Decision 01-06-010 June 7, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Compliance Application of Pacific Gas and Electric Company for Approval of Year 2001 Low Income Programs, in Compliance with Ordering Paragraph 4 of Decision 00-09-036. (U 39 M)	Application 00-11-009 (Filed November 6, 2000)
Application of Southern California Gas Company (U 904-G) for Authority to Continue Low Income Assistance programs and Funding Through 2001.	Application 00-11-011 (Filed November 6, 2000)
Application of San Diego Gas & Electric company (U 902-E) for Authority to Continue Low Income Assistance Programs and Funding Through 2001.	Application 00-11-012 (Filed November 6, 2000)
Southern California Edison Company Compliance Applicants for Approval of year 2001 Low Income Program Plans.	Application 00-11-020 (Filed November 6, 2000)

INTERIM OPINION: ELIGIBILITY CRITERIA AND RATE DISCOUNT LEVEL FOR LOW-INCOME ASSISTANCE PROGRAMS

I. Summary

By today's decision, we increase the rate discount under the California Alternative Rates for Energy (CARE) from 15% to 20% for all electric and gas customers of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas). We also set the income eligibility levels for the CARE and Low-Income Energy Efficiency (LIEE) programs at 175% of the federal poverty guidelines across all four utilities. This raises the income eligibility thresholds for both programs up to the levels recently established for PG&E's and SCE's CARE programs in Decision (D.) 01-

03-082. Customers with a senior or disabled head of household continue to be eligible at 200% of the federal poverty guidelines for the LIEE program.

II. Background

On February 28, 2001, Greenlining Institute and Latino Issues Forum (Joint Parties) filed an Emergency Motion for Comprehensive Protection of Low-Income Ratepayers during Energy Crisis (Motion) in this proceeding and Rulemaking (R.) 98-07-037. The Motion set forth several proposals intended to protect low-income ratepayers during the energy crisis, including:

1. An across-the-board increase in the CARE discount from 15% to 25%;
2. Increase in CARE eligibility criteria from 150% to 175% of Federal Poverty Guidelines;
3. Exemption of CARE-eligible customers from any Tier 3 rate increases;
4. Increased outreach for the CARE program by this summer, including targeted monies for prime time public service radio and TV announcements, informational bulletin boards and bus ads, in multiple languages;
5. Authorization of application fees to community-based organizations for the enrollment of CARE-eligible customers, including fees for conducting energy education;
6. Establishment of benchmarks for CARE penetration, i.e., 90% by this summer, with sanctions for persistent utility failure to meet those benchmarks; and
7. Reform of the utility shut-off process, with at least a temporary shut-off moratorium or delay instituted if the utilities do not meet CARE penetration goals.

Various parties filed Responses to the Motion, in both support and opposition. On April 3, 2001, the assigned Administrative Law Judge (ALJ) denied the Motion, finding that the Joint Parties' request to address low-income assistance issues in one proceeding, on an expedited basis, had been made moot by the Commission's recent determinations in D.01-03-082 and activities already underway in Application (A.) 00-11-009.[1]

In particular, by D.01-03-082, issued on March 27, 2001 in A.00-11-038, the Commission exempted CARE customers from the surcharge adopted in that decision (including any tiered rate design increases associated with the surcharge). In addition, the Commission increased the CARE eligibility levels from 150% of federal poverty guidelines to 175% for electric customers of PG&E and SCE and stated that it would "move quickly to address the applicability of the changes we make here to all jurisdictional utilities" in this proceeding. (D.01-03-082, *mimeo*. p. 3, footnote 2.) The Commission also determined that the issue of an increased CARE discount for both electric and gas customers "should be addressed expeditiously in A.00-11-009 et al." (*Ibid*. Conclusion of Law 29.)

Accordingly, the assigned ALJ requested comments on the following issues:

1. The applicability of the modified income eligibility requirements for CARE discounts adopted in Decision 01-03-082 to the gas customers of PG&E and customers of all other gas and electric jurisdictional utilities.
2. Whether income eligibility requirements for LIEE should be made consistent with the revised requirements for CARE.
3. Whether the CARE discount should be increased for both electric and gas customers of jurisdictional utilities and if so, by how much.

The scope of this decision is limited to these three issues. In response to the Ruling, Comments were received from Joint Parties, American Association of Retired Persons (AARP)[2], SESCO, Inc. (SESCO), the Commission's Office of Ratepayer Advocates (ORA), SCE, PG&E, and SDG&E and SoCalGas, who filed jointly (Joint

[1] April 3, 2001 ALJ Ruling in this proceeding, and also captioned in R.98-07-037.

