

Decision 14-08-030 August 14, 2014

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison  
Company (U338E) for Approval of its  
2012-2014 California Alternate Rates for  
Energy (CARE) and Energy Savings  
Assistance Programs and Budgets.

Application 11-05-017  
(Filed May 16, 2011)

And Related Matters.

Application 11-05-018  
Application 11-05-019  
Application 11-05-020

**PHASE II DECISION ON THE LARGE INVESTOR-OWNED UTILITIES'  
2012-2014 ENERGY SAVINGS ASSISTANCE (ESA) PROGRAM AND  
CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) PROGRAM  
APPLICATIONS**

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**PHASE II DECISION ON THE LARGE INVESTOR-OWNED UTILITIES'  
2012-2014 ENERGY SAVINGS ASSISTANCE (ESA) PROGRAM AND  
CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) PROGRAM  
APPLICATIONS**

**1. Summary**

On August 30, 2012, the Commission issued Decision (D.) 12-08-044, the Phase I Decision, on the 2012-2014 programs and budget applications (Applications) for the Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) Programs, filed by the large investor-owned utilities, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company, (collectively Investor-Owned Utilities, IOUs or Utilities).

D.12-08-044 authorized the ESA Program budgets in excess of \$1 billion and the CARE Program budgets of just under \$4 billion for the Utilities' 2012-2014 program cycle. It also resolved a majority of the issues raised in the Utilities' Applications by setting forth a multitude of programmatic directions and directed further review of the more complex issues to the second phase of this proceeding through working group activities and studies.

This decision resolves and/or continues the review of several pending Phase II issues, as follows:

- Revisits the High Efficiency Furnace measure and Smart Strips measure, and provides guidance concerning those measures.
- Reviews the various Phase II activities ordered in the Phase I Decision, including four completed studies and three working groups' reports, progress review of high usage customer rules, as well as progress review of the IOUs' probability modeling and post enrollment verification activities.

- Adopts the 2013 Low-Income Needs Assessment Study,<sup>1</sup> the 2013 Energy Education Study (Phase 1 Report),<sup>2</sup> the 2013 Multifamily Segment Study,<sup>3</sup> and the 2013 Impact Evaluation Report<sup>4</sup> to guide the substance of the 2015-2017 program applications.
- Adopts the reports of the Cost-effectiveness Working Group,<sup>5</sup> Workforce Education and Outreach Working Group,<sup>6</sup> and Mid-cycle Working Group<sup>7</sup> to guide the substance of the 2015-2017 program applications.
- Adopts and directs implementation of the key recommendations from the 2013 Multifamily Segment Phase I Study.
- Adopts and directs implementation of the 2013 Cost-Effectiveness Working Group's four recommendations for the 2015-2017 program applications.
- Adopts and approves, with modifications, the recommendations of the Mid-cycle Working Group to approve the proposed and updated ESA Program

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<sup>1</sup> The 2013 Low-Income Needs Assessment Study can be seen at the following link:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255063>.

<sup>2</sup> The 2013 Energy Education Study (Phase 1 Report) can be seen at the following link:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255062>.

<sup>3</sup> The 2013 Multifamily Segment Study can be seen at the following link:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255060>.

<sup>4</sup> The 2013 Impact Evaluation Report can be seen at the following link:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100354179>.

<sup>5</sup> The Cost-effectiveness Working Group's Final Report can be seen at the following link:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=99753158>.

<sup>6</sup> The Workforce Education and Outreach Working Group's Final Report can be seen at the following link: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255059>.

<sup>7</sup> The Mid-cycle Working Group's Final Report can be seen at the following link:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100354171>.

Statewide Policy and Procedure and California Installation Standards Manuals.

- Adopts the Macias Consulting Group's Audit Report of Southern California Gas Company (Audit Report), ordered as a result of the December 2011 Order to Show Cause hearing.
- Directs Southern California Gas Company to implement the recommendations from the Audit Report and to make other management improvements, based on the Audit Report.
- Continues the further review of some of the Phase II issues (Energy Education Study, Multifamily Segment Study, three working groups' reports and the income definition and categorical eligibility issues identified in the Assigned Commissioner's Ruling dated February 25, 2014) to the next cycle as they require additional review and are not yet poised for resolution at this junction.

This decision also resolves several pending petitions for modifications of D.12-08-044, authorizes bridge funding for the IOUs' ESA and CARE Programs to continue for 12 months after the 2012-2014 cycle ends at the 2014 authorized budget level, authorizes continued funding for the Community Help and Awareness of Natural Gas and Electric Services pilot program, provides guidance to the IOUs in preparation of their program years 2015-2017 CARE and ESA Programs and Budget Applications, and directs the IOUs to file their 2015-2017 applications for ESA and CARE programs and budgets within 90 days after the issuance of this decision.

Finally, this decision makes minor corrections and clarifications to D.12-08-044 and closes the above-captioned proceedings.



## **2. Procedural Background**

On May 15, 2011, 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), (collectively Investor-owned Utilities, IOUs, or Utilities) filed their 2012-2014 Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) Programs and Budget Application (A.), 11-05-017, A.11-05-018, A.11-05-019, and A.11-05-020.

The Commission's Office of Ratepayer Advocates (ORA), National Consumer Law Center (NCLC), The East Los Angeles Community Union, Association of California Community and Energy Services, and Maravilla Foundation (collectively, TELACU *et al.*), California Housing Partnership Corporation (CHPC), The Donald Vial Center on Employment in the Green Economy, Natural Resources Defense Council (NRDC), The Greenlining Institute (Greenlining), Synergy Companies (Synergy), and the Energy Efficiency Council (EEC) filed protests and responses. The IOUs filed replies.

On July 21, 2011, the assigned Administrative Law Judge (ALJ) issued a ruling consolidating the four Applications (Consolidated Proceeding) and setting the first consolidated prehearing conference (PHC). Two PHCs were held on August 8, 2011 and September 6, 2011. On September 26, 2011, the assigned Commissioner and the ALJ jointly issued the Scoping Memo Ruling setting the scope and the schedule for the Consolidated Proceeding, explicitly anticipating the need for a bridge funding decision in the ESA and CARE Programs to cover January 1 through June 30, 2012 while reviewing some of the more complex issues raised by the parties in the Consolidated Proceeding. The Scoping Memo Ruling also ordered eight separate workshops on the following issues to begin

laying the groundwork for the review of the studies and the reports from the preceding cycle with the stakeholders:

Workshop #1 [Overview of the Lessons Learned]: Review of major ESA and CARE Programs related studies, pilots and reports since D.08-11-031, including (1) Final Report on Low-Income Energy Efficiency Program, 2009-2010 Process Evaluation (The 2009 Process Evaluation), and (2) Final Report on Impact Evaluation of the 2009 California Low-Income Energy Efficiency Program (The 2009 Impact Evaluation).

Workshop #2 [Review of the ESA Program]: Review of overall effectiveness of the ESA Program in reaching the energy saving Strategic Plan goals, and cost-effectiveness of ESA Program, including examination of potential barriers to energy savings, methods of removing barriers to energy savings and review of delivery models.

Workshop #3 [Cost-Effectiveness Methodology and Measures]: Discussion and review of cost-effectiveness at the measure level, including discussion on cost-effectiveness methodology and what and how measures are added, deleted, etc.

Workshop #4 [Multifamily Sector Issues]: Review of multifamily sector needs, proposals, and any related operational and legal concerns.

Workshop #5 [Workforce, Education and Training]: Review of workforce, education and training issues, including review of current contractor selection and bidding process.

Workshop #6 [Outreach and Enrollment]: Review of current ESA Program outreach and enrollment practices/efforts and ways to improve them to reach the Strategic Plan goals, including any energy education proposal.

Workshop #7 [Review of the CARE Program]: Review of current CARE Program, including re-certification, categorical eligibility, high usage customers and CARE Program complaint and oversight.

Workshop #8 [Working Groups, Pilots and Studies]: Review of potential ongoing working groups, pilots and studies to improve the ESA and CARE Programs in the near term and longer term, including standardizing Utilities' various reports.

In October 2011, parties participated in all eight workshops. On November 9, 2011, the assigned ALJ issued a ruling tentatively setting the evidentiary hearing dates, adjusting the proceeding schedule and directing parties to file statements of material disputed facts. On November 9, 2011, the ALJ issued a ruling to recirculate the March 30, 2011 Guidance Ruling and related attachments, and the updated Energy Division template for the presentation of pilot proposals.

Following the foregoing activities, on November 10, 2011, the Commission adopted a bridge funding decision<sup>8</sup> for the IOUs to continue to administer the ESA and CARE Programs from January 1 through June 30, 2012 while the Commission continued the review of some of the more complex issues in the Consolidated Proceeding.

On December 28, 2011, the ALJ issued a ruling seeking comments from the parties on 39 detailed questions (December 2011 Ruling), as a follow-up to the October 2011 workshops to create a record on certain issues. In January 2012, detailed comments and responses were filed by San Francisco Community Power (SFCP), TELACU *et al.*, Center for Accessible Technology (CforAT), Brightline Defense (Brightline), Green for All, Proteus, Inc. (Proteus), SDG&E,<sup>9</sup>

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<sup>8</sup> Decision (D.) 11-11-010, the bridge funding decision, also authorized \$6.06 million in additional bridge funding for SoCalGas, for the bridge funding period based upon SoCalGas's projections.

<sup>9</sup> On February 13, 2012, SDG&E filed an amended response to its prior response to the December 2011 Ruling.

PG&E, SoCalGas, SCE, The Utility Reform Network (TURN), Niagara Conservation Corporation (Niagara), EEC, La Cooperativa De Campesina (La Cooperativa), The Black Economic Council, National Asian American Coalition, and the Latino Business Chamber of Greater Los Angeles (collectively, the Joint Parties), Division of Ratepayers Advocate (DRA), CHPC, National Housing Law Project (NHLP), NCLC, Greenlining, California Large Energy Consumers Association (CLECA), NRDC, and Opower, Inc.

In February 2012, opening briefs were filed by SoCalGas, SDG&E, PG&E, SCE, CforAT, SFCP, Greenlining, CHPC, NCLC, NHLP, TURN, Niagara, DRA, TELACU *et al.*, Joint Parties, CLECA, NRDC, and EEC. Reply briefs were filed by PG&E, CforAT, Greenlining, CHPC, NCLC, NHLP, TURN, Niagara, TELACU *et al.*, Joint Parties, NRDC, and Brightline.

On February 16, 2012, the ALJ issued rulings identifying and admitting the testimonies served in the Consolidated Proceeding and certain data requests and reference documents.

On June 21, 2012, the Commission adopted a second bridge funding decision approving a month-to-month extension of bridge funding to continue the ESA and CARE Programs. The bridge funding was to start on July 1, 2012 and continue until the Commission adopts a decision on the IOUs' ESA Program and CARE Program Budget Applications for 2012-2014.<sup>10</sup>

On August 30, 2012, the Commission adopted D.12-08-044 (hereinafter referred to as Phase I Decision or D.12-08-044) which approved approximately \$5 billion for the IOUs' ESA and CARE Programs and set forth programmatic

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<sup>10</sup> D.12-06-030.

directives to continue the two energy-related low-income programs for the IOUs for the 2012-2014 program cycle (over \$1 billion for the ESA Programs and approximately \$4 billion for the CARE Programs).

The Phase I Decision resolved a majority of the issues in the Consolidated Proceeding and directed several of the more complex issues to be further examined during the second phase of this proceeding through working group activities and studies. These issues include: (1) Development of a comprehensive multifamily segment strategy including the review of potential expedited enrollment process, (2) Review of the ESA Program cost-effectiveness methodology, (3) Review of several critical low-income program studies and reports, and (4) Review of any pilot program evaluation as well as several other working group activities ordered in D.12-08-044.

The Phase II activities have been completed, including studies and reports ordered in D.12-08-044, and several petitions to modify that decision have also been filed.

### **3. Petitions to Modify Decision 12-08-044**

#### **3.1. SDG&E's October 29, 2012 Petition to Modify**

SDG&E filed a petition to modify (PTM) five elements of D.12-08-044. ORA filed comment. SDG&E's PTM is addressed below.

##### **3.1.1. Request for Budget Increase**

In the PTM, SDG&E requests a net budget increase of \$3,769,897 to ensure that it can adequately deliver all of the ESA Program services ordered in D.12-08-044 to its customers throughout the 2012-2014 program cycle. SDG&E projects an ESA Program budget deficit of \$13,168,113. However, SDG&E proposed to partially offset the total projected budget deficit by shifting

\$9,398,216 in funds from its other budget categories<sup>11</sup> and was granted authority by the assigned ALJ to shift funds as follows:

- (1) \$4.2 million in unspent 2011 electric department funds to the 2012 gas department budget; and
- (2) \$3,227,895 from its 2012 authorized electric department funds to its 2012 gas department budget.<sup>12</sup>

Accordingly, SDG&E's net resulting budget increase need is \$3,769,897, which is the budget increase amount requested by SDG&E in its PTM.

SDG&E' PTM indicates several measures and activities that were approved in D.12-08-044 but were not included and budgeted for in the initial 2012-2014 forecast. SDG&E's PTM also includes a breakdown of increased costs to account for the ESA Program budget increase request in the PTM.

**Table 1: Measures/Activities Approved and Increased Budget Estimates**

<b>Measures/Activities Approved by D.12-08-044</b>	<b>Estimated Increase in Budget</b>
Furnace repairs & replacements	\$6,684,221
Water heater repair & replacements	\$1,134,703
High efficiency clothes washers	\$1,256,778
Enclosure measures	\$3,632,745
Customer Enrollment	\$339,666
Inspections	\$120,000
<b>TOTAL</b>	<b>\$13,168,113</b>

SDG&E's PTM indicates that the costs associated with installing ESA measures have continued to increase annually. SDG&E also attributes the

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<sup>11</sup> SDG&E's concurrently filed a motion to shift funds with its PTM. SDG&E's Motion was dated and filed October 29, 2012, as amended, with Amended Motion dated and filed December 10, 2012. No party has filed opposition to SDG&E's Motion, as amended.

<sup>12</sup> SDG&E requests \$1.7 million in under spent 2012 electric department funds (from refrigerator replacements) to the 2012 gas department budget; and 2) approximately \$1,527,895 from the 2012 under spent electric department funds (from unspecified budget subcategory) to the gas department budget to accommodate gas-electric funding allocations authorized during the latest bridge period through the end of 2012.

overall increase in the costs of ESA measure installations and inspections to increased enrollment in ESA Program and an increase in the number of households<sup>13</sup> treated due to successful program promotion and enrollment.<sup>14</sup>

As reflected in Table 2 below, SDG&E has continued to exceed its annual households treated target since 2009. With the exception of 2010, SDG&E exceeded its home or household treated targets while remaining within the authorized program budgets.

**Table 2: 2009-2014 Homes Treated vs. Program Budgets**

<b>Program Year</b>	<b>Homes Treated Planned</b>	<b>Homes Treated Actual</b>	<b>Budget Planned \$M</b>	<b>Budget Actual \$M</b>	<b>% Homes Treated</b>	<b>% Budget Spent</b>
<b>2009</b>	20,384	20,924	21.2	16.2	103	77
<b>2010</b>	20,384	21,593	21.2	18.9	106	88
<b>2011</b>	20,384	22,575	19.6	20.9	111	107
<b>*2012</b>	20,316	20,888	21.7	21.1	103	97
<b>2013</b>	20,316	TBD	22.1	TBD	TBD	TBD
<b>2014</b>	20,316	TBD	22.5	TBD	TBD	TBD
Source: 2009-2011 PY data; SDG&E Annual Reports; *2012 data SDG&E December 2012 Monthly Report; 2013-2014 Projected data D.12-08-044						

Upon review of SDG&E's PTM and its performance and budget trends in its annual reports, SDG&E's requested net budget increase of \$3.7 million is justified. As illustrated in Table 3, the measures identified have generally trended upward since 2009.

<sup>13</sup> In this decision, terms "homes" and "home" are used interchangeably with the terms "households" and "household."

<sup>14</sup> SDG&E's PTM at 2-3.

**Table 3: 2009-2012 Affected ESA Measure Installations**

<b>Program Year</b>	<b>Furnaces</b>	<b>Water Heaters</b>	<b>Clothes/ Washers</b>	<b>Envelope/ Air Sealing</b>
<b>2009</b>	<b>1,725</b>	<b>39</b>	<b>0</b>	<b>15,400</b>
<b>2010</b>	<b>2,115</b>	<b>72</b>	<b>971</b>	<b>16,313</b>
<b>2011</b>	<b>4,296</b>	<b>165</b>	<b>1,550</b>	<b>16,726</b>
<b>2012</b>	<b>3,909</b>	<b>243</b>	<b>1,631</b>	<b>15,260</b>
Source: 2009 -2012 PY data; SDG&E Annual reports				

Additionally, during 2012, SDG&E experienced an approximate 23% increase in the number of gas measures installed and a 32% increase in expenditures in the gas department compared to prior forecasts.<sup>15</sup>

Recognizing these increasing cost trends, the authorized 2012-2014 program budgets under D.12-08-044 are insufficient to meet the respective households treated projections as indicated in SDG&E's PTM. However, while the ALJ's Ruling shifted funds to partially address SDG&E's 2012-2014 program cycle budget shortfall, there is still a need for the requested budget augmentation of \$3,769,897 to complete the 2012-2014 program cycle. Based on the foregoing, SDG&E's net budget augmentation request of \$3,769,897 in the PTM is reasonable and is granted.

### **3.1.2. Request to Clarify ESA Program Enrollment Processes**

SDG&E requests clarification of D.12-08-044 and direction to continue categorical enrollment for the ESA Program as previously authorized in D.06-12-038. Specifically, SDG&E requests that the language on pages 310-311 of D.12-08-044 be revised to clarify the Commission's intent to retain both

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<sup>15</sup> ALJ Ruling, dated December 20, 2012, at 4.



self-certification and categorical enrollment processes as alternative enrollment processes.

In D.06-12-038, the Commission authorized SDG&E to use both categorical enrollment and targeted self-certification for the ESA Program as alternative enrollment processes.<sup>16</sup>

During the 2009-2011 program cycle, SDG&E enrolled approximately 37,000 customers (57% of the total enrollments) through the targeted self-certification process. SDG&E also enrolled approximately 14,200 customers (22% of the total enrollments) in the ESA Program through the categorical enrollment process. It is our intent to continue to encourage enrollment through both of those processes and retain both of those processes.

We, therefore, approve SDG&E's request to modify D.12-08-044 by striking the proposed words, as shown below to clarify the use of categorical enrollment process.

In this decision, we make no changes and approve continuation of self-certification for the ESA Program in areas where 80% of the households are at or below 200% of the federal poverty guideline. Consistent with prior Commission decisions, we also approve continuation of categorical enrollment of ESA Program ~~in these targeted areas~~.

We note that the statistics provided by SDG&E in its PTM show that a majority of SDG&E's enrollments are completed through the self-certification process. According to SDG&E's statistics, during the 2009-2011 program cycle, SDG&E enrolled almost 80% of its ESA enrollees (57% enrolled through the targeted self-certification process and 22% enrolled through the categorical

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<sup>16</sup> D.06-12-038, Ordering Paragraph 21.

eligibility process) without any form of pre-enrollment income verification. We remind SDG&E to carefully administer its program enrollments with an eye to prevent any and all potential abuses of the program that may occur through these enrollment processes.

### **3.1.3. Request for Directives on Collaborative Activities**

SDG&E requests that the Commission provide explicit language requiring the utilities to engage in joint contracting for statewide program activities.

SDG&E requests that D.12-08-044 include a finding that explicitly authorizes four utilities to engage in certain specific activities, which they feel will be necessary to collaboratively implement the 2012-2014 low-income programs as ordered by the Commission.

The Commission has previously provided such language in the energy efficiency proceeding. For example, in Ordering Paragraph 7 of D.10-12-054, the Commission adopted the following:

...In recognition of the need for affirmative steps to prove effective and efficient joint investor-owned utility management of the California utilities' statewide energy efficiency program, so they can better meet the state's energy efficiency goals, the Commission authorizes Southern California Edison Company, Pacific Gas & Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company to engage in the following activities:

- (a) Joint and cooperative consultations between and among these utilities and energy efficiency contractors to assist with determination of the contract requirements of their jointly administered and jointly funded energy efficiency programs;
- (b) Joint cooperative process among the four utilities for the sourcing and negotiation (including program requirements, performance, price, quantity, and

specifications) of joint contracts for energy efficiency to be managed and run by one lead utility, subject to the approval and review by the other utilities;

- (c) Joint submission to the Commission for its approval of proposed energy efficiency contracts pertaining to implementation of statewide programs; and,
- (d) Other joint and collaborative activities pertaining to the collaboration and joint contracting for statewide energy efficiency programs as the four utilities may determine is necessary for implementation of statewide programs, subject to the Commission's oversight.

SDG&E suggests that similar language in this proceeding will also help to ensure that the utilities can comply with D.12-08-044 without running afoul of anti-trust laws.<sup>17</sup>

We find this request reasonable, and to the extent that there is any need for the four utilities to engage in further collaborative activities during the remainder of the 2012-2014 low-income programs, we approve this request and adopt the same directive we did in Ordering Paragraph 7 of D.10-12-054.

#### **3.1.4. Request to Limit the Focus of Cost-Effectiveness Working Group**

SDG&E proposes that the Cost-Effectiveness Working Group limit their focus only to two of the four issues outlined in D.12-08-044. Specifically, SDG&E proposes that the working group only addresses two of the four issues, since the other two of the four issues (e.g., the cost-effectiveness framework and cost-effectiveness applications for equity and resource measures) are currently being examined in a separate Commission proceeding, Rulemaking (R.) 09-11-014.

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<sup>17</sup> SDG&E's PTM at 5-6.

SDG&E is correct that similar cost-effectiveness issues are being examined in another proceeding, R.09-11-014. We also generally share in SDG&E's concern that addressing common issues in a single proceeding is a more efficient and effective use of resources.<sup>18</sup> However, R.09-11-014 is not examining cost-effectiveness issues in the context of low-income proceeding, which is a significant point.

