

Decision 01-03-028 March 15, 2001

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

Order Instituting Rulemaking on the  
Commission's Proposed Policies and Programs  
Governing Energy Efficiency, Low Income  
Assistance Renewable Energy and Research,  
Development And Demonstration.

Rulemaking 98-07-037  
(Filed July 23, 1998)

**INTERIM OPINION: LOW-INCOME ENERGY EFFICIENCY  
STANDARDIZATION PROJECT (PHASE 2) AND REPORTING  
REQUIREMENTS MANUAL**

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## **I. Summary<sup>1</sup>**

By today's decision we approve the recommendations contained in the Phase 2 Standardization Project Report and Phase 1 Reporting Requirements Manual (RRM) Report, with certain modifications. These recommendations apply to the low-income assistance programs implemented by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCal), collectively referred to as "the utilities." Their purpose is to standardize the policies and procedures for implementing and reporting the results of low-income assistance programs, across utilities.

## **II. Background and Procedural History**

The utilities currently implement two types of assistance to qualified low-income utility customers: rate assistance and energy efficiency services. Rate assistance is provided consistent with Public Utilities Code (Pub. Util. Code) §§ 739.1 and 739.2 under the California Alternate Rates for Energy (CARE) program. Under this program, eligible low-income households and group living facilities receive up to a 15% rate discount for their electric and gas consumption. Energy efficiency services are provided consistent with Pub. Util. Code §§ 327, 381.5 and 2790.

Direct assistance to low-income customers in the form of energy efficiency education and measures became a statutory requirement in 1990 with the

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<sup>1</sup> Attachment 1 explains each acronym or other abbreviation that appears in this decision.

passage of Senate Bill (SB) 845.<sup>2</sup> This statute directed the Commission to require gas and electric corporations to perform home weatherization services for low-income households “if the commission determines that a significant need for those services exists in the corporation’s service territory, taking both the cost effectiveness of the services and the policy of reducing low-income hardships into consideration.” Weatherization measures include attic insulation, caulking, weatherstripping, low flow showerheads, water heater blankets and door and building envelope repairs which reduce infiltration. Relamping (i.e., replacing incandescent bulbs with compact fluorescent bulbs) has also become a standard service for SCE and PG&E. In addition, all of the utilities provide in-home energy education as part of their direct assistance programs. We refer to these direct assistance services as Low Income Energy Efficiency (LIEE) programs.

The individual utilities’ LIEE programs have evolved somewhat differently over the last several years. These differences range from fairly broad variations in policies and procedures to very specific technical differences in installation standards. The Standardization Project discussed herein was initiated to achieve overall consistency across LIEE programs. In addition to standardizing program policies and procedures, the Commission has also encouraged the standardization of reporting costs and program activities for low-income assistance programs, as described further below.

#### **A. LIEE Standardization Project**

The LIEE Standardization Project is being conducted in three phases. Phase 1, which has been completed, produced statewide weatherization

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<sup>2</sup> Some of the utilities, such as PG&E and SDG&E, provided weatherization services to low-income customer prior to the passage of SB 845.

installation standards, a set of common measure-specific policies and procedures, including standardized criteria for the installation of eligible measures in a specific home. The objective of Phase 2, which is addressed in today's decision, is to continue the development of consistency in program policies and procedures by addressing such issues as customer eligibility, policies for minor home repairs and furnace repairs/replacements, inspection procedures, insulation levels, the eligibility of master-metered units for the program, and gas appliance testing. Phase 3 will address remaining standardization issues, including the development of a statewide customer "bill of rights" and a statewide policy and procedures manual. The final Phase 3 report is due April 15, 2001.

The specific scope of the LIEE Standardization Project has been based on directives issued by the Commission, as summarized below:

- On December 29, 1999, the Assigned Commissioner issued a ruling directing the utilities to "work jointly with any interested participants to develop a joint proposal for standardizing the selection criteria and installation manuals for the utilities' low income weatherization programs . . . ." The ruling also instructed the utilities to conduct workshops and/or other forums to solicit input from interested participants, and to submit a joint proposal to the Commission.
- On March 22, 2000, the Assigned Commissioner issued a second ruling clarifying and extending the scope of the standardization effort to "cover not only issues relating to installation standards, but also other policies and procedures that differ across programs." The ruling directed the utilities to also develop recommendations for standardizing inspection policies and procedures across programs.
- On May 8, the utilities filed a report on Phase 1 of the standardization project. That report provided recommendations on statewide weatherization installation standards, a set of common measure-specific policies and procedures, and recommendations

relating to measure selection criteria. A follow-up filing with additional recommendations made in response to comments was submitted on July 5, 2000

- On September 7, 2000, the Commission issued D.00-09-036 adopting the Phase 1 report and July 5 follow-up recommendations. The Commission directed the utilities to develop a customer “bill of rights” and to further consider a set of recommendations on PY 2001 low-income programs made by the Low-Income Advisory Board (LIAB).

The Standardization Project Team (project team) consists of the utilities and the project consultants: Regional Economic Research, Inc. (RER) and Richard Heath & Associates (RHA). Energy Division assisted in coordinating the effort. Attachment 2 summarizes the steps taken by the project team to develop the Phase 2 standardization recommendations and lists the attendees to the public workshops.

The utilities filed an initial Phase 2 LIEE Standardization Project Report on September 15, 2000.<sup>3</sup> Comments were filed by the Commission’s Consumer Services Division (CSD) and by SESCO Inc.(SESCO).<sup>4</sup> The utilities filed a joint reply on October 30, 2000. On October 26, 2000, the utilities submitted a follow-

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<sup>3</sup> Portions of this report were subsequently clarified in a November 16, 2000 response to questions by the assigned Administrative Law Judge.

<sup>4</sup> We note that SESCO’s comments were emailed to parties two days late, filed three days late and did not include a cover or signature page. We affirm the assigned Administrative Law Judge’s decision to accept the comments late-filed, as the delay over a weekend did not unduly disadvantage any party in this instance. However, we put SESCO and other parties on notice that any future requests for extensions of time to file must be accompanied by a description of the extenuating circumstances that prohibited them from making a timely and accurate filing. Time extensions will not be routinely authorized for SESCO (or any other party) in this proceeding in the future.

up Phase 2 report that presented recommendations on additional standardization issues. SESCO and RHA filed comments on the follow-up report.<sup>5</sup> Insulation Contractors Association (ICA), the utilities (jointly), PG&E and ORA filed reply comments.

The policies and procedures adopted during Phase 1 of the LIEE Standardization Project, per D.00-09-036, are being implemented for program year (PY) 2001. Those adopted during Phase 2 and 3 of the project will apply to programs implemented in PY 2002. This decision addresses the standardization issues raised during Phase 2. In some instances, issues raised in the comments will be deferred until Phase 3.

## **B. Standardized Reporting Requirements**

The RRM is the repository for the definitions, the formats and the methodologies for recording costs and effects of energy efficiency programs, including low-income assistance programs. The initial RRM resulted from the Commission's direction, provided in D.86-12-095, for Commission staff to develop a consistent and common framework for reporting on demand-side management activities for all major utilities. An ad hoc RRM Working Group (Working Group) was formed to assist in this task, and has convened periodically through the years to address reporting issues. This group usually consists of Commission staff and representatives from the utilities, but is open to all interested parties.

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<sup>5</sup> RHA's comments briefly stated its support for the analysis and recommendations contained in the follow-up report, and are not discussed further in this decision.



The RRM has been revised several times since 1986, with the most recent revision occurring in 1999. The sequence of activities leading to the modifications being considered today can be summarized as follows:

- By Resolution (Res.) E-3585, dated December 17, 1998, the Commission directed the utilities to submit a proposal for standardized reporting guidelines to the LIAB. In compliance with Res. E-3585, on May 1, 1999, the utilities submitted a proposal for standardized reporting guidelines.
- The LIAB held a public meeting on May 11, 1999 to discuss the utilities' proposal and submitted its recommendations concerning utility standardized reporting guidelines on June 1, 1999. Comments on LIAB's filings were submitted by PG&E and jointly by SDG&E and SoCal.
- By Res. E-3586, dated January 20, 1999, the Commission further directed that the utilities work with LIAB to standardize the calculation of utility administrative costs. On May 17, 1999, the utilities submitted a joint proposal for standardizing the treatment of administrative costs for low-income assistance programs. LIAB submitted comments on the joint proposal on June 30, 1999. The utilities and ORA responded to LIAB's comments.
- On February 11, 1999, the Assigned Commissioner directed the Energy Division to conduct a workshop with the utilities and interested parties to address reporting issues for both low-income assistance and energy efficiency programs. Energy Division submitted its workshop report with an addendum on June 1, 1999. Several unresolved issues remained outstanding.
- By ruling dated April 28, 2000, the Assigned Commissioner established a schedule for resolving remaining unresolved issues in time for the utilities to incorporate new reporting requirements into their May 1, 2001 Annual Reports for PY 2002 planning. Consistent with Energy Division recommendations, the Assigned Commissioner directed that the existing RRM Working Group solicit input from LIAB and interested parties in a workshop setting to address remaining unresolved issues.

From mid-July until mid-September, 2000, the RRM Working Group met eight times in northern and southern California locations to address unresolved reporting requirements issues related to low-income assistance programs. Representatives from the Energy Division, ORA, the utilities and LIAB attended all meetings. A member from the ICA also participated extensively as a member of the Working Group. Representatives from community-based organizations, LIEE service providers and the California State Department of Community Services Development also participated in the Working Group. (See Attachment 2.)

The RRM Working Group's Report for Low-Income Assistance Programs (RRM Report) was filed on October 2, 2000. Comments were filed by RHA and jointly by SESCO and ICA. The utilities also jointly filed comments that proposed due dates for CARE and LIEE program monthly reports and a joint reply to SESCO/ICA comments.

### **III. LIEE Standardization Project—Phase 2**

The Phase 2 LIEE Standardization Project Report submitted on September 15, 2000 presents recommendations for standardizing customer eligibility criteria, including income documentation, limits on prior program participation, minimum necessary weatherization and other criteria. It also makes recommendations designed to make policies and procedures more consistent across utilities for inspections, minor home repairs and furnace repairs and replacements. The follow-up Phase 2 report proposes a set of recommendations for ceiling insulation levels, the eligibility of master-metered units for the program, and a minimum statewide level of gas appliance testing. Per D.00-09-036, the Phase 2 project team also produced and circulated the final weatherization installation standards manuals based on the Phase 1

recommendations adopted in that decision. We commend the project team for producing a well-written summary of current practices and Phase 2 recommendations under a very ambitious schedule.

A summary of the Phase 2 recommendations is presented in Attachment 3. We address the specific issues raised in comments in the following sections. In some instances, we refer issues back to the project team for consideration during the next phase of the standardization project.

#### **A. Customer Eligibility Based on Heating Fuel or Rate Schedule**

CSD and SESCO take issue with the limit on LIEE program participation to low-income customers who purchase their heating fuel from that utility. They also object to any blanket exclusion of customers served under business rate schedules.

SESCO and CSD argue that limiting participation in LIEE programs based on the customer's heating fuel source is inconsistent with program goals:

“For example, a customer living in PG&E's service territory who does not have access to natural gas service, who is an electric customer of PG&E, but who does not choose to heat with an expensive commodity like electricity is denied low-income weatherization services despite the fact that those weatherization services could increase the comfort level of the household, reduce energy related hardships and be cost effective for the customer.” (CSD October 19, 2000 Comments, p. 3.)

“For example, SCE provides weatherization only to electric heat customers, even for those whose electric bills due to heavy air conditioning use often exceed their (non-electric) heating bills.” (SESCO October 23, 2000 Comments, p. 2.)

In addition, SESCO and CSD contend that nothing in the Public Utilities Code or enabling legislation indicates that the end-uses of the utility fuels should influence the LIEE services provided to low income customers.

With regard to the exclusion of any customer being served under a business rate, CSD and SESCO argue that there may be many circumstances in which low income residences are served under such a rate. Examples include: customers residing in nonprofit group living facilities, migrant farmworker housing centers, certain employee housing and housing for agricultural employees. As specified in Pub. Util. Code § 739.1(b) and 739.2, these types of facilities may be eligible for CARE rate discounts, provided that the occupants “substantially meet the Commission’s low-income eligibility requirements.” CSD argues that disqualifying customers because of the rate schedule they are served under is incompatible with Pub. Util. Code § 2790, which specifically states that customers identified in Pub. Util. Code § 739 should be eligible for low-income weatherization services.

In their reply comments, the utilities state that the recommendations relating to non-residential rates that cover low-income dwelling units “may be valid, and deserves further consideration,” although it “goes beyond the current focus of the standardization effort.” The utilities further comment that offering weatherization to customers regardless of their fuel source “has serious funding implications, and goes beyond the process of standardization.”<sup>6</sup> They recommend that these issues be deferred until later in Phase 3 or to the PY 2002 planning process.

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<sup>6</sup> Joint Reply Comments, October 30, 2000, pp. 2, 5.

We believe that these issues are well within the scope of the standardization project directed by the Commission. The issue of eligibility based on heating fuel source was raised by the Contractors' Coalition in Application (A). 99-07-002 et al. and referred to the standardization project by the Commission, along with other standardization issues raised in that proceeding. The fact that the utilities do not currently define eligibility in the manner proposed by CSD and SESCO, should not preclude consideration of alternate definitions that will further the goal of offering all low-income customers "a consistent set of services across the state."<sup>7</sup> With regard to the utilities' concerns about funding implications, we recognize that some of the changes in policies or procedures adopted for the LIEE program during Phases 2 and 3 may affect the scope of services and associated costs to implement the PY 2002 program. The utilities should clearly indicate these effects as they prepare and present PY 2002 budget recommendations.

The project team should consider these eligibility issues with input from interested parties in a workshop setting as soon as possible, and submit its recommendations no later than the due date for the full Phase 3 report, April 15, 2001. We encourage the project team to bifurcate Phase 3 and address the carryover issues from this decision in an interim Phase 3 report, so that the Commission can address any non-consensus issues as quickly as possible before the start of the PY 2002 planning process.

Consistent with the Assigned Commissioner's direction, the project team's report should include background information on this issue relating to

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<sup>7</sup> D.00-07-020, mimeo., p. 86.

current practices (including those of the Department of Community Services and Development) and alternative options for future treatments, and discuss the pros and cons of each option.<sup>8</sup> We encourage SESCO and CSD to actively participate in the workshops so that their views can be explored during public discussion and incorporated into the project team's report.

With regard to the issue of eligibility based on heating fuel, the project team should discuss whether (and under what circumstances) providing weatherization services to customer that do not use the utility's services for heating will actually result in *utility* bill reductions under the ratepayer-funded LIEE program. In addition, the project team should describe how (if the restriction continues to apply) customers who do not use utility heating fuels can be effectively referred to State programs that provide weatherization services via other funding sources.

## **B. Income Verification**

As explained in the Phase 2 report, practices with respect to the requirement for income documentation currently differ across utilities.<sup>9</sup> With few exceptions, all of the utilities currently require the customer to produce some form of documentation of income eligibility for the LIEE program, but the form and extent of documentation varies among them. Some of the utilities require

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<sup>8</sup> See Assigned Commissioner's Ruling, September 11, 2000, p. 2.

<sup>9</sup> All four utilities use the same established Commission income guidelines for LIEE programs, per Resolution E-3254, dated January 21, 1992. Specifically, they use the CARE income guidelines for the LIEE program, but are permitted to use 200% of Federal Poverty Guidelines for low-income customers who are 60 years of age or older and for handicapped persons.

that service providers collect the income documentation, whereas others only require that documentation be reviewed and recorded.

In the Phase 2 report, the utilities recommend that procedures be standardized to require that all income documentation be reviewed, recorded and copied by service providers for all prospective participants. Qualification for other programs will no longer be taken (as it has been in the past under SoCal's program) as adequate evidence of qualification for the LIEE program. The one exception to this requirement is if the customer has been verified by the utility as eligible for the CARE program over the last year. The utility will periodically audit the documentation maintained by the contractor. In the event that documentation is not available for a participant, payment to the contractor for the weatherization of that unit will be disallowed.

SESCO recommends self-certification for the LIEE program. In SESO's view, it is counterproductive to require detailed income verification for the LIEE program because several different families may enjoy the savings benefits from the program measures, which are expected to last 10 to 15 years. Moreover, SESO argues that the extensive experience of PG&E and SDG&E does not indicate any significant level of fraudulent practices that would justify new procedures.

Even if documentation is required, SESO argues that service providers should not be required to collect, copy and store income documentation. SESO contends that low income families often have, at most, one copy of their documentation. Since many of the visits occur in residential areas, in the evenings or on weekends, SESO argues that the added step of arranging for copying the documents would be difficult and time-consuming. Moreover, SESO argues that the penalty of non-payment to the contractor for a unit with

inadequate information collected is “a draconian overkill for a minor infraction, absent any indication of deliberate fraud or gross negligence.”<sup>10</sup>

The utilities urge the Commission to reject SESCO’s proposal to allow self-certification for the LIEE program. They argue that income documentation needs to be reviewed in order to ensure eligibility. The utilities also argue that the collection, copying and storing of income documentation is reasonable because LIEE services, unlike CARE services, can not be removed once installed. In their comments on the draft decision, ORA and the Latino Issues Forum/Greenlining Institute voice their support for the utilities’ Phase 2 recommendations on this issue.

