Decision 11-11-009 November 10, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PacifiCorp for Approval of the 2012-2014 California Alternate Rates for Energy and Energy Savings Assistance Programs and Budgets. (U901E).	Application 11-06-016 (Filed June 15, 2011)
And Related Matters.	Application 11-06-018 Application 11-06-019 Application 11-06-020 Application 11-06-021 Application 11-07-015

DECISION ADOPTING BRIDGE FUNDING TO JUNE 30, 2012 FOR SMALL MULTIJURISDICTIONAL UTILITIES' ENERGY SAVINGS ASSISTANCE PROGRAM AND CALIFORNIA ALTERNATE RATES FOR ENERGY PROGRAMS

1. Summary

This decision authorizes Alpine Natural Gas Operating Company, PacifiCorp, Golden State Water Company on behalf of Bear Valley Electric, Southwest Gas Corporation, California Pacific Electric Company, LLC (formerly Sierra Pacific Power Company), and West Coast Gas Company to expend the average monthly authorized 2011 level of funds until June 30, 2012 to continue their Energy Savings Assistance Program (formerly known as the Low-Income Energy Efficiency Program) and California Alternate Rates for Energy Programs

until the Commission adopts a final decision in the large investor-owned utilities' Energy Savings Assistance Program and California Alternate Rates for Energy Program budget applications for 2012-2014.[1]

2. Background

In Decision (D.) 08-12-019, we approved the budgets for Alpine Natural Gas Operating Company (Alpine), PacifiCorp, Golden State Water Company on behalf of Bear Valley Electric, Southwest Gas Corporation (Southwest Gas), California Pacific Electric Company, LLC (formerly Sierra Pacific Power Company), and West Coast Gas Company (West Coast Gas) (collectively, Small Multijurisdictional Utilities or SMJUs) for their respective Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) Programs for the 2009-2011 program cycle. The SMJUs were authorized to spend approximately $12,326,735 in ratepayer funds for the ESA program and $37,833,843 in ratepayer funds for the CARE Program.

In June and July of 2011, the SMJUs filed the above-captioned applications, Application (A.) 11-06-016, A.11-06-018, A.11-06-019, A.11-06-020, A.11-06-021, and A.11-07-015 (SMJUs' Consolidated Proceeding).[2] In these six applications, the SMJUs seek approximately $13,066,970 in ratepayer funds for the SMJUs'

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[1] In May 2011, the large investor-owned utilities (Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company) filed their applications for their Energy Savings Assistance Program and California Alternate Rates for Energy Programs, A.11-05-017, A.11-05-018, A.11-05-19 and A.11-05-020.

[2] Because the six applications A.11-06-016, A.11-06-018, A.11-06-019, A.11-06-020, A.11-06-021, and A.11-07-015 are related, Administrative Law Judge (ALJ) Kimberly Kim consolidated the applications in a ruling on September 26, 2011.

ESA Program and $48,785,574 in ratepayer funds for their CARE Program and related activities for 2012 through 2014.

On October 6, 2011, a prehearing conference (PHC) for the SMJUs' Consolidated Proceeding was held. In the September 26, 2011 ruling by the ALJ and during the October 6, 2011 PHC, the parties were advised that some changes to SMJUs' ESA and CARE Programs may potentially be in the works and that the changes could affect the future of the ESA and CARE programs. Specifically, the parties were informed that the Commission is presently reviewing several significant issues in the context of the large investor-owned utilities' (IOUs') (Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company) 2012-2014 ESA program and CARE budget applications[3] (IOUs' Consolidated Proceeding) which may to some degree inform the Commission and therefore affect the Commission's approach to the SMJUs' current applications.

The ALJ informed the parties that in order to avoid inefficiency, duplication and inconsistency in the review of the SMJUs' applications while some programmatic changes may be in the works for the ESA and CARE Programs, a bridge funding decision is being contemplated for the SMJUs' Consolidated Proceeding. The ALJ explained that the bridge funding decision will afford the Commission adequate time to review some critical issues affecting the ESA and CARE programs in the IOUs' Consolidated Proceeding which in turn may inform the Commission's approach in the SMJUs' Consolidated Proceeding.