[2] AARP's Motion to Intervene was granted by ALJ Gottstein on April 20, 2000.

Utilities). Reply Comments were received from Joint Parties, AARP, SCE, PG&E, and Joint Utilities.

III. Positions of the Parties

The positions of the parties, as stated in their Comments and Reply Comments, vary widely on the three issues that are before us.

Joint Parties argue in their Comments that eligibility for CARE discounts should be the same for gas and electric customers, that LIEE eligibility should be consistent with CARE eligibility, and that the level of the CARE discount should be increased.

According to Joint Parties, consistency between gas and electric CARE eligibility criteria is preferable from both a customer perspective and an administrative perspective. From the customer perspective, consistency would result in a clearer message being sent, and would reflect the realities that, "[L]ow-income customers with a high energy burden are indifferent if that burden is caused by escalating natural gas prices or increased electricity prices[,]" and that "[L]ast winter, it was the cost of gas, rather than electricity, that caused many low income families to fall behind on payment of their energy bills." (Joint Parties, p. 2.) From the administrative perspective, consistent eligibility requirements would allow for improved coordination and compatibility between gas and electric utilities, and would simplify the criteria to be applied by combined utilities, such as PG&E.

For similar reasons, Joint Parties support uniformity between LIEE and CARE programs. Joint Parties additionally suggest changing the eligibility level for both CARE and LIEE to 60% of state median income, as opposed to 175% of the federal poverty level. According to Joint Parties, this would make the eligibility level consistent with that of the federal Low Income Home Energy Assistance Program (LIHEAP), and roughly equivalent to 200% of the federal poverty level.

PG&E, while not objecting specifically to the 60% of state median income standard, pointed out that there are significant differences in how this standard would impact ratepayers as compared to our current standard based on the federal poverty level.

According to PG&E, single–person and very large households are more likely to qualify under a 175% of federal poverty standard, while others would be more likely to qualify under a 60% of state median income, and some ratepayers, such as seniors, who currently qualify for LIEE at 200% of the federal poverty guidelines could lose their eligibility at 60% of state median income.

Joint Parties recommend increasing the CARE discount from 15% to 25% for both gas and electricity. In addition, Joint Parties call for audits of utility low-income programs, and significant new monthly reporting requirements. The additional reporting requirements requested by Joint Parties are opposed by all of the utilities.

AARP generally agrees with the position of Joint Parties. AARP states, "There is no logical reason to adopt different CARE program rules that vary between electric and natural gas utility service territories." (AARP, p.9.) Accordingly, AARP supports applying the same eligibility requirements to all jurisdictional gas and electric utilities. AARP provides additional observations on eligibility, and suggests that customers should be qualified for CARE based upon their receipt of other benefits, such as Food Stamps or Universal Service Lifeline Telephone Service. This proposal is supported by Joint Parties, and opposed by Joint Utilities. AARP does not directly address the issue of consistency between LIEE eligibility and CARE eligibility.

On the issue of the appropriate level of the CARE discount, AARP recommends an increase, and suggests that: "The Commission should explore the SMUD approach of providing a 30% discount on the baseline usage and a 15% discount on usage above that amount." (AARP, p.8.) AARP does not otherwise make a specific recommendation as to the appropriate level of discount, but does discuss the effect of increasing the discount from 15% to 25-30%, (Id.) and mentions that Massachusetts provides a 20-40% discount, while Texas provides a 10-20% discount. At the same time, however, AARP seems to call for more study of the impacts of an increased CARE discount. (Id., p.9.)

SESCO argues that the same eligibility standard should apply to both gas and electric utility customers of all CPUC jurisdictional utilities. SESCO notes that gas customers may need the protection of a CARE discount even more than do electric customers, who have received exemptions from certain rate increases. SESCO also states that: “[It] is NOT appropriate that low income families receive lesser benefits or services merely because they are caught on the wrong side of a utility service area boundary.” (SESCO, pp.2-3, emphasis in original.) SESCO also supports consistency between the definitions of low income used for the CARE and LIEE programs.

SESCO does not support increasing the CARE discount, arguing instead that increasing CARE penetration among eligible customers is a higher priority than increasing the benefits for those enrolled. SESCO expresses concern over the cost of increasing the discount, and argues that a tiered rate design is preferable to an increase in the CARE discount.