In the CARE program, we allow customers to “self-certify” their eligibility by having them complete forms with all the requisite income information. Participating customers must provide a signed statement indicating that (1) the utility may verify the customer’s eligibility to participate in the program and (2) if the verification establishes that the customer is ineligible, the customer will be removed from the program and may be billed for discounts which the customer should not have received.<sup>11</sup>

The monthly CARE discount can be discontinued relatively easily through billing adjustments if abuses are detected in the self-certification procedures that apply to that program. In contrast, the sizeable up-front ratepayer investment in LIEE weatherization measures, home repairs and furnace repairs/replacements (and associated bill savings to the customer)

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<sup>10</sup> SESCO Comments, p. 3.

<sup>11</sup> See D.99-07-016 in Rulemaking 94-12-001.



cannot be “discontinued” unless the measures are physically removed. Removal of these measures is costly and in many instances physically impossible. Therefore, we believe it is reasonable to augment the CARE requirements for the purpose of establishing LIEE eligibility.

We note that verification of information regarding income qualification on the part of the outreach worker has been the general practice for LIEE programs, rather than self-certification. We are not persuaded that utilities should abandon their efforts to document income eligibility before measure installation, as SESCO proposes, just because that residence may later be occupied by a different family.

Nor do we find it unreasonable to require service providers to collect, copy and store income documentation. It is the contractor’s contractual responsibility to assure the utility and the Commission that they have verified a customer’s eligibility. If a customer is found to be ineligible because they exceed the income limitations, the question of whether the error was the responsibility of the customer or the contractor should be answered by the contractor’s documentation. This requirement will help assure thoroughness on the part of the contractor, and minimize the potential for trying to recoup costs from customers with little or no assets. While this requirement may increase administrative costs initially (e.g., the cost of portable copying machines or other photocopying expenses), we believe that it will improve the effectiveness of the program overall by helping to ensure that only income-eligible customers participate in the program. We therefore adopt the utilities’ recommendations regarding income verification.

### **C. Limits on Prior Participation in the LIEE Program**

All programs currently have some policy with respect to dwelling units that have been weatherized previously by publicly-funded plans. SoCal's is the most stringent, prohibiting without exception the installation of any measures if the unit has been weatherized under any LIEE program. SDG&E and SCE take a similar approach, but allow some exceptions on a case-by-case basis and allow the installation of measures not offered when a home was previously weatherized. PG&E prohibits the installation of any measures in dwelling units that have been weatherized under the LIEE program in the past five years.

As described in Attachment 4, homes that have been treated under the LIEE program within the past 10 years would generally not be eligible for participation in the current program under the utilities' proposal. However, a home that has been treated during that period would be considered eligible for participation if the home needs ceiling insulation, and if ceiling insulation was previously deemed non-feasible as a result of a structural inadequacy (e.g., knob and tube wiring) that has been resolved. Other exceptions may be granted with the written approval of the utility administrator's program manager. In any event, occupants would still be referred to group energy education if it is offered.

SESCO objects to the 10-year timeframe, arguing that there are many reasons why a low-income customer may not be receiving the full benefits of the LIEE program that treated the residence sometime during the past ten years. We believe that some means of considering past participation in the program is important for the preservation of equity among potential participants. While arguments can be made with respect to the specific time window used to define previous participation, we believe that the utilities' proposal is reasonable, given the mix of measures and measure lives installed through the program. The

proposal also recognizes the need to allow for some exceptions based on circumstances, and provides for them. We would add, however, that any unit that previously failed a combustion appliance safety pre-test, and therefore did not receive infiltration-related measures (but received other measures), would be considered eligible for the measures it did not receive if the test is subsequently passed during the 10-year window.<sup>12</sup>

#### **D. Fractional Qualification in Multifamily Complexes and Mobile Homes**

The utilities currently use different approaches to qualify households in multifamily complexes and mobile home parks.<sup>13</sup> SDG&E qualifies the entire complex/park if at least 80% of all the individual dwelling units meet the LIEE program's income requirements. SCE and SoCal qualify a multifamily complex if at least 66% of the units not previously weatherized meet the income requirements, but qualify mobile home dwellers on an individual basis. That is, if an individual unit is occupied by a household that does not qualify (or if a unit is unoccupied), that unit cannot be treated. PG&E currently takes the same approach to qualifying the units in both multifamily complexes and mobile homes.

Under the utilities' joint proposal, all units in the complex/park that have not previously been treated under the program would become eligible if

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<sup>12</sup> As discussed in below, the issue of whether pre-testing should become a standardized practice has not been addressed by the project team. Currently, only PG&E pre-tests for combustion appliance safety, so this qualification to the 10-year window applies only to PG&E's program at this time.

<sup>13</sup> Multifamily complexes are defined as those with five or more dwelling units.

80% of those units are occupied by income-eligible residents. If fewer than 80% qualify, those who individually qualify can still be treated.

SESCO argues that an 80% fractional qualification may be too high and, in any event, should apply to all the units in the complex/park, and not just those untreated. ICA recommends that 66% be the general requirement, unless the neighborhood is in the process of gentrification.

Under the joint utility proposal, the service provider would be required to income-qualify 80% of the units/mobile homes in a given program year that had not yet been treated. Under SESO's proposal, the service provider would count units that were qualified and treated under the LIEE program in prior years towards the qualification requirement.

The purpose of adopting a fractional qualification requirement approach is to provide treatment for all units in a complex or mobile home park when it becomes obvious that the building caters overwhelmingly to low-income families. For this purpose, we believe that an 80% fractional qualification requirement is reasonable, as proposed by the utilities. However, we find that approach on how to apply the 80% rule that is currently in place for SDG&E, and recommended for all utilities by SESO, makes the most sense. In its comments, SESO provides a numerical example that highlights the shortcomings of the joint utility proposal:

“As an example, use the 80% rule in a 100 unit complex. During the PY 2000 program, outreach and treatment was completed for sixty units. During the next year's program, thirty more were treated. Under this scenario, 90% of all the units have been qualified and been treated. However, this would not qualify the building under the proposed system. In PY 2000, the provider qualified only 60% of the units not previously treated (60 out of 100). In PY 2001, the provider qualified and treated 'only' 75% of the units not previously

weatherized (30 out of the remaining 40 not yet weatherized).”<sup>14</sup>

We also agree with SESCO that the 80% rule should apply separately to attic insulation levels for common attic areas. It makes no sense from an energy efficiency perspective to insulate the common attic space over (for example) only 4 out of the 5 units, just because the occupant of one unit does not meet the income qualifications.

#### **E. Minimum Necessary Weatherization and Other Eligibility Criteria**

The utilities currently have no explicit policies with respect to the number of measures that must be needed by a home to qualify for participation in the LIEE program. As described in Attachment 4, the utilities propose to require such minimums. SESCO opposes these restrictions.

We agree with the utilities that the provision for not treating customers needing very few measures is necessary to maintain reasonable cost-effectiveness and will allow dollars to be spent on homes that have not yet received weatherization services.

SESCO also recommends that the current restrictions regarding refrigerator replacements and hard-wired fixtures in rental units be left open for further review. We understand from the utilities’ response that these issues, along with the treatment of evaporative coolers in rental units, will be reconsidered during Phase 3.

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<sup>14</sup> SESCO Comments, p. 3.

## **F. Limits on Minor Home Repairs and Furnace Repairs/Replacements**

As explained in the Phase 2 report, Res. E-3586 mandated per home cost limits on minor home repairs and furnace repairs for PG&E and SDG&E, and limited total expenditures on such repairs to no more than 20% of total program costs. SCE and SoCal currently have no such limits.

The utilities propose a standardized set of per home average cost limits and overall program expenditure limits. The per home average cost limits are similar to those currently in place for SDG&E and PG&E. The overall expenditure limits are \$300 average cost per home receiving service for minor home repairs and \$1,200 for furnace repairs and replacement (total combined cost for home receiving one or the other). SESCO objects to these proposed overall program expenditure limits, arguing that they substantially exceed the 20% limit established by the Commission.

The utilities respond by stating that (1) the current 20% limit does not apply to all utilities and (2) the two proposed restrictions (one relating to per average expenditures per home and one relating to total expenditures for individual homes) are adequate to ensure cost control. (Joint Reply, October 30, 2000, pp. 5-6.) However, these comments are not responsive to the issue raised in SESCO's comments. The utilities do not refute SESCO's contention that the average cost of all contractor incentives combined in the PG&E program, including outreach, measure installation, appliances and energy education, averages only \$450. As SESCO points out:

“Were the use of the \$300 average be allowed, this is equivalent to 67% of all other costs, more than three times the 20% guideline set by the Commission in its prior order on the subject. While we do not have similar numbers for the other utilities, we are sure that a \$300 per house average

is far in excess of the 20% guideline.” (SESCO Comments, p. 7.)

There may be individual homes or even groups of homes that require significant repairs under this program and, for those, we should keep the per home limits proposed by the utilities. However, to preserve a reasonable balance between energy efficiency measures and home repairs, we believe it is reasonable to apply the 20% guideline adopted in Res. E-3586 to all utilities. If a utility sees that it is likely to exceed the 20% level, then it can request a relaxation of that guideline on a case by case basis, via Advice Letter.

SESCO contends that there is inadequate clarification in this report regarding which repairs, if any, are to be allowed so that the home may pass the combustion appliance safety test and receive infiltration measures, and whether there are limits to these expenditures. The utilities contend that Section 4 of the report clearly addresses all repairs that may be offered under the LIEE program, as well as expenditure limits. However, under PG&E’s current policies and practices, it appears that the contractor may also utilize “the \$750 set aside for building envelope repair” if more than \$750 is needed for furnace repair and replacement to correct a gas leak problem.<sup>15</sup> Thus, at least for PG&E, there appears to be an additional source of funds for repairs related to gas leak/carbon monoxide (CO) emissions problems. The Phase 2 report should be clarified to indicate under what circumstance additional repairs can be made (if any) by the LIEE weatherization contractor to respond to gas leak/CO emissions problems identified during the utility’s gas appliance testing procedures, and what expenditure limits would apply to those repairs.

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<sup>15</sup> See Joint Utility Phase 2 Follow-Up Report, October 27, 2000, p. 16.

### **G. Spending Caps For Multi-Family Housing**

In the Phase 2 report, the utilities state that they may limit expenditures on the treatment of multifamily dwellings to a specified percentage of the total program budget. However, the percentage cap for each utility is not provided nor is the basis for the caps explained. CSD recommends that the Commission require the utilities to publish the percentage cap applied by each utility, explain how the caps are determined and explain the relationship between the housing stock in each utility's service territory and the maximum percentage of funds devoted to treating multifamily housing. SESCO recommends that procedures for limiting expenditures by housing type be standardized.

In their comments, the utilities state that they will implement CSD's suggestion during Phase 3 and recommend that the Commission defer consideration of standardizing procedures for limiting expenditures by housing type until that phase. We will defer this issue until Phase 3. As discussed above, if the project team is able to address this issue before the April 15, 2001 deadline, it should submit its recommendations in an interim Phase 3 report.

### **H. Inspection Policies and Procedures**

The Phase 2 report outlines the various differences in inspection policies and procedures across utilities, including the percent of homes receiving post-installation inspections, the use of in-house versus outsourced inspection services, measure pre-approval requirements, definitions of job "fails" and remedy requirements and dispute resolution procedures.

Attachment 3 presents the utilities' proposal for standardizing the inspection policies. Of particular note is the utilities' proposal to establish



uniform, minimum sample sizes for post-installation inspections of all jobs not involving ceiling insulation.<sup>16</sup> The minimum sample size presented in Table 5-2 of the report is established based on two parameters: the per home pass rate of the contractor and the number of homes allocated to the contractor. The sample sizes are designed to provide 90% confidence that the true pass rate is within 5% of the estimated value.

SESCO objects to the continued use of and referral to “per home inspection rates” as a performance indicator in the report. SESO contends that the Commission made it clear that per measure pass rates (either alone or in conjunction with a per-home rate) were to be used in the future, and that the impact of the fails upon the energy savings of the home needed to be considered. SESO also argues that the report should discuss how many inspections will actually be performed, not just the minimum levels. SESO recommends that the standard be set at no less than that shown in Table 5-2 and no more than three times that level. SESO also contends that the policy on inspection personnel described in the report contradicts Commission orders. In addition, SESO argues that if pre-approvals are to continue, then providers should not be penalized for following that approval. Finally, SESO objects to the resolution of inspection disputes by one of the parties in that dispute.

With respect to the issue of per-home pass rates, we discussed the shortcomings in using this type of pass rate as an indicator of relative performance quality and directed the utilities to propose alternatives in their

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<sup>16</sup> All jobs that involve ceiling insulation will be inspected.

PY 2002 applications. (D.00-07-020, mimeo. pp. 81-83, Ordering Paragraph 9.)<sup>17</sup>

Therefore, we view the proposed use of these rates for the purpose of establishing minimum inspection frequencies as interim in nature. On an interim basis, we will adopt the utilities' proposed Table 5-2. However, the basis of minimum inspection frequencies should be revisited after the Commission considers the use of alternate indicators of installation quality during the PY 2002 planning process. We do not agree with SESCO that the utilities need to establish specific upper limits to the inspections of jobs that do not involve ceiling insulation, at least not at this time. Nor do we find that the utilities' proposed maximum frequency cap on job corrections by inspectors discriminates against larger providers, as SESCO contends. However, the Phase 2 report should describe the circumstances that may warrant larger sample sizes than the minimums presented in Table 5-2, and we expect the utilities to keep records of actual inspection frequencies, by contractor, as well as the number of minor corrections.

We agree with SESCO that the Phase 2 report does not clearly reflect the Commission's stated policies with regard to the outsourcing of inspection personnel. Page 5-4 of the report states: "Utilities may use either in-house personnel, contract employees, or contractors to conduct inspections, provided that either the installation or the inspection function is outsourced." In

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<sup>17</sup> We did not, as SESCO suggests, fully endorse the use of per measure pass rates in D.00-07-020. We stated that compiling and examining pass rates that relate to the types of individual measures installed in the home, rather than relying exclusively on per-home pass rates, is a "move in the right direction." However, we also noted that the use of per measure pass rates share the drawback of not indicating the extent to which expected savings per home (based on the type and number of measures being installed correctly) is being achieved by the contractor. See D.00-07-020, mimeo. pp. 82-83.

D.00-07-020, we stated that utility could undertake in-house either the prime contractor (administration) function or the inspection function, but not both, with very limited exceptions. (Ordering Paragraph 1(a.) (b).) The statement on page 5-4 does not conform to this directive, and should be corrected.

The Phase 2 report does not provide sufficient information with which to evaluate the “pre-approval” process that SESCO discusses in its comments. Apparently, only PG&E pre-approves measures, but this is done on an informational basis only. According to SESCO, if a contractor follows that approval and a subsequent PG&E representative states that the contractor action (or inaction) was incorrect, the contractor is charged with a fail regardless of any pre-approval to the contrary.<sup>18</sup> The Phase 2 report (including the follow-up) does not address whether such pre-approvals are worthwhile and should be continued on a standardized basis across utilities. Nor does the report address how inspectors should evaluate contractors’ work with respect to the pre-approval process in determining a “pass” or “fail” situation. The utilities should carefully examine these issues and present recommendations during Phase 3.

We note that the utilities do not propose to standardize inspection dispute resolution procedures, at this time. We believe that this is an important issue to address and direct the utilities to make this a high priority for Phase 3. We share SESCO’s concerns that current dispute resolution methods may not provide sufficient impartiality on the part of the arbitrator if that person is also a utility employee. Alternates should be carefully considered.

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<sup>18</sup> SESCO Comments, p.8.

## **I. Ceiling Insulation Levels**

In the Phase 2 report submitted on September 15, 2000, the utilities presented a discussion of the issues associated with the determination of appropriate levels of ceiling insulation by climate zone, but they were not able to finalize their joint recommendations at that time. Those recommendations were submitted with the follow-up report on October 27, 2000.

As described in the report, current practices for determining the appropriate level of ceiling insulation vary across utility service territories, without specific consideration of climate zones. The utilities propose that the levels of ceiling insulation should be determined by climate zone in the future and, for this purpose, they propose to use an aggregation of the California Energy Commission (CEC) climate zones. Using various assumptions, they developed recommendations for what levels of ceiling insulation should be added to a dwelling, depending on the level of insulation currently installed and the climate zone. To arrive at these recommendations, the utilities made certain assumptions regarding the installed costs of insulation, gas and electric retail rates, avoided electric and gas costs, and space heating fuel mix (gas versus electric) for the low-income housing stock, among others. For each existing ceiling insulation level, the level of ceiling insulation that would produce the highest net benefits (present value of savings less the installed costs) was chosen as the amount of installation to add. Three scenarios were run: one that used avoided costs to value electricity and gas savings, one that used retail rates to value savings, and one that used averages of avoided costs and retail rates to value savings. ORA supports the utilities' proposal for ceiling insulation standardization.