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[3] A.11-05-017, A.11-05-018, A.11-05-19 and A.11-05-020.

During the PHC and in the filed statements, all parties uniformly supported bridge funding in order to continue the current ESA and CARE Programs while the Commission considers issues raised in the IOUs' Consolidated Proceeding.

3. Discussion

3.1. Bridge Funding

We find that bridge funding is needed to ensure that no hiatus occurs when the authorized budgets for ESA and CARE Programs expire at the end of 2011. These programs are expected to continue into 2012 and beyond. This bridge funding therefore is in the public interest to provide a smooth transition for refinements to these programs, maintain contractual agreements, retain skilled workers, complete existing projects, and continue to bring the benefits of the SMJUs' ESA and CARE Programs to businesses and residents of California.

The Commission has adopted bridge funding for similar programs in the past. D.03-01-038, Ordering Paragraph 3 stated:

> To prevent service disruption, we authorize the IOUs whose programs will expire at the end of 2002 to continue those programs through March 31, 2003, using Public Goods Charge collections from that period, in the amounts set forth in the body of this decision. The IOUs may only use these funds for their 2002 programs authorized in D.02-03-056 and D.02-05-046. If the Commission issues a decision on 2003 program applications prior to that time, this "bridge funding" shall expire upon issuance of that decision."

Likewise, to achieve continuity and ensure a smooth transition to the 2012-2014 ESA and CARE Programs, we must adopt a similar bridge funding decision before the end of 2011. This bridge funding decision will also enable the

SMJUs to timely incorporate the ESA and CARE budgets into their respective annual authorized ratemaking procedures and gas Public Purpose Program (PPP) Advice Letter filings, if appropriate. Moreover, with this bridge funding decision in place, the Commission and the parties would have the necessary time to explore, debate and deliberate on the outstanding issues before reaching a final decision in the pending IOUs' Consolidated Proceeding in spring 2012, which in turn will inform the Commission's approach to SMJUs' current applications.

Due to timing as well as the limited purpose of this bridge funding decision, we only consider a few minor individual programmatic issues and budget items as discussed in this decision. We believe this simplification will create the least amount of disruption to the SMJUs' ESA and CARE Programs during the transition from the 2009-2011 cycle to the 2012-2014 cycle and will allow more efficient use of Energy Division's limited staff resources. We therefore authorize bridge funding as discussed below.

Specifically, this decision authorizes each of the SMJUs to establish a gas and electric revenue requirement effective January 1, 2012, based on 2011 ESA and CARE Program budgets authorized by D.08-12-019, for recovery in rates effective January 1, 2012. Any under/over collection that results from authorized program spending level increases or decreases as a result of a final decision in the SMJUs' Consolidated Proceeding in 2012 will be addressed in each of the SMJUs' gas PPP Surcharge, electric PPP mechanisms, and/or currently authorized ratemaking procedures, or as soon as practicable following the issuance of a final decision in the SMJUs' Consolidated Proceeding. Any incremental change to the ESA and CARE budget spending levels that result from the final decision in the SMJUs' Consolidated Proceeding in 2012, can be implemented in rates prospectively through each SMJUs' respective 2013 electric and gas PPP filings, or related utility-specific authorized filing for rates effective January 1, 2013, or as soon as practicable.

3.2. Bridge Funding Period

We recognize that until the terms of the 2012-2014 programs are finalized by the Commission, the SMJUs cannot implement new contracts or programs. The SMJUs are concerned that a lengthy bridge funding period will jeopardize their ability to maximize program capacity to meet the Commission's annual goals.

While recognizing these concerns, on balance we find that this bridge funding is in the public interest both to avoid a hiatus in programs through continued funding and to provide the time necessary to ensure there will be well thought-out ESA and CARE Programs that are consistent with our Strategic Plan. Therefore, a maximum of six months of bridge funding up to June 30, 2012 seems justified to ensure continuity of the ESA and CARE Programs, afford a reasonable time for deliberation of the issues, and set an end date to the bridge funding.

