Decision **DRAFT DECISION OF ALJ WEISSMAN (Mailed 10/25/2005)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing post-2003 Low-Income Assistance Programs.	Rulemaking 04-01-006 (Filed January 8, 2004)
Application of Pacific Gas and Electric Company (U 39 M) For Approval of the 2006 and 2006 California Alternative Rates for Energy and Low Income Energy Efficiency Programs and Budget.	Application 05-06-005 (Filed June 1, 2005)
Southern California Edison Company's (U 388-E) Application Regarding Low Income Assistance Programs for Program Years 2006 and 2007.	Application 05-06-009 (Filed June 1, 2005)
Application of Southern California Gas Company (U 904 G) for Approval of Low Income Assistance Programs and Budgets for Program Years 2006 and 2006.	Application 05-06-012 (Filed June 1, 2005)
Application of San Diego Gas & Electric Company (U 902 M) for Approval of Low Income Assistance Programs and Budgets for Program Years 2006 and 2006.	Application 05-06-013 (Filed June 1, 2005)

INTERIM OPINION APPROVING VARIOUS EMERGENCY PROGRAM CHANGES IN LIGHT OF ANTICIPATED HIGH NATURAL GAS PRICES IN THE WINTER OF 2005-2006

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I. Summary

Buyers and sellers of natural gas anticipate exceptionally high gas prices this winter, with utility bills as much as 70% higher than comparable bills last year. These cost increases will also affect bills for electricity, since electric utilities are heavily dependent on gas-fired generation. While these cost increases create a burden for all customers, we are especially concerned about the potential impacts on low-income residential customers. We held a full-panel hearing on October 6, 2005, in Los Angeles, to more closely study these impacts, and to solicit proposals for providing low-income customers with greater bill protection this winter. Most of those proposals relate to aspects of two existing programs: the California Alternative Rates for Energy (CARE), which provides discounted rates for qualifying low-income energy customers; and the Low-Income Energy Efficiency Program, which provides weatherization and appliance replacement services for qualifying low income customers. In this decision, we adopt the following:

1. CARE rates become available to all customers with incomes between 175% and 200% of the Federal poverty guideline levels. Currently, eligibility ends at 175% of the poverty guidelines.

2. CARE customers may now enroll by telephone.

3. No CARE customers will be dropped from the program during the winter months for failure to recertify their income eligibility.

4. The same expanded income eligibility criteria will apply to both CARE and Low-Income Energy Efficiency program participants. Currently, Low-Income Energy Efficiency program participants are limited to those with 175% of the poverty guidelines, with the exception of elderly and disabled, who must be within 200% of the poverty guidelines.

5. Low-Income Energy Efficiency program enrollment is simplified in several ways, to help speed up the provision of services this winter.

6. Utilities are authorized to accelerate the replacement of gas forced-air furnaces, leaky or broken gas water heaters, and inefficient refrigerators and light bulbs for low-income customers this winter.

7. Utilities are directed to expand and improve their levelized payment plans, including taking steps to ensure that there are frequent true-ups to avoid creating a large year-end payment due.

8. The utilities are prohibited from shutting off service this winter to low-income customers that make regular payments of at least 50% of their bills. The utilities must provide such customers with 12-month repayment plans starting at the end of the winter.

9. The utilities are directed to waive reconnection fees and deposits for CARE customers this winter.

10. The utilities are directed to take various steps to increase and improve outreach efforts related to high winter bills, CARE, Medical Baseline, and the Low-Income Energy Efficiency program.

II. Procedural Background

On September 13, 2005, the Commission issued a notice of a Full-Panel Hearing to be held in Los Angeles on October 6, 2005, and directed several utilities[1] to provide written proposals for reducing the impact of anticipate gas bill increases on low-income customers. On September 28, 2005 or soon thereafter, the utilities and several other parties filed proposals. At the Full-Panel hearings, participants discussed many potential actions. Several utilities expressed an interest in filing formal proposals. In an electronic ruling issued the next day (October 7, 2005), administrative law judge (ALJ) Steven Weissman set the following schedule:

October 11, 2005:	Last day to submit proposals for adoption on October 27th
October 17, 2005:	Due date for comments on the proposals
October 19, 2005:	Due date for replies to comments
October 20, 2005:	Workshop on Utility Proposals

On October 11, 2005, the utilities and other parties filed the following:

1. SCE's Supplement to its Application (A.) 05-06-009 Requesting Approval of Low-Income Assistance Programs and Budgets for Program Years 2006 and 2007 and its Motion to Take Actions to Mitigate Bill Impacts on Low-Income Customers During the 2005 Winter Period.

2. Proposal of the Association of California Community and Energy Services (ACCES) to Reduce Bill Impacts on Low-Income Households Due to High Natural Gas Prices This Winter.

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[1] The specified utilities are Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), and Southwest Gas Company (Southwest).

3. Disability Rights Advocates' Proposal for Changes to the Medical Baseline Allowance.

4. Comments of the Latino Issues Forum on En Banc Hearing and Proposal Regarding Reducing Bill Impacts on Low-Income Households Due to High Natural Gas Prices This Winter.

5. PG&E Advice Letters 2664-G-A/2720-E-A and 2666-G/2721-E.[2]

6. The Petition of SDG&E and SoCalGas to Implement Changes to Low-Income Energy Efficiency and California Alternative Rate for Energy Programs for Winter 2005-2006.

SoCalGas also separately filed an application in which the utility proposes to withdraw cushion gas in order to provide low-cost supplies for CARE customers in the coming winter. We are considering this proposal in a separate proceeding and a separate order.

On October 14, 2005, through a further electronic ruling, the ALJ directed the utilities to prepare additional exhibits, including a detailed comparison of the proposals of various parties. The utilities jointly filed this information on October 18 and 19, 2005. Many parties also filed comments and replies as prescribed in the ALJ's October 7, 2005 ruling. All or nearly all of the active participants also attended the October 20, 2005 workshop at which most of the proposals were discussed in greater detail.