ORA is the only party to argue for no change to the existing eligibility requirements and discounts. Focusing upon the costs to other ratepayers, ORA argues against any changes that would result in more customers becoming eligible for CARE or LIEE, or that increase the CARE discount for any customers.

SCE had no comment on the issue of applying the same eligibility requirements to gas customers as are currently applied to its electric customers. (SCE, p.1.) On the second issue, SCE recommends, “[T]hat the Commission increase the LIEE eligibility guidelines to 175% of federal poverty guidelines so that they can be consistent with CARE eligibility guidelines.” (SCE, p.2.)

SCE does not support increasing the level of the CARE discount, as it “[W]ould exert increasing pressure on the rates being paid by all other SCE ratepayers.” (SCE, p.2.)

With some variations, the position of PG&E is generally similar to that of the Joint Parties. Citing both administrative and customer reasons, PG&E supports consistency in the eligibility criteria for gas and electric customers. “PG&E’s current infrastructure is not set up to track customer income qualifications separately by commodity.” (PG&E, p.2.) PG&E notes the difficulty involved in dealing with situations where a customer would qualify for an electric CARE discount, but not a gas discount, and claims, "The amount of time and work required to implement the CARE programs could conceivably double." (Id.) From the customer perspective, PG&E states that "Customers trying to qualify for the CARE discount would find the different guidelines confusing and hard to understand, especially in the current energy crisis…Maintaining the same income eligibility guidelines for gas and electric commodities is simpler to explain and understand." (Id.)

PG&E supports standardizing the qualifying guidelines for the CARE and LIEE programs. PG&E does also suggest that, at the end of the rate freeze, it would support changing eligibility for both programs to 200% of the poverty level, which is the current LIEE standard for senior and permanently disabled customers.

PG&E supports an increase in both the gas and electric CARE discount to 25%, to be implemented when the electric rate freeze ends. PG&E provides estimates of the costs to other customers of increasing the discount to 25% and the income eligibility threshold to 200% of federal poverty guidelines.

Joint Utilities express reservations about lowering the threshold for CARE eligibility, citing the costs to non-participant customers. At the same time, however, Joint Utilities support making the LIEE and CARE eligibility levels consistent at 175% of the federal poverty level, while keeping the 200% threshold for LIEE when the head of the household is disabled or a senior.

Joint Utilities do not support an increase in the CARE discount at this time, calling it "premature," and recommending that a more thorough evaluation or a range of factors be performed before changes in the CARE discount be considered. (Id., pp.5-6.)

IV. Discussion

Several factors must be weighed in addressing the four issues before us: 1) the clarity and simplicity of program eligibility requirements, and the corresponding ease of understanding and administration; 2) who should get CARE discounts and LIEE services (i.e. what income level and what utility services); 3) how large of a CARE discount is appropriate under the present conditions; and 4) the cost of CARE discounts and LIEE programs to non-participating customers. While there is little disagreement about what needs to be considered, there is considerable disagreement among parties as to the weight given to various factors, particularly the costs to non-CARE ratepayers.

The degree to which each of these factors is implicated varies with the issue being considered. The worst problems with clarity and simplicity arise from inconsistent CARE eligibility standards for electric and gas customers. It would be very difficult to explain to customers why they are considered low income for electricity, but not for gas. It simply makes no sense. Furthermore, the differing eligibility criteria would provide an incentive for fuel switching, as customers who can get a discount on their electric bill but not on their gas bills might take actions such as using an electric space heater rather than a gas furnace.

PG&E, as a combined gas and electric utility, also presents a credible problem, as it would need to restructure its tracking databases to separately track customer income qualifications by commodity. This would add cost and complexity, with no obvious countervailing benefit.[3]

Accordingly, there is only one reason not to make the income levels for CARE eligibility consistent across the board: the cost to non-CARE ratepayers. All other considerations indicate that we should adopt a single income level, applicable to both gas and electric utilities, for determining CARE eligibility.