3.3. Funding Approach

In general, for the bridge period, the average monthly budgets based on each SMJU's authorized budgets for 2011 should be used to continue existing programs at current levels. The SMJUs therefore should use this formula for calculating the average monthly budget for 2011 and then apply that average monthly budget figure to the bridge funding period from January 1, 2012-June 30, 2012.

For Alpine and PacifiCorp, there is a need to further adjust their monthly authorized budget for the bridge funding period. As a result of unforeseen additional funding under the American Recovery and Reinvestment Act (ARRA), the 2011 budgets for Alpine and PacifiCorp were significantly higher than their funding levels requested for the 2012-2014 budget cycle. Although this decision authorizes the budgets for each of the SMJUs at 2011 levels, Alpine and PacifiCorp are directed to further adjust associated surcharges accordingly in order to prevent substantial over collection of ratepayer dollars due to the additional ARRA funding.

3.4. Adopted Bridge Funding Budgets

In Table 1 below, we authorize bridge funding equal to 2011 program budgets for the SMJUs to continue the ESA and CARE Programs without interruption. The authorized funding levels reflect the corresponding monthly average of budgets consistent with each of the SMJUs' authorized 2011 program budgets for the ESA and CARE Programs. However, as discussed in section 3.3 above, Alpine and PacifiCorp must further adjust and calculate the surcharges to prevent substantial over collection of ratepayer dollars due to the additional ARRA funding received, during the bridge funding period.

Table 1
Monthly Bridge Funding Budgets beginning January 1, 2012 - June 30, 2012
Monthly Budget Summary

	ESA	CARE	Totals
*Alpine	$3,415	$1,400	$4815
Bear Valley	$19,135	$22,758	$41,894
*PacifiCorp	$78,125	$246,485	$324,610
California Pacific Electric	$16,735	$51,500	$68,235
Southwest	$264,391	$756,135	$1,020,526
West Coast Gas	$0	$672	$672

*** As discussed in section 3.3, Alpine and PacifiCorp must adjust the surcharges to prevent substantial over collection of ratepayer dollars due to the ARRA funding received.**

3.5. Advice Letters

Each SMJU is directed to file a tier 1 Advice Letter within 10 days of the effective date of this decision. The Advice letters must show the allocation of the authorized monthly budgets for both the ESA and CARE Programs and the new memorandum account showing the difference between the revenue requirement adopted in this decision and that requested in the applications beginning January 1, 2012, discussed in section 3.6 of this decision. Consistent with Tier 1 procedures under General Order 96B, the Advice Letters shall be effective on the date filed, subject to Energy Division determining that they are in compliance with this directive.

3.6. Revenue Requirements

In this decision we do not change the overall revenue requirements for the SMJUs' ESA and CARE Programs adopted in the 2009-2011 program cycle. For ratemaking purposes, each of the SMJU shall use their 2011 CARE and ESA authorized funding levels in order to develop rates effective January 1, 2012. An under over-collection that results from authorized program spending level increases or decreases as a result of any subsequent decision in this proceeding, will be addressed in each of the SMJUs' gas PPP Surcharge, electric PPP mechanisms, and/or currently authorized ratemaking procedures, or as soon as practicable following the issuance of a final decision on the SMJUs' Consolidated Proceeding.

It is reasonable to anticipate that the final decision may contain higher revenue requirements than what we adopt today. In order to allow for the possibility of making any such increased revenue requirements effective

January 1, 2012, we direct the SMJUs to track in a new memorandum account the difference between the revenue requirement adopted in this decision and that requested in the applications beginning January 1, 2012. A final decision on the revenue requirement will be made before June 30, 2012.

3.7. Income Guidelines

Section 739.1(b)(1) of Public Utilities Code provides:

> The commission shall establish a program of assistance to low-income electric and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels, the cost of which shall not be borne solely by any single class of customer. The program shall be referred to as the California Alternate Rates for Energy or CARE program. The commission shall ensure that the level of discount for low-income electric and gas customers correctly reflects the level of need.