Therefore, it is important for this proceeding to examine these cost-effectiveness issues through the filter and focus of this proceeding. There is significant value to the Cost-Effectiveness Working Group's reports, addressing all issues ordered to be reviewed by D.12-08-044, in this proceeding. We fully intend to coordinate all of the cost-effectiveness issues in this proceeding with the overall approach the Commission takes in R.09-11-014 and any other proceedings. SDG&E's request to limit Cost-Effectiveness Working Group's focus, therefore, is denied.

### **3.1.5. Request to Modify High Usage Customer Process**

SDG&E seeks modification of the CARE high usage customer process ordered in D.12-08-044. Ordering Paragraph 101(c) of D.12-08-044 which sets out the current high usage customer rule provides, *in part*, for 400%-600% baseline users:

California Alternate Rates for Energy high electric customers with electric usage at 400%-600% of baseline in any monthly billing cycle must undergo Post Enrollment Verification and, if not previously enrolled in the program, must apply for the

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<sup>18</sup> *Id.* at 7.

Energy Savings Assistance Program within 45 days of notice....

As proposed, SDG&E's request would modify the above high usage customer rules such that only those customers who repeatedly (three times or more) use greater than 400% of baseline in a 12-month period would be subject to the above high usage customer rules, as currently ordered in D.12-08-044.<sup>19</sup>

SDG&E contends that only 3% of the customers in its territory fall into the category of the 400% to 600% baseline user group, and 1/3 of those customers fall into that group only one time in a 12-months period. SDG&E contends that if the Commission's intent in D.12-08-044 and the high usage customer rule is to target customers who are ineligible for the CARE program and may be purposefully misdirecting the CARE program discount, SDG&E believes the rule should be modified to apply only to the customers who repeatedly exceed the 400% baseline usage.<sup>20</sup>

We are not persuaded by SDG&E's request to modify the rule. In part, one of the purposes of the high usage customer rule was to eliminate the customers who are ineligible for the CARE Program and/or are purposefully misdirecting CARE program discount for purposes other than legitimate household needs and to de-enroll them. However, the more important aim of the rule was to also help the high usage customers with legitimate high uses with enrollment in the ESA Program and to help with lowering energy usage while achieving bill savings going forward.

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<sup>19</sup> SDG&E does not propose modification to the high usage customer rule relating to those customers who use 600% above baseline.

<sup>20</sup> SDG&E's PTM at 8.

To modify the rule to ignore those who only exceed the 400% baseline usage once in a 12-month period would be contrary to that latter purpose of helping the high usage customers with legitimate high uses with enrollment in the ESA Program and lowering of their energy usage. In fact, those customers who are generally within a reasonable usage range, but exceed the 400% baseline usage infrequently, may very well be in an optimal position to take advantage of the ESA Program to benefit from energy savings to drop below that 400% baseline range.

In addition, the high usage customer rule is relatively new and will likely be further examined as part of the next cycle applications in the next few months. We are therefore hesitant to modify this rule only a year after it has been in place and without the benefit of knowing other implementation issues or what other IOUs are experiencing.

Based on the foregoing, we do not modify the high usage customer rule at this time. SDG&E may instead prioritize its PEVs of 400%-600% baseline high usage customers who repeatedly exceed 400% baseline usage limit. Since the high usage customer rule does not set a mandatory timeline on how soon the high usage customers must be post enrollment verified after the customer exceeds 400% baseline usage, we clarify that SDG&E already has the necessary discretion on how and when it conducts the post-enrollment verification of a customer who exceed the 400% base usage only once. For instance, SDG&E may place the first time customers that exceed 400% baseline usage as their last PEV priority group.

This issue will be reexamined in the upcoming cycle as more information becomes available through further implementation and with information from all of the IOUs. At this time, SDG&E's request to target only the customers who

repeatedly exceed 400% of baseline usage (three times or more out of 12 months) is denied.

### **3.2. SoCalGas's October 29, 2012 Petition to Modify**

SoCalGas filed a PTM to modify six elements of D.12-08-044.

TELACU *et al.* filed comments generally in support of this PTM. SoCalGas's PTM is addressed below.

#### **3.2.1. Request for Budget Increase**

SoCalGas requests a net budget increase of \$35,463,958 to ensure that it can adequately deliver all of the ESA Program services ordered in D.12-08-044 to its customers throughout the 2012-2014 program cycle. SoCalGas also seeks an additional \$3,139,726 to replenish SoCalGas's 2012-2014 program cycle budget. We discuss these requests below.

First, regarding SoCalGas's request for an increase of approximately \$35.464 million, SoCalGas contends that this additional fund is needed due to more updated cost data, the additional measures ordered in D.12-08-044 and related additional administrative costs as well as a higher number of households qualifying for the measures approved and ordered in D.12-08-044, as listed below. The cost increases and decreases associated with the measures or activities, listed below, serve as basis for the requested net budget increase:

**Table 4: Measures/Activities Approved and Requested Budget Increase**

<b>Measures/Activities Approved by D.12-08-044</b>	<b>Requested Increases and Decreases in Budget</b>
High efficiency clothes washers	+ \$31,988,985
Domestic Hot Water	+ \$2,711,572
Enclosure measures	+ \$1,131,817
HVAC	+ \$2,013,888
Inspections	+ \$614,500
General Admin	- \$1,670,327
Maintenance	- \$1,283,093
Customer Enrollment	- \$39,514
Home Education	- \$3,869
<b>NET TOTAL</b>	<b>\$35,463,958</b>

Second, SoCalGas also seeks an additional budget increase of \$3,139,726 to replace funds SoCalGas had to use to cover emergency budget shortfalls in 2011. In the fall of 2011, SoCalGas had to use \$3.4 million which had to be shifted from its 2012 bridge funding budget to fund its unexpected 2011 year-end spike in the ESA Program activities. This effectively reduced the funds available to SoCalGas for program year 2012. As such, SoCalGas now requests that the Commission increases its budget by \$3,139,726 to replenish some of that amount to 2012-2014 ESA Program budget to successfully complete its 2012-2014 program cycle.

On July 18, 2013, SoCalGas submitted a Supplement to its PTM (Supplement) further explaining SoCalGas's forecasting methodology and describing the significant factors for the specific budget increase request.

A majority of the requests to increase and decrease the various budget components outlined above are in line with the approvals and orders set forth in D.12-08-044 and are logical, reasonable and comprise of smaller relative fiscal adjustments. Two major budget increase requests require more detailed review as discussed herein.



First, the main driver of the budget increases requested in the PTM and the Supplement is the high efficiency clothes washer measure totaling a budget increase of \$31.989 million.

In its PTM and Supplement, SoCalGas provides clarifications and detail as to its forecasting methodology used in developing the high efficiency clothes washer budget. SoCalGas explains that the budget request includes estimated funding for 65,596 high efficiency clothes washer measures, which SoCalGas anticipates would be required in the 2012-2014 program cycle. This updated forecast incorporates an assumption that roughly 12.5% of the 410,508 households to be treated in the 2012-2014 program cycle, the adopted households treated goal in D.12-08-044, would be eligible for and ultimately receive a washer.

SoCalGas states that the 12.5% assumption is based on its experience in the 2011 and 2012 program years through August 2012. The 12.5% rate was predicated upon the rate at which customers qualified for a high efficiency washer (13.6%), which was then adjusted for the level of successful and complete installations relative to the number of qualified installations (91.5%). This in turn resulted in an estimated 12.5% rate of successful installation per household treated.

In addition to the 12.5% of new enrollees expected to receive a washer, the Supplement forecast included washers for customers who were identified as eligible for the measure in the prior program cycle, but had not yet received a high efficiency washer due to operational and budget constraints SoCalGas experienced in 2011. SoCalGas explained that this component contributed to over 14,000 more high efficiency washers to the overall 2012-2014 forecast and associated funding request.

Based on the above information, SoCalGas arrived at approximately \$50 million total revised budget for high efficiency clothes washers. Given that D.12-08-044 approved approximately \$18 million for the same measure, SoCalGas concludes that it requires an increase of just under \$32 million in order to fulfill the expected needs of this measure during 2102-2014 program cycle, as illustrated below.

**Table 5: SoCalGas's 2012-2014 Program Cycle High Efficiency (HE) Washer Revised Budget Request**

		Units		Average Cost		Budget Request	
	<b>HE Washers To Be Installed Based On New Assessments 2012-2014</b>	51,2371	1	\$760.52	2	\$38,966,817	
	<b>HE Washers To Be Installed Based On Eligible Customers Identified Prior to 2012</b>	14,359	3	\$760.52		\$10,920,702	
	<b>Total</b>	<b>65,596</b>		<b>\$760.52</b>		<b>\$49,887,519</b>	
1	410,508 treated homes goal x 12.5% of treated homes expected to be eligible for and ultimately receive a washer.						
2	Average unit cost based on historical January-August 2012 incidence of all applicable charges and fees including: washer installation (\$739), trip fee charged to reimburse installation contractor when a household is deemed ineligible for a washer upon installation visit (\$25), installer paperwork fee (\$10), and enrollment contractor assessment fee (\$5). 3-year forecast assumed August 2012 YTD average of \$750.02 would increase by 2% in 2013-2014.						
3	Of 18,894 customers identified as eligible for an HE washer not yet installed by year end 2011, SoCalGas forecasted that 14,359 washers (76.0%) would eventually be installed.						

SoCalGas further explains in its Supplement that looking at the historical installation rates (and associated expenditures) for high efficiency washers has not proven to be helpful for SoCalGas as a forecasting tool as too many other variables have affected SoCalGas's actual installation rate. For instance, the historical rates did not take into consideration that although the high efficiency washer was a new measure approved in 2009, the request for proposal process to engage an enrollment contractor did not conclude until late 2010, resulting in the low levels of installations in 2010. SoCalGas also noted that other variables not accurately reflected in the historical rate are the rapid ramp-up in high efficiency washer assessments during 2011 as well as the budgetary constraints and uncertainty associated with the ESA Program cycle funding level. Those factors

then affected and resulted in a lag time between the time customers are initially assessed as eligible for the high efficiency washers and the time they actually received their washers. This also caused lower installation rates as compared to the level of need and those that qualify for the measure.

Based on the foregoing, SoCalGas notes historical installation rates should not be looked upon for definitive projection of future installation rates nor as determinative of future funding based on past installation rates. SoCalGas requests that the Commission approve the new requested budget for high efficiency washers based on the current and expected level of customers eligible for high efficiency washers (as detailed above), and not solely based on prior installation activities/rates. SoCalGas contends the additional funding requested in the PTM and the Supplement will allow SoCalGas to continue to address the rapid rate of households being newly assessed as eligible for a high efficiency washer and to treat those households on the installation waiting list.

Therefore, with approval of this budget increase, SoCalGas acknowledges that its total authorized 2012-2014 program funding would equal approximately \$390 million, increasing the average cost to treat each household by \$94 to a level of \$950 per treated home. SoCalGas requests that in evaluating the overall reasonableness of SoCalGas's PTM and Supplement request, the averages of the other IOUs not be loosely compared due to the differences in each IOU's unique geographic profile, measure mix and operational practices. SoCalGas continues to state that as a gas only utility, its average unit cost to treat a household is reasonable considering the high-cost measures that it provides its customers including weatherization, furnaces, water heaters and high efficiency washers.

Domestic hot water, enclosure, and heating, ventilation and air conditioning (HVAC) are the three additional measures approved and ordered in

D.12-08-044, for which SoCalGas did not anticipate and propose adequate associated budgets. Therefore, SoCalGas's delivery of these measures as approved in D.12-08-044 requires additional funding. Collectively, a budget increase totaling approximately \$5.858 million for 2012-2014 program cycle accounts for these three measures. We find this budget increase reasonable. In addition, SoCalGas contends the measures and more robust activities as ordered in D.12-08-044 would require additional \$614,500 in inspection expense, which seems reasonable. Finally, SoCalGas requests a reduction totaling \$2,996,383, in these following budget categories: (1) maintenance, (2) customer enrollment, (3) in-home education and (4) general administration.

In early 2014, Governor Brown declared a state of emergency due to the drought and directed state officials to take all necessary actions to prepare for these drought conditions. The Commission's approval of high efficiency washers, including budget, is in line with Governor Brown's directive. In addition to the high efficiency washers, the IOUs should also explore ways to prioritize the ESA measures that have been approved in the existing ESA Program and also save water and could contribute to alleviating the drought emergency.

We, therefore, find SoCalGas's requested budget increase for high efficiency washers reasonable and justified. We will note our ongoing concern with the constant increase in the average cost to treat a household in SoCalGas's service territory. Nonetheless, we approve the budget request but note that the Commission will continue to monitor SoCalGas's overall program costs. We strongly encourage the IOUs to continue to seek efficiencies in their program operations and delivery. Although we anticipate some increased costs over time due to inflation, we anticipate seeing savings in the areas of leveraging,

coordination and technological improvements that enhance efficiencies and avoid costly and wasteful duplications.

We also find SoCalGas's requested budget increase of \$3,139,726 to its 2012-2014 budget cycle reasonable. That amount is the deficit in SoCalGas's 2012-2014 program cycle budget, having no relation to its 2012-2014 programs and activities ordered in D.12-08-044. Instead, that is the amount that SoCalGas was forced to borrow against its 2012 budget to cover emergency budget shortfalls in 2011,<sup>21</sup> which effectively left SoCalGas in a deficit during the 2012-2014 program cycle. Thus, that amount must be replenished to SoCalGas's 2012-2014 program cycle budget in order for SoCalGas to successfully complete its 2012-2014 program cycle. The requested budget increase of \$3,139,726 is granted.

We, therefore, approve SoCalGas's budget augmentation requests as summarized below:

High efficiency clothes washers	+ \$31,988,985
Domestic Hot Water <sup>22</sup>	+ \$2,711,572
Enclosure measures	+ \$1,131,817
HVAC	+ \$2,013,888
Inspections	+ \$614,500
General Admin	- \$1,670,327
Maintenance	- \$1,283,093
Customer Enrollment	- \$39,514

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<sup>21</sup> In the fall of 2011, SoCalGas had to use \$3,139,726 which had to be fund-shifted from its 2012 bridge funding budget to fund the unexpected 2011 year-end spike in ESA program activities, which effectively reduced the funds available to SoCalGas for program year 2012 and program cycle 2012-2014.

<sup>22</sup> This approved augmentation amount includes additional approval discussed in Section 1.2.2 of this decision.

Home Education	- \$3,869
Replenishment of Budget	+\$3,139,726
<b>TOTAL</b>	<b>\$38,603,684</b>

### 3.2.2. Request for Add Back Measures

SoCalGas requests authorization to add back Domestic Hot Water measures, water heater blankets and pipe insulation for owner-occupied multifamily dwellings. D.12-08-044 authorized add backs for all water measures for multifamily renters and directed that each of the eight “measures proposed for retirement by the IOUs in their 2012-2014 Applications [ ] be retained and made available for renter-occupied multifamily units.” However, D.12-08-044 did not similarly authorize those measures for owner-occupied multifamily dwellings.

SoCalGas contends approval of these measures as “add back” measures will advance the Commission’s goal of serving more multifamily customers and ensure there is no inequity between multifamily renters and multifamily homeowners with respect to eligibility for water measures. In addition, although water heater blanket measure did not pass for mobile home dwelling types, SoCalGas correctly notes this measure is already approved pursuant to D.12-08-044. SoCalGas, therefore, proposes these measures remain in the program, consistent with the request to provide all water measures to qualifying customers of all housing types.

We agree with SoCalGas and approve its requested authorization to add back Domestic Hot Water measures, water heater blankets and pipe insulation for owner-occupied multifamily dwellings. As reflected in the approved budget augmentation discussion above, SoCalGas is correct that D.12-08-044 authorized add backs for all water measures for multifamily renters, which SoCalGas did

not originally forecast in its Application for the 2012-2014 program cycle. Additionally, consistent with SoCalGas's instant request to provide all water measures to qualifying customers of all housing types, we approve the water heater blanket measure for mobile home dwelling types and approve the associated budget augmentation requested for the Domestic Hot Water measure category. This latter augmentation, as approved, is also reflected in Section 3.2.1 of this decision.

### **3.2.3. Request to Clarify ESA Program Enrollment Process**

SoCalGas requests clarification of D.12-08-044 and direction to continue categorical enrollment for the ESA Program as previously authorized in D.06-12-038. As discussed in Section 3.1.2 of this decision, and in response to similar request by SDG&E, we approve SoCalGas's request to modify D.12-08-044 by striking the proposed words, as shown below to clarify the use of categorical enrollment process.

In this decision, we make no changes and approve continuation of self-certification for the ESA Program in areas where 80% of the households are at or below 200% of the federal poverty guideline. Consistent with prior Commission decisions, we also approve continuation of categorical enrollment of ESA Program ~~in these targeted areas~~.

### **3.2.4. Request for Directives on Collaborative Activities**

SoCalGas requests that the Commission provide explicit language requiring the utilities to engage in joint contracting for statewide program activities. As discussed in Section 3.1.3 of this decision, and in response to similar request by SDG&E, we conclude that this request is reasonable, and to the extent that there is any need for the four utilities to engage in further collaborative activities during the remainder of the 2012-2014 low-income

programs, we approve this request and adopt the same directive we did in Ordering Paragraph 7 of D.10-12-054.

### **3.2.5. Request to Limit the Focus of Cost-Effectiveness Working Group**

SoCalGas proposes that the Cost-Effectiveness Working Group limit their focus only to two of the four issues outlined in D.12-08-044. Specifically, SoCalGas proposes that the Working Group only address two of the four issues, since the other two of the four issues (e.g., the cost-effectiveness framework and cost-effectiveness applications for equity and resource measures) are currently being examined in a separate Commission proceeding, R.09-11-014. As discussed in Section 3.1.4 of this decision, and in response to similar request by SDG&E, SoCalGas's request to limit Cost-Effectiveness Working Group's focus therefore is denied.

### **3.3. SCE's October 29, 2012 Petition to Modify**

SCE filed a PTM to modify five elements of D.12-08-044.<sup>23</sup> No party filed comments. SCE's PTM is addressed below.

#### **3.3.1. Budget Reduction Request**

SCE explains that the proposed decision preceding D.12-08-044, anticipated and set substantially higher levels of income verification and corresponding CARE Program budgets that were ultimately not adopted in the final decision, D.12-08-044. As a result, when D.12-08-044 was adopted with directives of less income verifications than the proposed decision along with the budget associated with much higher levels of income verifications, an excess

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<sup>23</sup> SDG&E filed its PTM on October 29, 2012.



budget totaling \$20.25 million was allocated for CARE administration budget category for PEVs for program cycle 2012-2014.

To address this \$20.25 million in excess budget, in its PTM, SCE requests reduction of its CARE administration budget by approximately \$16.78 million dollars. For the remaining portion of the excess allocation, \$3,472,206, SCE requests authorization to reallocate that amount to other CARE necessary activities as ordered and approved in D.12-08-044, as illustrated below:

**Table 6: Summary of SCE's Requested CARE Budget Adjustments**

Issue	CARE Budget Category	2012	2013	2014	Cycle
Authorized CARE Management Budget Approved by D.12-08-044		\$12,357,000	\$12,256,000	\$12,412,000	\$37,025,000
(reverse) 2% Monthly PEV Budget Requirement Increases	Post Enrollment Verification	(\$2,756,000)	(\$2,756,000)	(\$2,756,000)	(\$8,268,000)
(reverse) Eligibility Proof at time of Recertification	Processing, Certification, Recertification	(\$3,994,000)	(\$3,994,000)	(\$3,994,000)	(\$11,982,000)
Consultant Cost for Categorical Review	General Administration	\$20,000	\$10,000	\$10,000	\$40,000
Annual PEV @ \$10.15 per request (5% requested in 2012, 7% in 2013 & 10% in 2014).	Post Enrollment Verification	-\$	\$289,460	\$723,650	\$1,013,110
Capitation contractors to aid in the PEV process (15% of Verifs Requested @ \$18 per processed fee)	Outreach	-\$	\$269,497	\$384,996	\$654,493
Capitation contractors to aid in the PEV process (development, training, materials)	Outreach	-\$	\$200,000	\$150,000	\$350,000
Increase in the capitation fee to "up to \$20.00" (5K annual enrollments @ \$5 incremental cost per enrollment)	Outreach	-\$	\$25,000	\$25,000	\$50,000
Total additional Cost of IT Enhancements	IT Programming	(\$500,000)	\$1,000,000	-\$	\$500,000

Increase in Outreach to offset attrition (events, campaigns, collateral)	Outreach	-\$	\$250,000	\$250,000	\$500,000
Incremental Cost to Pay SCE Call Center per CARE enrollment (50K enrollments @ \$3.66 incremental cost per enrollment)	Outreach	-\$	\$183,000	\$183,000	\$366,000
<b>Proposed Adjusted CARE Management Budget</b>		\$5,127,000	\$7,732,957	\$7,388,646	<b>\$20,248,603</b>

SCE is correct. D.12-08-044 set SCE's CARE PEV rates for 2012-2014 far below the funded level (25%) which was the level budgeted in the proposed decision. Therefore, SCE's request for a reduction in the CARE Administration budget to align with the actual approved reduced PEV rates ordered in D.12-08-044 is reasonable. However, we have concerns about the proposed reallocation of some of these funds, and as discussed below, we approve some of them while denying others.

Specifically, SCE's request to reallocate \$40,000 to its general administration category to pay for the contract with the independent consultant, ICF International (ICF), to perform the comprehensive assessment of the current list of categorically eligible programs pursuant to Ordering Paragraph 88 of D.12-08-044 is denied. No other IOU is seeking additional funds to pay for similar contracts. It is unclear from our review of SCE's PTM, its Program Year (PY) 2012 Annual Reports and monthly reports as to how this contract was funded by SCE. Furthermore, D.12-08-044 did not authorize nor direct SCE to hire an outside consultant to do this work. We deny the requested reallocation of funds. In the future, if the IOUs seek to use CARE funds for hiring consultants for regulatory compliance issues, they should explicitly request approval from the Commission's Energy Division's Director prior to hiring a consultant.