Inconsistent eligibility between the CARE and LIEE programs is somewhat less disturbing. First, the administration problem identified by PG&E above is not present, as CARE and LIEE already have differences in how eligible customers qualify to participate in each program. Also, LIEE already has differential qualifying levels within the

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[3] SDG&E does not currently have to deal with different eligibility criteria for its electric and gas customers, and does not address this issue.

program itself, as customers with a senior or disabled head of household are eligible at 200% of federal poverty guidelines.[4]

Nevertheless, it is still difficult to justify categorizing a customer as low- income for purposes of CARE, but not for purposes of LIEE. While not identical, the programs do have related purposes, and there is no inherent reason to set a higher income hurdle for one program than the other. Furthermore, to the extent that LIEE achieves energy savings, it results in a benefit to all ratepayers, so expanding LIEE does have benefits that can contribute toward its costs, especially in these times of high energy prices. Those customers who get the direct benefits of the LIEE program will be better able to reduce their energy usage and energy bill, which will reduce the size of their CARE subsidy as well. Accordingly, increasing LIEE coverage, while adding some cost to ratepayers, may also reduce other costs. Again, consistency between programs is preferable, and as discussed above, the only real reason not to make the income level for LIEE eligibility generally the same as that for CARE eligibility is the potential cost to non-participating ratepayers.

Determining the appropriate level for the CARE discount is more difficult. The clarity, simplicity and ease of administration do not vary significantly whether the discount is 15% or 20% or even 40%. The only real factor to be considered here is cost, with our duty being to strike the appropriate balance between the burdens to be borne by CARE ratepayers and non-CARE ratepayers, particularly in this time of high energy prices. In examining the record before us on the costs of each proposal, we acknowledge that we do not have exhaustive numerical evidence, but we have enough to understand the scope of our actions.

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[4] As recommended by a number of parties, we are leaving this standard unchanged. Except as otherwise described in this Decision, we are not modifying the qualification process for either the CARE or LIEE programs.

Among the utilities, SDG&E and SoCalGas have provided the only real cost information. According to SDG&E, its current annual cost of its electric CARE program is $9,200,000. Moving the eligibility level from 150% of federal poverty guidelines to 175% would raise that number to $10,615,000 at the same participation level, and would increase the CARE surcharge from 0.055 cents per kWh to 0.063 cents per kWh. (Joint Utilities, Appendix A.)[5] For SDG&E's gas CARE program, the same change would result in its current cost of $5,689,000 increasing to $6,563,000, and the CARE surcharge increasing from 1.106 cents per therm to 1.288 cents per therm. (Id.) SoCalGas' current CARE cost is $41,222,000, and with the change in eligibility it would increase to $52,279,000, and the CARE surcharge would increase from 0.90 cents per therm to 1.16 cents per therm.

ORA indicates that the current cost of the CARE discount to non-CARE ratepayers of all four utilities was $140.67 million in January 2001. (ORA, p.4.) However, in calculating the possible increased costs of expanding eligibility for the program, ORA (using SDG&E data) assumes that the 98% participation goal of ABX1 13 is reached. While that may be a reasonable assumption, ORA has neither provided the cost of the current program at a 98% participation level, nor has it provided the cost of the proposed program at current participation levels. By focusing on a worst-case scenario and combining many variables, ORA has not helped to provide a basis for evaluating the proposal that is before us.

ORA and others focus on the costs of increasing the CARE discount, but they do not address the key question of whether the current CARE discount is adequate. The current CARE discount of 15% is half the level offered by the Sacramento Municipal

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[5] These numbers assume average gas commodity prices of $0.80 per therm and average electric prices of $0.065 per kWh, and that additional CARE customers consume the same energy as existing CARE customers.

Utility District[6] and significantly less than the 20% to 40% discount offered in Massachusetts.

The Commission has insulated CARE customers from direct electric rate increases, but CARE customers are not insulated from higher bills for natural gas. In addition, businesses throughout the state are passing on their higher utility bills to their customers, and these higher costs for everyday goods and services hit the poor the hardest. We cannot insulate against the indirect costs of energy.

While increasing the size of the CARE discount will raise costs for non-CARE customers, this does not directly address the issue of what level of CARE discount is needed, and by itself is not a good enough reason for keeping the CARE discount at a relatively low level.

Regarding the proposal to change the LIEE eligibility level from 150% of federal poverty guidelines to 175%, SDG&E and SoCalGas provide estimates of the annual cost of the change of $389,268 and $9,991,974, respectively.[7] According to ORA, the major utilities are currently authorized to collect a total of $60,706,088 annually for LIEE.[8] Using SDG&E and SoCalGas as a rough proxy indicates that the costs of this proposal are lower than changing the eligibility levels for gas customers to correspond to those of PG&E and SCE's electric customers.[9]

Calculating the total cost of an increased CARE discount is easier. Using ORA's number of $140.67 million, for example, doubling the discount from 15% to 30%, with no other changes, would double the cost, to $281.34 million. Increasing the size of the

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[6] On the first tier of usage; a lower discount applies to the second tier of usage.