Consistent therewith, in D.06-12-036, the Commission increased the income guidelines for Southwest Gas and California Pacific Electric Company (formerly Sierra Pacific Power Company) from 175% to 200% of the Federal Poverty Guidelines (FPG). Similarly, in D.08-12-019, the Commission increased the income guidelines for Golden State Water Company on behalf of Bear Valley Electric from 175% to 200% of FPG.

Currently, the income guidelines for the remaining three SMJUs, PacifiCorp, Alpine and West Coast Gas remain at 175% of FPG. For consistency, this decision increases the income guidelines for PacifiCorp, Alpine and West Coast Gas from 175% to 200% of FPG effective January 1, 2012 in compliance with Section 739.1(b)(1) of Public Utilities Code.

4. Comments on Proposed Decision

The proposed decision of ALJ Kim 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. Only two of the six SMJUs filed comments, California Pacific Electric Company and PacifiCorp. Division of Ratepayer Advocates also filed a reply comment. California Pacific Electric Company supports the decision.

PacifiCorp supports bridge funding authorization but has requested clarification of sections 3.3 and 3.4 regarding the potential for over-collection during the bridge funding period. PacifiCorp notes that its ESA program surcharge is currently set at zero due to prior over-collection during the 2009-2011 budget cycle. As a result, PacifiCorp anticipates that their existing balance is sufficient to fund ESA program activity through the bridge funding period. PacifiCorp has therefore requested that today's decision reflect that it's over collection concerns are alleviated as a result of the existing funding and recent suspension of the ESA surcharge. To the extent this issue is alleviated as a result of advice letter 438-E, no further action is required by PacifiCorp. PacifiCorp is reminded that it should take all reasonable and prudent actions in setting future surcharges to avoid similar future over-collection

PacifiCorp's main concern raised in its comment, and generally supported by the Division of Ratepayer Advocates' reply comment, relates to the income eligibility for its customers. PacifiCorp's legal contention is that that Section 739.1(b)(1) of Public Utilities Code does not require the eligibility guideline to participate in low income programs be mandatorily be set at 200% of the FPG, only that it may be no greater than 200% of FPG. Based thereon, PacifiCorp asks that the Commission permit PacifiCorp to retain the income eligibility for its customers at 175% FPG. PacifiCorp alternatively proposes that if the Commission orders an increase to the income eligibility level, the Commission allow PacifiCorp to incorporate the significant anticipated CARE funding increase required into the surcharge calculation for the bridge funding period.

Specifically, PacifiCorp contends that an increase in the income eligibility guidelines from 175% to 200% of the FPG will result in an estimated increase of eligible residential customers from 34.5% to 45% in PacifiCorp territory. PacifiCorp also claims that customers participating in the CARE program are exempted from funding other programs such as PacifiCorp's California Solar Incentive Program and suggest the proposed change to the income eligibility levels for the CARE program will result in rate increases to CARE ineligible customers in order to adequately fund other Commission-approved programs.

PacifiCorp projects that the income eligibility change resulting from Section 739.1(b)(1) of Public Utilities Code and this decision would increase CARE credit by $935,000 annually which amounts to approximately $2.8 million over the 2012-2014 budget cycle for PacifiCorp. The Commission’s record shows that during the previous 2009-2011 budget cycle, PacifiCorp adjusted and increased the CARE surcharge in order to decrease deficit of approximately $2.3 million and has proposed yet another surcharge reduction since the previous deficit has been significantly reduced.

It is logical to expect some impacts to non-CARE customers from this increase in income eligibility, not just for PacifiCorp’s customers but all customers. However, we believe if PacifiCorp forgoes the currently pending proposed surcharge reduction and appropriately adjust the CARE surcharge according to its enrollment levels, the impact of complying with

Section 739.1(b)(1) of Public Utilities Code and this decision to the non-CARE customers in its territory should be significantly mitigated. Moreover, PacifiCorp has the ongoing authority and should file annual advice letters4 based on enrollment to adjust surcharge rates and avoid over/under collection of program funds. That said, the alterative remedy proposed and requested by PacifiCorp for authorization for its anticipated increase is already available to PacifiCorp through the Advice Letter process, and this decision need not provide additional authority.