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[2] The Advice Letters submitted by PG&E are more appropriately considered as petitions to modify prior decisions. Because of the compressed schedule related to the review of these proposals, we are not requiring the utility to re-file these requests. Rather, we note that they were served on the parties to the proceedings where the modifications would occur, and we treat them as if they were petitions for modification.

III. Discussion

Ensuring that we have taken all reasonable steps to protect the most vulnerable consumers at this time of exceptionally high natural gas prices is an urgent matter. The utilities and many other parties have responded to this emergency as one might expect they would – with a unified sense of purpose, an unwavering dedication, and apparently boundless energy. There is only one theme for this inquiry – How can we best protect low-income consumers, without creating undue new burdens on all other customers? Without such a commonality of interest, we would be unable to issue a decision as quickly as this.

The Office of Ratepayer Advocates (ORA) describes our mission well: (1) to adopt measures that are low or no cost to ratepayers and are immediately effective in lowering bills and can be quickly implemented and (2) to give priority to those other measures that would increase enrollment in the CARE and Low-Income Energy Efficiency programs. We will consider the various proposals in that light.

A. CARE Eligibility

At the October 6, 2005 full panel hearing, Bill Huang, the Manager of Housing Development for the Community Development Commission of the County of Los Angeles, described the economic predicament of many consumers through the example of a family of four living in Los Angeles County. In order to cover the basic expenses (rent for a three-bedroom apartment, food, transportation, child care, and taxes), such a family would need an income of $69,670. However, the median income for four-member families in Los Angeles County is $65,500. Without taking into account sudden changes in things such as utility charges, the median family would already face a deficit of $4,170. Logically, a great many families would be much further behind.

CARE does nothing to help many of these families. Currently, residential customers can receive the CARE rate discount only if their household income is at or below 175% of the applicable Federal poverty guidelines. Considering again the example of a family of four, the formula works like this: The Federal government sets the poverty level for a four-member household at $19,350. The current CARE income limit for this type of family is $33,862. Clearly, many families in need are left behind.[3]

PG&E, SCE, SDG&E, and SoCalGas propose making CARE benefits available for customers whose income is at or below 200% of the applicable Federal poverty guidelines if they are elderly (60 or older) or disabled. These criteria would be more in line with the existing rules for participation in the Low-Income Energy Efficiency program. PG&E and Southwest Gas would also apply this expansion to elderly and disabled customers living in submetered, group living, and agricultural housing. No party opposes this proposal, although some would allow all customers with income at or below the 200% level to receive CARE benefits. At least one party would raise CARE eligibility

[3] The Commission has also established the Family Electric Rate Assistance (FERA) program. FERA allows electricity customers that are families with income above the CARE limit but less than 250% of the Federal poverty level to receive more modest assistance. While CARE provides a 20% discount, FERA customers receive no discount for usage within the quantities that qualify for baseline and Second Tier rates. The benefit provided is that for any electricity use greater than the normal Second Tier quantities, qualifying customers are still charged Second Tier rates, rather than the higher Third Tier rates. There is no similar program for natural gas customers.

to the 250% level. The following chart considered the Los Angeles four-member family in the context of these proposals:

Income for a Family of Four in Los Angeles County

Required Income To Pay for a 3 Bedroom Apt., Childcare, Food, Transport. & Taxes	Median Actual Income	Federal Guidelines Poverty Income	175% of Poverty Guideline	200% of Poverty Guideline	250% of Poverty Guideline
$69,650	$65,500	$19,350	$33,862[4]	$38,700	$48,375

Expanding CARE eligibility would reach more individuals and families in need. However, the revenue shortfall resulting from the use of CARE discounts is absorbed by other customers. We asked the utilities to produce (within a few days) estimates of the impact on other customers from making the benefits of CARE available to more people. SDG&E states that if 70% of its natural gas and electric customers with incomes between 175% and 200% of Federal poverty guideline amounts were to enroll in CARE, all other customers would see their rates rise by two to three tenths of one percent. If all customers in that group were to enroll in CARE, SDG&E predicts that other rates would rise by four tenths of one percent. SDG&E estimates that if enrollment were expanded to 250% of poverty levels, the bill impacts to others would be three times greater.

All other utilities produced estimates within the same "ballpark" as SDG&E's, with the exception of PG&E, which offered higher estimates. However, even PG&E expects that electric rates would go up no more than one tenth of a cent for kWh with a 200% limit and 1.6 tenths of a cent with a 250%

[4] Due to the way our staff calculated the CARE eligibility figures, the current ceiling for CARE income eligibility is slightly higher ($34,200).

limit. PG&E estimates a natural gas impact of seven tenths of a cent per therm for a 200% limit, and 1.2 cents per them with a 250% limit.

Although we do not know all of the assumptions underlying these estimates, it is likely that they overstate the impacts to other customers, at least in early years. For the coming winter, these estimates could only be accurate if either 70% or 100% of newly-eligible customers not only signed up for CARE discounts, but all did so on November 1, 2005. It took many years for the utilities to exceed 70% enrollment of the currently-eligible customers and, even then, none of the utilities has come close to full enrollment. These estimates are useful, however, in helping us to understand the likely outer boundaries of any eventual rate impact.

Making CARE discounts available to a broader range of residential customers is an important way to help more customers this winter. Because of the need to protect all customer classes, however, we must exhibit moderation. The utilities would have us extend CARE eligibility only to a subset of those customers earning between 175% and 200% of poverty levels, and this approach would even further limit exposure to other customers. We are persuaded that the elderly and disabled are not the only customers in this income range who will face special challenges this winter and beyond. It would make sense also to include families, many of which may have to choose between buying clothing and paying utility bills. For ease of implementation, it may be better to qualify a broader class of new customers (all of those earning up to 200% of poverty level) than to ask the utilities to invoke a new series of more subtle rules for eligibility.