As for SCE's request to reallocate \$1,013,110 for PEVs in 2013 and 2014, we approve the proposed adjustment. This proposed adjustment is consistent with the directives of D.12-08-044 and Energy Division's approval of SCE's Advice Letter 2814-E, setting SCE's increased PEV rates at 7% in 2013 and 10% in 2014.

As for SCE's request to reallocate \$1,004,493 to train and pay capitation contractors to aid in the PEV process ordered in D.12-08-044, we deny the proposed adjustment as lacking in merit. At this juncture, the number of PEVs proposed for processing through the CARE capitation contractors is unknown since this is a new PEV process ordered in D.12-08-044, and the program cycle is nearly completed. Thus, this could be a proposal that SCE presents as part of its next cycle application, with proper justification and showing.

As for SCE's request to reallocate \$50,000 to ensure that CARE capitation contractors are not hindered by a restrictive budget, we find this request reasonable and approve it. In 2012, SCE only had total of 3,140 CARE Program enrollments through CARE capitation contractors. It is therefore unclear why SCE estimates a 60% annual increase in the number of these types of enrollments (5,000 for 2013, and 5,000 for 2014) which serve as a basis for the requested upward adjustment. However, we generally support the ambitious target and plan to increase CARE enrollment through CARE capitation contractors for 2014 and support SCE's plans to ramp up and increase enrollment activities this year. We also note that the latest Low-Income Needs Assessment Study found that perhaps capitation contractors may not be the most effective use of funds for increasing enrollment. Thus, we approve the request to reallocate \$50,000 for this purpose for 2014, but review the capitation issue again in the next cycle. This will help ensure that enrollment by CARE capitation contractors are not hampered by potential budget shortfall in the next few months.

We approve SCE's request to reallocate \$500,000 for "Total additional Cost of IT Enhancements" required to implement the high usage PEV process. Upon closer examination, we find this request reasonable. This request is supported by the record.

As for SCE's request to reallocate \$500,000 to increase CARE Outreach "to offset attrition (events, campaigns, collateral)," we find the request reasonable and approve it. In 2012, SCE expended 83% (\$1,693,295 of an authorized \$2,050,000) of its CARE Outreach budget. While SCE still retains \$356,705 in unspent Outreach funds from 2012 program year, SCE's request is justified based on the increased PEV rates for the 2012-2014 program cycle.

As for SCE's request to reallocate \$366,000 for its call centers to enroll an additional 50,000 customers in both 2013 and 2014 (a total of 100,000 customers), we find the request reasonable and we approve it. We recognize and support enrollments through call centers. Call centers are cost-effective and efficient channel of enrolling customers into the CARE program. In light of the increased PEVs rates for the 2012-2014 program cycle, which could lead to a decrease in the total number of CARE enrollees, it is even more important to ramp up and support CARE enrollments to offset the potential attrition due to the increased PEV activities. As we approve these budget reallocations to increase the SCE's CARE Outreach budget, we remind SCE and other IOUs to continually think outside the box and diligently explore ways to cost-effectively enroll and re-enroll CARE customers. Such endeavors could be through the use of new technology, new applications or by coordination with non-energy utilities and/or other low-income programs such as the federal and state Lifeline Program.

Based on the foregoing, we approve SCE's budget augmentation requests as summarized below:

**Table 7: Summary of SCE's Approved CARE Budget Adjustments**

<b>Issue</b>	<b>CARE Budget Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Cycle</b>
Authorized CARE Management Budget Approved by D.12-08-044		\$12,357,000	\$12,256,000	\$12,412,000	\$37,025,000
(reverse) 2% Monthly PEV Budget Requirement Increases	Post Enrollment Verification	(\$2,756,000)	(\$2,756,000)	(\$2,756,000)	(\$8,268,000)
(reverse) Eligibility Proof at time of Recertification	Processing, Certification, Recertification	(\$3,994,000)	(\$3,994,000)	(\$3,994,000)	(\$11,982,000)
Annual PEV @ \$10.15 per request (5% requested in 2012, 7% in 2013 & 10% in 2014).	Post Enrollment Verification	-\$	\$289,460	\$723,650	\$1,013,110
Increase in the capitation fee to "up to \$20.00" (5K annual enrollments @ \$5 incremental cost per enrollment)	Outreach	-\$	\$25,000	\$25,000	\$50,000
Total additional Cost of IT Enhancements	IT Programming	(\$500,000)	\$1,000,000	-\$	\$500,000
Increase in Outreach to offset attrition (events, campaigns, collateral)	Outreach	-\$	\$250,000	\$250,000	\$500,000
Incremental Cost to Pay SCE Call Center per CARE enrollment (50K enrollments @ \$3.66 incremental cost per enrollment)	Outreach	-\$	\$183,000	\$183,000	\$366,000
<b>SCE PTM Requested Net Adjustments</b>		<b>(\$7,230,000)</b>	<b>(\$4,523,043)</b>	<b>(\$5,023,354)</b>	<b>(\$16,776,397)</b>
<b>SCE's Proposed Adjusted CARE Management Budget</b>		<b>\$5,127,000</b>	<b>\$7,732,957</b>	<b>\$7,388,646</b>	<b>\$20,248,603</b>
<b>SCE's Approved Adjusted CARE Management Budget</b>		<b>\$5,107,000</b>	<b>\$7,253,460</b>	<b>\$6,843,650</b>	<b>\$19,204,110</b>

Issue	CARE Budget Category	2012	2013	2014	Cycle
Authorized CARE Management Budget Approved by D.12-08-044		\$12,357,000	\$12,256,000	\$12,412,000	\$37,025,000
(reverse) 2% Monthly PEV Budget Requirement Increases	Post Enrollment Verification	(\$2,756,000)	(\$2,756,000)	(\$2,756,000)	(\$8,268,000)
(reverse) Eligibility Proof at time of Recertification	Processing, Certification, Recertification	(\$3,994,000)	(\$3,994,000)	(\$3,994,000)	(\$11,982,000)
Annual PEV @ \$10.15 per request (5% requested in 2012, 7% in 2013 & 10% in 2014).	Post Enrollment Verification	-\$	\$289,460	\$723,650	\$1,013,110
Increase in the capitation fee to "up to \$20.00" (5K annual enrollments @ \$5 incremental cost per enrollment)	Outreach	-\$	\$25,000	\$25,000	\$50,000
Increase in Outreach to offset attrition (events, campaigns, collateral)	Outreach	-\$	\$250,000	\$250,000	\$500,000
Incremental Cost to Pay SCE Call Center per CARE enrollment (50K enrollments @ \$3.66 incremental cost per enrollment)	Outreach	-\$	\$183,000	\$183,000	\$366,000
<b>SCE PTM Requested Net Adjustments</b>		<b>(\$7,230,000)</b>	<b>(\$4,523,043)</b>	<b>(\$5,023,354)</b>	<b>(\$16,776,397)</b>
<b>SCE's Proposed Adjusted CARE Management Budget</b>		<b>\$5,127,000</b>	<b>\$7,732,957</b>	<b>\$7,388,646</b>	<b>\$20,248,603</b>
<b>SCE's Approved Adjusted CARE Management Budget</b>		<b>\$5,607,000</b>	<b>\$6,253,460</b>	<b>\$6,843,650</b>	<b>\$18,704,110</b>

### 3.3.2. Request to Modify High Usage Customer Rule

SCE is concerned that it cannot offer its ESA Program on a timely basis to all of the willing and eligible CARE customers exceeding 400% of baseline in any monthly billing cycle as directed by D.12-08-044 as part of the high usage customer rule. SCE, therefore, requests that D.12-08-044 be modified to set a ceiling limit on the number of PEVs SCE must perform under that rule. SCE's justification for this proposed modification is that such ceiling would help pace

the ESA Program services by ensuring SCE's number of households treated in the ESA Program per month stays under 1500 households, with the caveat that if SCE is able to treat more than 1500 households, it will increase the number of households served.

SCE has not demonstrated why the Commission must now intervene and set a ceiling to address and deal with the pacing or its program implementation and delivery. That type of discretion is well within the purview of the IOUs, including SCE, to exercise with reasoned business judgment. The number of customers who exceed specified usage levels in any monthly billing cycle may differ each month and by each utility. Likewise, the processes utilized to identify high usage customers may also vary depending on the utility. Moreover, although D.12-08-044 requires ESA participation within 45 days of notice following a PEV, the rule does not specify other required timelines including the timeline for the IOUs to provide notice to high usage customers. Thus, the rule allows each utility to flag and address high usage households according to their individual business models, including staffing resources and IT programming capabilities.

Therefore, we find this rule does not need to be modified. SCE is encouraged to maximize treatment of as many households as they are able to treat under the high usage customer rule. Since the high usage customer rule does not set a mandatory timeline on how soon the high usage customers (exceeding 400% baseline usage) must be post enrollment verified and then provided ESA treatments, SCE already has the necessary discretions on how and when it conducts the post-enrollment verifications and delivers ESA treatments. SCE should use its best judgment based on SCE's and its contractors delivery

capacity to pace and manage their ESA treatment delivery with the ultimate aim of treating 100% of all willing and eligible low-income customers by 2020.

In sum, dealing with this type of issue having to do with the ebb and flow of program delivery activities and effectively managing them are the essence of IOUs' administrative role. We therefore, find this request unreasonable and deny it.

### **3.3.3. Request to Modify Cooling Center Requirement**

SCE states that it does not directly manage activities at cooling centers and will need to rely on the cooling centers alone to provide D.12-08-044 data ordered to be tracked and reported under Ordering Paragraph 83 of that decision which required the Utilities to file reports on "cooling center facility activities including, attendance, low-income program enrollments, and itemized expenses and describing the energy education and marketing materials provided at each cooling center facility." SCE contends that it lacks the resources to verify the accuracy of that data. SCE therefore requests D.12-08-044 be modified to acknowledge that some of the requested information may not be available to SCE and instead require SCE to report only the information that is provided to it by the cooling centers. SCE further contends that it cannot implement additional data reporting required in D.12-08-044 without additional resources. Since D.12-08-044 provided no additional resources for this report, SCE explains that it is unable to verify the accuracy of the data the cooling centers provide and must rely on the unverified reports by the cooling centers to prepare and submit the reports, as ordered in D.12-08-044.



This issue can be addressed by modifying Ordering Paragraph 83 of D.12-08-044. We, therefore, modify the Ordering Paragraph 83 of D.12-08-044, as follows:

83. By December 21st of each year, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company ~~and Southern California Gas Company~~ shall file their reports, based on best information available to the utility on cooling center facility activities including, attendance, low-income program enrollments, and itemized expenses. These annual cooling center reports shall and describe, based on the best information available to the utility, ing the energy education and marketing materials provided at each cooling center facility and provide attendance and enrollment tracking data for all cooling centers with annual expenses that exceed \$5,000.

**3.3.4. Request for Waiver from Complying with Ordering Paragraph 61**

SCE requests a waiver from complying with Ordering Paragraph 61 of D.12-08-044 to file (a) the cost-effectiveness values for the high efficiency forced air unit measure for each of the different housing types and climate zones that they cover, to see if they pass the Cost-Effectiveness Test, and (b) an estimate for the costs, energy savings values, as well as the projected quantity (by housing type and climate zone) of this measure to be installed for each program year. SCE correctly points out the inadvertent error in D.12-08-044. This ordering paragraph applies only to gas utilities since the high efficiency forced air unit measure is a gas measure. Since SCE is an electric only utility, SCE does not need to comply with this directive. Therefore, SCE's request to be excused from complying with Ordering Paragraph 61 of D.12-08-044 is granted. Ordering Paragraph 61 of D.12-08-044 is modified to exclude SCE.

### **3.3.5. Request for Corrections**

SCE points out that D.12-08-044 approves room air conditioners in climate zone (CZ) 10 and CZ 13 for all housing types on page 106 and Ordering Paragraph 46. However, Appendix I.1 of D.12-08-044 shows room air conditioners in CZ 10 and 13 as not approved. SCE also points out Evaporative Cooler Maintenance is listed as an "Add Back" measure at the bottom of Appendix I.1 of D.12-08-044, but Ordering Paragraph 53 of D.12-08-044 approves SCE's request to retire the Evaporative Cooler Maintenance Measure. SCE requests the Commission correct these errors in Appendix I.1 of D.12-08-044.

We agree that Appendix I.1 of D.12-08-044 should be corrected to allow room air conditioners in all housing types for CZs 10 and 13, consistent with Ordering Paragraph 46 of that decision. We also agree that Appendix I.1 of D.12-08-044 should be corrected to remove "add back" from the Evaporative Cooler Maintenance Measure row, consistent with Ordering Paragraph 53 of that decision.

### **3.4. Joint Utilities' Petition to Modify D.12-08-044 Concerning Energy Education Study**

On November 1, 2013, a joint petition to modify D.12-08-044 (Joint Petition) was filed by the IOUs seeking modification of that decision that would authorize extension of time for the IOUs to complete the Energy Education Study ordered in that decision, including completing the field study requirements in assessing the benefits of the current energy education offerings until the ESA and CARE 2015-2017 program cycle.

### **3.4.1. Background on Energy Education Study ordered in D.12-08-044**

The Commission initially authorized a study budget of \$300,000 for the IOUs and directed the IOUs to conduct an Energy Education Study<sup>24</sup> that, *inter alia*:

- Tests whether and how the current energy education program could be improved to yield *actual* energy and bill savings and how to effectively deliver the energy education toward the lasting behavioral change in the low-income household;
- Explores how to measure success of such education;
- Includes a field study component to help assess the benefits of the current energy education offerings, and include a before and after test period and household bill analysis that measures any *actual* energy- and bill- savings;
- Includes an experimental group to be added to this energy education study consisting of CARE participants with monthly usage of 200%-400% of baseline, and the new and existing education could be tested on this experimental group to study any *actual* energy and bill savings gleaned from energy education; and
- Examines all feasible methods of aligning and integrating ESA Program energy education with information from other demand-side programs offerings including the IOUs' CA-ICEAT hosted, free of charge, on each IOU's website.

This study was to inform the Commission in determining whether there are energy and/or bill savings associated with ESA Program energy education

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<sup>24</sup> D.12-08-044 at 240-241 and Ordering Paragraph 110.

and whether, going forward, this justifies energy education as a cost-effective, standalone measure.<sup>25</sup>

The research for the initial phase of the ESA Energy Education Study has been completed as ordered in D.12-08-044.<sup>26</sup> The study objective was to identify ways to optimize and/or improve the educational component of the ESA Program and examine the current and potential value of this energy education. Phase 1 of the study included the following components: 1) Secondary Research and comprehensive review of the current ESA Program energy education content and materials; 2) Contractor Research including in-depth interviews and internet surveys; and 3) Customer Research including in-home interviews, telephone interviews, and focus groups throughout the four IOU service territories.

Some of the key findings and conclusions of the Energy Education Study - Phase 1 are:

- The guidebooks utilized by the IOUs are key tools that all have room for improvement;
- Additional materials could be developed to help overcome the issues of customers retaining the energy education provided and the challenges relating to delivering effective energy education to multi-person households;
- Current educational content is relatively comprehensive, but information that customers consider “new” is more memorable;
- Assessor recruitment, selection, training, retention and overall performance of delivering energy education have been effective, although areas for improvement were identified among a small minority of customer experiences and assessors;

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<sup>25</sup> Ibid.

- Language barrier problems are minimal;
- In-home delivery methods are also generally on target, but the practice of not providing education until after qualification of measures is likely to reduce its effectiveness;
- Information retention has proven to be a problem for some customers and that should be addressed; and
- Households with multiple adults and/or children in the home face challenges with gaining cooperation in reducing the household's energy consumption.

Some of the key recommendations of the Energy Education Study - Phase 1 are:

- Standardize more of the training across the IOUs to encourage adoption of best practices and enhance the knowledge-base of assessors statewide concerning energy saving information that is passed on to customers;
- Provide follow up with customers after the initial assessment mail-back or web-based survey or other forms of periodic communication;
- Consider modified and additional energy education materials to increase the materials' appeal and subsequent use;
- Consider more customized information for customers and for the household;
- Provide energy education throughout the visit, and training should more explicitly teach the approach of providing energy education throughout the assessment process; and
- Revise the protocol to withhold providing energy education until after qualification on measures and the walkthrough. This will help tailor and limit the energy education and information based on the actual measures being provided during the visits.

A workshop was held on October 17, 2013 to review the draft Energy Education Study – Phase 1 Report. Parties were invited and provided opportunity to post comments on Energy Division’s public document website (<http://www.energydataweb.com>). That draft Phase I report was finalized and submitted to the herein proceeding docket thereafter, on October 31, 2013.

### **3.4.2. Joint Petition and Justifications**

Upon completion of Phase 1 of the Energy Education Study, the IOUs in their Joint Petition seek authorization for extension of time for the IOUs to complete the remainder of the Energy Education Study, ordered in D.12-08-044, as Phase 2 Report. The IOUs provided the following justifications for their Joint Petition:

- A viable proposal for measuring energy savings will require significantly more time and resources for development beyond the time remaining in the current 2012-2014 program cycle.
- Measuring energy savings as ordered in D.12-08-044 cannot be accomplished within the time frame and budget allotted.
- The billing analysis would require a minimum of nine months of pre- and post-treatment usage data to ascertain reliable results. Post-treatment usage data cannot be collected until after the “new education” is implemented based on Phase I results.
- Measurement of any new educational materials or practices and contractor training is unlikely to occur until at least the middle of the 2015-2017 program cycle and would reflect an analysis of energy education practices that will be implemented in response to Phase I of the Energy Education study, (which was completed and submitted on October 31, 2013).

- The design would require the measurement of savings well after the treatment, preferably multiple measurements over time.

No party has filed a response to the Joint Petition. Upon review of the Commission's directives in D.12-08-044, the IOUs' progress evidenced in the Energy Education Study - Phase 1 Report, and the IOUs' proposed plan illustrated in the Joint Petition for what is needed to complete the remainder of energy education study, as part of Phase 2 Report, we find IOUs' request for extension of time beyond the current program cycle reasonable.

Therefore, we excuse the IOUs from the August 31, 2013 deadline for submission of the Energy Education Study, Phase 2, as ordered in D.12-08-044 and instead direct the IOUs to propose a Phase 2 Energy Education Study in their 2015-2017 applications to be conducted in the next program cycle, including a proposed schedule and budget sufficient to include a field study component to help assess the benefits of the current energy education offerings, and a before and after test period and household bill analysis that measures any actual energy and bill savings.<sup>27</sup>

#### **4. Revisiting of Measures**

##### **4.1. High Efficiency Furnace**

D.08-11-031 authorized a SoCalGas pilot (Pilot) that offered natural gas high efficiency (HE) forced-air unit (FAU) furnaces to customers with high winter season space heating needs. The pilot was originally designed to target approximately 250 low-income households with space heating usage at or above 300 therms during the winter season of November through March (winter

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<sup>27</sup> See Joint Petition, Attachment A.

season). The goal of the pilot was to replace an existing, inefficient operational natural gas FAU furnace, defined as units with an Annual Fuel Utilization Efficiency (AFUE) rating of 65 or lower) with a new high-efficiency FAU furnace (with an AFUE rating  $\geq$  92).

The Pilot has been completed and SoCalGas reports the below findings:

- Customers were selected to participate in the pilot based on the following criteria: 1) customers who already had an existing, working furnace; 2) customers who lived in single-family households and customers who owned their home; 3) customers with space heating usage of 300 therms or above during the 2008-2009 winter season; and, 4) customers with furnaces that had an Annual Fuel Utilization Efficiency (AFUE) rating of 65 or lower. In SoCalGas's territory, this selection criterion produced a list of approximately 500 customers from which the pilot participants were recruited, however only fifty opted to participate.
- The average installation and equipment cost for each furnace was very high, totaling **\$2,680 per each unit**, resulting in total installation costs for the pilot of \$109,834 for 41 customers who participated in the pilot program. The replacement of these high-use inefficient FAU furnaces with the high-efficiency units was expected to produce a lower bill for the customer and also provide long-term energy savings. Expected energy efficiency gains were estimated at 29% per FAU installed, and anticipated energy savings were an average of 88 therms per customer during the 4 month winter season.
- Final Results:
  - (1) The participating customers did not see a significant reduction in gas consumption with energy savings of 100-125 therms during the winter months.
  - (2) The measure's cost-effectiveness values were low as shown in Table 8:



**Table 8: Benefit Cost Ratios for  
SoCalGas Furnace Pilot<sup>28</sup>**

MPT	UCT	TRC
0.57	0.37	0.28

- (3) Given these results, SoCalGas did not recommend that the HE FAU replacement be added to the ESA Program furnace repair and replacement measure; and SoCalGas also noted the recent development of newer and more energy efficient (95 AFUE) forced-air units and the phasing-out of the 92 AFUE units used in the pilot.
- (4) Uncertainties around the cost of new 95 AFUE FAUs and the availability of the units used in the pilot make it difficult if not impossible to determine the feasibility of HE FAU replacement as a full measure.
- (5) Because high efficiency FAUs continue to increase in efficiency, SoCalGas would also need to continue to conduct cost-effectiveness tests to verify that new models would still be eligible for the ESA program.
- (6) SoCalGas faced many unexpected obstacles during the pilot even though a diligent effort was made to find and provide customers with this service.

In Phase I of this proceeding, ORA recommended that the HE FAU be added to the IOUs' portfolios based on the 2009-2011 SoCalGas pilot results. SoCalGas estimated that adding the measure would add an additional \$1.7 million to its 2012-2014 budgets. NRDC correctly pointed out that the record lacked cost-effectiveness values for this measure of each of the gas fueled IOUs.

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<sup>28</sup> Final Report on SoCalGas's 2009 – 2010 High Efficiency Forced-Air Furnace Pilot, December 6, 2010: <http://www.liob.org/docs/SoCalGas%20Final%20Report%20on%202009-2011%20HE%20FAU%20Pilot.pdf>

In the Phase I Decision, D.12-08-044, the Commission determined that ORA's request was premature and directed the gas IOUs to provide cost-effectiveness values for this measure, and develop program cycle cost estimates/projections to be submitted for Commission review. PG&E, SDG&E and SoCalGas filed their reports on October 29, 2012, which is summarized below.