We reaffirm that the letter, intent and spirit of the Section 739.1(b)(1) of Public Utilities Code were to have CARE Program income eligibility guidelines for all of the SMJUs to come in alignment with the statewide income eligibility guidelines to be at 200% of FPG. Based on the foregoing, we decline PacifiCorp's request to retain its 175% income eligibility guideline.

5. Assignment of Proceeding

This proceeding is categorized as ratesetting. The assigned Commissioner is Timothy Alan Simon and the assigned ALJ is Kimberly H. Kim.

Findings of Fact

1. The Commission is presently reviewing several significant programmatic issues in the context of the IOUs' 2012-2014 ESA program and CARE programs and budget applications which to some degree will inform the Commission and

[4] See e.g., D.08-12-019, ordering paragraph 22, wherein the four largest SMJUs (Bear Valley, Southwest, Sierra, and PacifiCorp) were directed to spend CARE and Low-Income Energy Efficiency (LIEE) carry-over funds granted for one year in the subsequent year and file an Advice Letter to adjust the CARE and LIEE surcharge annually to account for any carryovers.

therefore affect the Commission's approach to the SMJUs' Consolidated Proceeding.

2. Bridge funding is needed to continue the current SMJUs' ESA and CARE Programs while the Commission considers the issues raised in the IOUs' 2012-2014 ESA and CARE programs and budget applications, A.11-05-017 et al., the IOUs' Consolidated Proceeding.

3. Bridge funding is needed to ensure that no hiatus occurs when budgets authorized for the SMJUs' 2009-2011 ESA and CARE Programs expire at the end of 2011.

4. The bridge funding decision in the SMJUs' Consolidated Proceeding will afford the Commission adequate time to review some issues affecting the ESA program and CARE programs in the IOUs' Consolidated Proceeding which in turn will inform the Commission's approach in the SMJUs' Consolidated Proceeding.

5. The completion of deliberation and a final decision on the IOUs' Consolidated Proceeding, approving the 2012-2014 ESA and CARE Programs and Budgets, is projected to be before the Commission's vote in spring of 2012.

6. Due to timing as well as the limited nature, scope and purpose of this bridge funding decision, we only consider a few minor individual programmatic issues and budget items as discussed in this decision.

7. As a result of the unforeseen additional funding under ARRA, the 2011 budgets for Alpine and PacifiCorp were significantly higher than their funding levels requested for the 2012-2014 budget cycle.

Conclusions of Law

1. There is a need for continued funding of the SMJUs' ESA and CARE Programs from January 1, 2012 to June 30, 2012.

2. Approval of the bridge fund is in the public interest to provide a smooth transition for ESA and CARE Programs without interruption, to maintain contractual agreements, retain skilled workers, complete existing projects, and continue to bring the benefits of those programs to businesses and residents of California.

3. It is in the public interest to authorize six months of bridge funding, to June 30, 2012, to continue the SMJUs' ESA and CARE Programs, while also affording a reasonable time for deliberation of the issues in the IOUs' Consolidated Proceeding and providing a set end date to the bridge funding.

4. To avoid confusion and disruptions to the SMJUs' ESA and CARE Programs, a bridge funding decision should be issued by November 2011 to ensure continuity of the SMJUs' ESA and CARE Programs beyond December 31, 2011 to a least June 30, 2012.

5. It is reasonable to issue a bridge funding decision in the SMJUs' Consolidated Proceeding to avoid inefficiency, duplication and inconsistency in the review of the SMJU's applications while some programmatic changes to the ESA and CARE Programs may potentially be in the works.

6. Our approval of this bridge funding of the SMJUs' ESA and CARE Programs is not equivalent to our approval of the 2012-2014 ESA and CARE Programs themselves, and should not be construed as a guarantee of continued funding in the SMJUS' 2012-2014 ESA and CARE Programs or as a decision on the merits of any aspect of the ESA and CARE Programs for 2012-2014 budget cycle.

7. For this bridge funding period, each SMJU's average monthly budgets based on the authorized budgets for 2011 should be used to continue existing ESA and CARE Programs at the current levels.