[7] This is an annual cost over ten years. (Joint Utilities, Appendix B.)

[8] ORA does not provide an estimate of the cost of changing LIEE eligibility requirements.

[9] We acknowledge that, due to variations in demographics across utility service territories, the cost impacts may vary from utility to utility.

CARE discount to 20% would result in a cost to non-CARE ratepayers of $187.56 million, or an increase of $46.89 million.[10]

At the same time, these costs, while significant, translate into benefits for other ratepayers. The costs under discussion are the costs to non-CARE ratepayers for providing benefits to CARE ratepayers. In this case, the higher the costs to one set of customers, the higher the benefits to another set of customers. This is a very different scenario than, for example, one in which increased rates only serve to improve the bottom line of out-of-state corporations. Our job here is to balance the equities between the classes of customers. Moreover, we note that some of the potential rate impacts to non-participating customers will be defrayed by the authorization of additional funding for the LIEE program using unspent, carryover funding and general funds appropriated by the Legislature. (See D.01-05-033.)

As a consequence, the proposed changes to the eligibility requirements become much easier to justify. Despite the significant price tag, it is very valuable to have eligibility criteria that are consistent, make sense to ratepayers, and that can, as a practical matter, be efficiently administered by the utilities under our jurisdiction. Accordingly, we will set the income eligibility levels for CARE and LIEE for both electric and gas customers at 175% of the federal poverty guidelines.

Increasing the level of the CARE discount is a closer call. A higher CARE discount does not make the program easier to understand, or cheaper and easier to administrate. Without these extrinsic benefits, the issue really comes down to a question of who pays, and how much. While we are sympathetic to the recommendations that further study would be appropriate, we are in the unfortunate position of needing to address a crisis that is upon us now, and which may become even more acute this

[10] Of necessity, this assumes the same number of participants. We acknowledge that an increased CARE discount, higher energy bills, and outreach efforts could result in higher levels of participation.

summer. Doing nothing, on the grounds that the existing discount is adequate to protect low-income ratepayers even in these volatile times, is an option. However, even leaving the 15% discount in place is effectively an action. The question really becomes one of what action is most appropriate now. We take seriously the concerns stated about the significant costs that may be borne by non-CARE ratepayers, including those barely above the income threshold.[11] Given the plight of low-income ratepayers, however, we feel the need to move at least somewhat, to keep the world from getting too far ahead, and low-income ratepayers from getting too far behind. Moreover, we note that at least a portion of the increased costs to non-CARE ratepayers will be defrayed by the provisions of Senate Bill 5 from the First Extraordinary Session (Stats. 2001, Ch. 7), which augments funding for the CARE program by a one-time amount of $100 million. As we previously stated: "The remaining $85 million appropriated by SBX1 5 for CARE shall be allocated to the utilities to cover the increased costs of CARE rate subsidies on an 'as needed' basis." (D.01-05-033, Ordering Paragraph 8.)

In weighing all the factors, we believe that raising the CARE discount for both gas and electric from 15% to 20% represents a reasonable balance between the burdens to be borne by CARE ratepayers and non-CARE ratepayers. Coupled with the fact that low-income customers enrolled in this program will also be exempt from the surcharge adopted in D.01-03-082, we believe that this change will measurably reduce the burden of high energy bills on low-income customers. At the same time, it is modest in magnitude in recognition that the costs of increasing the rate discount will be borne by non-participating ratepayers now and in the future.

In their comments, several parties raise issues that are beyond the scope of today's decision, as outlined in the ALJ's April 3, 2001 Ruling. Joint Parties recommend that the Commission consider modifying both the CARE and LIEE eligibility to 60% of state

[11] Our action today in raising the eligibility levels for CARE and LIEE adds to that burden.

median income, where federal LIHEAP eligibility is set. (Joint Parties, pp.4-5.) According to Joint Parties, 60% of state median income is approximately 200% of federal poverty, the level at which the LIEE is set for seniors and disabled. PG&E's Reply Comments, however, show that this assertion may be inaccurate. This recommendation has significant potential ramifications, and is beyond the range of what we will consider here. Likewise, Joint Parties request for additional reporting requirements, SESCO's recommendation for a tiered rate design, PG&E's linkage of specific changes to the end of the rate freeze, and AARP's request for retroactive application of an increased CARE discount for gas customers, are beyond the scope of this decision and will neither be ordered nor addressed here. Nor will we revisit in this decision the issue of automatic enrollment in CARE and LIEE based upon a customer's participation in other assistance programs.