PG&E's report states:

- Quantity Eligible: 22,580 households per year will be eligible.
- Cost: \$5,000 per unit in 2013, and \$5,200 per unit in 2014, with annual budget of \$113 million in 2013 and \$117 million in 2014.
- CE values: Ranges from 0.06-0.26 for Utility Cost Test (UCT), and 0.04-0.20 for Modified Participant Cost Test (MPT).
- However, of all the households identified for a HE FAU replacement under the above criteria, 0 households would meet adopted cost-effectiveness (CE) test.
- PG&E strongly urges this Commission to refrain from embarking on any major modifications to D.12-08-044 in this area at this time.

SoCalGas's report states:

- Quantity Eligible: 91 households per year will be eligible.
- Cost: \$4,600 per unit, or \$418,600 annually.
- CE values: Ranges from 0.06-0.35 for UCT, and 0.22-1.27 for MPT.
- However, of all the households identified for a HE FAU replacement under the above criteria, only 3 households would meet adopted CE test.

SDG&E's report states:

- Quantity Eligible: 3 households per year will be eligible in 2014 (none identified for 2013).
- Cost: \$4,600 per unit, or \$13,800 annually.
- CE values: Ranges from 0.15-0.23 for UCT, and 0.58-.88 for MPT.
- However, of all the households identified for a HE FAU replacement under the above criteria, 0 households would meet adopted CE test.

#### **4.1.1. PG&E**

For PG&E, allowing the high efficiency furnace measure would increase its annual budget by \$117 million in 2014 alone, with 45,160 installations, but none of the households in any of the climate zones would meet the adopted CE test. As currently authorized, PG&E's energy efficiency measures budget is \$126.9 million for 2013, and \$131.4 million for 2014. Adding this one measure to the program would nearly double PG&E's currently authorized budget for energy efficiency measures, annually.

In addition, based on PG&E's estimates, those households that may be eligible for this measure represent only about 19% of PGE's annual households treated goal. Yet, this measure would consume 47% of that year's annual energy efficiency measures budget for this one measure alone (not accounting for any other energy efficiency measures to be installed in the same household).

PG&E also estimates that 22,580 households per year will be eligible for a HE furnace replacement, but none of those households would meet the CE test, making none of these installations "cost effective."

For all the above data regarding budget share and treatment rates for this measure, in addition to the high cost and lower than expected energy savings, we agree with PG&E that the costs of such an undertaking would be staggering

and imprudent. We also acknowledge the report's finding that noted numerous challenges in finding customers to agree to participate in the pilot, as well as the unexpected obstacles and challenges faced by SoCalGas during the pilot implementation in finding and providing customers with this service. Based on the foregoing, we have revisited the issue of whether to add this as a measure in PG&E's portfolio for the 2013-2014 program years and find that it would be imprudent and unreasonable to do so.

#### **4.1.2. SoCalGas**

For SoCalGas, allowing this measure would increase its annual budget by \$418,600, with 91 installations each year. Only three of those households/units are likely to meet the ESA Program's CE test. As currently authorized, SoCalGas's energy efficiency measures budget is \$85.1 million for 2014. Although adding this measure to SoCalGas's currently authorized budget would not have the dramatic impact as we see with PG&E's territory, \$418,600 is still a significant annual budget increase.

In addition, based on SoCalGas's estimates, those that may be eligible for this measure (91 units each year) in its territory represent only 0.07% of its annual households treated goal, meaning this costly energy efficiency measure would benefit extremely few households. In turn, by directing use of ESA Program funds to such costly measures, the Commission would have more difficulty reaching its Strategic Plan goal and statutory duty to treat 100% of eligible and willing low-income households in California by 2020.

As we discussed in the previous section of this decision, we again acknowledge the report's finding that noted numerous challenges in finding customers to agree to participate in the pilot, as well as the unexpected obstacles and challenges faced by SoCalGas during the pilot implementation in finding

and providing customers with this service. Based on the foregoing, we have revisited the issue of whether to add this as a measure in SoCalGas's portfolio for the 2013-2014 program years but find that it would be imprudent and unreasonable to add this measure to SoCalGas's portfolio for the 2013-2014 program years.

#### **4.1.3. SDG&E**

While SDG&E estimates that it has far fewer households in its service territory eligible for this measure, based on our reasoning as discussed in the previous two sections of this decision, we find that it would be imprudent and unreasonable to add this measure to SDG&E's portfolio for the 2013-2014 program years.

#### **4.1.4. Future Consideration for High Efficiency Furnaces**

At this time, we find the IOUs have provided sufficient data to serve as basis for a meaningful analysis in evaluating the implications, propriety and feasibility of these measures for the ESA Program. We therefore find that no further pilots are needed for these measures. As set forth in Attachment Q to this decision, Section E (Measure Portfolio Composition), the IOUs may propose new measure offerings in their future budget applications, including high efficiency forced air-unit furnaces with the relevant cost-effectiveness ratios or justification for deviations as described therein.

#### **4.2. Smart Strips (PG&E)**

Ordering Paragraph 60 of D.12-08-044 provided as follows:

Within 60 days after this decision is issued, Pacific Gas and Electric Company shall file (a) cost-effectiveness values for the smart power strip measure for each of the different housing types and climate zones that they cover, to see if they meet the

Cost-effectiveness Test, and (b) an estimate for the costs, energy savings values, as well as the projected quantity (by housing type and climate zone) of this measure to be installed for each program year.

PG&E submitted the below data, in compliance with the Ordering

Paragraph 60 of D.12-08-044:

- Smart Power Strips Utility Cost Test (UCT) result is 0.66, for all climate zones.
- Modified Participant Cost Test (PCm) result is 0.72, for all climate zones.
- Total Resource Cost Test result is 0.55, for all climate zones.
- Estimated annual energy savings of 3,056,039 kilowatt hours.
- Estimated annual number of units 104,124.
- Estimated annual cost of \$2,929,008,

The above data show that Smart power strips meet the ESA Program's adopted CE test, which states:

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

Based on the foregoing, we direct PG&E to add Smart power strips to its 2012-2014 ESA program portfolio for all CZs and Housing Types that meet the ESA Program's adopted CE Test in PG&E's service territory. Based on the review of PG&E's monthly and annual reports, PG&E has adequate budget for the remainder of this program cycle to add this measure to its measures list without a need to increase its budget for this current cycle. Therefore, no additional budget is approved for Smart strips for PG&E for the 2012-2014 cycle.

## **5. Audit of SoCalGas**

During the tail end of the prior program cycle, SoCalGas experienced a sudden budget shortfall in its ESA Program budget and was facing the possibility of ESA Program suspension. An order to show cause (OSC) hearing was held in December of 2011, and the Commission's review of that issue was carried over and continued to this current 2012-2014 cycle and herein proceeding. The outcome of the OSC hearing was a ruling which directed SoCalGas to conduct an audit to:

- Examine SoCalGas's records of ESA Program to determine what causes, precursors, or contributory factors affected and otherwise triggered the "sudden spike" in contractors' invoicing in November of 2011;
- Identify and examine all of SoCalGas's management actions relating to the ESA Program activities during the timeframe subject to the audit;
- Review SoCalGas's then-existing ESA Program related management practices, protocols and contract management tools in place in November 2011;
- Conduct random verifications of 10% of the contractors' actual November 2011 invoices with the concluded ESA Program work during the same month to ascertain whether ESA Program measures were actually installed, whether such work was completed in compliance with the ESA Program rules and standards, and to see a random profile of the ESA Program activities during that anomalous period to better understand the "sudden spike";
- Prepare and submit recommendations based on the audit for how those practices and tools should be enhanced to prevent recurrence of any potential stoppage of future ESA Program activities.

The final audit report ordered as a result of that OSC hearing has been submitted and attached to this decision as Attachments P-1 and P-2 and highlights of the findings and recommendations are summarized below:

**Audit Findings**

- While the program did go over budget by \$23.9 million for PY2011 (of which \$20.9 million was covered by carry over funds), the number of actual November-December 2011 invoices paid by ESA Program was significantly lower than projected.
- Actual expenditures that occurred in the months of November and December were not significantly higher than in other months in program year 2011.
- Regarding ESA Program management practices, limited management oversight led to budget overruns.
- Other Reasons for Overrun include:
  - Households treated increased over the years (from '09-11)
  - Increase in measures installed (not originally budgeted for) and increased measure cost, leading to an increase in dollars per unit treated increased from \$577 in 2009 to \$635 in 2011
  - SoCalGas entered into contracts with contractors whose total aggregated spending limits were greater than authorized ESA Program budgets
  - SoCalGas entered into contracts with contractors which did not set max spending limits and households treated goals and those terms could not be changed without contractor agreement
  - SoCalGas's management did not enforce provision in contract to require invoice submissions within 14 days (allowed contractors to take up to 35 days, leading to poor budget management)



- 6.7% of the enrollment and assessment invoiced accounts tested had incomplete income documentation for customer enrollments.
- Per the 10% sampling requirement, 62 sample invoices were reviewed with 45 in-home visits conducted. In home verification tests included whether:
  - The measure was installed and if so, if it was installed in accordance with applicable California Weatherization Installation Standards;
  - The quantity listed on the invoice of the measure installed was accurate; and
  - The measure appeared to have been installed on the installation date indicated on the invoice.
- The audit concluded that no exceptions were found, meaning all measures were installed within compliance

**Recommendations:**

- SoCalGas's management should manage and ensure that the aggregate contractual maximum spending limits are within budget.
- SoCalGas's management should change the contract language with vendors to allow SoCalGas to unilaterally change unit treated goals and maximum spending limit during the program year.
- SoCalGas's management should change the language in its vendor contracts to allow SoCalGas the ability to change maximum spending limits and unit treated goals, without vendor agreement.
- SoCalGas's management should enforce the contract provision requiring that vendors submit invoices within 14 calendar days of work completion to ensure SoCalGas's Home Energy Assistance Tracking system's data is timely and accurate.

- SoCalGas's management should develop a projection methodology that is data-driven, produced on a frequent basis (quarterly), consistently evaluated for its accuracy and easily visible by ESA Program management.
- SoCalGas's management should provide Outreach Workers with clear training on how to complete the Income Worksheet and what supporting documentation is appropriate and necessary.

We adopt the final audit report (Attachments P-1 and P-2). We generally concur with the recommendations above and direct SoCalGas to implement those recommendations immediately. However, those recommendations do not fully address all of the findings of the audit.

The audit found that 6.7% of the enrollment and assessment accounts tested had incomplete income documentation for customer enrollments, leading to the potential enrollments of unqualified participants/households. Households treated without following program enrollment rules should not be reimbursed by the ESA Program, and the installation/enrollment contractor should have to incur the costs, if they fail to diligently perform the income documentation/verification portion of their enrollment screening process. SoCalGas's management must adapt its management practices to ensure only eligible program enrollments occur, going forward.

In addition, the audit findings and recommendations seem to suggest that the budget overrun is somewhat justified because SoCalGas exceeded the households treated goals for 2011, and the coverage from SoCalGas's carry over funds from 2009-2010 (\$20 million) lessens the total overage. This reasoning is flawed. The audit fails to acknowledge that the increased activities in 2011 and overrun were results of SoCalGas's catch-up efforts. SoCalGas had failed to meet its households treated goals in 2009 or 2010, and if we examine SoCalGas's

overall 3-year program cycle, the households treated goal was not met (92%), and the budget was still overrun. That said, SoCalGas must ensure in the future that program delivery is carefully overseen to avoid recurrence of similar budget shortfalls.

## **6. Phase II Status and Context Leading to the 2015-2017 Program Cycle Applications**

### **6.1. Studies and Working Groups' Reports**

In D.12-08-044, the Commission directed the IOUs to conduct four studies during Phase II:

- An updated Low-Income Needs Assessment Study;
- An updated Impact Evaluation Report;
- Multifamily Segment Study; and
- Energy Education Study.

In D.12-08-044, the Commission also ordered that three working groups be established, and each group was charged with examining issues relating to the following three subject areas: (1) workforce education and training, (2) the ESA Program cost-effectiveness, and (3) the miscellaneous mid-cycle program administration issues.

During the Phase II of the Consolidated Proceeding, the studies ordered in D.12-08-044 have been completed, with the exception of the Energy Education Study for which only the Phase 1 Report has been completed, as further discussed in Section 3.4 of this decision. Likewise, the three working groups (the Workforce Education and Training Working Group, the Cost-Effectiveness Working Group, and the Mid-cycle Working Group) were established, as ordered in D.12-08-044, and these working groups have prepared and submitted their final reports and recommendations.

We adopt the four above-referenced studies and three final working groups' reports that have been completed and submitted in this Consolidated Proceeding. The IOUs are directed to thoroughly review these studies and working groups' reports. As discussed below, these studies and working groups' reports, as well as the findings and recommendations therein shall inform and guide the IOUs in their preparation of their 2015-2017 ESA and CARE Program applications. The IOUs shall incorporate, in their respective strategies, findings and recommendations from these studies to propose ways to improve the ESA and CARE Programs in the future cycles.

We address the individual studies and working groups' reports below. More importantly, we direct the IOUs to implement the key recommendations we approve in this decision and provide attendant directions to the IOUs to implement those specific recommendations. In addition to our directions below, we provide, in Attachment Q, further and more particularized directions guided by the above-referenced studies and working groups' reports.

Finally, we acknowledge the recommendations of the Cost-Effectiveness Working Group, the Mid-cycle Working Group, the Workforce Education and Training Working Group, Energy Education Study (Phase 1 Report) and Multifamily Segment Study that seek the Commission's continued and further review of some aspects of those issues beyond this 2012-2014 program cycle. Parties have filed comments noting that some of the finding and recommendations of these studies and working groups' reports require further review and vetting and therefore are not actionable at this time.

We agree. Some aspects of those issues or subject areas, including some of the related recommendations require further vetting, are not yet poised for full resolution at this junction and our review of those issues or subject areas should

therefore be continued to the next cycle proceeding. Thus, on recommendations of the studies and working groups' reports for which (1) parties have raised objections or concerns and (2) we do not explicitly direct implementation of the specific recommendation in this decision, including the Attachment Q to this decision, we are specifically reserving those recommendations for further deliberation during the upcoming cycle.

### **6.1.1. Studies**

#### **6.1.1.1. Low-Income Needs Assessment Study**

In 2013, AB 327 was passed and amended the California Public Utilities Code Section 382(d) which now requires that "A periodic assessment shall be made not less often than every third year." Accordingly, the IOUs are directed to propose an attendant scope, schedule and budget for said study to be completed by no later than 2016.<sup>29</sup>

In D.12-08-044, the Commission directed the IOUs to conduct an updated Low-Income Needs Assessment Study (2013 LINA Study). The 2013 LINA Study was recently released. The 2013 LINA Study is adopted and supersedes the 2007 LINA Study.<sup>30</sup>

The objectives of 2013 LINA Study were to provide updated information to support program and regulatory decisions related to better addressing the needs of CARE/ESA eligible customers by:

- Reporting the most recently available estimates of eligible households;

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<sup>29</sup> *Id.*

<sup>30</sup> The 2013 Low-Income Needs Assessment Study can be seen at the following link: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255063>.

- Exploring the accessibility of the programs to eligible low-income customers;
- Obtaining participating customers' perceptions of the programs;
- Assessing eligible non-participating low-income customers' willingness and barriers to participate;
- Assessing the energy-related needs of low-income customers, which includes an examination of customers' needs for specific energy efficiency measures;
- Providing data that can be used to support updates of estimates of the energy savings potential remaining among eligible low-income customers' homes;
- Collecting data on energy burden and insecurity from eligible low-income customers; and
- Assessing the non-energy benefits that participants receive from participating in the ESA program.

Some of the key recommendations on improvements that can be made to the ESA and CARE programs to better meet the needs of the low-income population and to improve participation are to apply a tailored approach to certain underserved communities by:

- Easing enrollment for renters;
- Better targeting and enrolling in rural areas;
- Ensuring that the newly low-income households are aware of the program, (work with social workers, hospitals, low-income law centers and other agencies that interact with individuals who are going through life changes that might be associated with reductions in household income);

- Focusing on very high poverty areas, where CARE penetration is lower;
- Targeting households for ESA that re-enroll in CARE after moving to ensure that the highly transient population participates;
- Refining outreach strategies to enroll households who do not want a “hand out”;
- Reducing the number of visits to a home for measure implementation;
- Coordinating with CBOs to conduct outreach to overcome lack of trust in contractors;
- Establishing a clearer identity and brand for ESA; and
- Continuing the use of targeted PEV to reduce incidences of unqualified households.

The 2013 LINA Study also provides more current statewide data reflecting the eligible population at various poverty levels and other informative study findings and results applicable to the IOUs’ territories. This study is an important step toward accurately accounting for those already served by the CARE and ESA Programs, as well as those that remain eligible (and not yet treated or enrolled) for these programs. Therefore, this study will assist the IOUs in determining whether they are on track to treat 100% of all eligible and willing households by 2020.<sup>31</sup>

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<sup>31</sup> See Strategic Plan (<http://www.cpuc.ca.gov/NR/rdonlyres/D4321448-208C-48F9-9F62-1BBB14A8D717/0/EEStrategicPlan.pdf>); see also January 2011 Update to Strategic Plan ([http://www.cpuc.ca.gov/NR/rdonlyres/A54B59C2-D571-440D-9477-3363726F573A/0/CAEnergyEfficiencyStrategicPlan\\_Jan2011.pdf](http://www.cpuc.ca.gov/NR/rdonlyres/A54B59C2-D571-440D-9477-3363726F573A/0/CAEnergyEfficiencyStrategicPlan_Jan2011.pdf)).

As such, the IOUs are directed to thoroughly review the 2013 LINA Study. The findings and recommendations therein shall inform and guide the IOUs in their preparation of their 2015-2017 ESA and CARE Program applications. The IOUs shall incorporate, in their respective strategies, findings and recommendations from the 2013 LINA Study to propose ways to improve the ESA and CARE Programs in the upcoming 2015-2017 cycle. In Attachment Q, we provide additional and more particularized directions based on the 2013 LINA Study recommendations.

#### **6.1.1.2. Impact Evaluation Report**

In D.12-08-044, the Commission directed the IOUs to conduct an updated Impact Evaluation Report (2013 Impact Report). For the 2012-2014 program cycle applications, we recognize that the projected energy savings estimates were based on the draft impact evaluation report because of the delay and unavailability of the final impact evaluation report results. We share the concerns raised by ORA as they relate to the 2009 impact evaluation results and associated energy savings estimates.

To alleviate similar concerns for the 2015-2017 program cycles, D.12-08-044 ordered the timely release of a joint Impact Evaluation and directed Energy Division and the IOUs to complete and publish the Final Report no later than August 31, 2013 in order to allow adequate time for the IOUs to incorporate it into the utilities' 2015-2017 budget applications.<sup>32</sup> The 2013 Impact Report was completed and released on August 30, 2013.

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<sup>32</sup> D.12-08-044 at 13.



The objectives of the 2013 Impact Report was to estimate first-year gas and electric energy savings, and coincident peak demand reduction attributable to the ESA Program, based on 2011 program year data.

Some of the key results of the 2013 Impact Report are as follows:

- Savings from the ESA Program measures is a small fraction of overall household energy consumption;
- A significant number of ESA participant households are using more energy after participation; and
- Customers may be unaware that they are using more energy. The phone survey targeting households with increased energy use did not provide any clear answers on what might be driving the higher consumption. Respondents generally reported that they were using their heating and cooling systems about the same as they did prior to participation. For those that said they used the systems more, the most common reason for using heating and cooling systems more had to do with changes in weather (e.g., hotter or cooler weather).

The 2013 Impact Report is adopted.<sup>33</sup> The IOUs are directed to thoroughly review the 2013 Impact Report. The findings and recommendations therein shall inform and guide the IOUs in their preparation of their 2015-2017 ESA and CARE Program applications. The IOUs shall incorporate, in their respective strategies, findings and recommendations from the 2013 Impact Report to propose ways to improve the ESA Program in the upcoming 2015-2017 cycle. In

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<sup>33</sup> The 2013 Impact Evaluation Report can be seen at the following link:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100354179>.

Attachment Q, we provide additional and more particularized directions based on the 2013 Impact Report.

#### **6.1.1.3. Multifamily Segment Study**

In D.12-08-044, the Commission directed the IOUs to conduct the Multifamily Segment Study (Multifamily Segment Study) during the Phase II of the Consolidated Proceeding. The Multifamily Segment Study was conducted, recently released and is now adopted.<sup>34</sup> While there are aspects of the Multifamily Segment Study and its recommendations that require further review, we find that several of its recommendations are sound and poised to be rolled out. In general, these recommendations enhance the ESA Program by removing barriers to ESA Program participation for the low-income households residing in multifamily housing. We therefore adopt the some of the key recommendations from the Multifamily Segment Study, and they are summarized and highlighted below:

- (1) The IOUs serving multifamily properties shall work directly with property owners where this approach reduces barriers to participation;
- (2) The Commission's "80/20" rule is modified so that an IOU may treat the entire multifamily building, whether or not a particular unit is occupied or income qualified, if at least 80% of the building's units are income-qualified;<sup>35</sup>
- (3) Housing subsidies should not be counted as income;<sup>36</sup>

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<sup>34</sup> The 2013 Multifamily Segment Study can be seen at the following link: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255060>.

<sup>35</sup> Multifamily Segment Study at 191.

<sup>36</sup> The IOUs, in their 2015-2017 Applications for ESA and CARE Programs and Budgets, may propose specific exemptions to this rule, with factual and legal justifications, demonstrating

*Footnote continued on next page*

- (4) The IOUs shall propose an expedited enrollment process for the United States Department of Housing and Urban Development assisted multifamily housing wherein at least 80% of the tenants have incomes at or below 200% of federal poverty level (FPL);<sup>37</sup>
- (5) The IOUs shall appoint a single point of contact for the ESA Program, as is already the case for the Energy Upgrade California program; and
- (6) The IOUs shall coordinate among ESA, CARE, and Energy Upgrade California, including any potential pooling of funds among programs where such pooling maximizes energy efficiency treatment of multifamily housing and ensures that more potential eligible customers are enrolled.