8. In general, bridge funding equal to 2011 program budgets for the SMJUs to continue the ESA and CARE Programs without interruption is reasonable.

9. For this bridge funding period, Alpine and PacifiCorp should further adjust their surcharges to prevent substantial over collection of ratepayer dollars due to the additional ARRA funding they received.

10. The income guidelines for the PacifiCorp, Alpine and West Coast Gas should be increased from 175% to 200% of FPG effective January 1, 2012 in compliance with Section 739.1(b)(1) of Public Utilities Code.

11. It is reasonable to allow SMJUs to contract with new third parties who will limit bridge period activity to only those activities previously authorized by the Commission for 2009-2011.

O R D E R

IT IS ORDERED that:

1. Alpine Natural Gas Operating Company, PacifiCorp, Golden State Water Company on behalf of Bear Valley Electric, Southwest Gas Corporation, California Pacific Electric Company, LLC (formerly Sierra Pacific Power Company), and West Coast Gas Company (collectively, Small Multijurisdictional Utilities or SMJUs) are authorized the following bridge funding as illustrated in the below table 1, from January 1, 2012, until June 30, 2012, or until this decision is superseded by a final decision in A.11-06-016 et al. (SMJUs' Consolidated Proceeding), whichever occurs earlier:

Table 1
Monthly Bridge Funding Budgets beginning January 1, 2012- June 30, 2012
Monthly Budget Summary

	ESA	CARE	Totals
***Alpine**	$3,415	$1,400	$4815
Bear Valley	$19,135	$22,758	$41,894
***PacifiCorp**	$78,125	$246,485	$324,610
California Pacific Electric	$16,735	$51,500	$68,235
Southwest	$264,391	$756,135	$1,020,526
West Coast Gas	$0	$672	$672

*** As discussed in section 3.3 of this decision, Alpine and PacifiCorp must adjust the surcharges to prevent substantial over collection of ratepayer dollars due to the American Recovery and Reinvestment Act (ARRA) funding received.**

2. For ratemaking purposes, each of the Small Multijurisdictional Utilities shall use their 2011 California Alternate Rates for Energy and Energy Savings Assistance authorized funding levels in order to develop rates effective January 1, 2012.

3. For this bridge funding period, Alpine Natural Gas Operating Company and PacifiCorp must further adjust the surcharges to prevent substantial over collection of ratepayer dollars due to the additional funding received through the American Recovery and Reinvestment Act.

4. The bridge funding period begins January 1, 2012, regardless of whether the Advice Letters have been determined to be in compliance. The bridge funding period ends on June 30, 2012.

5. During the funding period, starting January 1, 2012, the Small Multijurisdictional Utilities are directed to track in a new memorandum account the difference between the revenue requirement adopted in this decision and that requested in the applications beginning January 1, 2012.

6. Each Small Multijurisdictional Utility is directed to file a tier 1 Advice Letter within 10 days of the effective date of this decision. The Advice letters must show the allocation of the authorized monthly budgets for both the Energy Savings Assistance and California Alternate Rates for Energy Programs and the new memorandum account showing the difference between the revenue requirement adopted in this decision and that requested in the applications beginning January 1, 2012, discussed in the ordering paragraph 5 above. Consistent with Tier 1 procedures under General Order 96B, the Advice Letters shall be effective on the date filed, subject to Energy Division determining that they are in compliance with this directive.

7. The income guidelines for the PacifiCorp, Alpine Natural Gas Operating Company and West Coast Gas are increased from 175% to 200% of Federal Poverty Guidelines effective January 1, 2012 in compliance with Section 739.1(b)(1) of Public Utilities Code.

8. During the bridge funding period, the Small Multijurisdictional Utilities (SMJUs) may enter into contracts with new third parties for only those activities previously authorized by the Commission for SMJUs' 2009-2011 budget cycle.

9. As of December 31, 2011 and the close of all 2011 transactions, the account balance and all other unspent, uncommitted funds from the 2009-2011 budget cycle shall be reported in a supplemental filing to Application 11-06-016, et al. for final disposition.

This order is effective today.

Dated November 10, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners