A.) 08-05-022, A.08-05-024, A.08-05-025, and A.08-05-026 are closed.

This order is effective today.

Dated ______________________________, at San Francisco, California.

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated September 16, 2008, at San Francisco, California.

/s/ FANNIE SIDE

Fannie Sid