In its comments, SESCO objects to several aspects of the utilities' analysis. First, SESCO objects to the aggregation of the 16 CEC climate zones into five. SESCO argues that this approach, by combining high air-conditioning climate zones with low ones, inappropriately reduces the importance of unusually high space cooling requirements as a variable in determining need. SESCO also objects to the utility's use of a single assumption (90% gas/10% electric) concerning the relative mix of gas and electric use in low-income housing, arguing that it obfuscates the needs of the electric heat customers. Similarly, SESCO objects to the utilities' assumption that all customers use 50% air conditioning in the calculation of appropriate ceiling insulation levels. Combined with the aggregation of climate zones, SESCO contends that this assumption has a very detrimental impact on the high air-conditioning user in a high air-conditioning climate zone. ICA echoes these objections in its reply comments.

SESCO also argues that, "since the program is specifically meant to help low income families," the appropriate benefit stream for ceiling insulation is the savings to the customer, i.e., the cost-benefit scenario that looks at retail rate impacts.<sup>19</sup> Although SESCO and ICA reject the use of avoided resource costs, they contend that the ones actually used in the report are inconsistent with the avoided costs being considered for non- low-income energy efficiency programs, which give a much higher value.

SESCO and ICA also object to establishing the level of ceiling insulation to add to an existing dwelling based on "highest net benefits." In their view, this

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<sup>19</sup> SESCO Comments to Follow-Up Report, November 17, 2000, p. 18.

is inappropriate for a program where the average total resource cost (TRC) test has historically been far below break-even (1.00). SESCO argues that additional ceiling insulation should be added to an existing dwelling as long as attic insulation as a measure has a higher TRC ratio than the program as a whole. Moreover, ICA and SESCO object to the discrete increments of insulation values (R-11, R-19 or R-30) proposed in the procedures. In their view, there is no reason to limit the added levels to values offered by batt insulation manufacturers when the overwhelming majority of insulated attics are blown.

In considering these comments, we first note that some degree of reduced accuracy is inevitable when aggregation or generic assumptions are utilized to simplify procedures for determining appropriate ceiling insulation levels. We agree with the utilities that, based on the public input at workshops, it is reasonable to attempt to simplify the process as much as possible so that field crews can work with these new requirements effectively. In this respect, we may diverge from the specific procedures currently in effect under the Department of Community Services Development's weatherization program, although the overall policy (i.e., specific consideration of climatic zones) is consistent. The issue we examine here is whether the approach proposed by the utilities to incorporate climatic differences in standardized, field procedures also provides a reasonable level of weatherization services to program participants, while protecting the interests of non-participating ratepayers who subsidize the program.

With respect to the use of five, versus 16, climate zones, utilities explain that the five areas developed from the CEC climate zones are reasonably homogeneous with respect to weather. These same zones are used by the California Windows Initiative and by the Department of Energy for the Energy

Star windows program. The utilities also explain that the assumption that all low-income customers will use 50% air-conditioning is an extended attempt to incorporate hardship (comfort) into the analysis. Moreover, even if the analysis used all 16 climate zones, separated gas and electric heat and compared 100% a/c vs. 50% a/c in uncombined territories, the utilities respond that higher levels of insulation would only be indicated for a limited number of low-income electrically heated homes.

Regarding objections over the proposed method for selecting maximum ceiling insulation levels, the utilities point out that using the insulation level that gives the highest TRC net benefit is not equivalent to choosing the level with the highest TRC.<sup>20</sup> They also explain that they do not propose using a TRC test in determining maximum ceiling insulation levels, but rather, a test that is designed to incorporate other considerations. On the issue of avoided cost assumptions, the utilities acknowledge that the designation of ceiling insulation levels will need to be revisited as new information on avoided costs becomes available, and plan to use Commission-approved avoided cost forecasts for subsequent determinations of appropriate ceiling insulation levels.

Finally, the utilities argue that limiting the number of approved insulation levels was intended to be responsive to workshop recommendations to keep the program simple.

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<sup>20</sup> As an example, suppose that installing R-11 would provide TRC gross benefits of \$1,000 at a cost of \$400, but that R-19 would provide a TRC gross benefit of \$1,150 at a cost of \$500. R-11 would yield the highest TRC ratio (2.5 v. 2.3) whereas R-19 would yield larger net benefits (\$650 v. \$600).

Based on the above, we are persuaded that the utilities' proposal appropriately balances the objective of developing procedures to incorporate climate variations into workable, standardized ceiling insulation procedures, with the goal of providing a reasonable level of weatherization services to program participants at reasonable costs to non-participating ratepayers. In particular, we support the manner in which the utilities' proposal specifically considers the interests of non-participating ratepayers by considering the net benefits of various ceiling levels, and selecting the one that maximizes net benefits. The fact that the low-income programs as a whole may not be cost-effective from a TRC perspective should not deter us from trying to ensure the most efficient use of limited resources by incorporating traditional cost-effectiveness considerations into implementation procedures.

We recognize, as do the utilities, that the final determination on whether to establish ceiling insulation levels based on retail rates, avoided costs or a combination of the two will be a continuing issue until the overall LIEE cost-effectiveness methodology is determined. For now, the utilities proposal to establish the appropriate levels of ceiling insulation using an average of avoided costs and retail rates seems reasonable as a temporary assumption.

In the Phase 3 report, the project team should present an update on the designation of ceiling insulation levels based on the avoided cost determinations made in the PY 2001 energy efficiency program planning process, A.99-09-049 et al.

#### **J. Natural Gas Appliance Testing**

The Phase 2 follow-up report describes in some detail the current practices of the utilities with respect to natural gas appliance or what PG&E terms "combustion appliance safety (CAS)" testing, i.e., testing for gas leaks and



CO emissions from natural gas appliances.<sup>21</sup> Relatively speaking, PG&E's testing procedures are the most comprehensive.

To achieve greater consistency, the utilities recommend that a minimum set of procedures be implemented across LIEE programs. The minimum procedures recommended by the utilities address how the testing will be conducted, e.g., what inspectors will check for visually (flue and vent system, appliances) and CO test sampling procedures at the home. The procedures include olfactory tests, visual examinations, ambient CO tests and draft tests. They would be implemented whenever natural gas appliances are present in the dwelling and natural gas is served by the utility providing the LIEE program to the household.

The utilities propose that the minimum standard testing procedures be implemented either prior to the installation of measures (pre test), after the installation of measures (post test), or both before and after installation, at the utility's option. This provision allows the utilities to continue to have some discretion over their approach to authorizing infiltration measures for the household. For example, PG&E performs both pre- and post-testing of natural gas appliances. Based on the pre-test results, PG&E determines whether infiltration measures will be installed under the LIEE program. The other utilities install all feasible infiltration measures and conduct post-tests only.

ORA supports the utilities' recommendations regarding natural gas safety testing and recommends that the minimum standard procedures be reviewed periodically to determine whether they should be updated.

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<sup>21</sup> We use the two terms interchangeably in this decision.

In SESCO's view, the minimum standard approach places many low-income customers at risk. Based the results of work undertaken by PG&E since 1999, during which SESCO was both the administrator and a major contractor in PG&E's LIEE program, SESCO argues that there is a "great hidden menace" from improperly working combustion appliances.<sup>22</sup> Rather than allowing utilities to implement different levels of natural gas appliance testing, SESCO recommends that the testing procedures be standardized across utilities based on PG&E's program. However, in order to eliminate the adverse effects of the current process, SESCO recommends that CAS testing be done after weatherization measures are installed. ICA supports SESCO's overall recommendations, but also urges the installation of CO monitoring in all homes treated.

As we stated in D.00-07-020: "The important issue for the safety of low-income customers receiving weatherization services is to ensure that the utility's inspection and response procedures effectively protect all LIEE program participants from potentially hazardous situations in the home. By today's decision, we affirm the Assigned Commissioner's ruling that directs the utilities to achieve greater consistency in these procedures, including CAS testing."<sup>23</sup>

The filings in this proceeding highlight fundamental differences in opinion regarding the extent of gas leak/CO emission risks and the proper means of mitigating them, as well as the extent to which infiltration reductions

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<sup>22</sup> SESCO Comments on Follow-Up Report, November 17, 2000, p. 2.

<sup>23</sup> D.00-07-020, mimeo. p. 83.

resulting from LIEE activities exacerbate existing conditions. In spite of these differences, the utilities have developed a proposal that “achieves greater consistency,” as we directed. We believe that this is a reasonable first step. However, based on the filings in this proceeding, we also find that there are significant gaps in information on the issue of gas appliance safety that need to be addressed.

For example, we lack consistent data from PG&E’s own experience with CAS testing since April 1998 with regard to the number and proportion of homes failing their CAS pre-test. PG&E does not agree with the 26% figure presented by SESCO in its filing, but also indicates that its data base does not keep track of this information.<sup>24</sup> Nor do we have information on the number and proportion of testing “fails” captured under the other utilities’ testing systems. We also lack information on whether or not LIEE infiltration work exacerbates combustion safety. There should be sufficient data and expertise to assist us in obtaining needed data to further evaluate natural gas appliance testing issues in the future.

To this end, we will initiate an additional phase (Phase 4) of the Standardization Project to conduct a study of natural gas appliance safety conditions and alternative CAS testing procedures, e.g., pre- and post-testing, versus post-testing only. In evaluating testing alternatives, the project team should also explore and report on the feasibility of utilizing CO monitoring, as ICA recommends. The utilities may augment the project team with additional technical consultants, as needed, and Energy Division should continue to assist in coordinating the effort.

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<sup>24</sup> PG&E Reply Comments, p. 2.

Consistent with past practices, the Assigned Commissioner will direct the project team with respect to the scope of work, budget and schedule for Phase 4. Our goal is to complete Phase 4 so that the Commission can further consider natural gas appliance testing issues during the PY 2004 program planning cycle. We establish this timetable in recognition of the fact that there are many low-income assistance issues to be addressed in Commission proceedings over the next year, and that we need to set realistic expectations for a study of this magnitude. After obtaining input from the public and interested parties to this proceeding, the project team should file a proposed study methodology, budget and schedule for Phase 4 by September 1, 2001. Copies should be served on the Assigned Commissioner and on all appearances and the state service list in this proceeding.

In the interim, we adopt the joint utilities' proposal for natural gas appliance safety testing procedures, as described in the Phase 2 Follow Up Report. However, as SESCO points out, the minimum standard presented in that report would permit differences in threshold CO levels. In their reply comments, the utilities state that they will proceed to develop a more detailed specification for the standard that will include threshold CO levels.<sup>25</sup> The utilities should present these detailed specifications in the Phase 3 Standardization Report, due on April 15, 2001.

Finally, the Phase 2 Follow Up Report state that the utilities "do not agree on the way in which these [LIEE natural gas appliance testing] activities should be funded," and indicate that this funding issue "will have to be

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<sup>25</sup> Joint Utilities Reply Comments, November 30, 2000, p. 2.

considered further in the PY 2002 planning process.”<sup>26</sup> In D.00-07-020 we reiterated our policy on this funding issue:

“ . . . we agree with LIAB and Contractors’ Coalition that carbon monoxide testing should not be billed to the LIEE program (or any other public purpose) funds. By Res. E 3515 and D.98-06-063, we made this policy very clear.” (D.00-07-020, mimeo. p. 108.)

We will not relitigate this issue during the PY 2002 program planning cycle. SDG&E and SoCal also make the plea that they require Commission authorization to collect additional O&M funding to implement these minimum standards. We are not persuaded that an adjustment (increase) in rates is appropriate under current ratemaking procedures, especially without a more careful examination of all distribution rate accounts for both over- and under expenditures. In any event, the PY 2002 LIEE program planning process is not the appropriate forum to debate this issue. Rather, pending or future cost of service ratemaking proceedings are the appropriate forum for addressing whether and how the utility may recover specific O&M costs that were not specifically included in prior revenue requirement forecasts.

#### **K. Eligibility of Evaporative Coolers For Rental Units**

PG&E, SCE and SDG&E all provide evaporative coolers to owner-occupied units with functional air conditioning in some weather zones. However, these electric utilities differ with respect to the treatment of rental units. SCE has been given Commission authorization to continue to provide permanently installed evaporative coolers for renter-occupied dwellings. SCE

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<sup>26</sup> Phase 2 Follow Up Report, p. 24.

requires a co-payment from the tenant. The other utilities do not offer any type of evaporative coolers to rental units.

In the Phase 2 follow-up report, the utilities presents pros and cons of offering evaporative coolers to rental units, but recommend that this issue be deferred to Phase 3. In their view, making a recommendation for a common treatment of evaporative coolers cannot be separated from the selection of specific measures to be offered by the utilities. Insofar as measure selection is being deferred pending the development of cost-effectiveness criteria by the RRM Working Group, the utilities believe that the resolution of this issue should be postponed. In addition, the utilities argue that the treatment of evaporative coolers raises a broader issue of the overall eligibility of rental units for program measures, which is a Phase 3 issue. Finally, they argue that the issue relates indirectly to the type of evaporative cooler installed in rental units, i.e., portable versus permanent, and that issue needs to be further explored.

In its comments, SESCO urges the Commission to specifically address the issue of whether or not low income customers are to be required or asked to make any co-payments on evaporative coolers, as currently done by SCE to both renters and home owners.

We direct the project team to fully address the issue of providing renters with evaporative coolers in Phase 3, including the issue of customer co-payments on evaporative coolers.

#### **L. Eligibility of Master-Metered Units**

Currently, master-metered customers are not eligible under PG&E's and SDG&E's LIEE programs. For SoCal, master-metered customers are eligible, but cannot exceed 15% of any contractor's allocation. For SCE (in the non-overlap area), master-metered customers are eligible as long as they have electric

space heat. In the Phase 2 follow-up report, the utilities present estimates of the percentage of low-income master-metered dwellings in their service territories. For electric master meters, the range is roughly 5% to 10%, with PG&E falling at the top of the range and SDG&E at the bottom. The percentage of low-income households with gas service who live in dwellings with natural gas master meters seems to be in the range of 16% to 30%. SDG&E appears to be at the top of this range, while both PG&E and SoCal are close to the bottom.

The utilities describe the advantages and disadvantages of making master-metered units eligible, as follows:

***Advantages:***

- Tenants in master-metered units indirectly pay the Public Goods Charge through rents,
- Installation of measures could reduce these rents or at least reduce pressures for rent increases over time,
- Tenants receiving measures would enjoy increases in comfort, health and safety, all of which should be considered benefits of the program per AB 1393, and
- Some of the possibly neediest households in the State, including migrant farm workers, live in master-metered dwellings.

***Disadvantages:***

- There is no guarantee that tenants will receive the benefits of reductions in energy bills associated with the installation of LIEE measures,
- The installation of minor home repairs could even lead to increases in rents under some circumstances if measures increased the attractiveness of dwelling units,
- It is difficult to measure energy savings for a dwelling unit when master metering is present,

- It may be difficult to get owner approval in the event that master-metered housing is substandard, and
- Recruiting participants could cause friction between tenants and landlords if housing is substandard.

Although they acknowledge some of the arguments against making master-metered customers eligible for the program, the utilities recommend that master-metered customers be eligible for the LIEE program under the conditions outlined in Attachment 4.

One of the conditions reads: “If the master-metered dwellings are multifamily units, the fractional (80%) qualifications used for multifamily dwellings should be used for the purposes of qualifying tenants for the Program.” SESCO interprets this to mean that no eligible customers in a master-metered, multi-family building will qualify unless 80% also qualify. In their joint response, the utilities explain that this condition provides for the same treatment as would be accorded multifamily tenants in individually-metered dwellings: “That is, if over 80% qualify, all can be treated. If fewer than 80% qualify, those who individually qualify can still be treated.”<sup>27</sup> The utilities should add this clarification to the report, so that there is no misunderstanding about how the fractional qualification rule will be applied.

SESCO also objects to any cap on the maximum percentage of participants treated by a contractor in a program year that are master-metered, as the utilities propose. In SESCO’s view, this policy is discriminatory in that it continues to treat low-income customers who live in master-metered units differently from any other type of low-income customer. If there is to be a

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<sup>27</sup> Joint Utilities Reply Comments, November 30, 2000, p. 3.



maximum, SESCO argues that it should be standardized across the state and not left up to each utility. In addition, SESCO argues that any maximum should be set by budget dollars, not by units treated.

We do not find SESCO's argument against caps persuasive.

Establishing a cap on the treatment of master-metered units is a reasonable way to find a balance in the treatment of low-income customers with different types of metering arrangements. As described above, there are disadvantages associated with treating master-metered customers. Most importantly, it is unclear that master-metered tenants will receive benefits from the program to the same degree as individually-metered tenants. While the disadvantages should not disqualify master-metered tenants from participating in the program, we believe that imposing a maximum on such participation is necessary to obtain a reasonable level of overall participant benefits from program budgets.