The possibility of changing the CARE and LIEE eligibility level beyond the modifications adopted for electric customers of PG&E and SCE in D.01-03-082, including consideration of making it 200% of the federal poverty level, is more appropriately addressed during future program planning cycles in R.98-07-037.[12] As we recently directed in D.01-05-033, our focus for the coming months is to reach as many eligible customers with the low-income assistance programs currently available. We have put all other proposals for program modifications on hold so that we may focus resources and attention on implementing the rapid deployment strategy adopted in D.01-05-033.

Today's modifications to income eligibility requirements and CARE discount levels will need to be incorporated into program outreach materials as quickly as possible, and we direct the utilities to do so without delay. The utilities should reflect the

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[12] R.98-07-037 would also be an appropriate forum for further examination of automatic enrollment.

increase in the CARE discount in the next billing cycle for all currently-enrolled CARE customers.

V. Comments on Draft Decision

Rule 77.7 of the Commission's Rules of Practice and Procedure provides for public review and comment on draft decisions subject to Pub. Util. Code § 311(g). Rule 77.7(f) allows the Commission to reduce the period for public review and comment for draft decisions and alternates under various circumstances. Rule 77.7(f)(9) specifically provides for an exemption:

> For a decision where the Commission determines, on the motion of a party or on its own motion, that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of this subsection, "public necessity" refers to circumstances in which the public interest of the Commission adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment. "Public necessity" includes, without limitation, circumstances where failure to adopt a decision before expiration of the 30-day review and comment period would place the Commission or a Commission regulatee in violation of applicable law, or where such failure would cause significant harm to public health or welfare. When acting pursuant to this subsection, the Commission will provide such reduced period for public review and comment as is consistent with the public necessity requiring reduction or waiver.

Pursuant to Rule 77.7(f)(9), we determine that public necessity requires a reduced period for public review and comment. This comment period provides notice and opportunity to be heard regarding the modification of these decisions.

Comments on the draft decision were received from ORA, SCE, PG&E, and Joint Utilities, with AARP and Joint Parties filing joint comments. Many of the comments were useful, identifying financial impacts and pointing out technical and implementation issues.[13] Such comments assist the Commission in its decision making process, and we

[13] Please see Appendix A for the rate impact of changing the CARE discount.

appreciate the effort that the parties put into their comments, especially given the limited time available for preparation of comments. In response to the comments, we have made appropriate changes to the draft decision. We recognize that this decision does not address the ratemaking and rate design impacts of our action. Ratemaking and rate design will be addressed in other appropriate proceedings, such as A.00-11-038, et al. for electric customers of PG&E and SCE, A.00-10-045, et al. for electric customers of SDG&E, and the next BCAP for gas customers.

Joint Utilities and SCE indicate that they need more time to implement the increase in the CARE discount than appears to be allowed by the draft decision, although they do not agree on how much more time is needed.[14] We will adopt SCE's proposed modification, to clarify that the increased CARE discount will be reflected on customer bills following one complete billing cycle after the effective date of the decision.

Findings of Fact

1. The CARE discount for low-income electric and gas customers is currently 15%.
2. Electric and gas rates are currently high, and may increase.
3. CARE discounts improve low-income customers' ability to pay their utility bills.
4. Electric customers of PG&E and SCE are eligible for CARE discounts at an income level equal to 175% of the federal poverty guidelines, as a result of Decision 01-03-082.
5. Gas customers of PG&E and SoCalGas, and gas and electric customers of SDG&E, are eligible for CARE discounts at an income level equal to 150% of the federal poverty guidelines.
6. Gas and electric customers of all jurisdictional utilities are eligible for LIEE programs at an income level equal to 150% of the federal poverty guidelines, except for

[14] PG&E does not address this issue.

households headed by a senior or disabled person, for which the eligibility level is set at 200% of the federal poverty guidelines.

7. CARE customers of PG&E and SCE are insulated from electric procurement surcharges.

8. CARE customers have not been insulated against gas rate increases.

9. Changing the eligibility level for CARE discounts from 150% to 175% of federal poverty guidelines for the electric and gas customers of SDG&E and the gas customers of PG&E and SoCalGas would increase the number of customers eligible for CARE discounts.