Although the impact on other customers of increasing income eligibility may be measurable, it is small. We will instruct the utilities to allow all residential customers earning no more that 200% of poverty levels to enroll in the

CARE program.[5] However, in order to minimize impacts on other customers, we will not adopt a 250% level at this time. Consistent with the more limited proposal from PG&E and Southwest Gas, we will direct all utilities to make CARE discounts available to those otherwise qualified customers in submetered, group living, and agricultural housing.

As discussed earlier, the FERA program, provides modest rate benefits to electricity customers that do not qualify for CARE, but have income that does not exceed 250% of Federal poverty levels. FERA provides no benefits for natural gas customers. Because we are expanding CARE eligibility to the 200% level, we will direct the electric utilities to offer FERA only to customers with income between 200% and 250% of poverty levels. We leave for a more appropriate future proceeding consideration as to whether there should be any other changes to FERA eligibility criteria.

B. CARE Enrollment

The Commission has long been considering ways to increase CARE enrollment. The question we address, here is whether there are steps the utilities can take to have an immediate impact on CARE enrollment. Utilities and other parties have suggested several ways to do this, and we will now adopt the following:

1. **Enrollment by Telephone.** As proposed by SDG&E and SoCalGas, for the period running through April 30, 2005 (the winter months), we will direct the utilities to use

[5] This directive is not meant to be an endorsement of any utility's specific estimate of cost impacts from the new subsidies. Ultimate cost recovery will depend on actual CARE enrollment. In addition, we specifically expect PG&E's CARE administrative costs to be in line with those from other utilities.

telephonic contact with existing and prospective CARE participants to encourage the enrollment of qualified customers. This can include obtaining telephone confirmation, from the customer, of income eligibility followed by written post-enrollment verification. The utilities may use census block and other income-related data to identify fruitful geographic areas to focus a telephone campaign. This is an experiment. Part of what we want to know is if this method of enrollment leads to a higher percentage of unqualified customers signing up for CARE discounts. We ask the utility to track this data carefully. If post-verification results in the conclusion that an ineligible customer erroneously enrolled in CARE, the utility shall not attempt to recover from the customer the CARE discount for any amounts already billed up through April 30, 2005. Thereafter, the utilities may return to their normal back-billing practices.

2. **Recertification.** The utilities require CARE customers to re-establish their income eligibility every two years. Many qualified CARE customers fail to complete this recertification process, for one reason or another, and are normally dropped from the program. SDG&E and SoCalGas propose suspending their recertification efforts during the winter months, to save money for other purposes, and to ensure that as many qualified customers as possible retain their discounts this winter. These utilities would begin recertification again after the winter. Other utilities propose to continue recertifying CARE eligibility, so as to not fall behind, but to not drop non-responding customers from the program during the winter months. Many other parties support some form of recertification suspension. In order to keep providing discounts to as many eligible customers as possible, we will approve the SDG&E and SoCalGas proposed suspension, and permit any other utility to suspend its recertification activities during the winter if it chooses. We further direct all utilities to maintain discounts for all non-responding customers throughout the winter period.

In the future, we will consider changing the recertification schedule from once every two years, to once every three.

3. **CARE Application Forms.** The utilities shall submit changes to CARE application forms needed to implement this decision or to otherwise simplify the paperwork requirements through advice letters, no later than November 1, 2005. The new forms will temporarily become effective the day they are filed. If the Energy Division finds that the new forms are consistent with this decision and otherwise acceptable, it may approve them by letter. Otherwise, the new forms will be subject to a Commission resolution. We will require parties to file any objections to the proposed forms within five working days, and anticipate that the Energy Division will respond to the advice letters as quickly as possible.

C. Low-Income Energy Efficiency Program Modifications

The Low-Income Energy Efficiency Program provides no-cost weatherization services to low-income households that meet the CARE income guidelines. Seniors who are 60 years old and over, and disabled persons qualify for these services if their income is at or below 200% of the federal poverty guidelines. Services provided include attic insulation, energy efficient refrigerators, energy efficient furnaces, weatherstripping, caulking, low-flow showerheads, waterheater blankets, and door and building envelope repairs to reduce air infiltration. Numerous parties have proposed changes to the program in response to the anticipated high natural gas prices this coming winter.

1. Eligibility

Until now, the income eligibility criteria for CARE and the Low-Income Energy Efficiency Program have been somewhat inconsistent. Since we are about to allow all households with income at or below 200% of the poverty guidelines to participate in CARE, we have an opportunity to create consistent eligibility criteria for the two low-income programs. This means that all customers at or below the 200% level, not just the elderly and disabled, will be permitted to participated in the weatherization effort. While this change will increase the target population for the utilities' weatherization programs, it will not necessarily lead to higher utility expenditures in any given year. Unlike the CARE program, in which any qualifying customer can participate and add to program costs, participants in the Low-Income Energy Efficiency Program must wait for service. The utilities will not be able to serve all eligible customers in the same year.

We will not, however, require Southwest Gas to expand its Low-Income Energy Efficiency Program income eligibility at this time. As a gas provider, Southwest coordinates its weatherization with the utilities that provide electric service to its customers. In the south, that is SCE. In the north, it is Sierra Pacific, which is not a party to this portion of the proceeding. It would be unwise for us to expand eligibility for Sierra's customers without hearing from them, first, and Southwest relies on Sierra to implement its weatherization program. While Southwest could offer broader eligibility in the south where it coordinates with SCE, it would be unfair to require customers in one part of the service territory pay for a program for which they would not be eligible.

2. Enrollment

While CARE customers have long been allowed to self-certify their income eligibility (subject to later verification), Low-Income Energy Efficiency Program customers are required to provide upfront documentation. That is because it is not practical to take back building envelope improvements and new furnaces, after they are installed, if the benefiting customer later proves to be ineligible.

In the face of anticipated higher prices, however, many parties have proposed ways to speed up, and simplify Low-Income Energy Efficiency Program enrollment. PG&E and ACCES propose using census data to identify areas with a high concentration of low-income residents, and then allow CARE customers in those areas to be automatically eligible for the program. SDG&E and SoCalGas would also start with census data and, in those identified low-income areas, allow potential program participants to self-certify their income eligibility. SCE would go further and allow all CARE customers to qualify automatically for two measures: refrigerator replacement and compact fluorescent lights. We will discuss this proposal below.