With regard to SESCO's proposal to set the cap based on budgets, rather than units treated, the utilities respond that the latter approach is preferable for two reasons. First, the utilities claim that it is easier to track the number of master-metered multi-family units treated than it is to track expenditures on those units. Second, the utilities are concerned that specifying the cap in terms of total budget could discourage contractors from providing comprehensive treatment of master-metered units.

While these arguments appear persuasive, we note that these same concerns about caps based on budgets would also seem to apply to multifamily units in general. However, as discussed above, the utilities propose to limit expenditures on treatment of multifamily units to a specified percentage of the total program budget, rather than on units treated. Therefore, we are left with an

unexplained inconsistency on this issue. We direct the project team to further consider the manner in which the caps are established during Phase 3.

In addition, consistent with our discussion regarding spending caps for multi-family housing, the utility should publish the percentage cap it applies to master-metered units, along with an explanation of how the cap is determined in Phase 3. We will also defer consideration of standardizing maximum percentages on the treatment of master-metered units until that phase.

#### **M. Clarifications to Weatherization Installation Manuals**

Both CSD and SESCO request clarifications to definitions or procedures in the weatherization installation manuals that relate to minor home repairs. The utilities have agreed to make the requested clarifications in the manuals and cover these issues further in training.<sup>28</sup> Accordingly, we direct the utilities to expand the definition of minor home repairs to read “a repair required to enable installation of weatherization measures, made to reduce infiltration, or which mitigates imminent hazards,” as CSD recommends. In response to SESCO’s comments, the utilities should list replacement of switch/outlet covers as a repair that mitigates imminent hazard and clarify that replacement applies to all walls.

#### **IV. RRM Working Group Recommendations**

Attachment 4 summarizes the RRM Working Group recommendations with respect to the unresolved issues identified in the April 28, 2000 Assigned Commissioner’s ruling. We address the specific issues raised in comments in the following sections.

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<sup>28</sup> See Joint Reply, October 30, 2000, p. 2, 3.

Before turning to the issues, we must address the utilities' recommendation that we reject the joint comments of SESCO and ICA out of hand because they have "circumvented the Working Group process." We believe that this recommendation is simply without merit. Participation at the Working Group meetings by interested parties was never mandatory, contrary to the utilities' assertions that "the Commission directed interested parties to meet in a workshop setting to discuss and, if possible, reach consensus on outstanding reporting issues."<sup>29</sup> Rather, the Assigned Commissioner encouraged interested parties to take advantage of the forum, which is "open to interested parties," as some did.<sup>30</sup> The Assigned Commissioner also provided all interested parties and the LIAB the opportunity to comment on the RRM Report, without qualification. We will not ignore the comments of an interested party on the RRM Report just because that party did not attend the workshops that led up to the report.

We also note that ICA, one of the joint sponsors of these comments, did participate actively in the Working Group meetings. The utilities allege that ICA must not have co-sponsored the SESCO/ICA comments since it did not dissent from the consensus positions in the RRM Report. We cannot draw such a conclusion. ICA has been served with all the filings in this proceeding and, we assume, would have filed an objection if its name inappropriately appeared as a co-sponsor of comments on the report.

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<sup>29</sup> Joint Reply RRM Working Group Report, November 15, 2000, p. 3.

<sup>30</sup> Assigned Commissioner's Ruling, dated April 28, 2000, p.2. Whereas interested parties were not required to attend, the Assigned Commissioner did direct the LIAB to participate in the meetings/workshops in order to avoid duplication of effort between the two groups.

We encourage both SESCO and ICA to participate in the second phase workshops because we believe that their participation will enhance the public discussion of alternatives and recommendations for our consideration. We expect future RRM Reports to clearly discuss the pros and cons of each alternative discussed by workshop participants. Consistent with the Assigned Commissioner's direction, the second phase RRM Report should include a discussion of consensus issues as well as remaining areas of disagreement among participants, with a description of the participants' opposing views.<sup>31</sup>

#### **A. Definition of Energy-Related Hardship**

Within Pub. Util. Code § 2790, there are two references to hardship:

- a. The commission shall require an electrical or gas corporation to perform home weatherization services for low-income customers...if the commission determines that a significant need for those services exists in the corporation's service territory, taking into consideration both the cost effectiveness of the services and the policy of reducing the hardships facing low-income households.

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

The need for and how to report "reduction in hardships" for LIEE programs remained unresolved after the workshops conducted in 1999 and was

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<sup>31</sup> Assigned Commissioner's Ruling, April 28, 2000, p. 2.

therefore addressed in the RRM Report. The report presents a proposed “working definition” of energy-related hardship. (See Attachment 5.) The Working Group recommends that the utilities report on how programs address energy-related hardship, as so defined, within the narrative of their annual reports.

The Community Action Agency of San Mateo County (CAASM) submitted a dissent to the proposed definition of energy-related hardship. In particular, CAASM argues that the utilities will not be able to report that they objectively eased energy-related stress or mental well-being, as stated in the definition of health, or be able to determine which households experience these hardships.<sup>32</sup> In their joint comments, SESCO and ICA echo these concerns arguing that the language describing comfort, health and safety is “nebulous” and “non-quantified.”<sup>33</sup> Similarly, RHA argues that the RRM Working Group needs to develop an objective method of measuring and reporting the impact of LIEE programs in the reduction of hardship.

SESCO and ICA contend that the report ignores the most commonly considered energy-related hardship for low-income families, namely, high utility bills they cannot afford or which take away from other important needs. They propose an alternate definition that reflects this financial hardship and request

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<sup>32</sup> RRM Report, pp. 12-13.

<sup>33</sup> SESCO/ICA Joint Comments, p. 5. We note that there is a discrepancy between the RRM Report, which indicates that ICA concurs with the proposed definition, and the comments submitted jointly by SESCO and ICA that object to the definition. We cannot explain this discrepancy, and can only assume that ICA’s position on this issue is best reflected in the more recently filed joint comments. In the future, any such discrepancies should be discussed and clarified in parties’ comments.

that the report includes an estimate of the annual and life-cycle utility bill savings. SESCO and ICA also propose methods for evaluating and reporting information on the impacts of LIEE programs on health, safety and comfort.

In their reply comments, the utilities argue that § 2790 makes clear that the term “hardship” addresses benefits that fall outside the traditional energy efficiency cost-effectiveness test and criteria. They argue that the Working Group definition appropriately attempts to differentiate “energy related hardship” from more traditional cost effectiveness analysis. In their view, the SESCO/ICA proposed definition fails to make that distinction.

As long as the utilities are reporting information that can help us evaluate the effectiveness of programs and/or assist in the selection of appropriate measures under the program, we are not as concerned with definitional distinctions as the parties seem to be. Everyone apparently agrees that energy-related hardship includes the adverse impacts on the comfort, health and safety of low-income customers that can be mitigated by access to LIEE programs and services, and that the utilities should report, in some manner, the effect of their programs on these hardships.

Although there is disagreement on “where” to report the information, all parties also seem to agree that the bill savings impact on program participants should be evaluated and reported. The Working Group recommends that this be done under cost-effectiveness (by adding the Participant’s Test to the RRM), whereas SESCO/ICA prefer that this information be considered a reporting requirement under “energy-related hardship.”

Quite frankly, we are not concerned where this information appears in the RRM, as long as bill savings are quantified and reported in the RRM. The Assigned Commissioner directed the Working Group to incorporate into the

RRM any additional reporting requirements that resulted from the Commission's final decision in A.99-07-002 et al.<sup>34</sup> By D.00-07-020 in that proceeding, we directed the utilities to jointly develop standardized methods for producing bill savings and expenditure information for LIEE programs on an overall program and per unit basis, by utility.<sup>35</sup> Public workshops are underway to discuss the methodology and the utilities are required to file a joint report by February 1, 2001. Accordingly, we direct the utilities to propose in their joint report a standardized format for bill savings and expenditure information to be incorporated into the RRM at the earliest possible opportunity. To this end, we will direct the Working Group to consider the utilities' joint proposal for standardizing this information as part of the second phase report, discussed below.

With respect to the comfort, health and safety aspects of hardship, we are not persuaded that the benefits of requiring utilities to collect specific types of data on these program effects justify the costs of such an effort, at least not at this juncture. The Working Group indicates that it will consider whether to incorporate comfort, health and safety effects as it develops specific recommendations for program cost-effectiveness evaluation in a second phase. Similarly, the Standardization Project Team has stated its intent to consider these issues in the LIEE measure selection process once cost-effectiveness tests have been reviewed and adopted by the Commission.<sup>36</sup>

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<sup>34</sup> Assigned Commissioner's Ruling, April 28, 2000, p. 6.

<sup>35</sup> D.00-07-020, Ordering Paragraph 7.

<sup>36</sup> See RRM Working Group Report, p. 15; LIEE Standardization Report, Phase 2, p. 6-2.

To the extent that comfort, health and safety effects of LIEE programs are included in adopted cost-effectiveness tests or measure selection procedures, we may revisit the issue of how to report these effects when we have specific proposals before us. We remind proponents of any proposals that involve additional, detailed reporting requirements that they must “specify how that additional information will aid the evaluation of programs and who will be doing the data analysis. The goal is to achieve a reasonable balance between the value of the information and the cost to collect that information.”<sup>37</sup>

In the meantime, the utilities should report on how LIEE programs address comfort, health and safety hardships within the narrative of the Energy Efficiency Programs Annual Report. For this purpose, the utilities should use the Working Group’s proposed working definition of energy-related hardship.

#### **B. Modifications to LIEE Cost-Effectiveness Tests**

The RRM presents the format for reporting the results of LIEE cost-effectiveness based on tests that have been developed and approved by the Commission over the years. In 1999, interested parties discussed in workshops the possibility of modifying these tests, including the use of a “modified participants test” and narrative describing the limited applicability of the economic tests to low-income programs. Because consensus on such modifications could not be reached at that time, the Assigned Commissioner directed the RRM Working Group to further consider this issue.

The Working Group provided background and laid the foundation for further consideration of cost effectiveness for LIEE programs, but was unable to

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<sup>37</sup> Assigned Commissioner’s Ruling, April 28, 2000, p. 6.



develop technical modifications to the test by the report due date. The Working Group proposes to address this issue in a second phase and submit recommendations to the Commission by March 31, 2001. For reporting purposes, the Working Group is recommending tests on an interim basis for which adopted methodologies are currently available. (See Attachment 5.)

SESCO and ICA criticize the Working Group for their inability to complete this task, and RHA argues that consideration of any new LIEE program initiatives should be deferred until this and other tasks are completed.

We are disappointed that the Working Group could not make further progress on exploring cost-effectiveness methodologies for the purpose of evaluating LIEE programs. However, we recognize that developing new methodologies and associated reporting requirements does take time, especially in this highly technical area. We believe that the use of existing cost-effectiveness tests on an interim basis, with the modifications proposed by the Working Group, is a reasonable approach to take for reporting PY 2000 program results in May 2001. In addition, as discussed above, we expect to augment the RRM with the bill savings and expenditure information required by D.00-07-020.

We remain firm in our commitment to improve upon the status quo in the future, and encourage the Working Group to work as expeditiously as possible to produce its second phase cost-effectiveness recommendations no later than March 31, 2001, and hopefully before that date. We believe it is premature to provide guidance on specific cost-effectiveness issues, as SESO and ICA request in their joint comments. However, the Working Group should consider the methodological issues raised in those comments, such as the appropriate discount rates, inflation rates and benefit and cost streams to use in cost-effectiveness analysis, and address them in its second phase report. As discussed

above, we also expect the avoided costs used in cost-effectiveness tests to be based on the methodology and assumptions most recently adopted by the Commission.

### **C. Other Performance-Related Information**

RHA argues that the RRM should also provide guidance on the weighting to evaluate cost-effectiveness versus other performance criteria contained in AB 1393. RHA then lists several potential program effects that are not reported in the RRM, including job skill development training, local employment, leveraging of utility and other state and federal program funds, among others.

We believe that RHA's request goes beyond the scope of the task assigned to the RRM Working Group in two respects. First, the RRM is not intended to provide guidance on how the Commission should weigh the results of cost-effectiveness tests relative to other program performance information reported in that document or presented in other forums. Therefore, it is not surprising that the RRM Report does not present policy guidance of that nature.

Second, RHA requests that the utilities measure and report on information that goes well beyond the critical gaps identified by the Commission during its recent review of competitive bidding as an outsourcing approach. As discussed at length in D.00-07-020, the Commission, utility administrators, interested parties and the general public lack consistent, standardized information on:<sup>38</sup>

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<sup>38</sup> See D.00-07-020, mimeo., pp. 111-116.

- Bill savings and expenditures for LIEE programs,
- One-time administrative costs associated with the bidding process
- Current training costs
- Standardized utility administrative costs and reporting requirements
- Relative number of community-based organizations participating in the program as contractors or subcontractors
- Improved approaches for measuring the performance of installation contractors.

The Working Group was directed to discuss and incorporate into the RRM these additional reporting requirements, as well as the unresolved reporting requirements issues from the 1999 workshops. RHA's request goes beyond this assignment as well as the scope of today's decision, and will not be adopted.

#### **D. Interim Methodology For Estimating Eligible CARE Customers**

The Working Group was assigned the task of developing a methodology for estimating the number of CARE eligible customers, and proposes an interim methodology until the 2000 Census data becomes available. The interim methodology uses the 1990 Census as a foundation for determining demographic estimates of household size and household incomes. This data will be adjusted for growth in households and income using other recognized sources to inflate the numbers appropriately. When actual CARE customers are compared to CARE-eligible customers, CARE penetration rates can be estimated. The utilities propose to jointly contract with an economic data expert to estimate

CARE demographic eligibility rates to ensure the methodology is applied consistently across the utilities.

SESCO and ICA support the general procedures recommended for this task, but make three recommended additions to the procedures. First, SESO and ICA note that the Census Income definitions are not the same as those of the CARE program, and recommend that a report on the direction and approximate size of bias (if any) should be included in the consultant's report. The utilities respond that they are willing to conduct a sensitivity analysis to determine the extent to which definitional differences might be affecting CARE eligibility estimates. We direct them to do so.

Second, SESO and ICA recommend that the system-wide CARE penetration rate be used to derive a value for CARE eligible customers in counties with fewer than 5,000 CARE-eligible meters. As the utilities point out, SESO and ICA provide no statistical basis for assuming that the system-wide rate is more accurate in these instances. We will not adopt this recommendation.

Third, SESO and ICA recommend that the annual revisions to the estimate of eligible households be conducted by a common outside consultant using the same procedures for each utility. While there may be merit to using the same consultant for annual revisions, we believe it is premature to make that determination at this time. The interim methodology will be used until the Census long form and follow-up annual American Community Survey data sets become available. At that time, the utilities and interested parties will have a better idea of the need for specific revisions to the interim methodology and can make recommendations on how best to proceed. In any event, we remind all parties that the penetration rates developed by the utilities are only estimates

and should not be relied on exclusively to determine how many eligible customers are participating.

#### **E. LIEE Definitions and Additional Reporting Requirements**

SESCO and ICA comment that the definitions are still unclear on the differences between Administrative and Implementation costs. In particular, SESO and ICA argue that Administrative costs should include training, inspections and contractor coordination costs, and an additional “related costs” category should show costs incurred because of the low-income programs, but which are not charged to that budget (e.g., gas appliance testing, shareholder incentives). SESO and ICA also recommend separate cost categories for minor home repairs, education workshops and other subcategories in the monthly and annual reports.<sup>39</sup>

We find that SESO and ICA have not established the benefits of their proposed system of classifying costs as administrative or implementation. Nor have they explained how the request for additional information (e.g., estimated contractor costs to go to a utility training facility, education workshops separate from Energy Efficiency) on a monthly and annual basis will aid the evaluation of programs. For now, we believe that the Working Group’s recommendations on how to report LIEE program costs is a reasonable first step in the process of standardizing cost information. The detailed classification of costs recommended in the RRM Report appears to allow the programs to be compared on a discrete, functional level. Once the tables are completed, we may find that further changes may be necessary to enhance the comparability of the programs

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<sup>39</sup> SESO/ICA Comments, October 31, 2000, pp. 10-11.

in the future. These changes may be considered by the Working Group and proposed to the Commission as part of the LIEE/CARE program planning cycles.

As noted above, the Assigned Commissioner did specifically direct the Working Group to “consider any additional reporting requirements that arise from the Commission’s final decision in A.99-07-002 et al., in developing proposed revisions for low-income assistance program reporting.”<sup>40</sup> In addition to standardized methods for bill savings and expenditures (see above), the Commission directed the utilities to present standardized, consistent training costs during the PY 2002 planning cycle. (D.00-07-020, Ordering Paragraph 1(f).) In addition, the Commission directed the utilities to present the standardized information provided by SDG&E and PG&E in Exhibits 35 and 36. (Ordering Paragraph 8). The utilities were also directed to report on the number of community-based organizations participating in the LIEE program, and provide other information regarding the access of low-income program participants to programs provided by community service providers. (Ordering Paragraph 10.) The Working Group did not specifically address these reporting requirements in its report. We believe that this type of information should be provided on an ongoing basis by the utilities. The Working Group should propose a format for this information and recommendations for filing frequency in its second phase report.