In general, the IOUs are directed to thoroughly review the Multifamily Segment Study. The findings and recommendations therein shall inform and guide the IOUs in their preparation of their 2015-2017 ESA and CARE Program applications. The IOUs shall incorporate, in their respective strategies, findings and recommendations from this study to propose ways to improve the ESA Program in the upcoming 2015-2017 cycle. The IOUs are directed to prepare their 2015-2017 ESA and CARE Program applications which clearly reflect the

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compelling reasons as to why a particular or specific category(ies) of housing subsidies should be excluded from this rule and instead be counted as income. The compelling reasons must include demonstration that the particular or specific category(ies) of housing subsidies are being received by households that do not meet the 200% federal poverty guidelines income requirement for the ESA and CARE Programs.

<sup>37</sup> Expedited enrollment is a process wherein HUD provides the IOUs with a list of HUD supported properties in which at least 80% of the tenants have been verified to have incomes at or below 200% of FPL, fulfilling the income verification requirements for these properties and their tenants for participating in the ESA Program.

above key and highlighted recommendations and propose modifications to the 2015-2017 ESA Program accordingly.

We believe these changes will significantly enhance the ESA Program going forward. We also believe a single point of contact and coordination will enable the IOUs to provide technical support to building owners to ensure that funds from different programs are spent cost-effectively and without redundancy.

With the rollout of the above adopted highlighted recommendations, the ESA Program will also be in a better position to coordinate with multifamily energy efficiency offerings to deliver full-building measures where those measures are cost-effective and where the energy savings and benefits can be directly linked to low-income tenants.

Based on the foregoing, the IOUs are directed to incorporate the above adopted recommendations in the 2015-2017 applications and should propose new, cost-effective measures for the multifamily sector, including common area measures and central heating, cooling, and hot water systems. The IOUs' proposals for the new multifamily measures, which may be expensive on a per-unit basis, should include (1) a total budget for the measure and a proposed budget allocation, (2) an explanation of why the proportion proposed to be used for these measures is reasonable, and (3) a description of how other energy efficiency program funds, such as Energy Upgrade California and federal energy efficiency programs, will be leveraged.

Finally, we also adopt other recommendations from the Multifamily Segment Study, which we discuss in Attachment Q and provide more particularized and related directions therein.

#### **6.1.1.4. Energy Education Study - Phase I Report**

Refer to Section 3.4.1 of this decision for full background, status and summary of key findings, conclusions and recommendations on the Energy Education Study – Phase 1 Report (Phase 1 Report). The Phase 1 Report, filed in the herein proceeding docket on October 31, 2013 is adopted.<sup>38</sup> As we discuss in Section 3.4.2 of this decision, there remain numerous issues that must be examined in the Energy Education Study – Phase 2 Report. Thus, our review of the overall Energy Education Study, Phase 1 and Phase 2 Reports, will be continued to the next cycle proceeding.

#### **6.1.2. Working Group's Report**

##### **6.1.2.1. Cost-Effectiveness Working Group's Report**

In response to the directives set forth in D.12-08-044, the Cost-effectiveness Working Group has prepared and submitted two reports (Two Reports):

- Energy Savings Assistance Program Cost-Effectiveness White Paper dated February 15, 2013; and
- The Addendum to ESAP Cost-Effectiveness Working Group White Paper dated July 15, 2013 (Final Report).

The Final Report presents four consensus-based recommendations of the Cost-Effectiveness Working Group. As discussed below, the four recommendations are reasonable and are adopted.<sup>39</sup> The adopted recommendations are: (1) the Commission shall base program approval for the 2015-2017 cycle and beyond on the cost-effectiveness results at the program level,

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<sup>38</sup> The 2013 Energy Education Study (Phase 1 Report) can be seen at the following link: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255062>.

<sup>39</sup> The Cost-effectiveness Working Group's Final Report can be seen at the following link: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=99753158>.

rather than at the measure level; (2) in the 2015-2017 applications, the IOUs shall categorize measures as “resource” or “non-resource” based on the measure’s ability to provide energy savings; (3) the IOUs shall apply the two proposed new cost-effectiveness tests, the Energy Savings Assistance Cost-Effectiveness Test (ESACET) and the Total Resource Cost (TRC) test, replacing the existing tests; and (4) during the 2015-2017 cycle, for informational purposes, the IOUs shall conduct a preliminary, qualitative Equity Evaluation, with opportunity for party comment on the preliminary results.

These recommendations and associated methodologies are further elaborated and discussed in the Two Reports. The IOUs shall incorporate these recommendations and methodologies into their 2015-2017 program applications.

We do not adopt a cost-effectiveness threshold to be used for program approval at this time. To build on the consensus already developed in the Cost-Effectiveness Working Group, we order Energy Division to reconvene a working group for the narrow purpose of developing a program-level cost-effectiveness threshold as expeditiously as possible.

Should the working group develop a consensus-based recommendation on a threshold in time for the filing of the 2015-2017 applications, the IOUs shall use that threshold. However, should the working group not achieve consensus by the time the 2015-2017 applications are filed, the lack of consensus shall not delay the filings. In the event that the working group does not achieve consensus by the time the 2015-2017 applications are filed, the reconvened working group shall continue its efforts toward developing a consensus-based recommendation on a threshold and submit its progress report by serving it to the service list, by March 1, 2015. In the meantime, the IOUs are directed to make every effort to achieve a higher level of cost efficiency as possible for the 2015-2017 applications.

#### **6.1.2.2. Workforce Education and Training Working Group's Report**

In response to the directives set forth in D.12-08-044, the Workforce Education and Training Working Group has prepared and submitted a final report and recommendation, and we adopt it today.<sup>40</sup> In it, the Workforce Education and Training Working Group presents and recommends a list of researchable questions that should be addressed by a consultant to form the future direction of workforce data collection and determine the workforce needs and successes within the ESA Program. This is a reasonable recommendation and we adopt it. In the 2015-2017 program cycle, we intend to examine the list and consider and revise it as appropriate to reconcile the workforce needs and successes within the Mainstream Energy Efficiency portfolio.

#### **6.1.2.3. Mid-cycle Working Group's Report**

In response to the directives set forth in D.12-08-044, the Mid-cycle Working Group has revised and updated the ESA Program Statewide Policy and Procedure (P&P) and California Installation Standards (IS) Manuals. The Mid-cycle Working Group recommends the Commission's approval of the Working Group's proposed revised P&P Manual, attached to its Final Working Group Report, as Appendix D thereto. We agree with the proposed revisions and updates generally, and approve the Working Group's proposed revised P&P Manual, with some modifications<sup>41</sup> and added clarity. The approved P&P Manual, as modified, is attached to this decision as Attachment R.

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<sup>40</sup> The Workforce Education and Outreach Working Group's Final Report can be seen at the following link: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100255059>.

<sup>41</sup> We decline to adopt the Mid-cycle Working Group's recommendation to eliminate caps on Minor Home Repairs. The Commission may consider any increase to those caps based on

*Footnote continued on next page*

A summary of the working group's proposed revisions to the IS Manual is provided in Appendix E of the Working Group's Final Report. The Mid-cycle Working Group's Final Report represents that the group has made the necessary revisions and updates to the IS Manual with Energy Division's review to ensure that the IS Manual, as revised, is consistent with programmatic changes and updates set forth in D.12-08-044. Due, in part, to the size of the IS Manual (which exceeds 700 pages) it is not attached to this decision. Moreover, unlike the P&P Manual, the IS Manual is a highly technical and detailed manual used by the ESA Program contractors that does not require review and approval by the Commission. Therefore, the IS Manual is neither attached to this decision nor expressly approved. However, we acknowledge the efforts of the Mid-cycle Working Group and Energy Division. The IS Manual, as revised by the Mid-cycle Working Group, should be rolled out immediately.

The Mid-cycle Working Group's Final Report also recommends that there should be continued efforts, beyond Phase II of the Consolidated Proceeding, to streamline the IOUs' reporting requirements and to continue to examine and share best practices and process improvements by exploring, sharing and recommending alternatives to the existing practices, including income verification process, contractor licensing requirements, and investigation of the feasibility of uploading utility usage data for residential master-metered

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justifications and responses to Section F-1 of the Attachment Q to this decision for program cycle 2015-2017.



buildings/multifamily properties. In general, this recommendation and the final report of the Working Group are reasonable and we adopt them.<sup>42</sup>

## **6.2. Assigned Commissioner's Ruling dated February 25, 2014**

On February 25, 2014, the assigned Commissioner issued a ruling concerning categorical eligibility enrollment process and definition of income. The ruling solicited comments from parties on those two enrollment related issues pending in Phase II of the Consolidated Proceeding.

The Phase I Decision provided, in part, as follows:

By January 31st of each year, the Utilities are directed to jointly and annually review and submit, by Tier 2 Advice Letter, an updated list of proposed categorical eligible low-income programs for the upcoming year. The list must propose to retain and add categorically eligible programs for enrollment in low-income programs, as appropriate, and must include only programs with income thresholds consistent with the California Alternate Rates for Energy and Energy Savings Assistance Program Programs....<sup>43</sup>

Pursuant to D.12-08-044, the Utilities filed a joint advice letter (Joint Advice Letter).<sup>44</sup> Thereafter, on April 30, 2013, the Commission's Energy Division rejected the protested Joint Advice Letter stating that it raised significant unforeseen policy issues relating to the Commission's categorical eligibility enrollment and post-enrollment verification programs. Energy Division rejected the protested Joint Advice Letter without prejudice and

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<sup>42</sup> The Mid-cycle Working Group's Final Report can be seen at the following link: <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=100354171>.

<sup>43</sup> Ordering paragraph 88 (b) of D.12-08-044.

<sup>44</sup> SoCalGas (AL 4457-G), SDG&E (AL 2455-E-2170-G), SCE (AL 2849-E), and PG&E (AL 3361-G-4186-E).

recommended that the issues raised in the Joint Advice Letter be further examined by the Commission in the herein proceeding.

The Joint Second Amended Scoping Memo of the Assigned Commissioner and ALJ (Scoping Ruling) dated July 24, 2013 confirmed that categorical eligibility enrollment issue should be examined in this proceeding. On February 25, 2015, the assigned Commissioner issued a ruling to seek comments from the parties on those and related issues (Assigned Commissioner's Ruling).

The Joint Advice Letter reflected the Utilities' study of the previously-qualifying public assistance programs in the categorical eligibility enrollment program. The study contended that the majority of those previously-qualifying public assistance programs no longer qualify as their income thresholds or methodologies for calculating income resulted in misalignments with the qualification thresholds that are consistent with CARE and ESA Program income guidelines. Public Utilities Code Section 739.1, subsection (f)(1), provides the Commission with some discretion on this issue, as follows:

...The commission may determine that gas and electric customers are categorically eligible for CARE assistance if they are enrolled in other public assistance programs with substantially the same income eligibility requirements as the CARE program....

In turn and as identified in the Scoping Ruling, the resulting policy issue for the Commission's review and resolution here would be to determine which of the public assistance programs has/have income eligibility requirements that is/are "substantially the same" as the CARE Program and therefore should be approved as qualifying public assistance program(s) in the CARE categorical eligibility program, consistent with the above Code section.

Related to the above issue of program eligibility and enrollment is the issue of how income is defined in CARE and ESA Programs. In D.12-08-044, we

also decided to examine, during the Phase II of the Consolidated Proceeding, the definition of income used in the CARE and ESA Programs and to determine whether non-cash benefits such as housing subsidies should be included as part of income calculation in determining income eligibility.<sup>45</sup>

The comments to the Assigned Commissioner's Ruling have recently been filed by parties to this proceeding. Those comments raise issues that are complex and require review beyond this proceeding. We will, therefore, refer the review of those issues to the next program cycle and docket. Until such resolution, the income definition remains unchanged with one exception. As discussed in Section 6.1.1.3 of this decision, housing subsidies will not be considered income. Similarly, until such resolution, nothing proposed by the IOUs in their 2015-2017 program applications shall alter the current list of Categorical Eligibility programs, nor shall the program design reduce customer participation in the CARE and ESA Programs via Categorical Eligibility. In addition, until such resolution, the annual advice letter filing process ordered in this proceeding identifying Categorical Eligibility programs is suspended.

### **6.3. Phase II Monitoring Issues**

#### **6.3.1. High Usage Customer Rules**

Based on the Utilities' monthly and annual reports, during Phase II of this Consolidated Proceeding, we have monitored the progress and findings being reported by the Utilities in their implementation of the High Usage Customer Rule set forth in D.12-08-044. Those reported progresses are summarized below.

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<sup>45</sup> D.12-08-044 at 13.

The number of CARE customers, with electric usage above 600% of baseline in any monthly billing cycle, who have been removed from the CARE rate under the CARE High Usage Customer Rules set forth in D.12-08-044 to date are as follows:

- SCE - 4,222 CARE customers.
- SDG&E - 179 CARE customers.
- PG&E - 9,039 CARE customers.

CARE customers with electric usage above 600% of baseline in any monthly billing cycle, who have been found to have “necessary, basic and legitimate household energy usage” are as follows:

- SCE reports that its IT Systems have not been in place yet to institute this process. Within the next few months, customers that received verification requests in December 2013 and failed to reduce usage will be removed from CARE, at which time they can initiate an appeal. Prior to December 2013, SCE issued traditional verification requests to customers with usage above 600% of baseline in any monthly billing cycle. Such customers were not removed from CARE due to excess usage, but were removed due to excess income, failure to respond to a PEV request, or based on a request to be removed from the rate.
- SDG&E reports that zero CARE customers fall into this category. Of the CARE customers requested to complete the High Usage Verification (HUV) process, SDG&E has not had any customers fully comply with the process. Therefore, SDG&E had not determined any customers to have “necessary, basic and legitimate household usage.”
- PG&E reports that zero CARE customers fall into this category.

The number of CARE electric customers with electric usage at 400%-600% of baseline in any monthly billing cycle who have applied for the ESA Program within 45 days of notice is as follows:

- SCE reports that 965 CARE customers fall into this category.
- SDG&E reports that it has not begun implementing this practice yet, but expects to fully implement the HUV process for customers with electric usage greater than 400% of baseline in April of 2014.
- PG&E reports that 867 CARE Customers applied for the ESA Program, and 213 did not apply for the ESA Program.

The total number of CARE electric customers with electric usage at 400%-600% of baseline in any monthly billing cycle who have NOT applied for ESA within 45 days of notice and maybe removed from the program is as follows:

- SCE has identified 22,526 CARE customers with electric usage at 400%-600% of baseline in three consecutive billing cycles that have not been enrolled in ESA during 2013 while the IT infrastructure was being developed to support the High-Use Verification Process.
- PG&E and SDG&E do not have corresponding reported figures.

The CARE electric customers with electric usage above 400% of baseline in any monthly billing cycle who have successfully completed a PEV request and remained on the CARE rate are as follows:

- SCE reports 1,585 CARE customers with electric usage at 400%-600% of baseline in three consecutive billing cycles have successfully completed a PEV request and remained on the CARE rate, and 2,651 CARE customers with electric usage above 600% of baseline in any monthly billing cycle have successfully completed a PEV request and remained on the CARE rate.<sup>46</sup>

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<sup>46</sup> Those who have been post enrollment income verified are then in queue for ESA Program.

- PG&E reports 2,266 CARE customers with electric usage at 400%-600% of baseline in three consecutive billing cycles have successfully completed a PEV request and remained on the CARE rate.

The total number of CARE electric customers with electric usage above 400% of baseline in any monthly billing cycle who have failed a PEV or failed to respond to a PEV request are as follows:

- SCE reports 1,969 CARE customers with electric usage at 400%-600% of baseline in three consecutive billing cycles have failed a PEV or failed to respond to a PEV request and 4,190 CARE customers with electric usage above 600% of baseline in any monthly billing cycle have failed a PEV or failed to respond to a PEV request.
- PG&E 16,181 CARE customers with electric usage above 400%-600% of baseline in any monthly billing cycle have failed a PEV or failed to respond to a PEV request.

SDG&E reports it has not yet implemented the HUV process for customer with monthly baseline usage between 400%-600%. SDG&E expects to fully implement the HUV process for customer with electric usage greater than 400% of baseline in April of 2014.

Based on these preliminary implementation reports, we are heartened to note (1) the relatively smooth roll out of the rule, (2) no evidence of de-enrollment of legitimate high usage customers leading to appeals, and (3) the increased ESA Program enrollments for those customers with legitimate high usage.

Going forward, we note that customers with usage of 400%-600% of baseline generally appear more likely to successfully complete PEV process than customers whose usage exceed 600% of baseline. This suggests that higher priority should be given to post enrollment verifying the customers whose usage

are 600% above baseline than those customers with 400%-600% of baseline usage. As we directed SDG&E, other IOUs may, if necessary, also give higher priority to PEVs of 400%-600% baseline high usage customers who repeatedly exceed 400% usage limit. Since the high usage customer rule does not set a mandatory timeline on the post enrollment verification of the customer who exceeds 400% baseline usage, we clarify that the IOUs have the necessary discretion on how and when they conduct the post-enrollment verifications of the customers. Specifically, as we noted with SDG&E, other IOUs too may place the first time customers that exceed 400% baseline usage as their last PEV priority group. In all cases, be it 400%-600% baseline users or over 600% baseline users, the IOUs must take all reasonable actions necessary to assist each eligible CARE customers with legitimate household usage achieve energy efficiency while taking reasonable steps to ensure that only eligible households are enrolled. We applaud the Utilities' diligent implementation, cooperation with Energy Division and reporting.

### **6.3.2. Probability Modeling and Post Enrollment Verifications**

Under D.12-08-044, the IOUs have been directed as follows:

...The IOUs are directed to develop and implement interim and long term stratified probability Post Enrollment and Post Re-certification Income Verification models as directed in this decision to cost-effectively identify and income verify those enrollees who have the probability of being ineligible in the program, while tailoring the models to each of the IOUs' territory that incorporate basic probability factors, inputs, populations and costs. Each IOU shall develop and begin implementing its interim probability model within 60 days of this decision. The IOUs are directed to track, monitor and report the number and specific reasons for each CARE customer de-enrolled during the Post Enrollment and Post

Re-certification Income Verification process (e.g., customer non-response to the IOUs' request for income verification, deemed ineligible for the program, etc.) as well as how that customer was initially enrolled in the CARE Program (e.g., capitation agency, self-certification, categorical enrollment, etc.). Each IOU shall, based on the lessons learned through implementation of the interim models, devise a long term Post Enrollment and Post Re-certification Income Verification probability model as well as optimal verification rate and submit them for review by September 2013, by Tier 2 Advice Letter.<sup>47</sup>

In compliance with the foregoing directives, the IOUs have developed and implemented interim probability models. The IOUs tracked, monitored and reported the data required. Each IOU has, based on lessons learned through implementation of the interim models, devised a long term Post Enrollment and Post Re-certification Income Verification probability model and has begun implementation.

Based on the Utilities' monthly and annual reports, during the Phase II of this Consolidated Proceeding, we have monitored the progress and findings being reported by the Utilities in their implementation of the interim and long term probability models and PEVs, as directed in D.12-08-044. Those reported progresses are summarized below. In general, we are hopeful to see that most of the IOUs seem to be reporting experiences that their targeted probability model-driven PEVs have proven, in varying degrees, to be successful in focusing PEV efforts on those customers that are less likely to be eligible.

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<sup>47</sup> D.12-08-044 at 16-17.



#### **6.3.2.1. SDG&E**

SDG&E uses a process wherein a random group of CARE customers is selected for eligibility review. SDG&E then runs their PEV model on this group of selected customers and the probability model is used to identify customers within the group with a high likelihood of qualifying for the CARE program. These high likelihood customers are then treated as verified and are not required to provide PEV documentation.

SDG&E has been using a model since 2007 and the percentage of customers dropped due to non-response has gone down from roughly 65% (2007) to roughly 46% (2013) (but 2010 is outlier year with 36%). The percentage of customers dropped due to ineligibility has increased to 12%. This figure has increased from an average of 7% since 2010.

SDG&E's future PEV model will use these factors to screen customers to determine the above "likelihood for eligibility:"

- Energy Use
- Home Ownership
- Residence Type
- Neighborhood Characteristics
- CARE program Characteristics (self-certified vs. categorical enrollment, i.e., how household signed up for CARE)

SDG&E found that home ownership has a sizeable effect on CARE program eligibility in SDG&E's service area. Specifically, home ownership reduces eligibility by nearly 20%. Second, energy usage has a relatively small impact on eligibility (e.g., an increase of 100 kWh/month in maximum summer energy usage decreases eligibility by approximately 0.3%). Likewise, a \$10,000 change in PRIZM median income reduces eligibility by only 1.4%. Third, the CARE program specific characteristics have surprisingly large impacts on

eligibility. In fact, they exceed income and energy usage impacts. For example, the income self-certification option (compared to categorical eligibility enrollment) reduces eligibility by 28%-29%. Likewise, signing up via the internet or direct mail strongly increases the likelihood that the household is ineligible by 22%. In addition, households with an unlinked application (individuals who have moved over their CARE history) are approximately 18% more likely to be ineligible.

#### **6.3.2.2. PG&E**

PG&E only performed random PEV (without probability model) until 2012. Since the implementation of the probability model, PG&E reports that there has been a significant drop (from 50%-60% of customer selected for PEV who are deemed eligible during PG&E's random PEV periods to only 26%-38% of customers selected for PEV who are deemed eligible by use of the probability model). This is all occurring while they have done 10 times more PEVs than in previous years.

PG&E also reports that overall percentage of non-responsive customers does not seem to change from when PG&E performed random PEVs to now when PG&E is performing PEVs based on a probability model.

In early 2012, before D.12-08-044 was issued, PG&E contracted to develop a CARE probability model. That model had 15 inputs, and after D.12-08-044, PG&E added the directed basic factors to the model that it had previously developed as its interim model. After implementation of the interim model, PG&E has since enhanced that model, including adding additional inputs, and submitted its proposed long term model and additional inputs for Energy Division's review.

#### **6.3.2.3. SoCalGas**

SoCalGas instituted a probability model in 2008, a “Vintage Model” with three independent variables:

- PrizmHHInc (Prizm median neighborhood income)
- SF (single-family indicator)
- MaxWThm (household’s maximum billed gas usage during winter months)

Once D.12-08-044 was issued, SoCalGas combined its Vintage Model and added the D.12-08-044 directed basic factors to devise its interim model. After implementation of the interim model, SoCalGas has since enhanced that model, including adding additional inputs, and submitted its proposed long term model and additional inputs for Energy Division’s review.

At this time, it is unclear from SoCalGas’s reports whether SoCalGas is experiencing discernable benefits or lessons from the additional inputs (factors) being added to its probability model. We will have to continue to monitor the effectiveness of the model.

#### **6.3.2.4. SCE**

In 2011, SCE implemented a probability model with the following inputs:

- Channel – Means of most recent CARE enrollment/recertification
- Household Size
- Usage
- Neighborhood income

SCE has proposed that its long-term model continue, but with minor modifications to these inputs:

- Neighborhood Income
- Usage

- Time on CARE Rate - SCE would oversample (perhaps 1.3 times – 1.5 times larger average probability of selection) among “short-term” households. Long-term households are on rate more than 25 months.
- Household Size
- Channel - SCE would over-sample customers enrolling through Capitation since data shows these customers are more likely to fail a verification request. SCE likely will under-sample customers enrolling via categorical enrollment or data exchange, as these customers are more likely to pass a verification request. SCE would merge the Data Exchange and Categorical Enrollment channels in order to maintain the same number of channels.

For SCE, other than 2010 (2011 is when they switched to a probability model driven PEV), the percentage of customers dropped for non-response and those found ineligible both increased and decreased. SCE has however significantly increased the number of PEVs by more than fivefold, and this has not led to an increase in the number of post enrollment verified customers who are in fact eligible for the program. This suggests that SCE’s modeling is effectively targeting the PEVs to customers that have high probability of ineligibility. This was the goal of the modeling.

#### **6.3.2.5. Non-responsive Customers**

While the IOUs’ long-term PEV modeling efforts continue, we note in Attachment Q that much is still unknown as to why some CARE customers fail to respond to PEV requests. The IOUs are directed, in Attachment Q, to discuss their efforts and strategies in the 2015-2017 budget cycle to learn more about this non-responding customer segment and outline plans to decrease the number of CARE customers who fail to respond to income verification requests during the PEV process.

### **6.3.3. Community Help and Awareness of Natural Gas and Electricity Services Pilot Program**

D.12-08-044 anticipated further monitoring of the Community Help and Awareness of Natural Gas and Electricity Services (CHANGES) pilot program during Phase II of the Consolidated Proceeding. The purpose of monitoring this pilot program during Phase II was to determine whether there is sufficient justification to make the pilot a permanent program going forward and to continue to fund the program through CARE funds in the upcoming 2015-2017 program cycle.

Specifically, in D.12-12-011, the Commission directed that Consumer Service and Information Division (CSID) work with Energy Division, the IOUs and the CHANGES contractor to develop additional program data tracking and reporting requirements and to include the resulting data in the IOUs' monthly CARE reports which the IOUs file in this Consolidated Proceeding. Those reports are expected to be reviewed as part of the upcoming 2015-2017 program cycle applications for the CARE Program. That review will include examination of whether the Commission should approve CHANGES as an ongoing program, what its budget should be and whether it is appropriate to continue the funding of the CHANGES through the CARE Program.

Meanwhile, it is reasonable to continue to fund the CHANGES pilot program pending further pilot review and during the bridge period authorized by this decision. We therefore authorize continued bridge funding for the CHANGES pilot program of \$61,200 a month until December 31, 2015. This bridge funding level for CHANGES reflects a 2% cost of living increase from the authorized 2014 funding level.

#### **6.4. Water Energy Nexus**

For a number of years, the Commission has been looking at various joint water-energy efficiency programs and examining the nexus between water and energy conservation as well as the potential benefits to both the IOU ratepayers and the publicly-owned water ratepayers.<sup>48</sup>

In 2005, the Commission adopted the Water Action Plan (Plan) which established specific goals and objectives designed to increase water conservation and strengthen energy efficiency. In its 2010 revision to the Plan, the Commission emphasized the importance of water-energy nexus issue and water and energy conservation programs. In response to the Plan, the IOUs have developed and implemented various plans and programs to reduce electricity consumption to implement the Plan's action items.

In early 2014, Governor Brown declared a state of emergency due to the drought and directed state officials to take all necessary actions to prepare for these drought conditions. Consistent with the Governor's declaration and direction, in the upcoming applications for the next program cycle, the IOUs should prepare and propose ways to prioritize measures that have been approved in the existing ESA Program, that also save water and could contribute to alleviating the drought emergency.

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<sup>48</sup> The Commission has examined energy usage by the water sector in California in several energy proceedings, including Rulemaking R.09-11-014, and its predecessor R.06-04-010, the Commission's Rulemaking to examine energy efficiency policies, programs, evaluation and related issues. In D.07-12-050 and D.08-11-057, the Commission authorized a set of water-energy efficiency pilot projects as well as studies of the embedded energy use in water to attempt to quantify energy savings from water efficiency projects. In D.12-05-015, the Commission directed staff and the IOUs to build upon past efforts on water-energy analysis and pilot projects.

## **7. 2015-2017 Program Cycle Applications**

In general, we direct the IOUs to follow developments in the Commission's energy efficiency proceeding, A.12-07-001, especially concerning multifamily segment, marketing, education and outreach, and cost-effectiveness issues, to ensure that the IOUs' planning and strategies for the ESA and CARE Programs and the IOUs' 2015-2017 cycle applications are consistent with and mindful of the how those issues are developing in that proceeding and/or directions we give in that proceeding.

Similarly, we direct the IOUs to follow developments in the Commission's rate redesign proceeding, R.12-06-013, concerning the CARE rate redesign following the passage of Assembly Bill (AB) 327, CARE rate redesign related marketing education and outreach, and CARE rate redesign related budget implication issues, to ensure that the IOUs' planning and strategies for the CARE Programs and the next cycle applications are consistent with and mindful of the how those issues are developing in that proceeding and/or directions we give in that proceeding.

We also direct the IOUs to follow the developments in the Commission's proceeding, Docket R.09-11-014 which is examining the cost-effectiveness framework for demand side programs, to ensure that the IOUs' planning and strategies for the ESA Program and next cycle applications are consistent with and mindful of the how some of those issues are developing in that proceeding and/or directions we give in that proceeding.

### **7.1. Application Due Date**

The IOUs' 2015-2017 ESA and CARE applications are due 90 days after this decision is issued.

## **7.2. Application Framework, Content and Templates**

The IOUs are directed to prepare the their 2015-2017 ESA and CARE Programs and Budgets applications by using the attached framework and templates, attached to this decision as Attachment Q, as part of their next cycle applications and must complete each section as instructed, including all of the contents required therein. The Attachment Q includes and reflects specific directions and guidance to the IOUs on key recommendations from the various studies and reports we adopt today.

## **8. Minor Corrections and Clarifications to Decision 12-08-044**

### **8.1. Numbering of Ordering Paragraphs**

Currently, D.12-08-044 contains errors in several ordering paragraphs, as listed below.

- Two ordering paragraphs are numbered “10” but with different directives.
- Ordering Paragraphs 140 and 141 are identical.

This decision corrects these numbering errors by (1) deleting Ordering Paragraph 141, (2) retaining the first Ordering Paragraph 10 in D.12-08-044 as Ordering Paragraph 10 and (3) renumbering the second Ordering Paragraph 10 of D.12-08-044 as the new Ordering Paragraph 141. The affected Ordering Paragraphs, as corrected, are reflected below:

10. By April 15, 2013, the Energy Savings Assistance Program Workforce Education and Training Working Group shall evaluate the data gathered and submitted by the Utilities and develop and submit to the assigned Administrative Law Judge their Progress Reports of findings and recommendation(s), if any, and if no agreed upon recommendation(s) is/are reached by then, the working group shall submit a progress report nonetheless of its



activities since inception and a detailed description of the status of its efforts in each of the subject areas it is charged to review in this decision with justification showing good cause for any additional and estimated time it may require.

141. By July 15, 2013, the Energy Savings Assistance Program Workforce Education and Training Working Group shall submit their Final Reports and Recommendations to the assigned Administrative Law Judge.

### **8.2. Ordering Paragraph 84**

Ordering Paragraph 84 of D.12-08-044 directs all IOUs to post cooling center locations, including the days and hours of operations to their websites. Since SoCalGas does not have cooling centers, the Ordering Paragraph is being corrected, as follows:

Within 30 days after this decision is issued, Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company, ~~and Southern California Gas Company~~, shall post on their websites a list of designated cooling center locations as well as days and hours of operation.

### **8.3. Ordering Paragraph 86**

Ordering Paragraph 86 of D.12-08-044 is corrected as reflected below to eliminate directive to SoCalGas since SoCalGas does not have cooling centers and did not request a budget for cooling centers. In addition, consistent with the cooling center budgets authorized and reflected in Appendix M and page 201 of D.12-08-044, Ordering Paragraph 86 is corrected to include an inadvertently omitted 2012 authorized budgets column and attendant calculation corrections/adjustments as reflected in the corrected Ordering Paragraph 86 of D.12-08-044 below.

86. The proposed cooling center budgets of Pacific Gas and Electric Company, Southern California Edison Company,

Company and San Diego Gas & Electric Company are approved with some modifications as follows:

**Approved Prorated Cooling Center Budgets 2012-2014**

Utility	IOUs' Adopted 2012-2014 Cooling Center Budgets	IOU Adopted 2013 Budget (Prorated)	IOU Adopted 2013 Budget (Prorated)	IOU Adopted 2014 Budget (Prorated)
<b>SCE</b>	\$978,166	\$768,000	\$105,083	\$105,083
<b>PG&amp;E</b>	\$712,692	\$450,000	\$127,846	\$134,846
<b>SDG&amp;E</b>	\$126,314	\$56,000	\$34,329	\$35,985

**8.4. Ordering Paragraph 129**

Currently, Ordering Paragraph 129 of D.12-08-044 provides as follows:

129. Once data sharing with water Utilities begins, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company are directed to file a Tier 2 Advice Letter, and these Tier 2 Advice Letters must report on the corresponding costs borne by partnering water Utilities that are filed in accordance with Decision 11-05-020.

The above directive was in error. It was not the intent of D.12-08-044 to direct the IOUs to report cost data that were solely in the water utilities' possession and control. It was to track IOUs' costs associated with complying with D.11-05-020. Ordering Paragraph 129 of D.12-08-044, therefore, should be corrected as reflected below.

129. Once data sharing with water utilities begins, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall each file a Tier 2 Advice Letter, and these Tier 2 Advice Letters must report on the corresponding costs borne by respective electric or gas utility in conjunction with the data sharing activities directed in Decision 11-05-020.

### **8.5. Page 25 of D.12-08-044 Legibility**

Table on page 25 of D.12-08-044 showing the IOU's proposed CARE budgets for 2012-2014 is not legible and blacked out in the Word version of the published decision. It should be corrected and updated with a legible table and republished.

### **8.6. Page 115 of D.12-0-044**

Page 115 of D.12-08-044, in relevant part, provides:

The IOUs shall consider the following central issues in the Final Report:

- (1) Duct Test and Seal: Duct Test and Seal is a logical component of any comprehensive HVAC QM program, however recent evaluations from the 2006-2008 mainstream energy efficiency program cycle raised serious questions about the cost-effectiveness of Duct Test and Seal as a standalone measure and about the effectiveness of past program designs. In this decision we have denied Duct Test and Seal as a standalone measure, and only allow it only in conjunction with an HVAC installation or only in those climate zones and dwelling types under conditions when required under Title 24. In this report, we ask whether it is appropriate to consider Duct Test and Seal as a measure in conjunction with the maintenance service the ESA Program. If not, what is an appropriate package of maintenance measures for the low-income market segment?

The above paragraph contains an inadvertent error that must be corrected and attendant clarifications that must be made, consistent with Ordering Paragraph 50 of D.12-08-044. The revised paragraph below corrects and clarifies that the Duct Test and Seal measure was approved by D.12-08-044, and that

despite its approval in D.12-08-044, the Commission still has some concerns for its future approval as a standalone measure. Corrected paragraph now reads:

The IOUs shall consider the following central issues in the Final Report:

- (1) Duct Test and Seal: Duct Test and Seal is a logical component of any comprehensive HVAC QM program, however recent evaluations from the 2006-2008 mainstream energy efficiency program cycle raised serious questions about the cost-effectiveness of Duct Test and Seal as a standalone measure and about the effectiveness of past program designs. In this decision we have ~~denied~~ approved Duct Test and Seal as an added back standalone measure, with additional reporting requirements. Meanwhile, it is unclear whether it should continue to be approved in the future program cycles as a standalone measure and or only be approved how it only in conjunction with an HVAC installation or only be approved in those climate zones and dwelling types under conditions when required under Title 24. In this report, we first ask whether Duct Test and Seal should continue to be approved in the future program cycles as a standalone measure. We also ask whether it is appropriate to consider Duct Test and Seal only as a measure in conjunction with the maintenance service the ESA Program. If not, what is an appropriate package of maintenance measures for the low-income market segment?

#### **8.7. Corrections to Appendices to D.12-08-044**

Corrections to Appendices J-1, J-2, K-1 and K-2 of D.12-08-044 are warranted. These appendices do not accurately reflect all of the measures authorized in the final adopted decision, D.12-08-044. This decision corrects and updates the attached Tables and accordingly incorporates the comprehensive list of all of the measures authorized for the IOUs by housing type and climate zone.

### **8.8. Ordering Paragraph 113**

Ordering Paragraph 113 of D.12-08-044 which directs the IOUs' allocation split for the Impact Evaluation Study is being corrected to be consistent with Ordering Paragraph 106 and Appendix L of D.12-08-044 which reflect the correct allocation split.

Therefore, Ordering Paragraph 113 is corrected and updated as follows:

Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall jointly fund the new Impact Evaluation study, not to exceed \$600,000 in total combined expenditure from the Energy Savings Assistance Program budgets, with the four Utilities sharing the costs based on the following split: PG&E: 30%; SCE: 30%; SCG: 25%; and SDG&E: 15%.

### **9. 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 by the ORA, EEC, C4AT, TELACU *et al.*, CSD, NCLC, CHPC, NHLP, TURN, Greenlining, NRDC, La Cooperativa, PG&E, SCE, SDG&E, and SoCalGas, and reply comments were filed by ORA, EEC, C4AT, TELACU *et al.*, NRDC, Proteus, La Cooperativa, PG&E, SCE, SDG&E, and SoCalGas.

In response to the comments filed in response to the proposed decision, we have reconsidered all of the issues raised in those comments. The proposed decision has been revised to reflect revisions addressing some of the concerns raised by those comments which we found to have shown merit. The noteworthy revisions are summarized below.

D.12-08-044, Ordering Paragraph 146, directed the IOUs to file the 2015-2017 Applications for the ESA and CARE Programs by July 1, 2014. On June 16, 2014, the Assigned Commissioner issued a ruling granting the IOUs' joint motion for extension of time to file the IOUs' 2015-2017 Applications for the ESA and CARE Programs (ACR). The ACR was based on the anticipated delay of the issuance of the Phase II decision in the herein Consolidated Proceeding (Phase II Decision) and in recognition of the fact that the Phase II Decision, once issued, will guide the IOUs' final preparation of the 2015-2017 Applications for the ESA and CARE Programs. Therefore, the ACR relieved the IOUs from the July 1, 2014 filing deadline and directed the IOUs to file the IOUs' 2015-2017 Applications for ESA and CARE Programs within 90 days of the Commission's issuance of the Phase II Decision. Consistent with this ACR, the proposed decision has been revised to reflect the new due date which now directs the IOUs to file the 2015-2017 Applications for ESA and CARE Programs within 90 days from the issuance of the Phase II Decision, which would occur once this proposed decision is adopted.

Based on the delay in the issuance of the Phase II Decision and the new filing date for the IOUs' 2015-2017 Applications for the ESA and CARE Programs as set forth in the ACR and this revised proposed decision, it is now more reasonable to approve bridge funding for 12 months as requested by the IOUs. This bridge period and attendant bridge funding are necessary to afford the IOUs adequate time to prepare their 2015-2017 Applications for the ESA and CARE Programs based on the Phase II Decision, once it is issued, and to allow the Commission the necessary time to meaningfully review, deliberate and render its decision based on the IOUs' 2015-2017 Applications for the ESA and CARE Program. In the comments, parties generally support the bridge funding,

and the IOUs have also demonstrated the need for budget certainty during the bridge period to minimize program disruptions and to ensure seamless program implementation (e.g., administration, contracting, etc.) during the bridge period. Based on the foregoing considerations, we grant the IOUs' request and authorize 12 months of bridge funding starting January 1, 2015 to December 31, 2015 at the Commission authorized 2014 budget level for the IOUs' ESA and CARE Programs.

Based on comments, the proposed decision has been revised to adopt the studies and reports completed in Phase II of this Consolidated Proceeding and further address some of the key recommendations from them. These revisions are principally reflected in revised Sections 6.1 of this decision and the new corresponding Findings of Fact, Conclusions of Law and Ordering Paragraphs herein.

Also in response to the comments to the proposed decision, this revised proposed decision incorporates a new section, Section 6.3.3 in this revised proposed decision, which addresses the status and bridge funding for the CHANGES pilot program.

Finally, this revised proposed decision, including its attachments, reflects other minor revisions based on comments, clarifications, corrections and updates to attachments to correspond to the revisions in this proposed this decision.

## **10. Assignment of Proceeding**

Catherine J.K. Sandoval is the assigned Commissioner and Kimberly H. Kim is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. D.12-08-044 identified that the issues to be further examined during the second phase of this Consolidated Proceeding include: (1) Development of a

comprehensive multifamily segment strategy including the review of potential expedited enrollment process, (2) Review of the ESA Program cost-effectiveness methodology, (3) Review of several critical low-income program studies and reports, and (4) Review of any pilot program evaluation as well as several other working group activities ordered in D.12-08-044.

2. Project study teams have been established and consultants have been selected for each of the studies ordered in D.12-08-044; and the 2012-2014 program activities, including the studies ordered in D.12-08-044, have successfully wrapped up.

3. During Phase II of the Consolidated Proceeding, SoCalGas, SDG&E and SCE filed petitions to modify the Phase I Decision.

4. SDG&E's PTM attributes the overall increase in the costs of ESA measure installations and inspections to increased enrollment in the ESA Program and increased number of households treated due to successful program promotion and enrollment; and SDG&E also notes that costs associated with installing ESA measures has continued to increase each year.

5. It is our intent to continue to encourage enrollment through both of self-certification and categorical eligibility enrollment processes, as alternative enrollment processes.

6. SoCalGas's requested budget increase of \$3,139,726 to its 2012-2014 budget cycle reflects the deficit in SoCalGas's 2012-2014 program cycle budget, having no relation to its 2012-2014 programs and activities ordered in D.12-08-044.

7. Domestic hot water, enclosure, and HVAC are the three additional measures approved and ordered in D.12-08-044; but SoCalGas, in its Application for 2012-2014 program cycle, did not anticipate and propose associated budgets for these measures.



8. D.12-08-044 authorized add backs for all water measures for multifamily renters, which SoCalGas did not originally forecast in its Application for 2012-2014 program cycle.

9. SoCalGas does not have cooling centers.

10. In support of its request to reallocate \$1,004,493 to train and pay capitation contractors to aid in the PEV process ordered in D.12-08-044, SCE did not adequately demonstrate the number of PEVs proposed for processing through the CARE capitation contractors, and the program cycle is nearly completed.

11. Dealing with the ebb and flow of program delivery activities and effectively managing those concerns are the essence of the IOUs' administrative role.

12. SCE explains that it is unable to verify the accuracy of the data the cooling centers provide and must rely on the unverified reports by the cooling centers to prepare and submit the reports, as ordered in D.12-08-044.

13. SCE is an electric only utility and therefore does not need to comply with the directives in D.12-08-044 concerning high efficiency forced air unit measure, which is a gas measure.

14. The IOUs' progress is evidenced in the Energy Education Study - Phase 1 Report, and the IOUs' proposed a plan, as illustrated in the Joint Petition, for what is needed to complete the remainder of energy education study, as part of Phase 2 Report.

15. Allowing the high efficiency furnace measure by adding it to the ESA program would nearly double the currently authorized PG&E's budget for energy efficiency measures, annually.

16. For PG&E, the addition of the high efficiency furnace measure would consume 47% of that year's annual energy efficiency measures budget for this

one measure alone (not accounting for any other energy efficiency measures to be installed in the same home).

17. For SoCalGas, those that may be eligible for the high efficiency furnace measure (91 units each year) in its territory represent only 0.07% of its annual households treated goal, meaning this significantly high budget energy efficiency measure would benefit extremely few households.

18. The audit of the SoCalGas fails to acknowledge that the increased activities in 2011 and overrun were results of SoCalGas's catch-up efforts.

19. R.09-11-014 is not examining cost-effectiveness issues in the context of low-income proceeding.

20. It is important for this proceeding to examine the cost-effectiveness issues through the filter and focus of this proceeding.

21. In part, one of the purposes of the high usage customer rule was to eliminate the customers who are ineligible for the CARE Program and/or are purposefully misdirecting CARE program discount for purposes other than legitimate household needs and to de-enroll them; however, the more important aim of the rule was to also help the high usage customers with legitimate high uses with enrollment in the ESA Program and to help with lowering energy usage while achieving bill savings going forward.

22. To modify the rule to ignore those who only exceed the 400% baseline usage once in a 12-month period would be contrary to that latter purpose of helping the high usage customers with legitimate high uses with enrollment in the ESA Program and lowering of their energy usage.

23. Those customers who are generally within a reasonable usage range, but exceed the 400% baseline usage infrequently, may very well be in an optimal

position to take advantage of the ESA Program to benefit from energy savings to drop below that 400% baseline range.

24. D.12-08-044 contains several inadvertent errors, including some numbering errors in the Ordering Paragraphs, as listed below.

(a) Two Ordering Paragraphs are numbered "10" but with different directives.

(b) Ordering Paragraphs 140 and 141 are identical.