All other parties support the strategic use of census data to speed up the identification of program participants and simplify the enrollment process. We will direct the utilities to adopt this strategy, during the winter months, because it holds the hope of getting more homes weatherized more quickly. The utilities report that they all have sufficient funds, with remaining 2005 budget dollars and money held over from prior program years, to support an accelerated weatherization effort.

TURN, and the Latino Issues Forum, warn that if self-certification is implemented in the same manner as it is for CARE, where customers normally must repay the subsidy if they inaccurately self-certify, this otherwise beneficial practice may have the unintended effect of making customers liable for large-ticket appliances when they may never have intended to misrepresent income eligibility. They recommend that we direct the utilities to adopt a "hold harmless" policy so that this effort does not inadvertently create an economic disaster for some of its intended beneficiaries. The utilities report that they do not, for the practical reasons alluded to earlier, try to undue their good works if the beneficiaries are later found to be unqualified. We will direct them to continue that practice for customers receiving services under this special program during the coming winter months.

Additionally, we note that some of the utilities plan to contact CARE customers to determine if they are interested in and eligible to participate in the weatherization program[6] and if they are, recommend that they contact the local weatherization contractors. We encourage each of the utilities to not only do this, but also to consider asking interested customers for permission to pass their names on to the contractors. This could help further speed up the process.

3. Gas Forced Air Furnaces

Normally, Low-Income Energy Efficiency Program providers will fix broken furnaces and take steps to help them perform more effectively, but they will not replace these furnaces unless they cannot be adequately repaired. Various utilities now propose to replace gas-fired central forced-air furnaces, as part of a whole-house weatherization effort, or on a "go-back" basis for dwellings that have previously been treated, where the existing furnace has an Annual Fuel Utilization Efficiency (AFUE) rating of 65 or lower. The utilities would replace these furnaces with models providing AFUE ratings of 80 or 92, depending on the climate zone. No party objects to this program change, although some parties argue that the utilities should also replace wall-mounted

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[6] In addition to income requirements, participants must have not received utility weatherization services in their current homes during the last ten years, or meet certain other appliance replacement criteria.

or floor heaters that are 20 years old or older. The utilities uniformly object to the latter proposal.

It appears that the most recent report providing benefit-cost analysis for the replacement of central forced-air furnaces is contained in the *Low Income Energy Efficiency Program Measurement Assessment Study Final Report*, filed with the Commission on June 3, 2003. This report showed few instances where the replacement of a forced-air furnace seemed cost-beneficial. See, for example, the following tables from Appendix A to the report.

Gas Furnace Replacement, Multi-Family

Program B/C	0.56	1.17	0.71	0.61	0.32	0.78	0.35	0.18
Climate	**Modified Participant Test**				**Utility Test**			
Zone	**PG&E**	**SCE**	**SDG&E**	**SoCal**	**PG&E**	**SCE**	**SDG&E**	**SoCal**
1	0.74				0.80			
2	0.56				0.61			
3	0.47				0.51			
4	0.45				0.48			
5	0.34				0.37			
6	*							
7			0.05				0.03	
8								
9								
10			0.06				0.04	
11	0.52				0.57			
12	0.47				0.51			
13	0.42				0.45			
14	*		0.09				0.06	
15			0.04				0.02	
16	0.62				0.68			

Gas Furnace Replacement, Mobile Home

Climate	Modified Participant Test				Utility Test			
Zone	**PG&E**	**SCE**	**SDG&E**	**SoCal**	**PG&E**	**SCE**	**SDG&E**	**SoCal**
1	1.53				1.66			
2	0.56				0.61			
3	0.53				0.58			
4	0.44			0.49	0.48			0.32
5	0.68			0.18	0.74			0.12
6	*			0.17				0.11
7			0.15	0.46			0.10	0.30
8				0.13				0.09
9				0.13				0.09
10			0.18	0.20			0.12	0.13
11	0.51				0.55			
12	0.47				0.51			
13	0.42			1.27	0.45			0.84
14	*		0.18	0.29			0.12	0.19
15			0.07	0.13			0.05	0.09
16	0.85			0.33	0.92			0.22

Gas Furnace Replacement, Single Family

Climate	Modified Participant Test				Utility Test			
Zone	**PG&E**	**SCE**	**SDG&E**	**SoCal**	**PG&E**	**SCE**	**SDG&E**	**SoCal**
1	1.26				1.37			
2	0.56				0.61			
3	0.53				0.58			
4	0.44			0.29	0.48			0.20
5	0.56			0.23	0.61			0.15
6	*			0.21				0.14
7			0.15	0.38			0.10	0.25
8				0.15				0.10
9				0.17				0.12
10			0.18	0.19			0.12	0.13
11	0.51				0.55			
12	0.47				0.51			
13	0.42			0.36	0.45			0.24
14	*		0.20	0.36			0.13	0.24
15			0.06	0.14			0.04	0.09
16	0.70			0.34	0.76			0.22

A ratio greater than 1.0 reflects an instance in which the authors of the report predict that direct economic benefits would be greater than the costs. The shaded cells highlight figures that exceed the program-wide benefit-cost estimates.

While a strict benefit-cost analysis is not always controlling in the context of the low-income programs, when considering a temporary program change, it is instructive to consider the change's economic effect. Without the benefit of updated analysis, we are left with educated conjecture about current benefits versus costs. We note, however, that the cost of gas has increased dramatically since the time of the June 2003 report. For instance, in June 2003, PG&E's filed Weighted Average Cost of Gas was 54 cents.[7] By comparison, its filed Weighted Average Cost of Gas for October of this year is $1.02.[8] Assuming that gas prices may remain high for some time, it appears that forced-air furnace replacement may not only appear favorable in many instances when compared to program-wide benefits, it may often be cost-beneficial in the strictest sense. For this reason, we will approve the proposals for a winter 2005-2006 furnace replacement pilot program.