SESCO and ICA recommend that the RRM be expanded at this time to also include pass rates for the utilities. We agree with the utilities that

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<sup>40</sup> Assigned Commissioner’s Ruling, April 28, 2000, p. 3.

incorporating this information into the RRM is premature at this time. During the PY 2002 planning process, the Commission will be evaluating improved approaches for measuring the performance of installation contractors. At that time, we may consider what type of information should be required to be reported in the RRM for this purpose.

#### **F. CARE Cost Classifications and Reporting Requirements**

SESCO and ICA request that CARE cost classifications, where similar to LIEE, be similarly defined and categorized in a subsequent round before final approval of the CARE reporting requirements. They also recommend that the CARE reporting requirements in the RRM be expanded to provide additional CARE data as well as comparisons between current year and prior year activities for several tables. In addition, SESO and ICA recommend the use of the median, rather than mean (i.e., average) values for certain tables.

SESCO and ICA's proposal to revisit CARE cost classifications is confusing and unclear. They fail to define the "similar cost classifications" for CARE and LIEE programs to be standardized. Moreover, SESO and ICA do not provide the basis for this request or for the proposed additions to CARE reporting. The RRM Report tables provide a significant amount of data on CARE customers and penetration rates, by energy source and county, on a quarterly basis. Contrary to the Assigned Commissioner's instructions, SESO and ICA fail to specify how the additional information requested will aid in the evaluation of the CARE program or who will collect and assess the additional data. For these reasons, we reject these proposals as deficient.

#### **G. Other RRM Issues**

In their joint comments on the RRM Report, the utilities note that the Working Group does not provide due dates for the monthly reports described on

pages 38 and 48 of the report. The utilities recommend that these reports be due by the first Friday of the second month, following the month for which data is reported. For example, the monthly report involving January activities would be due the first Friday in March. We find these due dates to be reasonable, given the 2-3 week delay between the end of the reporting period and the time when data is made available to the utilities.

SESCO and ICA recommend that the CARE and LIEE program reports described in the RRM Report be filed together and simultaneously on an annual and quarterly basis. We find it difficult to evaluate this proposal without a better comparison of where and when the reports for these two programs are currently filed at the Commission. We do not find this information readily in the RRM Report. The Working Group should augment its RRM recommendations with a matrix summarizing where each of the CARE and LIEE reports are to be filed or submitted, on what dates or frequency, how the report is used (e.g., informational only, evaluation in Annual Earnings Assessment Proceeding), and who has access to the information (e.g., Energy Division staff, appearances to a particular proceeding). We will defer consideration of the Working Group's recommendation to create a separate CARE RRM until we obtain this information.

The Working Group also recommends that it reconvene in two years to develop recommendations to revise reporting requirements, as appropriate. We prefer to leave the time table open, since we may require the Working Group to consider reporting issues sooner than two years from now.

Finally, the Working Group recommends that the Commission undertake an immediate review of existing LIEE and CARE reporting requirements, within and outside of the reporting requirements proposed in the



RRM Report, to determine if reports that no longer are useful can be deleted. While we believe that this is a worthwhile project, we acknowledge there are other priority issues to address over the next few months. We will defer initiating this effort until the Working Group completes the second phase of RRM revisions and we are well underway with the PY 2002 planning cycle.

### **Comments to Draft Decision**

The draft decision of Commissioner Neeper and ALJ Gottstein in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311(g)(1) and Rule 77.1 of the Rules and Practice and Procedure. Timely comments were filed by SCE, SESCO, ORA and the Standardization Project Team, which consists of the utilities and project consultants. Reply comments were filed by SESCO, the Standardization Project Team, and jointly by the Latino Issues Forum and Greenlining Institute.

Joint comments were filed one day late by the East Los Angeles Community Union (TELACU) and Maravilla Foundation. It appears that the one-day delay did not present an undue disadvantage to other parties, since the joint comments were e-mailed to the service list on the due date and parties did respond fully to TELECU/Maravilla Foundation's comments in their replies. We will therefore accept the joint comments in this instance. However, as discussed in today's decision, we put all parties on notice that time extensions will not be routinely authorized in this proceeding in the future. All late-filed documents will be automatically rejected unless they are accompanied with a request for extension of time to file which includes a description of the extenuating circumstances that prohibited the party from making a timely and accurate filing.

We have carefully considered the comments on the issues address in today's decision. In response to those comments, we have modified the draft

decision to require that LIEE service providers collect, copy and store income documentation, as proposed by the utilities and supported by ORA and the Latino Issues Forum/Greenlining Institute. We also make minor corrections and edits in the decision text.

Latino Issues Forum/Greenlining Institute and TELECU/Maravilla Foundation object to the further standardization efforts discussed in today's decision. In particular, TELECU/Maravilla Foundation argues that further work on gas appliance safety testing issues is unwarranted. We disagree. Gas appliance safety testing has been raised on several occasions over the last 18 months as an issue warranting further investigation. As the Commission recognized in D.00-07-020, this is an issue that the LIAB has strongly supported because of the important customer safety issues involved. (See D.00-07-020, mimeo. p. 107 and LIAB's recommendations in that proceeding.) We believe that the ongoing efforts to standardize LIEE services and procedures are necessary to ensure that all customers are treated consistently across utility service territories, and support the direction of this effort.

### **Findings of Fact**

1. It is within the scope of the Standardization Project to consider whether or not to limit participation in LIEE programs based on the customer's heating fuel source or to exclude customers being served on a business rate.

2. Some of the changes in policies or procedures adopted for the LIEE program during Phases 2 and 3 of the Standardization Project may affect the scope of services and associated costs to implement the PY 2002 program.

3. Requiring service providers to collect, copy and store income documentation will help assure thoroughness on the part of the contractor, and minimize the potential for trying to recoup costs from customers with little or no

assets. While this requirement may increase administrative costs initially, it will improve the effectiveness of the program overall by helping to ensure that only income-eligible customers participate in the program.

4. The monthly CARE discount can be discontinued relatively easily through billing adjustments if abuses are detected in the self-certification procedures that apply to that program.

5. The sizeable up-front ratepayer investment in LIEE weatherization measures, home repairs and furnace repairs/replacements (and associated bill savings to the customer) cannot be “discontinued” unless the measures are physically removed. Removal of these measures is costly and in many instances physically impossible.

6. Verification of information regarding income qualification on the part of the outreach worker has been the general practice for LIEE programs, rather than self-certification.

7. A 10-year timeframe to define previous participation in the LIEE program coincides on average with the mix of measures and measure lives installed through the program.

8. The utilities’ proposal for limits on prior participation in the LIEE program allows for some exceptions to the 10-year timeframe, based on circumstances. However, it does not specifically address situations that could arise with regard to PG&E’s current pre-test requirements for combustion appliance safety testing.

9. The claim that a multi-family complex or mobile home caters overwhelmingly to low-income families is convincing when at least 80% of all the individual dwellings meet the LIEE program’s income requirements.

10. Applying the 80% fractional qualification rule only to units that have not yet been treated can result in the disqualification of a multi-family dwelling or mobile home park when over 80% of all the units are income-qualified.

11. Insulating the common attic space over only the 80% of units that income qualify under the LIEE program (but not the other 20%) makes little sense from an energy efficiency standpoint.

12. A policy of not treating customers needing very few LIEE measures is necessary to maintain reasonable cost-effectiveness and will allow more dollars to be spent on homes that have not yet received weatherization services.

13. The utilities' proposal for overall expenditure limits on home repairs/furnace replacements and repairs far exceeds the limits established in Res. E-3586 for PG&E and SDG&E. It results in a budget for these expenditures that is approximately 2/3 the level of all other program costs, including program outreach, measure installation, appliances and energy education.

14. A 20% limit on total expenditures for minor home repairs/furnace replacements and repairs preserves a reasonable balance between energy efficiency measures and home repairs.

15. The Phase 2 report does not provide the utilities' proposed spending caps for multi-family housing or describe how such caps would be determined. Similarly, the Phase 2 report does not present information on the caps the utilities' propose for master-metered units, or how they would be determined.

16. The utilities' proposal for establishing minimum inspection frequencies for all jobs not involving ceiling insulation utilizes per-home pass rates. Because of the shortcomings in using these rates as an indicator of relative performance quality, the Commission in D.00-07-020 directed the utilities to propose alternative indicators in their PY 2002 applications.

17. SESCO presents no factual basis for its assertion that the utilities' proposed maximum frequency cap on job corrections by inspectors discriminates against larger providers.

18. The utilities provide no explanation of the circumstances that may warrant larger sample sizes than the minimums presented in Table 5-2 of the Phase 2 report.

19. The Phase 2 report does not clearly reflect the Commission's stated policies with regard to the outsourcing of inspection personnel.

20. The Phase 2 report does not provide sufficient information to address the issue of whether PG&E's pre-approval process for LIEE measures should be continued on a standardized basis across utilities. Nor does the report address how inspectors should evaluate contractors' work with respect to the pre-approval process in determining a "pass" or "fail" situation.

21. Current dispute resolution methods regarding inspector-contractor disputes may not provide sufficient impartiality on the part of the arbitrator if that person is also a utility employee.

22. Making recommendations for a common treatment of evaporative coolers cannot be separated from the selection of specific measures to be offered by the utilities, and raises the broader issue of the overall eligibility of rental units for program measures. The measure selection process and eligibility of rental units are issues that have not yet been resolved by the Commission.

23. Eligibility of evaporative coolers relates indirectly to the type of evaporative cooler installed in rental units, i.e., portable versus permanent, and that issue has not been fully explored.

24. The Weatherization Installation Manuals, prepared during Phase 2 in compliance with D.00-09-036, would benefit from the clarifications to minor home repairs recommended by CSD and SESCO.

25. Current practices for determining the appropriate level of ceiling insulation do not include specific consideration of climate zones. Simplifying the process of incorporating climate zones will help field crews work with new requirements effectively.

26. The utilities propose to base their calculations of ceiling insulation levels on five climate areas developed from the 16 CEC climate zones. These zones are reasonably homogeneous with respect to weather and are used by the California Windows Initiative and by the Department of Energy for the Energy Star windows program.

27. The assumption that all low-income customers will use 50% air-conditioning is an extended attempt to incorporate hardship (comfort) into the analysis of appropriate ceiling insulation levels.

28. Even if the utilities' analysis used all 16 climate zones, separated gas and electric heat and compared 100% a/c vs. 50% a/c in uncombined territories, higher insulation levels would only be indicated for a limited number of low-income electrically heated homes.

29. The utilities' proposal specifically considers the interests of non-participating ratepayers by considering the net benefits of various ceiling levels, and selecting the one that maximizes net benefits.

30. Selecting maximum ceiling insulation levels that gives the highest TRC net benefits is not equivalent to choosing the level with the highest TRC.

31. The utilities proposed methodology for determining appropriate ceiling insulation levels does not use the TRC test, but rather, it utilizes a test that is designed to incorporate other considerations, including hardship.

32. Limiting the number of approved ceiling insulation levels is responsive to workshop recommendations to keep the program simple.

33. There is no consensus among the utilities and interested parties on the extent of gas leak/CO emission risks and the proper means of mitigating them, or the extent to which infiltration reductions resulting from LIEE activities exacerbate existing conditions. There appear to be significant gaps in information on these gas appliance safety issues.

34. The utilities' proposed minimum standard for natural gas appliance safety testing achieves some greater consistency in the procedures across utilities, but does not determine which testing procedures are most appropriate to address natural gas appliance safety risks.

35. The utilities' proposed 80% qualification rule for master-metered units does not mean that no eligible customers in a master-metered, multi-family building will qualify unless 80% also qualify. Rather, it means that if fewer than 80% qualify, those who individually qualify can still be treated. If 80% or more qualify, all can be treated.

36. Imposing a maximum on participation of master-metered units recognizes that there are some disadvantages associated with treating master-metered customers, as described in the Phase 2 report. In particular, it is unclear that master-metered tenants will receive benefits from the program to the same degree as individually-metered tenants.

37. There is an inconsistency in the utilities' recommendations on how to establish caps for multifamily units and for master-metered units.

38. Participation in the Working Group meetings was not a mandatory requirement for interested parties to participate in this proceeding or to file comments on the RRM report.

39. There is no factual basis to the utilities' assertion that ICA did not cosponsor the joint SESCO/ICA comments on the RRM report.

40. Irrespective of where information on program expenditures and bill savings is reported in the RRM document, this information is important to the evaluation of LIEE programs.

41. Energy-related hardship includes the adverse impacts on the comfort, health and safety of low-income customers that can be mitigated by access to LIEE programs and services. The Commission has not yet determined whether and how consideration of energy-related hardship will be incorporated into cost-effectiveness tests or measure selection criteria.

42. The Working Group was unable to develop technical modifications to LIEE cost-effectiveness tests by the report due date.

43. Until more extensive technical modifications can be developed in a second phase, the use of existing cost-effectiveness tests to report PY 2000 program results provides information on program costs and benefits that is reasonably consistent with past reporting.

44. The RRM is not intended to provide policy guidance on how the Commission should weigh cost-effectiveness relative to other performance information reported in that document or presented in other forums.

45. RHA's recommendations on reporting and data collection go well beyond the critical gaps identified by the Commission in D.00-07-020 and the assignment given to the Working Group.



46. The Working Group has developed an interim methodology for estimating the number of CARE eligible customers and penetration rates that utilizes the 1990 Census information as a foundation until the 2000 Census data becomes available.

47. The Census Income definitions are not the same as those of the CARE program.

48. SESCO and ICA's proposal to use a system-wide penetration rate for counties with fewer than 5,000 CARE-eligible meters assumes without statistical evidence that the system-wide rate accurately reflects penetration rates in these counties.

49. Utilities and interested parties will have a better idea of how best to revise the interim methodology when the 2000 Census long form and follow-up annual American Community Survey data sets become available.

50. In their joint comments, SESCO and ICA propose a system of classifying LIEE costs as administrative or implementation but do not establish the benefits of their proposal or how their requests for additional information will aid the evaluation of programs.

51. The detailed classification of LIEE costs recommended by the Working Group appear to allow the programs to be compared on a discrete, functional level, although full comparability will not be clear until the tables are completed.

52. The Working Group did not specifically address the reporting requirements established by D.00-07-020.

53. In recommending that CARE and LIEE cost classifications be similarly defined and categorized, SESCO and ICA do not define the specific cost classifications they believe should be standardized. Nor do they present the

basis for this request or for the additions to CARE reporting they propose in their comments.

54. The RRM Report tables provide a significant amount of data on CARE customers and penetration rates, by energy source and county, on a quarterly basis.

55. The RRM Report does not provide due dates for the monthly reports described on pages 38 and 48 of the report.

56. There is approximately a 2-3 week delay between the end of the reporting period and the time when data is made available to the utilities.

57. It is difficult to evaluate SESCO/ICA's proposal to file CARE and LIEE reports together and simultaneously without information on where and when the reports for CARE and LIEE are currently filed at the Commission. The RRM Report does not clearly provide this information.

58. The Working Group request for immediate review of all existing LIEE and CARE reporting requirements is not feasible given other priority issues to address over the next few months.

### **Conclusions of Law**

1. As part of Phase 3 of the Standardization Project, the project team should consider the carryover standardization issues identified in today's decision, with input from interested parties in a workshop setting:

- (a) Whether customers being served on a business rate should be automatically excluded from the LIEE program.
- (b) Whether customers who do not purchase their heating fuel from the utility should be excluded from the LIEE program.
- (c) Procedures for limiting expenditures by housing type, including specific caps proposed by the utilities along with an explanation of:

- (1) How the caps are determined, and
- (2) The relationship between the housing stock in each utility's service territory and the maximum percentage of funds devoted to multi-family housing.
- (3) How the proposed caps are consistent with the approach recommended for limiting treatment of master-metered units (see (d) below).
- (d) Procedures for limiting the treatment of master-metered units, including specific caps proposed by the utilities and an explanation of how they were determined.
- (e) Whether the procedures explained in (c) and (d) above should be standardized across utilities and if so, how.
- (f) Whether PG&E's measure pre-approval approach should be continued on a standardized basis across utilities and, if so, how inspectors should evaluate contractors' work with respect to pre-approvals in determining a "pass" or "fail" situation.
- (g) How dispute resolution procedures for inspector-contractor disagreements should be standardized across utilities. Alternates to having utility employees serve as arbitrators under these procedures should be carefully considered.
- (h) Whether renters should be provided with evaporative coolers under the LIEE program and if so, what type (i.e., portable versus permanent) and whether co-payments should be required.
- (i) How the avoided cost assumptions used in the designation of ceiling insulation levels should be modified based on the avoided cost determinations made in the PY 2001 energy efficiency program planning process, A.99-09-049 et al.
- (j) More detailed specification for the gas appliance safety/combustion appliance safety (CAS) testing minimum standards adopted in Phase 2, including threshold CO levels.