25. D.08-11-031 authorized a SoCalGas's Pilot that offered natural gas HE FAU furnaces to customers with high winter season space heating needs. That Pilot has since been completed.

26. PG&E submitted data, in compliance with Ordering Paragraph 60 of D.12-08-044 that confirms that Smart power strips meet the ESA Program's adopted CE test.

27. During the end of the prior program cycle, SoCalGas experienced a sudden budget shortfall in its ESA Program budget and was facing the possibility of ESA Program suspension. As a result, an OSC hearing was held in December of 2011, and the Commission's review of that issue was thereafter carried over and continued to this current 2012-2014 cycle and herein proceeding.

28. The final audit report of SoCalGas ordered as a result of that OSC hearing has been submitted and attached to this decision as Attachments P-1 and P-2, and makes several recommendations.

29. The final audit report of SoCalGas found that 6.7% of the enrollment and assessment accounts tested had incomplete income documentation for customer enrollments, leading to potential enrollments of unqualified participants.

30. The 2013 LINA Study, the 2013 Impact Report, the Multifamily Segment Study, and the Energy Education Study, Phase 1 Report, have been completed, with the exception of Energy Education Study for which only Phase 1 Report has been completed.

31. During Phase II of this Consolidated Proceeding, three working groups (the Workforce Education and Training Working Group, the Cost-Effectiveness Working Group, and the Mid-cycle Working Group) were established, and these working groups have prepared and submitted their final reports and recommendations.

32. The Cost-Effectiveness Working Group's recommendations, the Mid-cycle Working Group's recommendations, the Workforce Education and Training Working Groups' Recommendations, the Energy Education Study (Phase 1 Report) recommendations and the Multifamily Segment Study recommendations request review of some of the subject matter of the study or working group beyond this program cycle.

33. Some of the finding and recommendations of the studies and working groups' reports we adopt in this decision require further review and vetting and therefore are not actionable and poised for full resolution at this junction.

34. In 2013, AB 327 was passed and amended the California Public Utilities Code Section 382(d) which now requires that "A periodic assessment shall be made not less often than every third year."

35. The CHANGES pilot program will need to be reviewed as part of the upcoming 2015-2017 program cycle applications for CARE Program to determine whether the Commission should approve CHANGES as an ongoing program, what its continued budget should be, if any, and whether it is appropriate to continue the funding of the CHANGES through the CARE Program.

36. The Commission has addressed all Phase II issues or otherwise continues the remaining Phase II issues requiring further review to the next cycle proceeding.

37. The IOUs require tools and guidance in preparing for the IOUs' next program cycle applications.

38. Bridge funding for ESA and CARE Programs for program year 2015 is necessary.

39. Parties generally support the bridge funding, and the IOUs have also demonstrated the need for budget certainty during the bridge period to ensure that there is smooth and efficient implementation (e.g., administration, contracting, etc.) of the ESA and CARE Programs during the bridge period.

### **Conclusions of Law**

1. SDG&E's net budget augmentation request of \$3.7 million in its PTM is reasonable and justified in order to offset the outstanding budget shortfall until the end of 2012-2014 program cycle.

2. The language on pages 310-311 of D.12-08-044 should be revised to clarify the Commission's intent to retain both self-certification and categorical eligibility enrollment processes, as alternative enrollment processes.

3. SDG&E's and SoCalGas's requests for the Commission to modify D.12-08-044 to set forth explicit language requiring the utilities to engage in joint contracting for statewide program activities are reasonable, and to the extent that there is any need for the four utilities to engage in further collaborative activities during the remainder of the 2012-2014 low-income programs, the Commission should grant the requests and adopt the same directive we did in Ordering Paragraph 7 of D.10-12-054.

4. SDG&E's and SoCalGas's requests to limit the scope, focus and examination of the Cost-Effectiveness Working Group to only to two of the four issues outlined in D.12-08-044 are unpersuasive.

5. The Cost-Effectiveness Working Group should examine all four issues outlined in D.12-08-044 as ordered in that decision.

6. All of the cost-effectiveness issues, as examined in the Cost-Effectiveness Working Group's Final Report in this proceeding, should be considered while reconciling them, where appropriate, with the overall approach the Commission takes going forward, in R.09-11-014 which is examining the cost-effectiveness framework for demand side programs and any other proceeding that may undertake the review of related policy concerns.

7. SDG&E's request to modify the CARE high usage customer rule ordered in Ordering Paragraph 101(c) of D.12-08-044 by targeting only the customers who repeatedly exceed 400% of baseline usage (three times or more out of 12 months) is unpersuasive and should be denied.

8. SoCalGas's first requested budget increase of \$35,463,958 to ensure that it can adequately deliver all of the ESA Program services ordered in D.12-08-044 to its customers throughout the 2012-2014 program cycle is reasonable and justified.

9. SoCalGas's second requested budget increase of \$3,139,726 to replenish its 2012-2014 program cycle budget is reasonable and justified.

10. SoCalGas's request for authorization to add back Domestic Hot Water measures, water heater blankets and pipe insulation, for owner-occupied multifamily dwellings is reasonable and should be authorized.

11. It would be imprudent and unreasonable to add the high efficiency furnace measure to SoCalGas's portfolio for the 2013-2014 program years.

12. SCE's request for a reduction in the CARE Administration budget to align with the actual approved reduced PEV rates ordered in the adopted final decision, D.12-08-044 is reasonable.

13. SCE's request to reallocate some of the excess funds is not supported with adequate justifications and therefore only partly reasonable; thus, the Commission should only approve those proposed reallocations that have been adequately justified and deny the remainder.

14. SCE's request to reallocate \$1,013,110 for PEVs in 2013 and 2014 is reasonable and is consistent with the directives of D.12-08-044 and Energy Division's approval of SCE's Advice Letter 2814-E, setting SCE's increased PEV rates at 7% in 2013 and 10% in 2014.

15. SCE's request to reallocate \$40,000 to its general administration category to pay for the contract with its independent consultant, ICF International, to perform the comprehensive assessment of the current list of categorically eligible programs is insufficiently justified and unreasonable.

16. SCE's request to reallocate \$1,004,493 to train and pay capitation contractors to aid in the PEV process ordered in D.12-08-044 is insufficiently justified and lacks merit.

17. SCE's request to reallocate \$50,000 to ensure that CARE capitation contractors are not hindered by a restrictive budget is reasonable.

18. SCE's request to reallocate \$500,000 to "Total additional Cost of IT Enhancements" to implement the high usage post enrollment verification process is reasonable.

19. SCE's request to reallocate \$500,000 to increase CARE Outreach "to offset attrition (events, campaigns, collateral)" is reasonable.

20. SCE's request to reallocate \$366,000 for its call centers to enroll an additional 50,000 customers in both 2013 and 2014 (a total of 100,000 customers) is reasonable.

21. SCE's request to modify D.12-08-044 to set a ceiling limit on the number of PEVs SCE must perform under the high usage customer rule is unreasonable.

22. For purposes of clarification, Ordering Paragraph 83 of D.12-08-044 should be modified.

23. SCE's request for waiver from complying with Ordering Paragraph 61 of D.12-08-044 is reasonable.

24. The IOUs' request for extension of time to complete and submit the Energy Education Study – Phase 2 beyond the current program cycle is reasonable.

25. The IOUs should be excused from the August 31, 2013 deadline for submission of the Energy Education Study, Phase 2, as ordered in D.12-08-044, and instead the IOUs should propose a Phase 2 Energy Education Study in their 2015-2017 applications to be conducted in the next program cycle, 2015-2017, including a proposed schedule and budget sufficient to include a field study component to help assess the benefits of the current energy education offerings, and a before and after test period and household bill analysis that measures any actual energy and bill-savings.

26. Appendix I.1 of D.12-08-044 should be corrected to allow room air conditioners in all housing types for CZ 10 and CZ 13, consistent with Ordering Paragraph 46 of that decision.

27. Appendix I.1 of D.12-08-044 should be corrected to remove "add back" from the Evaporative Cooler Maintenance Measure row, consistent with Ordering Paragraph 53 of that decision.



28. This decision should correct the numbering errors in D.12-08-044 by (1) deleting Ordering Paragraph 141, (2) retaining the first Ordering Paragraph 10 in D.12-08-044 as Ordering Paragraph 10 and (3) renumbering the second Ordering Paragraph 10 of D.12-08-044 as the new Ordering Paragraph 141.

29. Ordering Paragraph 84 of D.12-08-044 directing all IOUs to post cooling center locations, including the days and hours of operations to their websites should be corrected to delete SoCalGas from the text of that Ordering Paragraph.

30. Ordering Paragraph 86 of D.12-08-044 should be corrected to eliminate that directive to SoCalGas since SoCalGas does not have cooling centers.

31. Ordering Paragraph 129 should be corrected to track the IOUs' costs associated with D.11-05-020 compliance.

32. The table on page 25 of D.12-08-044 is not legible and blacked out in the word published decision, and this error should be corrected and a legible table should be republished.

33. Page 115 of D.12-08-044 contains some inadvertent errors which should be corrected.

34. Corrections to Appendices J-1, J-2, K-1 and K-2 of D.12-08-044 are warranted, as these appendices do not accurately reflect all of the measures authorized in the final adopted decision, D.12-08-044.

35. Ordering Paragraph 113 of D.12-08-044 should be corrected to be consistent with Ordering Paragraph 106 and Appendix L of the same decision.

36. Based on the findings in SoCalGas's HE FAU furnaces pilot and the reports filed on October 29, 2012, by PG&E, SDG&E and SoCalGas, it would be imprudent and unreasonable to add this measure to the portfolio for 2013-2014; thus, the Commission should not add the high efficiency furnace measure in the portfolios of PG&E, SoCalGas and SDG&E for the 2013-2014 PYs.

37. SoCalGas should adopt and implement the recommendations made by the independent auditors, Macias Consulting Group (MACIAS).

38. SoCalGas should improve its management practices to ensure the incomplete income documentation issue found in the report prepared by the independent auditor MACIAS is eliminated, going forward.

39. SoCalGas should ensure that its program delivery is carefully overseen not to avoid recurrence of similar budget shortfalls in the future.

40. Households treated without obtaining a full income documentation should not be reimbursed by the ESA Program, and the installation/enrollment contractor should have to incur the costs, if they fail to diligently perform the income documentation/verification portion of their enrollment screening process.

41. The Commission should adopt the 2013 LINA Study, the 2013 Impact Report, the Multifamily Segment Study, and the Energy Education Study, Phase 1 Report.

42. The final reports prepared and submitted by the Workforce Education and Training Working Group, the Cost-Effectiveness Working Group, and the Mid-cycle Working Group should be adopted.

43. Following key recommendations from the Multifamily Segment Study are reasonable and should be adopted:

- (a) The IOUs serving multifamily properties shall work directly with property owners where this approach reduces barriers to participation;
- (b) The Commission's "80/20" rule is modified so that an IOU may treat the entire multifamily building, whether or not a particular unit is occupied or income qualified, if at least 80% of the building's units are income-qualified;

- (c) Housing subsidies should not be counted as income;<sup>49</sup>
- (d) The IOUs shall propose an expedited enrollment process for the United States Department of Housing and Urban Development assisted multifamily housing wherein at least 80% of the tenants have incomes at or below 200% of federal poverty level (FPL);
- (e) The IOUs shall appoint a single point of contact for the ESA Program, as is already the case for the Energy Upgrade California program; and
- (f) The IOUs shall coordinate among ESA, CARE, and Energy Upgrade California, including any potential pooling of funds among programs where such pooling maximizes energy efficiency treatment of multifamily housing and ensures that more potential eligible customers are enrolled.

44. Based on the recommendations of the Multifamily Segment Study, is it reasonable to direct the IOUs to implement those recommendations and propose new, cost-effective measures for the multifamily sector, including common area measures and central heating, cooling, and hot water systems.

45. The four recommendations of the Cost-Effectiveness Working Group listed below are reasonable and should be adopted:

- (a) The Commission shall base program approval for the 2015-2017 cycle and beyond on the cost-effectiveness results at the program level, rather than at the measure level;

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<sup>49</sup> The IOUs, in their 2015-2017 Applications for ESA and CARE Programs and Budgets, may propose specific exemptions to this rule, with factual and legal justifications, demonstrating compelling reasons as to why a particular or specific category(ies) of housing subsidies should be excluded from this rule and instead be counted as income. The compelling reasons must include demonstration that the particular or specific category(ies) of housing subsidies are being received by households that do not meet the 200% federal poverty guidelines income requirement for the ESA and CARE Programs.

- (b) In the 2015-2017 applications, the IOUs shall categorize measures as “resource” or “non-resource” based on the measure’s ability to provide energy savings;
- (c) The IOUs shall apply the two proposed new cost-effectiveness tests, the Energy Savings Assistance Cost-Effectiveness Test (ESACET) and the Total Resource Cost (TRC) test, replacing the existing tests; and
- (d) During the 2015-2017 cycle, for informational purposes, the IOUs shall conduct a preliminary, qualitative Equity Evaluation, with opportunity for party comment on the preliminary results.

46. The IOUs should be directed to implement the four consensus-based recommendations of the Cost-Effectiveness Working Group.

47. Energy Division should reconvene the Cost-effectiveness (CE) Working Group for the narrow purpose of developing a program-level cost-effectiveness threshold as expeditiously as possible, and should the CE Working Group develop a consensus on a CE threshold in time for the filing of the 2015-2017 applications, the Utilities should be directed to use that threshold. However, should the Working Group not achieve consensus by the time the applications are filed, the IOUs are directed to make every effort to achieve as higher a level of cost efficiency as possible for the 2015-2017 applications.

48. Some aspects of the subject areas examined by the Cost-Effectiveness Working Group, the Mid-cycle Working Group, the Workforce Education and Training Working Groups, the Energy Education Study (Phase 1 Report) and the Multifamily Segment Study are not yet poised for full resolution at this junction and our review of those issues or subject areas should be continued to the next cycle proceeding.

49. On recommendations of the studies and working groups' reports for which (1) parties have raised objections or concerns and (2) we do not explicitly direct implementation of the specific recommendation in this decision, including the Attachment Q to this decision, we should specifically reserve those recommendations for further deliberation during the upcoming cycle.

50. The IOUs should prepare to comply with AB 327 requirement for a new updated low-income needs assessment study to be completed by no later than 2016; and therefore, the IOUs should, in their 2015-2017 applications, propose an attendant scope, schedule and budget for said study.

51. It is reasonable for the IOUs to ensure that the 2015-2017 applications do not alter the current list of Categorical Eligibility programs nor reduce customer participation in the CARE and ESA Programs via Categorical Eligibility, and for the annual advice letter filing process ordered in D.12-08-044 to be suspended until the issue is resolved.

52. It is reasonable to continue to fund the CHANGES pilot program pending further pilot review and during the bridge period authorized by this decision.

53. Because comments responsive to the Assigned Commissioner's Ruling have recently been filed by parties to this proceeding, the Commission will refer the remainder of our review of the issues raised by the Assigned Commissioner's Ruling and the responsive comments into the next program cycle to further review of those issues beyond this current proceeding, as those issues are not yet poised for immediate resolution.

54. The Mid-cycle Working Group's proposed revised P&P Manual, attached to its Final Working Group Report, as Appendix D thereto, should be adopted and approved with some minor modifications.

55. It is reasonable to approve a bridge funding for the 12 months as requested by SCE on behalf of itself and several other parties in a motion, dated March 28, 2014.

56. This bridge period and attendant bridge funding are reasonable and necessary to afford the IOUs adequate time to prepare their 2015-2017 Applications for the ESA and CARE Programs based on the Phase II Decision, once it is issued, and to allow the Commission the necessary time to meaningfully review, deliberate and render the decision based on the IOUs' 2015-2017 Applications for the ESA and CARE Program.

57. It is reasonable to authorize continued funding for the ESA and CARE Programs, at the 2014 authorized budgets level shown below, during the 2015 bridge period.

<b>Adopted Budget for 2014 ESA and CARE Programs</b>	
<b>Utility</b>	<b>ESAP</b>
PG&E	\$161,862,111
SCE	\$72,736,631
SDG&E	\$23,772,250
SoCalGas	\$132,417,191
<b>Total</b>	<b>\$390,788,183</b>
	<b>CARE</b>
PG&E	\$620,892,512
SCE	\$423,819,650
SDG&E	\$89,098,739
SoCalGas	\$147,506,690
<b>Total</b>	<b>\$1,281,317,592</b>

58. It is reasonable to maintain the 2014 homes treated target for the ESA Program during the 2015 bridge fund period which is shown below.

Utility	Adopted Number of Homes to be Treated for 2014
PG&E	119,940
SCE	87,389
SDG&E	20,316
SoCalGas	136,836
<b>Total</b>	<b>364,481</b>

59. It is reasonable to authorize the IOUs to use the unspent funds from 2012-2014 program cycle in the 2015 bridge year to minimize program disruptions and to allow administrative flexibility to meet any unforeseen program needs during the bridge period.

60. The current due date for the 2015-2017 application for the ESA and CARE Programs should be changed.

61. A.11-05-017, A.11-05-018, A.11-06-019, and A.11-05-020 should be closed.

## O R D E R

### IT IS ORDERED that:

1. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company are authorized an updated budget for 2012-2014 program cycle, including the associated homes treated goals, which reflects the authorizations set forth in this decision for the Utilities' Energy Savings Assistance and California Alternate Rates for Energy Programs, as summarized below:

Updated Budget Summary 2012-2014				
Utility	ESAP			
	2012	2013	2014	Cycle Total
PG&E	\$150,982,212	\$156,363,352	\$161,862,111	\$469,207,675
SCE	\$72,461,946	\$72,640,016	\$72,736,631	\$217,838,592
SDG&E	\$22,972,638	\$23,397,174	\$23,772,250	\$70,142,062
SoCalGas	\$127,199,269	\$130,346,135	\$132,417,191	\$389,962,594
<b>Total</b>	<b>\$373,616,065</b>	<b>\$382,746,676</b>	<b>\$390,788,183</b>	<b>\$1,147,150,924</b>

	CARE			
	2012	2013	2014	Cycle Total
PG&E	\$675,973,667	\$647,622,512	\$620,892,512	\$1,944,488,691
SCE	\$335,291,000	\$384,329,460	\$423,819,650	\$1,143,440,110
SDG&E	\$79,100,350	\$88,060,980	\$89,098,739	\$256,260,069
SoCalGas	\$145,502,691	\$146,016,933	\$147,506,690	\$439,026,314
<b>Total</b>	<b>\$1,235,867,708</b>	<b>\$1,266,029,885</b>	<b>\$1,281,317,592</b>	<b>\$3,783,215,185</b>

Utility	Adopted Number of Homes to be Treated			
	2012	2013	2014	Total Cycle
PG&E	119,940	119,940	119,940	359,820
SCE	87,389	87,389	87,389	262,166
SDG&E	20,316	20,316	20,316	60,948
SoCalGas	136,836	136,836	136,836	410,508
<b>Total</b>	<b>364,481</b>	<b>364,481</b>	<b>364,481</b>	<b>1,093,442</b>

2. Southern California Edison Company's Motion for an Extension of Time to file the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets Applications for the 2015-2017 Program Cycle and for Bridge Funding, filed on March 28, 2014 on behalf of itself, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, Natural Resources Defense Council, The Utility Reform Network, Office of Ratepayer Advocates, Proteus Incorporated, The East Los Angeles Community Union, Energy Efficiency Council, Maravilla Foundation, and the Association of California Community and Energy Services, is granted in part as follows:

- (a) Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall file their 2015-2017 Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets applications within 90 days of issuance of this decision; and
- (b) Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company are authorized a 12 month bridge



funding, starting January 1, 2015 to December 31, 2015 at the Commission authorized 2014 budget level for the Utilities' Energy Savings Assistance and California Alternate Rates for Energy Programs, as summarized below.

Utility	CARE 2015 Adopted Bridge Funding Budget*	ESA 2015 Adopted Bridge Funding Budget
PG&E	\$620,896,832	\$161,862,111
SCE	\$423,823,970	\$72,736,631
SDG&E	\$89,102,339	\$23,772,250
SoCalGas	\$147,508,850	\$132,417,191
<b>Total</b>	<b>\$1,281,331,992</b>	<b>\$390,788,183</b>

\*This budget includes the Community Help and Awareness of Natural Gas and Electricity Services pilot program budget during the bridge period

3. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company are authorized to use the unspent funds from 2012-2014 program cycle in the 2015 bridge year to minimize disruptions to the Energy Savings Assistance and California Alternate Rates for Energy Programs and to allow administrative flexibility to meet any unforeseen program needs during the bridge period, subject to the fund shifting rules, and to treat 2015 as the fourth program year and continuation of 2012-2014 program cycle for purposes of shifting funds.

4. We adopt the 2015 Energy Savings Assistance Program homes treated target for Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company as follows:

Utility	2015 Adopted Homes to be Treated
PG&E	119,940
SCE	87,389
SDG&E	20,316
SoCalGas	136,836
<b>Total</b>	<b>364,481</b>

5. San Diego Gas & Electric Company's net budget augmentation request of \$3.7 million in the petition to modify Decision 12-08-044 is granted.

6. San Diego Gas & Electric Company's and Southern California Gas Company's requests, in their petitions to modify Decision 12-08-044, to strike the proposed words, at 310-311 of Decision 12-08-044, as shown below, are granted.

In this decision, we make no changes and approve continuation of self-certification for the ESA Program in areas where 80% of the households are at or below 200% of the federal poverty guideline. Consistent with prior Commission decisions, we also approve continuation of categorical enrollment of ESA Program ~~in these targeted areas~~.

7. San Diego Gas & Electric Company's and Southern California Gas Company's requests, in their petitions to modify Decision 12-08-044, to set forth explicit language requiring the utilities to engage in joint contracting for statewide program activities are granted, and Southern California Edison Company, Pacific Gas & Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company are authorized to engage in the following activities:

- (a) Joint and cooperative consultations between and among these utilities and energy efficiency contractors to assist with determination of the contract requirements of their jointly administered and jointly funded energy efficiency programs;
- (b) Joint cooperative process among the four utilities for the sourcing and negotiation (including program requirements, performance, price, quantity, and specifications) of joint contracts for energy efficiency to be managed and run by one lead utility, subject to the approval and review by the other utilities;

- (c) Joint submission to the Commission for its approval of proposed energy efficiency contracts pertaining to implementation of statewide programs; and
- (d) Other joint and collaborative activities pertaining to the collaboration and joint contracting for statewide energy efficiency programs as the four utilities may determine is necessary for implementation of statewide programs, subject to the Commission's oversight.