ACCES proposes that renters should be eligible for furnace repair and replacement. This would be an appropriate strategy where renters are either separately metered, or submetered. However, changing furnaces in multi-family buildings might provide complications that are beyond the capabilities of the

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[7] See Advice Letter 2464-G.

[8] See Advice Letter 2661-G.

utility programs. During the winter months, the utilities shall make furnace benefits available to renters, where feasible.

We approve this pilot with the following words of caution. First, furnace replacement only makes sense when the building envelop sufficiently retains heat within the structure. To paraphrase a participant at the October 20, 2005 workshop, there is no efficient way to heat a sieve. Thus, we expect the utilities that choose to pursue this program to ensure that dwellings receiving the new furnaces are adequately weatherized. This requirement may make furnace replacement a good "go-back" measure, meaning that it could be installed in a dwelling that has received weatherization treatment within the last ten years. It also suggests that where dwellings that are new to the program are to receive a new furnace, this ought to be in conjunction with other necessary weatherization improvements.

We further note that in its pending report on the assessment of new measures to the 2006 programs, the Standardization Team proposes that the utilities offer duct testing and sealing for single family homes and mobile homes with gas space heating in all climate zones. Duct improvement may be an important aspect of ensuring the efficiency of new or existing furnaces. Some duct modifications may be necessary to install a new furnace. We hereby authorize any duct work needed to enable the furnace to work effectively. Beyond that, we anticipate that the utilities will note the condition of existing heating ducts when installing new furnaces. If the Commission ultimately approves the more general addition of duct work to the program, we expect the utilities to consider returning to those dwellings that receive new furnaces to make necessary duct repairs.

Finally, we direct the utilities to take the benefit-cost findings into account when deciding where to offer new furnaces. The utilities should focus first on the most cost-beneficial climate zones, and then focus on other areas where the benefit-cost ratio appears to exceed the program level ratio. SDG&E and SoCalGas should be especially selective, since customers in many of the climate zones within their service territories may benefit less from furnace replacement.

We are less informed of the merits of adding the replacement of 20 years-or-older wall and floor heaters to the pilot furnace program. The utilities state that there are not new, more efficient models of these heaters comparable to the newer forced-air furnaces. The major reason to replace a heater older than 20 years may be that they lack an important safety mechanism. We simply lack a factual basis for making this determination, and will not adopt the proposal at this point.

4. Gas Water Heater Replacement

Currently, program participants replace water heaters that fail natural gas appliance testing. ACCES proposes that the program include the replacement of inefficient water heaters, as it did during the rapid deployment phase of the program, during the height of the energy crisis. PG&E responds that the Commission agreed, in 2004, with the recommendation of the Standardization Team to eliminate the replacement of inefficient water heaters from the program. The Team's analysis suggests that it is not cost-effective to pay the full cost of a high-efficiency water heater to replace a properly-functioning, existing water heater for any utility or climate zone.

ACCES also proposes that the program include the replacement of leaky and broken water heaters. The gas utilities support this proposal, and state that a forthcoming Standardization Team report will recommend changing water heaters in such instances. It is logical to expect that it will be more efficient to replace a leaky or otherwise broken water heater than to replace an old water heater that is still properly function, since leaks or other malfunctions will make an old heater even more inefficient. We will allow the utilities to include the replacement of leaky or broken gas water heaters as a measure for this winter.

5. Refrigerators and Compact Fluorescent Bulbs

As mentioned earlier, SCE proposes allowing all CARE customers to qualify automatically for two measures: new refrigerators and compact fluorescent lights. This would enable SCE to speed up the distribution of these measures but as a result, some customers would receive these measures independent of other weatherization services. Because they offer a large amount of immediate energy savings, we encourage SCE and the other utilities to accelerate the placement of these measures, while noting that the ability to receive a new refrigerator may serve as an incentive for some customers to accept a broader array of energy efficiency measures.

We will allow SCE and the other utilities to employ SCE's proposed automatic qualification approach, and allow all utilities to increase the number of new refrigerators and compact fluorescent bulbs that they place in qualifying homes. The utilities shall continue to replace only refrigerators than are ten years old or more. The utilities may "go back" to homes previously weatherized to provide new refrigerators and compact fluorescents as appropriate. Where this rapid deployment effort involves homes that are insufficiently weatherized, the utilities shall either provide other weatherization services in that home within a reasonable period of time, or obtain a commitment from the customer to receive other services later.

6. Low-Income Energy Efficiency Program Funding Levels

ACCES proposes that the Commission increase program funding by 60%, consistent with the funding increases recently adopted for the more general energy efficiency programs. ACCES raises an important issue: How should our enhanced commitment to energy efficiency be reflected in funding for low income energy efficiency programs? While it is appropriate for the Commission to address this question, it does not appear to be necessary to do so in the context of this expedited proceeding.

PG&E, SDG&E, SoCalGas, and Southwest Gas report that they can support a higher level of program activity this year through a combination of remaining funds budgeted for 2005, and holdover funds from prior years. SCE asks for authority to augment its 2005 funds with earlier use of amounts from its 2006 budget. All of the utilities anticipate accelerating their use of 2006 funds in the early months of next year and recognize a potential need to seek a budget augmentation later in 2006. We prefer to grant the utilities the authority to record any additional costs, beyond 2005 dollars and holdover funds, as part of their 2006 programs and to treat any resulting activities as related to meeting 2006 targets. We will return to the underlying question of proper overall funding levels at a more appropriate time.

7. Low-Income Customer Energy Education Workshops

ACCES points to what it describes as SDG&E's and SoCalGas' energy education workshop component as a model for the other utilities. These workshops take place in facilities of Community-Based Organizations (CBOs) and focus on low-income customers who qualify for the Federally-funded Low-Income Home Energy Assistance Program (LIHEAP). ACCES argues that these workshops fulfill the requirements of Assembly Bill 1393, enacted in October 1999 which added § 327 and § 381.5 to the Public Utilities Code. Under § 327, electric and gas corporations, to the extent possible, are required to do the following:

1. Continue to leverage funds collected to fund the program described in subdivision (a) with funds available from state and federal sources;

2. Work with state and local agencies, community based organizations and other entities to ensure efficient and effective delivery of program;

3. Encourage local employment and job skill development;

4. Maximize participation of eligible participants; and

5. Work to reduce consumers electric and gas consumption and bills.

ACCES further asserts that the CBO-based customer workshops leverage LIHEAP funds, serve as an outreach tool for the Low-Income Energy Efficiency and CARE programs, and teach participants how to reduce their gas and electric bills. ACCES asks that SoCalGas and SDG&E be directed to expand this component, and that PG&E and SCE be directed to add this element to their Low-Income Energy Efficiency programs.

It appears that PG&E, SDG&E and SoCalGas have not replied to this proposal. SCE and Reliable Energy Management oppose it, arguing that SCE's in-the-home education approach is an effective way to teach conservation principles to customers.

This expedited process leaves us with little solid information to consider related to this proposal. Community-based educational efforts would appear to provide an opportunity to reach a greater number of customers than would an in-the-home approach. They certainly would have more of a likelihood to encourage more program participation, and may increase the efficiency of the use of utility and Federal funds. Based on what we have before us now, we would not know what to direct the utilities to do – how many more workshops for SDG&E and SoCalGas to undertake, and exactly what the other utilities should start doing. Instead we will direct SoCalGas to convene a meeting, within two weeks following the issuance of this order, with representatives of ACCES and other interested parties, as well as PG&E and SCE, to discuss a common educational strategy and to inform the Assigned Commissioner and all other parties to this proceeding of their plans, by letter.

D. Rates and Bills

1. Rate Freezes and Caps

Various consumer and community representatives have proposed that the Commission place a freeze on CARE rates for this winter and a 20% increase cap on rates for other small commercial and other residential customers. An additional proposal is to create a third tier for residential gas rates in order to reduce the impact of higher gas costs on customers using baseline and second tier quantities.

There is little doubt that these proposals would go further than any others currently before us to reduce the impacts of high gas costs for these customers, in the near term. However, they would do so at what would be likely to be a steep price. The expedited schedule has not allowed us to look carefully at the potential resulting undercollections, or to consider how the utilities could later recover those sums.[9] Deferring recovery now requires betting gas prices will go down significantly after the winter. This is a risk that we cannot impose on the state's ratepayers. We will not adopt a rate freeze at this time.

Similarly, we are not able, in this timeframe, to consider changes to residential rate tiers. This would require consideration in a broader rate design context.

2. Levelized Payment Plans

Each of the utilities currently offers most residential customers to choose payment schedules that smooth out the seasonal bumps in their bills that occur with different uses and prices. We encourage the utilities to take aggressive steps to inform customers of this option prior to the peak winter months. There is a danger, with levelized plans, that consumers will not be prepared for the higher-than-usual bills that will result during the warmer months. In addition, a poorly designed program can lead to very high true-up payments, creating another kind of bill payment crisis. The utilities have designed their programs to have levelized payment adjustments every three or four months to avoid accumulating a huge charge at the end of the cycle. With the expected high fuel costs in the coming month, the gas utilities should adjust the levelized payments no less frequently than once every three month, in order to protect against a very large underpayment. Further, the utilities have not explained why this service could not be available to master meter customers that pledge to pass the benefits on to their submetered customers. We direct utilities

[9] In addition, if the Commission were to adopt such measures, this would involve petitions for modification in various other ratesetting dockets, with notice the participants in those proceedings.

that do not already do this to make this service available this winter and inform customers about this option.

3. Continuity of Service

We further direct the utilities to take extraordinary steps to ensure that low-income customers struggling to pay higher bills this winter are able to continue receiving gas and electric service. Toward that end, the utilities shall not shut off service during the winter months to customers that continue to make minimum bill payments. As proposed by The Utility Reform Network, Utility Consumers' Action Network, Greenling Institute, Latino Issues Forum, and Disability Rights Advocates, utilities shall retain service, at a minimum, to those customers paying at least 50% of their bills. As proposed by the Bay Area Poverty Resource Council and the Community Action Agency of San Mateo County, after the winter period, customers should not be disconnected if they agree to, and comply with, a plan to repay all past-due amounts within 12 months. In addition, utilities have proposed to waive reconnection fees and deposits for CARE customers during the winter months. We direct each of the utilities to adopt these practices, as well.

4. Medical Baseline

Disability Rights Advocates[10] has proposed various changes to the medical baseline program which are of interest, but outside of the scope of this proceeding. These include proposals to improve the accessibility of medical baseline services, a clarified appeals process for customers who disagree with utility decisions about medical baseline allotments, and changes to the

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[10] The Motion to Intervene of Disability Rights Advocates is hereby granted.

allotments, themselves. These issues are not unrelated to our concern with winter gas prices, because many customers with disabilities could be particularly vulnerable to problems related to those high prices. However, we believe that the other steps we are directing the utilities to take this winter will ensure that higher prices themselves will not result in the inability of any customer to continue receiving gas and electric service. We must fully consider the appropriate means for determining and providing medical baseline services, but that must occur in the appropriate underlying proceeding where all affected parties will have proper notice and appropriate prior decisions can be modified.

At the request of the ALJ, Disability Rights Advocates met with representatives of each of the utilities to discuss adjustment to program procedures that the utilities could implement in the short term. Disability Rights Advocates reports that initial discussions have been cooperative and that the process promises to be fruitful. We direct the utilities to continue with this process and report its results to the Assigned Commissioner and ALJ in R.01-05-047. If there is a need for formal Commission action as a result of this process, parties should make the appropriate pleadings in that docket.