2. The Standardization Project Team should consider bifurcating Phase 3 in order to present recommendations on some or all of the carryover issues discussed in this decision well before the start of the PY 2002 planning process. In any event, the Standardization Project Team should present its recommendations to the Commission on all of the Phase 3 issues no later than April 15, 2001.

3. In preparing their PY 2002 budget and funding level recommendations, the utilities should clearly indicate the effects of the Commission's Phase 2 and 3 determinations on the LIEE program scope and costs of service.

4. It is reasonable to require LIEE program service providers to verify and record income eligibility information before measure installation, and to collect, copy and store that documentation. If a customer is found to be ineligible because they exceed the income limitations, the question of whether the error was the responsibility of the customer or the contractor should be answered by the contractor's documentation.

5. The utility should periodically audit the income information recorded and collected by the LIEE service provider. As in the CARE program, the utility should also perform periodic audits of customer records to verify the income qualification of LIEE program participants.

6. The utilities' proposed limits on prior participation in the LIEE program are reasonable, and should be adopted. In addition, any unit that previously failed a combustion appliance safety pre-test, and therefore did not receive infiltration-related measures (but received other measures), should be considered eligible for the measures it did not receive if the test is subsequently passed during the 10-year window.

7. The utilities should qualify the entire multi-family complex or mobile home park for LIEE services if at least 80% of all the individual dwelling units meet the LIEE program income requirements, irrespective of whether they have been previously treated. This 80% rule should apply separately to attic insulation levels for common attic areas.

8. It is reasonable to apply the 20% overall expenditure limit on minor home repairs/furnace replacement and repairs adopted by Res. E-3586 to all utilities. If a utility sees that it is likely to exceed the 20% level, then it can request a relaxation of that guideline via Advice Letter on a case by case basis.

9. The Phase 2 report should be clarified to indicate under what circumstances additional repairs can be made (if any) by the LIEE weatherization contractor to respond to gas leak/CO emission problems identified during the utility's natural gas appliance testing procedures, and what expenditure limits would apply to those repairs.

10. The Phase 2 report should be modified to describe the circumstances that may warrant larger sample sizes than the minimums presented in Table 5-2. The Phase 2 report should also clarify that the utilities will keep records of actual inspection frequencies, by contractor, as well as the number of minor corrections.

11. The use of per-home pass rates as the basis of minimum inspection frequencies should be revisited after the Commission considers the use of alternate indicators of installation quality during the PY 2002 planning process. The Commission may also consider at that time the need for specific upper limits to the inspections of jobs that do not involve ceiling insulation, as appropriate.

12. The statement on Page 5-4 of the Phase 2 standardization report regarding the outsourcing of inspection personnel should be conformed to reflect the Commission's stated directive, as discussed in this decision.

13. As discussed in this decision, the utilities should expand the definition of minor home repairs in the Weatherization Installation Manuals per CSD's recommendation. In response to SESCO's comments, the utilities should list replacement of switch/outlet covers as a repair that mitigates imminent hazard and clarify that replacement applies to all walls.

14. The utilities Phase 2 proposal for determining the appropriate level of ceiling insulation levels reasonably balances the objective of developing procedures to incorporate climate variations into workable, standardized ceiling insulation procedures, with the goal of providing a reasonable level of weatherization services to program participants at reasonable costs to non-participating ratepayers. This proposal should be adopted on an interim basis, until the Commission's overall LIEE cost-effectiveness methodology is determined. At that time, the use of an average of avoided costs and retail rates in the determination of appropriate ceiling levels may be revisited.

15. In the Phase 3 report, the project team should present an update on the designation of ceiling insulation levels based on the avoided cost determinations made in the PY 2001 energy efficiency program planning process, A.99-09-049 et al.

16. As discussed in this decision, the project team should conduct a study of natural gas appliance safety conditions and alternative CAS testing procedures in Phase 4 of the Standardization Project. Phase 4 should be completed in time for consideration of the information during the PY 2004 program planning cycle.

17. The joint utilities' proposal for natural gas appliance safety procedures is a reasonable first step towards achieving greater consistency in these procedures, in light of the broadly divergent views on the nature of the safety issue and how

best to address it. The utilities should present more detailed specifications for the minimum standard, including threshold CO levels, in the Phase 3 report.

18. The Commission has determined that natural gas appliance safety/CAS testing will not be billed to LIEE or any other public purpose program and this issue should not be relitigated during the PY 2002 program planning cycle. Whether and how the utilities can increase distribution rates to recover the costs of natural gas appliance safety/CAS is an issue to be determined in pending or future cost of service ratemaking proceedings, and not the PY 2002 program planning cycle.

19. Establishing a cap on the treatment of master-metered units is necessary to obtain a reasonable level of overall participant benefits from program budgets and enables the Commission to balance the treatment of low-income customers with different types of metering arrangements.

20. The recommendations presented in the September 15, 2000 Phase 2 LIEE Standardization Project Report and October 26, 2000 Phase 2 Follow Up Report should be adopted, subject to the modifications and clarifications discussed in this decision.

21. The utilities recommendation that the joint comments of SESCO and ICA be rejected because they circumvented the Working Group process is without merit and should be rejected.

22. Future Working Group RRM Reports should clearly discuss the pros and cons of each alternative discussed by participants. The report should include a discussion of consensus issues and remaining areas of disagreement among participants, with a description of the participants' opposing views.

23. Consistent with the Assigned Commissioner's direction, proponents of any proposals that involve additional, detailed reporting requirements during

the RRM revision process must specify how that additional information will aid the evaluation of programs and who will be doing the data analysis. Proposals should achieve a reasonable balance between the value of the information and the cost to collect that information.

24. In their February 1, 2001 joint report on LIEE program expenditures and bill savings, the utilities should propose a standardized format for this information to be incorporated into the RRM at the earliest possible opportunity. The RRM Working Group should therefore consider this proposal in the second phase RRM report.

25. Until the Commission has specific proposals before it regarding LIEE cost-effectiveness tests and measure selection criteria, it is premature to require utilities to collect specific types of data on the impact of LIEE programs on comfort, health and safety. For now, utilities should report on how LIEE programs address these hardships within the narrative of the Energy Efficiency Programs Annual Report. For this purpose, the utilities should use the Working Group's proposed working definition of energy-related hardship.

26. The use of existing cost-effectiveness tests on an interim basis, with the modifications proposed by the Working Group, is a reasonable approach to take for reporting PY 2000 program results in May 2001.

27. In the second phase of RRM revisions, the Working Group should consider the methodological issues raised in SESCO/ICA's comments, such as the appropriate discount rates, inflation rates and benefit and cost streams to use in cost-effectiveness analysis, and address them in the second phase report. Avoided costs should be based on the methodology and assumptions most recently adopted by the Commission.



28. RHA's request for policy guidance and additional reporting requirements goes beyond the scope of the task assigned to the RRM Working Group the issues addressed in today's decision, and should not be adopted.

29. The utilities should conduct a sensitivity analysis to determine the extent to which income definitional differences between the Census and CARE program might be affecting CARE eligibility estimates. The results of this analysis should be included in the consultant's report.

30. SESCO/ICA's recommendation to use system-wide CARE penetration rates for counties with fewer than 5,000 CARE-eligible meters is not justified and should not be adopted.

31. SESCO/ICA's recommendation to conduct annual revisions to the estimates of eligible CARE households by a common outside consultant is premature and should not be adopted at this time.

32. The Working Group's recommendations on how to report LIEE programs costs is a reasonable first step in the process of standardizing cost information. Once the tables are completed, the Commission may consider any further changes that may be necessary to enhance the comparability of the programs in the future. These changes may be considered by the Working Group and proposed to the Commission as part of the LIEE/CARE program planning cycles.

33. In the second phase RRM report, the Working Group should present recommendations for reporting format and filing frequency for the following information required by D.00-07-020:

- a. Standardized, consistent training costs (Ordering Paragraph 1(f));
- b. Participation of community-based organizations in the LIEE and other information regarding the access of low-income program

- participants to programs provided by community service providers (Ordering Paragraph 10);
- c. Information for all utilities in the format presented for PG&E and SDG&E in Exhibits 35 and 36 (Ordering Paragraph 8); and
  - d. The LIEE bill savings and expenditure level information presented by the utilities in their February 1, 2001 joint report. (Ordering Paragraph 7).
34. The Commission may consider what type of information should be reported in the RRM on installation quality during the PY 2002 planning process, after the Commission evaluates improved approaches for measuring the performance of installation contractors.
35. The second phase RRM Report should be filed in the Commission's Docket Office and served on the service list in this proceeding no later than March 31, 2001.
36. SESCO/ICA's recommendations regarding CARE cost classifications and reporting requirements are deficient and should be rejected.
37. The monthly reports described on pages 38 and 48 of the RRM Report should be due by the first Friday of the second month, following the month for which data is reported.
38. Consideration of whether to file CARE and LIEE program reports together, as proposed by SESCO/ICA, should be deferred until we obtain better comparison information on where and when the Working Group recommends that they be filed at the Commission.
39. The RRM Report recommendations should be clarified with a matrix summarizing where each of the CARE or LIEE reports described in the RRM Report is to be filed or submitted, on what dates or frequency, how it is used (e.g.,

informational only, filed in a Commission proceeding), and who has access to the information (e.g., Energy Division staff, appearances to a particular proceeding).

40. Because the Commission may require the Working Group to consider reporting issues sooner than two years from now, the Working Group recommendation to reconvene in two years should not be adopted.

41. Any effort to review existing CARE and LIEE reporting requirements, within and outside of the reporting requirements recommended in the RRM, should be deferred until the Working Group completes the second phase of RRM revisions and we are well underway with the PY 2002 planning process.

42. In order to proceed with additional standardization of program policies, procedures and reporting requirements for the PY 2002 planning process as expeditiously as possible, this order should be effective today.

43. The late filing of joint comments by TELECU and Maravilla Foundation did not disadvantage parties and should be accepted.

## **O R D E R**

### **IT IS ORDERED** that:

1. The recommendations presented by the Standardization Project Team in the September 15, 2000 Phase 2 Low-Income Energy Efficiency (LIEE) Standardization Project Report (Phase 2 Report) and October 26, 2000 Phase 2 Follow Up Report are approved, subject to the modifications and clarifications listed in Ordering Paragraph 3.

2. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company, collectively referred to as “the utilities,” shall incorporate all Commission directives adopted in this decision related to the Phase 2 Report and

follow-up report dated October 27, 2000 into the new statewide policy and procedures manual to be filed on April 15, 2001. The procedures set forth in the Weatherization Installation Standards manuals and the policy and procedures adopted today shall govern all LIEE installations in the utility programs beginning January 1, 2002 unless otherwise directed by the Commission.

3. The April 15, 2001 statewide policy and procedures manual submitted pursuant to Ordering Paragraph 2 shall incorporate the following modifications and clarifications to the recommendations presented by the Standardization Project Team in this proceeding.

**Limits on Prior Participation in the LIEE Program**

- (a) Any unit that previously failed a combustion appliance safety pre-test, and therefore did not receive infiltration-related measures (but received other measures) shall be considered eligible for the measures it did not receive if the test is subsequently passed during the 10-year window.

**Fractional Qualifications in Multifamily Complexes and Mobile Homes**

- (a) The utilities shall qualify the entire multi-family complex or mobile home park for LIEE services if at least 80% of all the individual dwelling units meet the LIEE program income requirements, irrespective of whether they have been previously treated. This 80% rule should apply separately to attic insulation levels for common attic areas.

**Limits on Minor Home Repairs and Furnace Repairs/Replacements**

- (a) The 20% overall expenditure limit on minor home repairs/furnace replacement and repairs adopted by Resolution E-3586 shall apply to all utilities. If a utility sees that it is likely to exceed the 20% level, then it can request a relaxation of that guideline via Advice Letter on a case by case basis.
- (b) The Phase 2 Report shall be clarified to indicate under what circumstances additional repairs (if any) can be made by the LIEE

weatherization contractor to respond to gas leak/carbon monoxide emission problems identified during the utility's gas appliance testing procedures, and what expenditure limits would apply to those repairs.

### **Inspection Policies and Procedures**

- (a) The Phase 2 Report shall be modified to describe the circumstances that may warrant larger sample sizes than the minimums presented in Table 5-2. The Phase 2 Report shall also clarify that the utilities will keep records of actual inspection frequencies, by contractor, as well as the number of minor corrections.
- (b) The statement on Page 5-4 of the Phase 2 Report regarding the outsourcing of inspection personnel shall be modified to state that utilities can undertake in-house either the prime contractor (administration) function or the inspection function, but not both, with the very limited exceptions discussed in D.00-07-020.

### **Ceiling Insulation Levels**

- (a) The final determination on whether to establish ceiling insulation levels based on retail rates, avoided costs or a combination of the two will be a continuing issue until the overall LIEE cost-effectiveness methodology is determined. The recommendation to use an average of avoided costs and retail rates is adopted on an interim basis.

### **Caps on the Treatment of Multi-Family and Master-Metered Units**

- (a) The manner in which the caps on the treatment of multi-family and master-metered units are established will be further considered during Phase 3 (see Ordering Paragraph 6).
4. The use of per-home pass rates as the basis of minimum inspection frequencies shall be revisited after the Commission considers the use of alternate indicators of installation quality during the PY 2002 planning process. The Commission may also consider at that time the need for specific upper limits to the inspections of jobs that do not involve ceiling insulation, as appropriate.

5. As discussed in this decision, the utilities shall expand the definition of minor home repairs in the WIS manuals, list replacement of switch/outlet covers as a repair that mitigates imminent hazard and clarify that replacement applies to all walls.

6. As part of Phase 3 of the Standardization Project, the project team shall consider the carryover standardization issues identified in today's decision, with input from interested parties in a workshop setting:

- (a) Whether customers being served on a business rate should be automatically excluded from the LIEE program.
- (b) Whether customers who do not purchase their heating fuel from the utility should be excluded from the LIEE program.
- (c) Procedures for limiting expenditures by housing type, including specific caps proposed by the utilities along with an explanation of:
  - (1) How the caps are determined, and
  - (2) The relationship between the housing stock in each utility's service territory and the maximum percentage of funds devoted to multi-family housing.
  - (3) How the proposed caps are consistent with the approach recommended for limiting treatment of master-metered units (see (d) below).
- (d) Procedures for limiting the treatment of master-metered units, including specific caps proposed by the utilities and an explanation of how they were determined.
- (e) Whether the procedures explained in (c) and (d) above should be standardized across utilities and if so, how.
- (f) Whether PG&E's measure pre-approval approach should be continued on a standardized basis across utilities and, if so, how inspectors should evaluate contractors' work with respect to pre-approvals in determining a "pass" or "fail" situation.

- (g) How dispute resolution procedures for inspector-contractor disagreements should be standardized across utilities. Alternates to having utility employees serve as arbitrators under these procedures should be carefully considered.
- (h) Whether renters should be provided with evaporative coolers under the LIEE program and if so, what type (i.e., portable versus permanent) and whether co-payments should be required.
- (i) How the avoided cost assumptions used in the designation of ceiling insulation levels should be modified based on the avoided cost determinations made in the PY 2001 energy efficiency program planning process, A.99-09-049 et al.
- (j) More detailed specification for the gas appliance safety/combustion appliance safety (CAS) testing minimum standards adopted in Phase 2, including threshold CO levels.

7. The Standardization Project Team shall consider bifurcating Phase 3 in order to present recommendations on some or all of the carryover issues listed in Ordering Paragraph 6 well before the start of the PY 2002 planning process. In any event, the Standardization Project Team shall present its recommendations to the Commission on all of the Phase 3 issues no later than April 15, 2001. Comments on the Phase 3 interim and final reports shall be due 25 days after the reports are filed, and replies are due 15 days thereafter.

8. As discussed in this decision, the Standardization Project Team shall conduct a study of natural gas appliance safety conditions and alternative testing procedures in Phase 4 of the Standardization Project. The utilities may augment the project team with additional technical consultants, as needed. Energy Division shall continue to assist in coordinating the standardization effort. The Assigned Commissioner shall direct the project with respect to the scope of work, budget and schedule. After obtaining input from the public and interested parties to this proceeding, the Standardization Project Team shall file a proposed study methodology, budget and schedule for Phase 4 by September 1, 2001.

Copies shall be served on the Assigned Commissioner and on all appearances and the state service list in this proceeding. The schedule shall provide for completion of Phase 4 in time for the Commission's consideration of the study during the PY 2004 planning process.

9. In preparing their PY 2002 budget and funding level recommendations for LIEE programs, the utilities shall clearly indicate the effects of the adopted standardization policies and procedures on the program scope and costs of service.

10. The recommendations presented by the Reporting Requirements Manual (RRM) Working Group and presented in the October 2, 2000 RRM Working Group Report for Low-Income Assistance Programs (RRM Report) are approved, subject to the modifications and clarifications listed in Ordering Paragraph 12.

11. Within 30 days of the effective date of this decision, the RRM Working Group shall file a revised RRM reflecting the Working Group's recommendations, as modified in today's decision. The Working Group shall serve a notice of the report's availability to all appearances and the state service list in this proceeding. The reporting requirements presented in the revised RRM shall be used by the utilities in reporting the results of their PY 2000 LIEE and California Alternate Rates for Energy (CARE) programs in May, 2001 and beyond, unless further modified by Commission decision.