10. Changing the eligibility level for CARE discounts from 150% to 175% of federal poverty guidelines for the electric and gas customers of SDG&E and the gas customers of PG&E and SoCalGas would raise costs to customers not participating in the CARE program.

11. Changing the general eligibility level for participation in the LIEE program from 150% to 175% of federal poverty guidelines would increase the number of customers eligible for the LIEE program. On the one hand, this change would increase the costs of the program. However, to the extent that increased participation in the LIEE program results in decreased energy consumption and reduction in system costs, all ratepayers also benefit from increased participation, including customers not participating in the LIEE program.

12. At least some of the increased LIEE program costs associated with an increase in the income-eligibility threshold will be defrayed by the use of carryover funding and new LIEE funds authorized by the Legislature.

13. Increasing the CARE discount improves the affordability of energy bills to low-income customers, but also increases program costs to non-participating ratepayers, to the extent that these increases are recovered through the public purpose surcharge.

14. A portion of the rate impacts to non-CARE ratepayers from increasing the income eligibility threshold or the discount will be defrayed by the provisions of Senate Bill 5

from the First Extraordinary Session, which augments funding for the CARE program by a one-time amount of $100 million.

15. Eliminating inconsistencies in CARE income-eligibility requirements between electric and gas customers would improve customer understanding and reduce administrative cost and complexity.

16. Eliminating inconsistencies in CARE income-eligibility requirements between adjacent utilities would improve customer understanding and eliminate perceptions of inequity.

17. Raising the income-eligibility threshold for LIEE programs to be consistent with the level adopted in D.01-03-082 for CARE programs would improve customer understanding of the two complementary programs.

18. The current LIEE eligibility requirement of 200% of federal poverty levels for households headed by a senior or disabled person, while not an eligibility criteria for the CARE program, is generally well understood.

19. Eligibility based upon state median income may not be equivalent to eligibility based upon federal poverty guidelines, and is also beyond the scope of this decision. Issues raised in comments relating to reporting requirements and retroactive application of the increased CARE discount for gas customers, among others, are beyond the scope of this decision.

20. The issue of automatic enrollment in CARE and LIEE based upon a customer's participation in other assistance programs was addressed in D.01-05-033.

Conclusions of Law

1. Raising the CARE discount for both gas and electric utilities from 15% to 20% represents a reasonable balance between the burdens to be borne by CARE ratepayers and non-CARE ratepayers, and should be adopted.

2. It is reasonable to make CARE eligibility criteria across electric and gas utilities consistent at 175% of the federal poverty level.

3. It is reasonable to make LIEE eligibility criteria generally consistent with CARE eligibility at 175% of the federal poverty level.

4. It is reasonable to keep LIEE eligibility at 200% of the federal poverty level for households headed by a senior or disabled person.

5. Future program planning cycles in Rulemaking 98-07-037 are the appropriate procedural forums for considering any further increases in the income eligibility thresholds for CARE and LIEE. This and other proposals for program modifications should be put on hold at this time in order to focus limited resources on the rapid deployment strategy adopted in D.01-05-033.

6. In order to incorporate today's modifications to income eligibility requirements and CARE discount levels as expeditiously as possible, this order should be effective today. The utilities should reflect the increase in the CARE discount in the next billing cycle for all currently enrolled CARE customers.

7. The assigned Commissioner and ALJ should hold a PHC as soon as practicable to begin considering the rate design implications of the actions we take today.

INTERIM ORDER

IT IS ORDERED that:

1. Effective immediately, the income eligibility requirements for the California Alternate Rates For Energy (CARE) and Low-Income Energy Efficiency (LIEE) programs of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company and Southern California Edison Company, collectively referred to as "the utilities" are as follows for both gas and electric customers:

Household Size	**CARE/LIEE at 175% of Poverty Guidelines**	**LIEE: 60+ Years and Handicapped**
1 – 2	$22,000	$25,200
3	$25,900	$29,600
4	$31,100	$35,600
Each Additional	$5,200	$6,000

2. Effective immediately, the discount under the utilities' CARE program is increased from 15% to 20%.

3. The utilities shall incorporate today's adopted changes into program outreach materials without delay and reflect the increase in the CARE discount in the first complete billing cycle beginning after the effective date of this Order for all currently-enrolled CARE customers.

4. The utilities shall file advice letters with tariffs that incorporate the changes to the CARE program within 10 days. The tariff sheets will be effective today, subject to review by the Commission's Energy Division.

This order is effective today.

Dated June 7, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

I will file a concurrence.

/s/ HENRY M. DUQUE
Commissioner

I will file a concurrence.
/s/ RICHARD A. BILAS
Commissioner

APPENDIX A

Rate Impact of Increasing CARE Discount from 15% to 20%

			Electric	Gas	Total
PG&E					
175% Poverty Level	53% Penetration	15% Discount	$ 24,195,170	$ 33,189,098	$ 57,384,268
175% Poverty Level	53% Penetration	20% Discount	$ 32,260,226	$ 44,252,130	$ 76,512,357
Increase			$ 8,065,057	$ 11,063,033	$ 19,128,089
SCE					
175% Poverty Level	69% Penetration	15% Discount	$ 72,400,000		$ 72,400,000
175% Poverty Level	69% Penetration	20% Discount	$ 96,700,000		$ 96,700,000
Increase			$ 24,300,000		$ 24,300,000
SoCal					
175% Poverty Level	75% Penetration	15% Discount		$ 60,000,000	$ 60,000,000
175% Poverty Level	75% Penetration	20% Discount		$ 78,000,000	$ 78,000,000
Increase				$ 18,000,000	$ 18,000,000
SDG&E					
175% Poverty Level	75% Penetration	15% Discount	$ 12,300,000	$ 8,900,000	$ 21,200,000
175% Poverty Level	75% Penetration	20% Discount	$ 16,400,000	$ 11,900,000	$ 28,300,000
Increase			$ 4,100,000	$ 3,000,000	$ 7,100,000

Note: The contents of the above table are for illustration only, and have not been adopted or otherwise endorsed by the Commission or its staff. The numbers are drawn from the pleadings of the parties, may have been derived using differing methodologies and assumptions, and have not been verified by the Commission or its staff.

(END OF APPENDIX A)

Commissioner Henry M. Duque and Richard A. Bilas, concurring:

Greenlining Institute and Latino Issues Forum brought forth several valuable proposals intended to protect the low income ratepayers. The decision addresses two of those proposals. Regarding the proposal to increase CARE eligibility criteria from 150% to 175% of the federal poverty guidelines, in Decision 01-03-082, the Commission adopted this eligibility criteria for the electric CARE customers of Pacific Gas &Electric (PG&E) and Southern California Edison (SCE). In this decision, we grant the same eligibility requirements for the gas CARE customers of PG&E, San Diego Gas &Electric (SDG&E) and Southern California Gas Company (SoCalGas) and the electric customers of SDG&E. Additionally, in this order, we define consistent and expanded eligibility requirements for the Low Income Energy Efficiency (LIEE) programs. For the LIEE programs, we also adopt the 175% federal poverty level requirement. In this order, we recognize the value of increasing qualifying income levels for electric and gas customers and the value of consistent eligibility requirements across programs. These are efforts worthy of support, and there is no need to delay their implementation.

With regard to the second proposal to increase the CARE discount rate to 20%, we must concur. The decision's arbitrary selection of the increased discount rate and the lack of consideration given to possible alternatives make for bad policy. While the decision skillfully recognizes the 30% discount rate that SMUD offers to its low income customers, the decision nevertheless gives short shrift to the fact that this discount only applies to the baseline usage. In fact, SMUD grants a 15% discount to usage over baseline. This tiering concept is an idea worthy of exploration, and would be more consistent with our current conservation goals. Additionally, the decision discusses the utilities' support for even greater discount levels, but that support was couched in terms of the Commission or the legislature ending the rate freeze first. Neither the Commission nor the legislature has taken such action. Furthermore, many parties suggest that an increased discount rate is premature.

The decision **does not**: 1) accurately acknowledge the rate ramifications to the non-eligible customer classes; 2) give careful consideration to the utilities financial circumstances, and 3) adequately explore the possibility of having the discount rate effective in tiers or ratcheted up in a step function over time, say after the end of the rate freeze.

The only reason to support the increased discount rate in the decision is that Senate Bill 5 from the first extraordinary session augments the funding of the CARE program by a one-time amount of $100 million. The subsidy that non-CARE customers will be asked to bear can be offset this year by this one-time funding. It is then incumbent upon the Commission to act quickly on the matter of the rate freeze because increasing the CARE discount will decrease the rate paid by CARE customers to levels below the frozen rate levels.

For these reasons, we must concur with today's decision

/s/ RICHARD A. BILAS	/s/ HENRY M. DUQUE
Richard A. Bilas	Henry M. Duque
Commissioner	Commissioner

San Francisco, California
June 7, 2001