E. Outreach

The utilities report plans to take various steps, within existing budgets, to expand outreach efforts this winter to encourage participation in the CARE and Low-Income Energy Efficiency programs. We thank the utilities for these new efforts, and need not describe them in detail, nor ratify them, here. The Utility Reform Network, Utility Consumers' Action Network, Greenling Institute, Latino Issues Forum, and Disability Rights Advocates have offered additional constructive suggestions. Based on these proposals, we direct the utilities to do the following:

1. Provide plain-speaking bill inserts that describe the coming challenge, and inform customers of the steps they can take (including participation in CARE and the Low-Income Energy Efficiency program where applicable) to protect themselves against high costs. Utilities should include such bill insert in the next available billing cycle. As usual, the utilities shall work on insert language with the Public Advisor, who is encouraged to share drafts with the five groups that have raised this issue.

2. Work with utilities and contractors to ensure effective message coordination with the Flex Your Power campaign. Some utilities, as well as Commissioner Susan Kennedy, have already taken steps to effectuate this type of coordination. We note that pursuant to D.05-09-043 at p. 26, the Flex Your Power administrator is to produce a report by year's end on its prospective work plan. We expect that plan to include a specific low-income strategy developed in conjunction with the Low-income Oversight Board at its December 2, 2005 meeting in San Diego.

3. Include information about the Medical Baseline program in appropriate outreach efforts.

F. Local Offices

In response to inquiries from various consumer parties, each utility has pledged that it will not close any local offices or pay centers during the winter months. This is appropriate, and important, since more ratepayers than normal may need assistance in establishing payment schedules, or may need the benefit of an in-person payment option to help control costs. In the past, this Commission has directed most utilities to close no local offices without prior Commission approval. We make it clear, here that this restriction applies to all of the energy utilities that are the subject of this order.

G. Executive Compensation

The Utility Reform Network, Utility Consumers' Action Network, Greenling Institute, Latino Issues Forum, and Disability Rights Advocates have asked the Commission to impose a freeze on utility executive bonuses during the winter months. While we agree that the shareholders, and the officers acting on their behalf, can have a significant impact on the overall cost of service through procurement strategies, storage practices, and hedging plans, we do not see an obvious connection between gas costs this winter and the merits of any particular executive bonuses. We have not reached into this level of corporate decision making up to this point, and do not see a compelling reason to do so now.

H. PG&E's Advice Letters

PG&E submitted its proposals in the form of two advice letters. We have treated these as proposed changes, along the lines of the submissions from other parties. Because the programs we adopt today differ, in some respects, from PG&E's proposal, the company will have to resubmit its advice letters, with the tariffs revised in a manner consistent with this order. Based on a review of the advice letters already filed, we provide the following guidance.

In Section G of Rule 9, PG&E addresses its balanced payment plan. The proposed tariffs adds the term "Qualified," stating that the balanced payment plan applies to "Qualified" residential and commercial customers. However, the proposed tariff offers no definition of "Qualified." PG&E also proposes to revise Rule 9.G.1, .5, .6, and .7. It is not clear why those tariff revisions are necessary to implement PG&E's proposal to expand eligibility in the balanced payment program. PG&E provides no explanation in its advice letter. In order to approve the revised tariffs, when they are filed, we will need a clear explanation why the changes are necessary to implement its plan to expand balanced payment plan eligibility.

IV. Assignment of Proceeding

Dian Grueneich is the Assigned Commissioner and Steven Weissman is the assigned ALJ in this proceeding.

V. Comments on Draft Decision

Because of the urgent need to take steps to protect the health and safety of the most vulnerable ratepayers as winter approaches, we have waived the normal process of releasing the draft decision for comment. Instead, we have allowed for a one-day comment period. Comments are due, by e-mail, no later than 10:00 a.m. on October 26, 2005.

VI. Conclusion

It is hard to over-emphasize the enthusiasm and creativity all of the participants in this expedited process have brought to the discussion. Although this order addresses all of the major proposals, it does not reflect the full extent of the conversation that has occurred between consumer and community groups and the utilities. We want this constructive conversation to continue and will do what we can help make it happen. This order also does not repeat or record each of the things the utilities have pledged to do that do not require a Commission order. For instance, many of the utilities plan to increase shareholder contributions to bill assistance programs. The utilities all understand the urgent need to help their customers through this challenging period and are prepared to act accordingly.

The result is that we are able to take many steps, today, to increase protections for low income customers. These include an expansion of CARE rates, a suspension of many winter disconnects and reconnection charges, the enlargement and acceleration of Low-Income Energy Efficiency program offerings and activities, and other steps. We will continue to monitor rates and service during the coming winter period, and will consider taking additional actions, as needed.

Findings of Fact

1. Expanding CARE eligibility would reach more individuals and families in need.

2. Although the impact on other customers of increasing income eligibility may be measurable, it is small.

3. The FERA program, provides modest rate benefits to electricity customers that do not qualify for CARE, but have income that does not exceed 250% of Federal poverty levels.

4. FERA provides no benefits for natural gas customers.

5. Many qualified CARE customers fail to complete the required recertification process, for one reason or another, and are normally dropped from the program.

6. Since we will allow all households with income at or below 200% of the poverty guidelines to participate in CARE, we have an opportunity to create consistent eligibility criteria for the two low-income programs.

7. As a gas provider, Southwest coordinates its weatherization with the utilities that provide electric service to its customers.

8. The use of census data to speed up the identification of program participants and simplify the enrollment process holds the hope of getting more homes weatherized more quickly.

9. It appears that forced-air furnace replacement may not only appear favorable in many instances when compared to program-wide benefits, it may often be cost-beneficial in the strictest sense.

10. Duct improvement may be an important aspect of ensuring the efficiency of new or existing furnaces.

11. It is logical to expect that it will be more efficient to replace a leaky or otherwise broken water heater than to replace an old water heater that is still properly function, since leaks or other malfunctions will make an old heater even more inefficient.

12. The utilities have not explained why levelized payment service could not be available to master meter customers

Conclusions of Law

1. The utilities should expand CARE income eligibility to include all customers with income at or below 200% of Federal poverty guidelines.

2. The utilities should offer CARE discounts to qualified customers in submetered, group living, and agricultural housing.

3. FERA income eligibility should be adjusted to accommodate changes in CARE eligibility.

4. The utilities should be allowed to enroll CARE customers by telephone.

5. During the coming winter months, CARE customers should continue to be enrolled in the program even if they fail to recertify their income eligibility.