12. The revised RRM submitted pursuant to Ordering Paragraph 11 shall incorporate the following modifications and clarifications to the recommendations presented by the RRM Working Group in this proceeding:

- (a) The monthly reports described on pages 38 and 48 of the RRM Report shall be due by the first Friday of the second month following the month for which data is reported.



- (b) The Working Group may be directed by the Commission or the Assigned Commissioner to convene and consider reporting issues periodically, as needed.
- (c) Any effort to review existing reporting requirements for low-income assistance programs, within and outside of the reporting requirements recommended in the RRM Report, should be deferred until the Working Group completes the second phase of RRM revisions and the Commission is well underway with the PY 2002 planning process.
- (d) A matrix summarizing where each of the CARE or LIEE reports described in the RRM Report is to be filed or submitted, on what dates or frequency, how it is used (e.g., informational only, filed in a Commission proceeding), and who has access to the information (e.g., Energy Division staff, appearances to a particular proceeding). After this information is obtained, the Commission may further consider whether to change the current procedures of filing CARE and LIEE reports separately. The Commission also defers consideration of the Working Group's recommendation to require a separate CARE RRM at this time.

13. In their February 1, 2001 joint report on LIEE program expenditures and bill savings, as required by D.00-07-020, the utilities shall propose a standardized format for this information to be considered by the RRM Working Group and incorporated into the RRM at the earliest possible opportunity.

14. In developing the interim methodology for estimating eligible CARE customers, the utilities shall conduct a sensitivity analysis to determine the extent to which income definitional differences between the Census and CARE program might be affecting CARE eligibility estimates. The results of this analysis shall be included in the consultants' report.

15. As discussed in this decision, the RRM Working Group shall present recommendations on the following issues related to low-income assistance programs in a second phase report:

- (a) Technical modifications to cost-effectiveness testing and reporting, as appropriate. Methodological issues to be considered include the selection of appropriate discount rates, inflation rates and benefit and cost streams to use in cost-effectiveness analysis. Recommendations shall also address whether (and if so, how) to incorporate comfort, health and safety effects into the cost-effectiveness testing methodology. Avoided costs shall be based on the methodology and assumptions most recently adopted by the Commission.
- (b) Reporting format and filing frequency for the following information required by D.00-07-020:
  - 1) Standardized, consistent training costs (Ordering Paragraph 1(f));
  - 2) Participation of community-based organizations in the LIEE and other information regarding the access of low-income program participants to programs provided by community service providers (Ordering Paragraph 10);
  - 3) Information for all utilities in the format presented for PG&E and SDG&E in Exhibits 35 and 36 (Ordering Paragraph 8.);
  - 4) The LIEE bill savings and expenditure level information presented by the utilities in their February 1, 2001 joint report. (Ordering Paragraph 7).

16. The RRM Working Group shall file the second phase RRM Report no later than March 31, 2001 and serve a notice of its availability to all appearances and the state service list in this proceeding. Comments on the report shall be due 25 days after it is filed, and replies are due 15 days thereafter.

17. All future RRM Working Group reports, including the second phase report, shall clearly discuss the pros and cons of each alternative discussed by participants. The reports shall include a discussion of consensus issues and remaining areas of disagreement among participants, with a description of the participants' opposing views. Proponents of any proposals that involve

additional, detailed reporting requirements during the RRM revision process shall specify how that additional information will aid the evaluation of programs, who will be doing the data analysis, and how the proposal achieves a reasonable balance between the value of the information and the cost to collect that information.

18. All filings required by today's order shall be filed in the Commission's Docket Office and served on the appearances and state service list in this proceeding, or successor proceeding. The due dates for filings discussed in this decision may be modified by the assigned Administrative Law Judge, for good cause.

19. The late-filed comments of the East Los Angeles Community Union and Maravilla Foundation on the draft decision are accepted.

This order is effective today.

Dated March 15, 2001, at San Francisco, California.

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

**ATTACHMENT 1****ACRONYMS**

A.	Application
CAASM	Community Action Agency of San Mateo County
CARE	California Alternate Rates for Energy
CAS	Combustion appliance safety
CEC	California Energy Commission
CO	Carbon monoxide
CSD	Commission's Consumer Services Division
D.	Decision
ICA	Insulation Contractors Association
LIAB	Low-Income Advisory Board
LIEE	Low Income Energy Efficiency
PG&E	Pacific Gas and Electric Company
Phase 2	Low-Income Energy Efficiency Standardization Project
Phase 2 Report	Standardization Project Report
Phase 4	Additional phase
post test	after the installation of measures
PPT	Public Purpose Test
pre test	prior to the installation of measures
Project team	Standardization Project Team
Pub. Util. Code	Public Utilities Code
PY	Program year
RER	Regional Economic Research, Inc.
Res.	Resolution
RHA	Richard Heath & Associates
RRM	Reporting Requirements Manual
RRM Report	RRM Working Group Report for Low-Income Assistance Programs
SB	Senate Bill
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SESCO	SESCO Inc.
SoCal	Southern California Gas Company
TRC	total resource cost
WIS	Weatherization Installation Standards
Working Group	RRM Working Group

**(END OF ATTACHMENT 1)**

## **ATTACHMENT 2**

### **Development of Recommendations: Phase 2 Standardization Project and Reporting Requirements Manual**

The Standardization Project Team consists of the utilities and the project consultants: Regional Economic Research, Inc. (RER) and Richard Heath & Associates (RHA). Energy Division assisted in coordinating the effort. In the course of developing the recommendations contained in the Phase 2 standardization (and follow-up) report, the team took the following steps:

- On June 7, 2000 and June 21, 2000, RER and RHA presented a Phase 2 overview at a public workshop held in conjunction with meetings of the LIAB and its Technical Committee in San Francisco. Comments from the public were received and attendees were invited to submit other comments and questions to the Standardization Project team via mail or electronic mail.
- On July 26, 2000, RER presented preliminary recommendations at a public workshop held in Los Angeles in conjunction with a meeting of LIAB's Technical Committee.
- On August 1, 2000, RER presented an updated set of preliminary recommendations at a public workshop held in San Francisco in conjunction with a meeting of the LIAB.
- On August 29, 2000, RER presented the Phase 2 draft recommendations to the public in a workshop held in association with a meeting of the LIAB in Garden Grove. As at other workshops, public comment was invited.
- On September 26-27, 2000, a two-day Standardization Project team meeting was held in San Francisco. The first day was dedicated to gas appliance testing and the second day was dedicated to the remaining issues.
- On October 10, 2000, another team meeting was held in Downey for additional discussions gas appliance testing and remaining issues. The

need for a public input workshop was discussed and the team worked with the Commission's Energy Division to establish workshop details and set up the notice.

- On October 18, 2000, a team meeting was held in San Francisco to address unresolved issues and try to finalize the draft report that would be sent out for public comment.
- On October 19, 2000, the team distributed a draft version of the Phase 2 Follow-up Report for public comment. On the morning of October 24, 2000, a public workshop was held in San Diego to solicit public comments on the draft. Three participants contributed comments – SESCO, RHA, and the Insulation Contractors Association (ICA). In the afternoon, the team met to consider public comments and finalize the Phase 2 Follow-up Report. The team also considered responses to public comments received on the Phase 2 Final Report.

To develop the recommendations contained in the Reporting Requirements Manual (RRM) Working Group Report, the utilities, Office of Ratepayer Advocates and the Energy Division staffed the Working Group with personnel directly involved with the delivery of low-income program services. Three Working Group members, one from PG&E, one from SoCal and another from SDG&E, also serve on the California Measurement Advisory Council's (CALMAC) Low Income Measurement and Evaluation Committee (LIMEC). Two Working Group members, one from PG&E and another from ORA, also serve on the weatherization installation standards project team. A representative from the Insulation Contractors Association (ICA) participated extensively as a member of the Working Group. The full membership in the Working Group is provided in Table A.

**TABLE A – RRM Working Group Participation  
July 12, 2000 – September 14, 2000**

	July 12 San Francisco	July 24 Los Angeles	Aug. 3 San Francisco	Aug. 14 San Diego	Aug. 28 Downey	Aug. 31 Downey	Sept. 5 Irwindale	Sept. 14 San Francisco
CPUC	A	A	A	A	A	A	A	A
ORA	A	A	A	A	A	A	A	A
LIAB	A	A	A	A	A	A		
LIMEC	A	A	A	A	A	A	A	A
SCE	A	A	A	A	A	A	A	A
SoCalGas	A	A	A	A	A	A	A	A
PG&E	A	A	A	A	A	A	A	A
SDG&E	A	A	A	A	A	A	TC	A
<i>Insulation Contractors Association (ICA)</i>	A	A	A				TC	A
The East Los Angeles Community Union (TELACU)	A	A						
Proteus		A						
Community Action Agency of San Mateo County		A	A					
Community Resource Project		A						
California State Department of Community Services Development (CSD)		A		A				
Southern California Forum		A		TC				

A = Attendance

TC = Teleconferencing

**TECHNICAL COMMITTEE**  
**July 26, 2000**

<u><b>Name</b></u>	<u><b>Organization</b></u>	<u><b>Phone</b></u>
May Wait	CSD	(916) 324-6298
William Parker	CAA of San Mateo	(650) 595-1342
Eddie Jimenez	Proteus, Inc.	(557) 733-5423
Vallis Wineger	Winegard Enery	(626) 256-3400
Bob Burt	Insul Centr. Association	(916) 444-2950
Michael Rosauer	CPUC/Energy	(415) 703-2579
Josie Webb	CPUC/ORA	(415) 703-2247
Thomas Tenorio	CRA Butte County, Inc.	(530) 538-7559
Jack Parkhill	SCE	(626) 302-8040
Donna Jones-Moore	SoCalGas	(213) 244-4256
Lou E. Estrella	SoCalGas	(213) 244-3227
Roberto del Real	SoCalGas	(213) 244-3276
Steven Geraci	PACE	(213) 989-3289
Traci Smith	LA Works	(626) 960-3964
Jonathan Tom	CPUC	(415) 703-1809
Bob Ramirez	RER	(858) 481-0081
Fred Sebold	RER	(858) 481-0081
Anne Keegan	SoCalGas	(213) 244-3834
George Sanchez	RHA	(858) 514-4025
Stephen Ruthledge	LIAB/CPUC	(415) 703-1428
Louise Perez	CRP	(416) 567-5220
Allan Ross	QCS	(626) 926-0029
George Bigelow	TECACU	(800) 906-3911
Art Cisneros	VICS	(562) 692-0461
Guadalupe Rodriguez	VICS	(562) 695-4342
Donna Weaver	SCE	(626) 302-8995
Arleen Navotney	SoCal Forum	(818) 781-4151



**Weatherization Installation Standardization Tem Public Input Workshop  
Initial Phase II Draft Recommendations**

**August 1, 2000  
San Francisco, CA**

**Attendee List**

<b><u>Name</u></b>	<b><u>Organization</u></b>
Bob Burt	ICA
Bill Parker	San Mateo CAA
Janice Foreman	SMUD
Bob Ramirez	RER
Fred Sebold	RER
Jim O'Bannon	RHA
Lou Estrella	SoCalGas
Donna Jones-Moore	SoCalGas
Dennis Guido	PG&E
Eddie Jimenez	Proteus
Louise Parker	CSD
Don Wood	SDG&E
Dave Rogers	SDG&E
Jack Parkhill	SCE
Roberto Haro	LIAB
Steve Rutledge	CPUC/LIAB

**LIAB Meeting  
August 29, 2000**

<b><u>Name</u></b>	<b><u>Organization</u></b>	<b><u>Phone</u></b>
Donna Jones-Moore	SoCalGas	(213) 244-4256
May Wail	CSD	(916) 324-6298
Louise A. Perez	CRP	(916) 567-5220
Michael Rosauer	CPUC	(415) 703-2579
Dennis Guido	PG&E	(415) 972-5429
William Parker	CAA SM	(650) 595-1342
Eddie Jimenez	Proteus, Inc.	(559) 733-5423
Allan Rago	QCS	(626) 923-0029
Dan Wood	SDG&E	(858) 536-4002
Fred Sebold	RER	(858) 481-0081
Richared D. Villasenor	TELACU	(562) 777-1142
George Bigelow	TELACU	(562) 777-1142
Arleen Novotney	SoCal Forum	(818) 781-4151
Jeff Beresini	PG&E	(415) 973-2931
Lou E, Estrella	SoCalGas	(213) 244-3227
Jack Parkhill	SCE	(626) 302-8040
Roberto del Real	SCE	(213) 244-3276
Josie Webb	CPUC/ORCA	(415) 703-2247
Wallis Winegar	Winegard Energy	(626) 256-3300
Jeannie Harrel	SCE	(626) 302-8275

**LIEE Standardization Workshop Sign-Up Sheet**  
**October 24, 2000**  
**San Diego, CA**

<u><b>Name</b></u>	<u><b>Organization</b></u>	<u><b>Phone</b></u>
Jonathan Tom	CPUC-ED	(415) 703-1809
Dennis Guido	PG&E	(415) 972-5429
Josie Webb	CPUC/ORA	(415) 703-2247
Richard Villasenor	TELACU	(800) 906-3911
Rene A. Morales	TELACU	(800) 906-3911
Wally Golberg	Southwest Gas	(702) 876-7367
John Jensen	RHA	(858) 514-4025
George Sanchez	RHA	(858) 514-4025
Roxanne Fogueroa	RHA	(510) 748-4330
Bob Burt	ICA	(916) 444-2950
Roberto del Real	SoCalGas	(213) 244-3276
Lou E. Estrella	SoCalGas	(213) 244-3227
Luis Chavez	Winegard energy	(626) 265-3400
Don Wood	SDG&E	(858) 536-4002
Bob Ramirez	RER	(858) 481-0081
Fred Sebold	RER	(858) 481-0081
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**(END OF ATTACHMENT 2)**

## **ATTACHMENT 3**

### **Summary of Phase 2 Standardization Recommendations**

The Standardization Project Team makes the following Phase 2 recommendations:

#### ***Customer Eligibility***

- Income documentation must be reviewed, recorded, and copied by service providers for all prospective participants. Qualification for other programs cannot be taken as adequate evidence of qualification for the LIEE Program, except in the event that the customer has been verified by the utility as eligible for the CARE Program over the past year. Self-certification will not be permitted.
- The utility will periodically audit the documentation maintained by the contractor. In the event that documentation is not available for a participant, payment to the contractor for the weatherization of that unit will be disallowed.
- Fractional qualification should be used for multifamily complexes and mobile home parks, with the income-eligibility of 80% of all units not previously weatherized being required for the qualification of the entire complex/park.
- Service providers must review, record, and collect income documentation for all households used to qualify an apartment complex or a mobile home park. The provider must also make its best effort to collect income documentation for all other households in the complex (i.e., those not used to meet the 80% qualification standard). Documentation for households used to qualify an apartment complex or a mobile home park must be collected and maintained by the service provider for each unit.
- All utilities must define multifamily complexes as those with five (5) or more dwelling units. Duplexes, triplexes, and fourplexes will be treated as single family homes for the purposes of this Program.

- If utilities pre-screen customer lists before providing them to service providers, utilities should initially target homes that have not yet participated in the LIEE Program.
- In general, homes that have been treated under the LIEE Program within the past 10 years should not be eligible for participation in the current program, either for measure installation or for on-site energy education. However, exceptions provided in Section 3.3 may be granted.
- In the event that a home is determined to be ineligible because of previous participation in the program, occupants may still be referred to group energy education if it is offered.
- A home must need a minimum amount of weatherization in order to be eligible for participation in the Program, either for measure installation or for on-site energy education. The minimum requirements are specified in Section 3.4.
- For all homes meeting the minimum for necessary measures, all feasible measures must be installed. If a measure is already in place and operating properly, even if it does not meet the current Installation Standards for new installations, it should not be removed and replaced.
- Unoccupied multifamily dwellings may be weatherized, as long as the multifamily complex satisfies the 80% rule for income qualification.
- Public housing is eligible for participation in the LIEE Program, but must meet the standard terms and conditions of the program in order to participate.
- The utility may limit expenditures on the treatment of multifamily dwellings to a specified percentage of the total program budget.
- Businesses are not eligible to participate in the LIEE Program. Participants must be on residential rates.
- No restrictions will be placed on the eligibility of homes of different ages.
- The current treatment of rental units for refrigerator replacement, hard-wired fixtures, and furnace replacement (per E-3586) should be continued.

### ***Minor Home Repairs and Furnace Repairs and Replacements***

The Standardization Project Team has adopted the definition of a minor home repair as “a repair required to enable installation of weatherization measures or made to reduce infiltration.” Proposed policies with respect to minor home repairs are:

- A common set of minor home repairs should be offered under all utility programs. Minor home repairs must be made if they are feasible. The common set of minor home repairs is contained in Appendix A of the Phase 2 Report.
- Resolution E-3586 should be modified to allow a common set of minor home and furnace repair and replacement limits to be adopted by all programs. Two kinds of limits should be applied: average cost limits and individual home limits. Average cost limits apply to the average cost of categories of service across all homes receiving the service in question. Individual home limits are defined as limits on the cost that can be incurred for an individual home without the specific approval of the utility Program Manager.
- Proposed average cost limits are (1) for minor home repairs=\$300 and (2) for furnace repairs and replacements (total combined cost for home receiving one or the other)=\$1,200. Proposed limits on cost for individual home (without approval of Program Manager) are (1) \$750 for minor home repairs and (2) \$1,750 for furnace repairs and replacement (total combined cost for home receiving one or the other). The cost of furnace repair is capped at 50% of the cost of a new unit, and the sum of minor home repairs, furnace repair and replacement is capped at \$2,000.
- In the event that a contractor requests permission from the utility Program Manager to exceed the limit on minor home repairs, the Program Manager will base a decision on the status of the Contractor’s minor home repair budget, the overall program budget, and the need for the repairs in question. If the Program Manager deems it necessary to limit expenditures on the home, measures will be prioritized using the general priority list shown in Section 4.4 of the Phase 2 report.
- The current limit on total expenditures on minor home repairs to no more than 20% of total program costs, as specified in E-3586, should be dropped.

## ***Inspection Policies and Procedures***

The Standardization Team offers several recommendations designed to make inspection policies more consistent:

- Utilities or their inspection contractors will inspect all ceiling insulation jobs. For all other jobs not involving ceiling insulation, random inspections will be conducted for a sample of dwelling units. Minimum sample sizes will be determined for each contractor, and will depend upon the contractor's past pass rates and the total number of units allocated to the contractor. Minimum sample sizes are shown in Table 5-2 of the Phase 2 report.
- Utilities may use either in-house personnel, contract employees, or contractors to conduct inspections, provided that either the installation or the inspection function is outsourced.
- The current dispute resolution practices should be retained.
- Contractors are required to correct hazardous fails within 24 hours of notification by the utility and/or its inspector. (Treatment of fails relating to CO/CAS testing will be considered later after CO/CAS testing policies have been further considered).
- In the event that a contractor fails to correctly install a feasible measure, it will be accorded the following treatment:
  - If the measure is installed, but installed incorrectly, the job will be given a fail.
  - If the measure is not installed at all, but is included in the invoices for the dwelling, the job will be given a fail.
  - If the measure is not installed at all, but is not included on the invoice and is not on a pre-approval list, the job will be issued a correction. In the event that this correction is not made within 10 calendar days, the correction will revert to a job fail.
  - If the measure is included on a preapproval list but not installed, the job will receive a fail.
- If a utility uses a contract inspection service, the utility will levy a charge in the event that a job fail or a job correction is issued and the contractor contests this action. If the failure or correction is upheld, the utility will

charge the contractor for the reinspection of the job by the utility arbitrator. If the job fail or correction is reversed, the utility will charge the inspection contractor for the reinspection of the job by the utility arbitrator.

- Policies on inspection waivers vary between mandatory and non-mandatory inspections, as follows:
  - **Mandatory inspections** are those required for projects in which ceiling insulation is installed. An attempt will be made to inspect all such projects prior to making final approval of payment to the weatherization contractor. For mandatory inspections, three attempts will be made to arrange for a post-installation inspection within 30 calendar days of the notification of job completion. After three such attempts, the inspection provider will send a certified letter to the participant asking for permission to inspect the home. If the participant does not respond to this certified letter within two weeks, the inspection provider need not conduct the inspection prior to making final approval of payment for the weatherization job
  - **Non-Mandatory** relate to projects not involving ceiling insulation. They are non-mandatory in the sense that only a sample of projects must be inspected. A non-mandatory inspection of a sampled project may be waived by the utility after three attempts to contact the participant, provided that the inspection provider replaces this project with another and completes a sufficient number of inspections as provided in the policy on post inspection frequency (see above).
- Minor job corrections will be limited to corrections that satisfy the following conditions:
  - The error is the only error found at the site;
  - Are not associated with errors that create hazardous conditions;
  - Can be made with tools typically carried by inspectors;
  - Do not require materials other than those normally carried by inspectors;
  - Can be carried out within a few minutes by inspectors; and
  - Can be accomplished at a minimum of inconvenience to inspectors.
- Inspectors will be permitted to make minor corrections at the site. In the event that a minor correction is made, it will be recorded by the inspector.



Minor corrections will become part of the contractor's record. Inspector reports will be entered into a database, and reports on contractor performance would be monitored.

- A maximum number of such post-installation minor corrections will be determined for each contractor and each measure. This maximum will be either three corrections, or 0.5% of the total number of a contractor's allocation of participants expected to be inspected, whichever is greater.
- Each time a minor job correction is made, the contractor will be notified.
- Inspection providers will develop monthly reports on minor job corrections by contractor and measure. As soon as a report indicates that a contractor has exceeded the maximum allowable number of job corrections for a specific measure during the program year, that contractor will be informed that no further minor job corrections will be made by inspectors on installations of the measure in question during the program year. Inspectors will also be informed that they should no longer perform minor job corrections on the measure in question for that particular contractor for the measure in question the remainder of the year.
- Minor corrections associated with a specific weatherization measure in a specific program year will not be counted as inspection failures for the contractor until the contractor is notified that the maximum number of allowable minor job corrections has been exceeded. Subsequent problems associated with the installation of the measure will be counted as fails in inspection records, and the contractor will be required to revisit the site to make corrections.
- In the event that a Contractor's overall performance falls short of Program standards, a corrective action plan may be instituted. Such a corrective action plan may be required if the Contractor fails to do one or more of the following:
  - Meet production standards
  - Complete work on time
  - Achieve and maintain a overall pass rate of 90% of all homes
  - Correct hazardous fails within 24 hours
  - Correct non-hazardous job fails within 30 calendar days

- Provide field supervision
- Submit accurate and legible invoices or other job related paperwork

In the event that a corrective action plan is instituted for a Contractor, minor job corrections will no longer be performed for that Contractor during the remainder of the Program Year.

### ***Ceiling Insulation Levels***

Table 1 provides the results of the Standardization Project Team's analysis of adding various amounts of ceiling insulation to different preexisting levels. For each existing ceiling insulation level, the level of insulation that gave the highest net benefits (present value of savings less the installed cost) was chosen as the amount of installation to add. Three scenarios were run: one that used avoided costs to value electricity and gas savings, one that used averages of avoided costs and retail rates to value savings; and another that used retail rates to value savings. The third through fifth columns of Table 1 depict the recommendations that would be based on strict use of the results of these three sets of assumptions.

**Table 1: Implied Ceiling Insulation Policies (Baseline Assumptions)**

Climate Zone	Existing Ceiling Insulation Level	Insulation to be <i>Added</i>		
		Avoided Costs Only	Average of Avoided Costs & Retail Rates	Retail Rates Only
North Coast	R-0 (uninsulated)	R-19	<b>R-19</b>	R-19
	R-1 to R-11	None	<b>R-11<sup>1</sup></b>	R-11
	R-12 to R-19	None	<b>None</b>	None
	Above R-19	None	<b>None</b>	None
South Coast	R-0 (uninsulated)	R-19 <sup>2</sup>	<b>R-19</b>	R-19
	R-1 to R-11	None	<b>None</b>	None
	R-12 to R-19	None	<b>None</b>	None
	Above R-19	None	<b>None</b>	None
Inland	R-0 (uninsulated)	R-19	<b>R-19</b>	R-30
	R-1 to R-11	None	<b>R-11</b>	R-19
	R-12 to R-19	None	<b>None</b>	None
	Above R-19	None	<b>None</b>	None
Desert	R-0 (uninsulated)	R-30	<b>R-30</b>	R-30
	R-1 to R-11	R-11	<b>R-19</b>	R-19
	R-12 to R-19	None	<b>None</b>	None
	Above R-19	None	<b>None</b>	None
Mountain	R-0 (uninsulated)	R-30	<b>R-30</b>	R-38
	R-1 to R-11	R-19	<b>R-19</b>	R-19
	R-12 to R-19	None	<b>None</b>	R-19
	Above R-19	None	<b>None</b>	None

<sup>1</sup> The results of the analysis indicated that no insulation should be added; however, the net benefit of adding R-11 was only marginally negative, so R-11 is used here.

<sup>2</sup> Analysis results indicate a level of R-11, but R-19 was used for consistency with Title 24 minimum value.

In keeping with its Phase I recommendation, the Standardization Team recommends the use of the values resulting from the scenario that makes use of the average of avoided costs and retail rates for the statewide standard. Given the current level of uncertainty with respect to market prices and avoided costs, the Standardization Team recommends that these ceiling insulation policies be revisited during Phase 3 of the Standardization Project, as well as periodically in future years.

### ***Eligibility of Evaporative Coolers for Rental Units***

The Standardization Project Team recommends that this issue be deferred until later in Phase 3.

### ***Eligibility of Master-Metered Units***

The Standardization Project Team recommends that master-metered units be eligible under the following conditions:

- Deemed savings should be permitted for use in the evaluation of Program savings for master-metered units.
- Utility Program personnel should attempt to explain the Program to the landlord or property manager prior to contacting tenants, in order to minimize the creation of friction between landlords and tenants.
- If the master-metered dwellings are multifamily units, the fractional (80%) qualification used for multifamily dwellings should be used for the purposes of qualifying tenants for the Program. Landlords should be informed that income documentation will be required for the purposes of determining eligibility.
- Utilities may set a maximum on the percentage of participants treated by a contractor in a program year that are master-metered. This percentage should reflect the predominance of master-metered dwellings in the service area, but should be no higher than 15%.

### ***CO/CAS/Gas Appliance Testing***

The Standardization Project Team recommends that greater consistency in natural gas appliance testing policies and procedures be achieved through an agreement to a minimum set of procedures to be implemented across programs. These minimum standards have two general provisions:

- First, the minimum standards would be implemented whenever natural gas appliances are present in the dwelling and natural gas is served by the utility providing the LIEE Program to the household.
- Second, the procedures comprising the minimum standard would be implemented either prior to the installation of measures (pre test), after the installation of measures (post test), or both before and after installation, at the utility's option.

The specific procedures listed in Table 2 summarize the recommended minimum standards. Individual utilities can continue to provide additional procedures if they consider these additional steps warranted.

**Table 2: Recommended Minimum Standard for Gas Appliance Testing**

<b>General Procedure</b>	<b>Specific Procedures</b>
<b>Olfactory Test</b>	<ul style="list-style-type: none"> <li>■ Smell for natural gas leaks</li> </ul>
<b>Visual Examinations</b>	<p>Flue and Vent System—Check for:</p> <ul style="list-style-type: none"> <li>■ Draft hood defects: Multiple, missing or improperly installed</li> <li>■ Holes in pipe or other hazardous conditions.</li> <li>■ Connection with a solid fuel appliance chimney.</li> <li>■ Flue/vent cap missing or damaged.</li> <li>■ Inadequate distance from an evaporative cooler inlet.</li> </ul>
	<p>Appliance Components—Check for:</p> <ul style="list-style-type: none"> <li>■ Furnace combustion chamber door(s) <u>not</u> present.</li> <li>■ Water Heater combustion chamber cover (rollout shield <u>or</u> access door) <u>not</u> present.</li> <li>■ Excessive amounts of carbon or rust in/around heat exchanger, draft hood or flue/vent pipe.</li> </ul>
<b>Combustion Air Evaluation</b>	<p>Combustion Air Vents—Check for:</p> <ul style="list-style-type: none"> <li>■ Vents are present and adequate (size and location)</li> <li>■ Source of combustion air is adequate and unobstructed.</li> </ul>
<b>Ambient CO Tests</b>	<ul style="list-style-type: none"> <li>■ CO tester zeroed outdoors.</li> <li>■ First CO sample taken indoors with all combustion appliances turned off.</li> <li>■ Second CO sample taken in same indoor location after space heating system has been operating at least five minutes.</li> <li>■ Third CO sample: <ul style="list-style-type: none"> <li>- Forced-air units—inside the register nearest the supply plenum.</li> <li>- Non-ducted units—in the atmosphere just above the heat exchanger.</li> </ul> </li> </ul>
<b>Draft Tests</b>	<ul style="list-style-type: none"> <li>■ Visual (non-instrument) test</li> <li>■ Tactile test</li> </ul>

**(END OF ATTACHMENT 3)**

## ATTACHMENT 4

### Reporting Requirements Manual Working Group Recommendations

The Reporting Requirements Manual (RRM) Working Group recommendations are summarized below. Note that “RRM2” refers to the document used for reporting costs and effects from energy efficiency programs (including low-income energy efficiency) administered by the utilities since January 1, 1998. These recommendations are presented under the specific unresolved issue(s) that they address, as identified in the Assigned Commissioner’s April 28, 2000 ruling.

- *“The need for and how to report ‘reduction in hardships’ associated with the low-income energy efficiency programs, such as comfort levels, employment, safety and security.”*

RESPONSE: The Working Group developed a working definition of energy-related hardship and interim reporting requirements to address such hardship. The Commission should adopt this definition and direct utilities to report on how the LIEE programs address energy-related hardship within the narrative of the Energy Efficiency Programs Annual Report.

- *“The need by LIAB to have utilities provide information on specific outreach efforts, on enrollments and on certifications and discounts on a requested and timely basis, rather than in an annual report.”*

RESPONSE: The Working Group supports specific monthly reports for CARE and LIEE expenditures. The Commission should adopt the revised monthly expenditure reports for CARE and LIEE.

- *“Modifications to cost-effectiveness tests, such as use of a Modified Participants Test and narrative describing the limited applicability of the economic tests to low-income programs.”*

RESPONSE: The Working Group developed parameters for a revised cost effectiveness test and discussed the need to incorporate hardship into such a test. In addition to the currently reported Total Resource Cost (TRC) and Utility Cost Test results, the Working Group recommends that results for the Participant Test be reported on an interim basis until a formal test for low income programs can be developed. To ensure comparability with prior program years, the TRC and Utility Cost tests are maintained. In Table 7.3,

the Current Year Societal Cost Test is replaced with the TRC Test for consistency in reporting with Last Year activities. Table 7.4 has been added to show the net benefits for the TRC and Participant tests. The Working Group recommends that the Public Purpose Test (PPT) not be adopted for LIEE programs.

The Commission should direct the Working Group to develop a formal cost effectiveness test for LIEE programs in a second phase with a March 31, 2001 due date for recommendations to the Commission.

- *“What are the information needs for the future? Should the RRM include information from past annual reports for CARE reporting? Should the RRM include tables that summarize major decisions/changes, total number of electric and gas customers, average number of customers for the year, eligibility levels that underlie penetration level computations, average consumption of CARE and non-CARE residential customers, information on certification procedures, etc.?”*

RESPONSE: The RRM never has included information on CARE. Annual CARE reports have been prepared based on separate directives from the Commission. The Working Group recommends that CARE reporting requirements be included in a separate CARE RRM and that the CARE annual report should continue to be filed separately from LIEE program results.

The Working Group has developed an interim proposal for estimating the number of households eligible for the CARE rate – a necessary step that underlies CARE penetration level computations. The Working Group recommends that the Commission adopt this interim methodology.

The Working Group has developed revised tables for LIEE and CARE. The Commission should adopt the CARE program cost classifications as presented in Table 5 of the CARE RRM recommendations and the LIEE program cost classifications as presented in Table TA 7.2. The Commission should adopt the revised reporting category definitions for low-income programs in Appendix B of the RRM2. In addition, the Commission should delete the requirements to report separately on mandatory versus non-mandatory measures.

The Working Group developed its recommendations based on future objectives rather than present capabilities. As some information may not be collected currently in 2000 for reporting in May 2001, certain fields may be



blank in the May 2001, CARE and LIEE reports. Utilities expect to be able to collect the data to populate all fields beginning in PY 2001 for reporting in May 2002. If significant quantities of data are unavailable, the RRM Working Group recommends that utilities also provide reports that adhere to the existing reporting requirements.

- *“Whether to break out administrative cost categories by function, rather than by labor, non-labor and contract categories.”*

RESPONSE: Information in both formats is useful. The Working Group proposes reports that capture information both by function and by labor, non-labor, and contract.

- *“How to specifically define administrative vs. implementation costs, internal and out-sourced costs.”*

RESPONSE: Definitions are provided in the report. These definitions apply to the LIEE programs and not to the CARE program, since implementation within this context is specific to LIEE program delivery functions. The Working Group agreed it would be more useful to report types of “administrative” costs in greater detail to allow meaningful comparisons of LIEE programs across utilities. The Working Group recommends that the Commission adopt for LIEE programs the definitions in the report for administrative costs, implementation costs, internal costs and outsourced costs.

- *Other Recommendations*

The Working Group recommends that it reconvene in two years to develop recommendations to revise reporting requirements as appropriate.

The Working Group recommends that the Commission undertake an immediate review of existing LIEE and CARE reporting requirements, within and outside of the proposed RRM2 revisions and CARE RRM, to determine if reports that no longer are useful can be deleted.

**(END OF ATTACHMENT 4)**