8. San Diego Gas & Electric Company's and Southern California Gas Company's requests, in their petitions to modify Decision 12-08-044, to limit the Cost-Effectiveness Working Group's focus are denied.

9. San Diego Gas & Electric Company's request, in its petition to modify Decision 12-08-044, to modify the California Alternate Rates for Energy Program high usage customer rule ordered in Ordering Paragraph 101(c) of Decision 12-08-044 by targeting only the customers who repeatedly exceed 400% of baseline usage (three times or more out of 12 months) is denied.

10. Southern California Gas Company's request, in its petition to modify Decision 12-08-044, seeking authorization for budget augmentation is granted, as summarized below:

High efficiency clothes washers	+ \$31,988,985
Domestic Hot Water <sup>50</sup>	+ \$2,711,572
Enclosure measures	+ \$1,131,817
HVAC	+ \$2,013,888
Inspections	+ \$614,500
General Admin	- \$1,670,327
Maintenance	- \$1,283,093
Customer Enrollment	- \$39,514
Home Education	- \$3,869
Replenishment of Budget	+ \$3,139,726
<b>TOTAL</b>	<b>\$38,603,684</b>

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<sup>50</sup> This approved augmentation amount includes additional approval discussed in Section 1.2.2. of this decision.

11. Southern California Gas Company's request, in its petition to modify Decision 12-08-044, requesting authorization to add back Domestic Hot Water measures, water heater blankets and pipe insulation, for owner-occupied multifamily dwellings is granted.

12. Southern California Edison Company's request, in its petition to modify Decision (D.) 12-08-044, to reallocate \$40,000 to its general administration category to pay for the contract with the independent consultant, ICF International, to perform the comprehensive assessment of the current list of categorically eligible programs pursuant to Ordering Paragraph 88 of D.12-08-044, is denied.

13. Southern California Edison Company's request, in its petition to modify Decision 12-08-044, to reallocate \$1,013,110 for post enrollment verifications in 2013 and 2014 is granted.

14. Southern California Edison Company's request, in its petition to modify Decision (D.) 12-08-044, to reallocate \$1,004,493 to train and pay capitation contractors to aid in the post enrollment verification process ordered in D.12-08-044 is denied.

15. Southern California Edison Company's request, in its petition to modify Decision 12-08-044, to reallocate \$50,000 to its California Alternate Rates for Energy Outreach budget to ensure that capitation contractors are not hampered by restrictive budget, is granted.

16. Southern California Edison Company's request, in its petition to modify Decision 12-08-044, to reallocate \$500,000 to its IT Programming budget for "Total additional Cost of IT Enhancements" required to implement the high usage PEV process is granted.

17. Southern California Edison Company's request, in its petition to modify Decision 12-08-044, to reallocate \$500,000 to increase CARE Outreach of offset attrition is granted.

18. Southern California Edison Company's request, in its petition to modify Decision 12-08-044, to reallocate \$366,000 for its call centers to enroll an additional 50,000 customers in both 2013 and 2014 (a total of 100,000 customers) is granted.

19. Southern California Edison Company's request, in its petition to modify Decision 12-08-044, seeking authorization for budget augmentation is granted as summarized below:

#### Summary of SCE's Approved CARE Budget Adjustments

Issue	CARE Budget Category	2012	2013	2014	Cycle
Authorized CARE Management Budget Approved by D.12-08-044		\$12,357,000	\$12,256,000	\$12,412,000	\$37,025,000
(reverse) 2% Monthly PEV Budget Requirement Increases	Post Enrollment Verification	(\$2,756,000)	(\$2,756,000)	(\$2,756,000)	(\$8,268,000)
(reverse) Eligibility Proof at time of Recertification	Processing, Certification, Recertification	(\$3,994,000)	(\$3,994,000)	(\$3,994,000)	(\$11,982,000)
Annual PEV @ \$10.15 per request (5% requested in 2012, 7% in 2013 & 10% in 2014).	Post Enrollment Verification	-\$	\$289,460	\$723,650	\$1,013,110
Increase in the capitation fee to "up to \$20.00" (5K annual enrollments @ \$5 incremental cost per enrollment)	Outreach	-\$	\$25,000	\$25,000	\$50,000
Total additional Cost of IT Enhancements	IT Programming	(\$500,000)	\$1,000,000	-\$	\$500,000
Increase in Outreach to offset attrition (events, campaigns, collateral)	Outreach	-\$	\$250,000	\$250,000	\$500,000
Incremental Cost to Pay SCE Call Center per CARE enrollment (50K enrollments @ \$3.66 incremental cost per enrollment)	Outreach	-\$	\$183,000	\$183,000	\$366,000
<b>SCE's Proposed Adjusted CARE Management Budget</b>		<b>\$5,127,000</b>	<b>\$7,732,957</b>	<b>\$7,388,646</b>	<b>\$20,248,603</b>

<b>SCE's Approved Adjusted CARE Management Budget</b>		\$5,107,000	\$7,253,460	\$6,593,650	<b>\$19,204,110</b>
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20. Southern California Edison Company's request, in its petition to modify Decision 12-08-044, to set a ceiling limit on the number of post enrollment verifications it must perform under the high usage customer rule is denied.

21. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company are excused from the August 31, 2013 deadline for submission of the Energy Education Study, Phase 2, as ordered in Decision 12-08-044.

22. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall propose in their 2015-2017 Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets applications a Phase 2 Energy Education Study, to be conducted in the next program cycle, 2015-2017, including a proposed scope, schedule and budget sufficient to include a field study component to help assess the benefits of the current energy education offerings, and a before and after test period and household bill analysis that measures any actual energy and bill savings.

23. Ordering Paragraph 83 of Decision 12-08-044 is modified, as follows:

83. By December 21st of each year, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company ~~and Southern California Gas Company~~ shall file their reports, based on best information available to the utility on cooling center facility activities including, attendance, low-income program enrollments, and itemized expenses. These annual cooling center reports shall and describe, based on best information available to the utility, ~~ing~~ the energy education and marketing materials provided at each cooling center facility

and provide attendance and enrollment tracking data for all cooling centers with annual expenses that exceed \$5,000.

24. Southern California Edison Company's request, in its petition to modify Decision (D.) 12-08-044, to be excused from complying with Ordering Paragraph 61 of D.12-08-044 is granted and Ordering Paragraph 61 of D.12-08-044 is modified to exclude Southern California Edison Company, as reflected below:

61. Within 60 days after this decision is issued, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company shall file (a) the cost-effectiveness values for the high efficiency forced air unit measure for each of the different housing types and climate zones that they cover, to see if they pass the Cost-Effectiveness Test, and (b) an estimate for the costs, energy savings values, as well as the projected quantity (by housing type and climate zone) of this measure to be installed for each program year.

25. Appendix I.1 of Decision (D.) 12-08-044 shall be corrected to allow room air conditioners in all housing types for climate zones 10 and 13, consistent with Ordering Paragraph 46 of D.12-08-044 and to remove "add back" from the Evaporative Cooler Maintenance Measure row, consistent with Ordering Paragraph 53 of that decision. Attachment I-1 of this decision reflects the corrections to Appendix I-1 of D.12-08-044.

26. The numbering errors in Decision (D.) 12-08-044 are corrected and the affected Ordering Paragraphs of D.12-08-044, as corrected, are reflected below:

10. By April 15, 2013, the Energy Savings Assistance Program Workforce Education and Training Working Group shall evaluate the data gathered and submitted by the Utilities and develop and submit to the assigned Administrative Law Judge their Progress Reports of findings and recommendation(s), if any, and if no agreed upon recommendation(s) is/are reached by then, the working group shall submit a progress report nonetheless of its activities since inception and a detailed description of the

status of its efforts in each of the subject areas it is charged to review in this decision with justification showing good cause for any additional and estimated time it may require.

141. By July 15, 2013, the Energy Savings Assistance Program Workforce Education and Training Working Group shall submit their Final Reports and Recommendations to the assigned Administrative Law Judge.

27. Ordering Paragraph 84 of Decision 12-08-044 is corrected, as reflected below:

Within 30 days after this decision is issued, Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company, ~~and Southern California Gas Company~~, shall post on their websites a list of designated cooling center locations as well as days and hours of operation.

28. Ordering Paragraph 86 of Decision (D.) 12-08-044 is corrected to include an inadvertently omitted 2012 authorized budgets column and attendant calculation corrections/adjustments, as reflected in the corrected Ordering Paragraph 86 of D.12-08-044 below.

86. The proposed cooling center budgets of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are approved with some modifications as follows:

**Approved Prorated Cooling Center Budgets 2012-2014**

Utility	IOUs' Adopted 2012-2014 Cooling Center Budgets	IOU Adopted 2013 Budget (Prorated)	IOU Adopted 2013 Budget (Prorated)	IOU Adopted 2014 Budget (Prorated)
<b>SCE</b>	\$978,166	\$768,000	\$105,083	\$105,083
<b>PG&amp;E</b>	\$712,692	\$450,000	\$127,846	\$134,846
<b>SDG&amp;E</b>	\$126,314	\$56,000	\$34,329	\$35,985

29. Ordering Paragraph 129 of Decision 12-08-044 is corrected, as reflected below.

129. Once data sharing with water utilities begins, Pacific Gas and Electric Company, Southern California Edison Company,



Southern California Gas Company and San Diego Gas & Electric Company shall each file a Tier 2 Advice Letter, and these Tier 2 Advice Letters must report on the corresponding costs borne by respective electric or gas utility in conjunction with the data sharing activities directed in Decision 11-05-020.

30. The table on page 25 of Decision 12-08-044, which was not legible and blacked out in the published PDF version of the decision, is republished below:

	2011	2012	2013	2014	2012-2014 Total
<b>PG&amp;E</b>	\$9,521,000	\$12,081,000	\$11,287,000	\$11,650,000	\$35,018,000
<b>SCE</b>	\$5,485,000	\$5,351,000	\$5,465,000	\$5,622,000	\$16,438,000
<b>SoCalGas</b>	\$6,587,988	\$7,991,640	\$7,747,118	\$7,864,477	\$23,603,235
<b>SDG&amp;E</b>	\$3,200,517	\$3,732,059	\$3,957,106	\$3,973,368	\$11,662,534
	<b>\$24,794,505</b>	<b>\$29,155,699</b>	<b>\$28,456,225</b>	<b>\$29,109,845</b>	<b>\$86,721,768</b>
<b>CARE Program Subsidies and Benefits</b>					
	2011	2012	2013	2014	2012-2014 Total
<b>PG&amp;E</b>	\$479,707,435	\$660,220,000	\$633,029,000	\$605,950,000	\$1,899,199,000
<b>SCE</b>	\$211,400,000	\$330,200,000	\$376,900,000	\$416,800,000	\$1,123,900,000
<b>SoCalGas</b>	\$135,901,649	\$128,773,189	\$129,892,840	\$131,142,177	\$389,808,206
<b>SDG&amp;E</b>	\$48,231,658	\$73,857,625	\$82,630,988	\$83,614,933	\$240,103,546
	<b>\$875,240,742</b>	<b>\$1,193,050,814</b>	<b>\$1,222,452,828</b>	<b>\$1,237,507,110</b>	<b>\$3,653,010,752</b>

31. A paragraph on page 115 of Decision 12-08-044 is corrected, and the corrected paragraph now reads:

...The IOUs shall consider the following central issues in the Final Report:

- (1) Duct Test and Seal: Duct Test and Seal is a logical component of any comprehensive HVAC QM program, however recent evaluations from the 2006-2008 mainstream energy efficiency program cycle raised serious questions about the cost-effectiveness of Duct Test and Seal as a standalone measure and about the effectiveness of past program designs. In this decision we have ~~denied~~approved Duct Test and Seal as an added back standalone measure, with additional reporting requirements. Meanwhile, it is unclear whether it should

continue to be approved in the future program cycles as a standalone measure ~~and/or only be approved~~ how it only in conjunction with an HVAC installation or only be approved in those climate zones and dwelling types under conditions when required under Title 24. In this report, we first ask whether Duct Test and Seal should continue to be approved in the future program cycles as a standalone measure. We also ask whether it is appropriate to consider Duct Test and Seal only as a measure in conjunction with the maintenance service the ESA Program. If not, what is an appropriate package of maintenance measures for the low-income market segment?

32. Appendices J-1, J-2, K-1 and K-2 of D.12-08-044 are corrected and attached to this decision as Attachments J-1, J-2, K-1 and K-2.

33. Ordering Paragraph 113 of Decision 12-08-044 is corrected and updated as follows:

Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall jointly fund the new Impact Evaluation study, not to exceed \$600,000 in total combined expenditure; and we direct that it be funded by the Energy Savings Assistance Program budgets, with the four Utilities sharing costs with equal the following split: PG&E: 30%; SCE: 30%; SCG: 25%; and SDG&E: 15%.

34. The updated Low-Income Needs Assessment Study (commonly referred to as the 2013 LINA Study), the updated Impact Evaluation Report (commonly referred to as the 2013 Evaluation Report), the Multifamily Segment Study, and the Energy Education Study, Phase 1 Report are adopted.

35. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall thoroughly review the updated Low-Income Needs Assessment Study

(commonly referred to as the 2013 LINA Study), the updated Impact Evaluation Report (commonly referred to as the 2013 Evaluation Report), the Multifamily Segment Study, and the Energy Education Study, Phase 1 Report, and these studies and findings and recommendations therein shall inform and guide them in their preparation of their 2015-2017 applications for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets.

36. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall incorporate, in their respective strategies for the 2015-2017 program cycle in their 2015-2017 applications, the findings and recommendations from the updated Low-Income Needs Assessment Study (commonly referred to as the 2013 LINA Study), the updated Impact Evaluation Report (commonly referred to as the 2013 Evaluation Report), the Multifamily Segment Study, and the Energy Education Study, Phase 1 Report, to propose ways to improve the Energy Savings Assistance and California Alternate Rates for Energy Programs in the future cycles.

37. The final reports submitted by the Workforce Education and Training Working Group, the Cost-Effectiveness Working Group, and the Mid-cycle Working Group are adopted.

38. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall thoroughly review the reports of the Workforce Education and Training Working Group, the Cost-Effectiveness Working Group, and the Mid-cycle Working Group, and the findings and recommendations therein shall inform and guide them in their preparation of their 2015-2017 applications for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets.

39. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall incorporate, in their respective strategies for the 2015-2017 program cycle in their 2015-2017 applications, the findings and recommendations from the reports, submitted by the Workforce Education and Training Working Group, the Cost-Effectiveness Working Group, and the Mid-cycle Working Group, to propose ways to improve the Energy Savings Assistance and California Alternate Rate for Energy Programs in the future cycles.

40. Following key recommendations from the Multifamily Segment Study are adopted, and Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company (Utilities) shall implement them:

- (1) The Utilities serving multifamily properties shall work directly with property owners where this approach reduces barriers to participation;
- (2) The Commission's "80/20" rule is modified so that a utility may treat the entire multifamily building, whether or not a particular unit is occupied or income qualified, if at least 80% of the building's units are income-qualified;
- (3) Housing subsidies are not counted as income;
- (4) The Utilities shall propose an expedited enrollment process for the United States Department of Housing and Urban Development assisted multifamily housing wherein at least 80% of the tenants have incomes at or below 200% of federal poverty level (FPL);
- (5) The Utilities shall appoint a single point of contact for the Energy Savings Assistance Program, as is already the case for the Energy Upgrade California program; and
- (6) The Utilities shall coordinate among Energy Savings Assistance, California Alternate Rates for Energy and Energy Upgrade

California, including any potential pooling of funds among programs where such pooling maximizes energy efficiency treatment of multifamily housing and ensures that more potential eligible customers are enrolled.

41. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company, in the 2015-2017 applications for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets, shall propose new, cost-effective measures for the multifamily sector, including common area measures and central heating, cooling, and hot water systems.

42. The proposals for the new multifamily measures by Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company, which may be expensive on a per-unit basis, shall include (a) a total budget for the measure and a proposed budget allocation, (b) an explanation of why the proportion proposed to be used for these measures is reasonable, and (c) a description of how other energy efficiency program funds, such as Energy Upgrade California and federal energy efficiency programs, will be leveraged.

43. The four recommendations of the Cost-Effectiveness Working Group listed below are adopted, and Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company (Utilities) shall implement them:

- (a) The Commission shall base program approval for the 2015-2017 cycle and beyond on the cost-effectiveness results at the program level, rather than at the measure level;
- (b) In the 2015-2017 applications, the Utilities shall categorize measures as “resource” or “non-resource” based on the measure’s ability to provide energy savings;

- (c) The Utilities shall apply the two proposed new cost-effectiveness tests, the Energy Savings Assistance Cost-Effectiveness Test (ESACET) and the Total Resource Cost (TRC) test, replacing the existing tests; and
- (d) During the 2015-2017 cycle, for informational purposes, the Utilities shall conduct a preliminary, qualitative Equity Evaluation, with opportunity for party comment on the preliminary results.

44. Energy Division is directed to reconvene the Cost-effectiveness (CE) Working Group for the narrow purpose of developing a program-level cost-effectiveness threshold as expeditiously as possible, and should the CE Working Group develop a consensus on a threshold in time for the filing of the 2015-2017 applications for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall use that threshold. However, should the Working Group not achieve consensus by the time the applications are filed, the IOUs are directed to make every effort to achieve as higher a level of cost efficiency as possible for the 2015-2017 applications.

45. In the event that the reconvened Cost-effectiveness (CE) Working Group does not achieve consensus by the time the 2015-2017 applications for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets are filed, the reconvened CE Working Group shall continue its efforts toward developing a consensus-based recommendation on a cost-effectiveness threshold and submit its progress report to the assigned Administrative Law Judge by serving it to the service list, by March 1, 2015.

46. Until the issue of categorical eligibility enrollment is resolved in this or a subsequent proceeding, the Energy Savings Assistance and California Alternate

Rates for Energy Programs shall suspend the annual advice letter process addressing qualifying public assistance programs.

47. Until the issue of categorical eligibility enrollment is resolved in this or a subsequent proceeding, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall ensure that their 2015-2017 applications for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets do not alter the list of categorical eligibility programs nor reduce customer participation in their programs via categorical eligibility.

48. We authorize continued bridge funding for the Community Help and Awareness of Natural Gas and Electricity Services pilot program of \$61,200 a month from January 1, 2015, to December 31, 2015.

49. The Macias Consulting Group's Audit Report of Southern California Gas Company, ordered as a result of the December 2011 Order to Show Cause hearing and attached to this decision as Attachment P-1 and P-2, is adopted.

50. Southern California Gas Company shall adopt and implement the recommendations set forth in the report prepared by the independent auditor Macias Consulting Group, dated December 21, 2012 and February 25, 2013 (and attached to this decision as Attachments P-1 and P-2) immediately.

51. Southern California Gas Company shall take all reasonable actions necessary to improve its management practices to ensure the incomplete income documentation issue found in the report prepared by the independent auditor Macias Consulting Group, Attachments P-1 and P-2 to this decision, is eliminated.

52. Southern California Gas Company shall take actions reasonably necessary to ensure its program delivery is carefully overseen to avoid recurrence of similar budget shortfalls it experienced at the end of 2011.

53. We approve the Mid-cycle Working Group's proposed revised Statewide Policy & Procedures Manual, attached to its Final Working Group Report, as D thereto, with some minor modifications, as reflected in Attachment R to this decision.

54. Pacific Gas and Electric Company shall add Smart power strips to its 2012-2014 Energy Savings Assistance Program portfolio for all climate zones and housing types that meet the Energy Savings Assistance Program's adopted Cost-effectiveness Test in its service territory.

55. The recommendations of the studies and working groups' reports for which (1) parties have raised objections or concerns and (2) we do not explicitly direct implementation of the specific recommendation in this decision, including the Attachment Q to this decision, shall be reserved for further deliberation during the upcoming 2015-2017 program cycle.

56. In their 2015-2017 application, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall propose the scope, schedule and budget for the new needs assessment study required by Assembly Bill 327 which must be completed by no later than 2016.

57. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall follow developments in the Commission's energy efficiency proceeding, Application 12-07-001, especially concerning the multifamily segment, marketing, education and outreach, and cost-effectiveness issues, to ensure that



the utilities' planning and strategies for the Energy Savings Assistance and California Alternate Rates for Energy Programs and next cycle applications are consistent with and mindful of the how those issues are developing in that proceeding and/or directions we give in that proceeding.

58. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall follow developments in the Commission's rate redesign proceeding, Rulemaking 12-06-013, concerning the California Alternate Rates for Energy (CARE) Program rate redesign following the passage of Assembly Bill 327, CARE rate redesign related marketing education and outreach, and CARE rate redesign related budget implication issues, to ensure that the utilities' planning and strategies for the CARE Programs and next cycle applications are consistent with and mindful of the how those issues are developing in that proceeding and/or directions we give in that proceeding.

59. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall follow developments in the Commission's proceeding, Docket R.09-11-014 which is examining the cost-effectiveness framework for the demand side programs, to ensure that the utilities' planning and strategies for the Energy Savings Assistance Program and next cycle applications are consistent with those issues that are developing in that proceeding and/or directions we give in that proceeding.

60. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall prepare their 2015-2017 Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets applications by using the framework

and templates, attached to this decision as Attachment Q, as part of their next cycle applications and must complete each section as instructed, including all of the contents required therein.

61. Any pending petitions, motions or requests in this proceeding, which are not expressly granted in this decision, are deemed denied.

62. Application (A.) 11-05-017, A.11-05-018, A.11-06-019, and A.11-05-020 are closed.

This order is effective today.

Dated August 14, 2014, San Francisco, California.

MICHAEL R. PEEVEY  
President  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
CARLA J. PETERMAN  
MICHAEL PICKER  
Commissioners