6. Low-Income Energy Efficiency program income eligibility criteria should match those used for CARE.

7. Low-Income Energy Efficiency program customers should not be required to reimburse the utilities for weatherization services if the customers are later found to lack income eligibility.

8. Forced-air furnace replacement is appropriate if the new units are more efficient that the ones they replace.

9. The utilities should perform necessary duct work when replacing furnaces.

10. The utilities should be permitted to replace leaky or broken water heaters.

11. The utilities should be allowed to increased the number of new refrigerators and compact fluorescent bulbs that they place in qualifying homes.

12. The utilities should offer levelized payment plans to master meter customers.

13. The utilities should not shut off service, during the coming winter months, to customers that continue to pay at least 50% of their bills.

14. CARE customers should not be disconnected after the winter months if they agree to, and comply with, a plan to repay all past-due amounts within 12 months.

15. The utilities should waive reconnection fees and deposits for CARE customers during the coming winter months.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E) and SouthWest Gas Company (SouthWest) shall allow all residential customers earning no more that 200% of poverty levels to enroll in the California Alternative Rates for Energy (CARE) program.

2. The utilities shall make CARE discounts available to those otherwise qualified customers in submetered, group living, and agricultural housing.

3. Because we are expanding CARE eligibility to the 200% level, the electric utilities shall offer FERA only to additional customers with income between 200% and 250% of poverty levels.

4. The utilities shall use telephonic contact with existing and prospective CARE participants to encourage the enrollment of qualified customers. The utilities may use census block and other income-related data to identify fruitful geographic areas to focus a telephone campaign. This is an experiment. Part of what we want to know is if this method of enrollment leads to a higher percentage of unqualified customers signing up for CARE discounts. We ask the utility to track this data carefully. If post-verification results in the conclusion that an ineligible customer erroneously enrolled in CARE, the utility shall not attempt to recover from the customer the CARE discount for any amounts already billed up through April 30, 2005. Thereafter, the utilities may return to their normal back-billing practices.

5. In order to keep providing discounts to as many eligible customers as possible, we will approve the SDG&E and SoCalGas proposed suspension of recertification activities, and permit any other utility to suspend its recertification activities during the winter if it chooses. We further direct all utilities to maintain discounts for all non-responding customers throughout the winter period.

6. The utilities shall submit changes to CARE application forms needed to implement this decision or to otherwise simplify the paperwork requirements through advice letters, no later than November 1, 2005. The new forms will temporarily become effective the day they are filed. If the Energy Division finds that the new forms are consistent with this decision and otherwise acceptable, it may approve them by letter. Otherwise, the new forms will be subject to a

Commission resolution. We will require parties to file any objections to the proposed forms within five working days, and anticipate that the Energy Division will respond to the advice letters as quickly as possible.

7. For PG&E, SDG&E, SCE and SoCalGas, low-income energy efficiency income eligibility benchmarks shall be as those used for the CARE program.

8. The utilities shall hold harmless from repayment any customer receiving low-income energy efficiency program benefits this winter even if the customer is later found not to qualify based on income.

9. The utilities may replace gas-fired central forced-air furnaces, as part of a whole-house weatherization effort, or on a "go-back" basis for dwellings that have previously been treated, where the existing furnace has an Annual Fuel Utilization Efficiency (AFUE) rating of 65 or lower. The utilities would replace these furnaces with models providing AFUE ratings of 80 or 92, depending on the climate zone.

10. During the winter months, the utilities shall make furnace benefits available to renters, where feasible.

11. The utilities are authorized to perform necessary duct work when installing a new furnace.

12. The utilities may include the replacement of leaky or broken gas water heaters as a measure for this winter.

13. All utilities may increase the number of new refrigerators and compact fluorescent bulbs that they place in qualifying homes. The utilities shall continue to replace only refrigerators than are ten years old or more. The utilities may "go back" to homes previously weatherized to provide new refrigerators and compact fluorescents as appropriate. Where this rapid deployment effort involves homes that are insufficiently weatherized, the utilities shall either

provide other weatherization services in that home within a reasonable period of time, or obtain a commitment from the customer to receive other services later.

14. SoCalGas shall convene a meeting, within two weeks following the issuance of this order, with representatives of ACCES and other interested parties, as well as PG&E and SCE, to discuss a common low-income energy efficiency educational strategy and inform the Assigned Commissioner and all other parties to this proceeding of their plans, by letter.

15. Utilities that do not already do so shall offer levelized payment options to master meter customers this winter and inform customers about this option.

16. The utilities shall not shut off service during the winter months to customers that continue to make minimum bill payments. CARE customers shall not be disconnected if they agree to, and comply with, a plan to repay all past-due amounts within 12 months. In addition, utilities waive reconnection fees and deposits for CARE customers during the winter months.

17. We direct the utilities to do the following:

a. Provide plain-speaking bill inserts that describe the coming challenge, and inform customers of the steps they can take (including participation in CARE and the Low-Income Energy Efficiency program where applicable) to protect themselves against high costs. Utilities should include such bill insert in the next available billing cycle. As usual, the utilities shall work on insert language with the Public Advisor, who is encouraged to share drafts with the five groups that have raised this issue.

b. Work with utilities and contractors to ensure effective message coordination with the Flex Your Power campaign. Some utilities, as well as Commissioner Susan Kennedy, have already taken steps to effectuate this type of coordination.

c. Include information about the Medical Baseline program in appropriate outreach efforts.

18. No later than November 1, 2005, the utilities shall file advice letters proposing changes to tariffs and forms in compliance with this order. These changes will temporarily become effective the day they are filed, subject to later action by the Energy Division or the Commission. If the Energy Commission finds that the advice letters are consistent with this decision and otherwise acceptable, it may approve them by letter. Otherwise, the advice letters will be subject to Commission resolution. Parties must file objections to the advice letters within five working days.

This order is effective today.

Dated ____________________________, at San Francisco, California.