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Decision 01-08-065 August 23, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

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INTERIM OPINION: ALLOCATION OF SBX1 5 LOW-INCOME ASSISTANCE PROGRAM FUNDING TO SMALL AND MULTI-JURISDICTIONAL UTILITIES AND RELATED ISSUES

1. Introduction and Summary[1]

By Decision (D.) 01-05-033, we adopted a rapid deployment strategy for utility low-income energy efficiency and rate discount programs, referred to as the Low-Income Energy Efficiency (LIEE) and California Alternate Rates For Energy (CARE) programs, respectively. In that decision, we augmented the utility budgets for LIEE and CARE utilizing the funding appropriated by the Legislature via Senate Bill (SB)X1 5.[2] Among other things, SBX1 5 provides a one-time appropriation of $100 million to supplement the funding collected in rates for CARE discounts and outreach efforts. In addition, SBX1 5 provides a one-time increase to the LIEE program of $20 million and another $50 million for appliance replacement and other energy efficiency measures. By D.01-05-033, we allocated $25 million of the SBX1 5 appliance replacement funds to further supplement LIEE budgets during the energy crisis.

In D.01-05-033, we set aside $5 million of the additional LIEE funding provided via SBX1 5 to be allocated all or in part to the small and multi-jurisdictional electric and gas utilities under the Commission's jurisdiction for rapid deployment activities. These are: Alpine Natural Gas Company (Alpine),

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[1] Attachment 1 presents a list of abbreviations and acronyms used in this decision.

[2] SBX1 5 was passed by the Legislature on April 5, 2001 during the First Extraordinary Session (Stats. 2001, ch. 7), and signed by the Governor on April 11, 2001.

Avista Utilities (Avista), Bear Valley Electric Company (Bear Valley),[3] Mountain Utilities, Sierra Pacific Power Company (Sierra Pacific), PacifiCorp, Southwest Gas Company (Southwest Gas) and West Coast Gas Company (West Coast Gas). We refer to these small and multi-jurisdictional utilities collectively throughout this decision as "the SMJU."

By D.01-05-033, we allocated $15 million of the $100 million in SBX1 5 supplemental CARE funds to 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) for CARE outreach activities. However, we left open how much of the remaining $85 million should be allocated to the SMJU. We directed Energy Division to develop recommendations concerning this issue as well as the allocation of the $5 million LIEE set aside. We also requested that Energy Division develop reporting requirements for the SMJU.[4]

By today's decision, we adopt the following allocation of SBX1 5 funding to the SMJU:

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[3] Bear Valley is operated by Southern California Water Company.

[4] D.01-05-033, Ordering Paragraphs 9 and 10.

	Sec. 5(a)(3) LIEE Program (PY 2001 and PY 2002)	Sec. (a)(2) CARE Outreach	Sec. (a)(2) CARE Subsidies	Totals
Avista	$ 260,925	$ 20,000	$ 35,247	$ 316,172
PacifiCorp	$ 173,950	$ 85,000	$ 175,933	$ 434,883
Sierra Pacific	$1,276,620	$ 40,000	$ 97,499	$ 1,414,119
Bear Valley	$ 814,086	$ 80,000	$ 48,707	$ 942,793
Southwest Gas	$2,374,419	$175,000	$ 818,905	$ 3,368,324
West Coast Gas	$ -	$ -	$ 2,077	$ 2,077
Totals	**$4,900,000**	**$ 400,000**	**$1,178,368**	**$ 6,478,368**

As discussed in this decision, Mountain Utilities does not offer either LIEE or CARE to its 150 year-round customers. Alpine has a CARE program, but none of its approximately 460 residential customers have applied for and qualified for the program. Alpine does not offer LIEE. West Coast Gas serves approximately 560 residential customers, 14 of which are on the CARE rate. The company's service territory is the former Mather Air Force Base, and all of the housing is new construction. Therefore, with the exception of funding to cover additional CARE subsidy costs in West Coast Gas' service territory, we do not allocate any of the SBX1 5 funding to these utilities at this time.

However, we direct Energy Division to continue to work with Alpine, Mountain Utilities, and West Coast Gas utilities to develop rapid deployment low-income assistance programs for their service territories, as appropriate. Energy Division's recommendations should be submitted in this proceeding within 30 days. We will continue to set aside $100,000 of SBX1 5 LIEE funds and $5,000 of SBX1 5 CARE funds for this purpose.

The remaining $83,416,632 in SBX1 5 CARE funding will be allocated among PG&E, SDG&E, SCE and SoCal via the Advice Letter process we established in D.01-05-033, without delay. We reject workshop proposals to withhold a portion of these funds and disburse them under an incentive plan based on the relative level of undercollections, new enrollments or other factors. Such plans are inconsistent with the direction in D.01-05-033 and our longstanding policy to authorize recovery of CARE rate subsidies on an "as needed" basis. Moreover, as discussed in this decision, the incentive formulas proposed during workshops would inappropriately penalize (or reward) nonparticipating ratepayers among the various utility service territories. In addition, the verification requirements of such an approach would be complicated and costly. The development of new mechanisms to provide incentives to utilities to implement CARE or LIEE programs is more appropriately considered in our shareholder incentive proceedings, rather than in the context of how to equitably distribute SBX1 5 funding to offset increased program costs to nonparticipants.

We also address in today's decision a proposal discussed at workshops regarding the use of SBX1 5 CARE funds to bring bill arrearages to zero or to a reduced level. While acknowledging that this type of assistance could help prevent the shut-off of service to some low-income customers, we reject the adoption of this new program for several reasons. First, we believe that using the funds to expand participation in CARE provides longer term benefits to customers. Second, we note that there simply is not enough funding provided by SBX1 5 to offer bill arrearage assistance and to also address the growing shortfall between rate collections and CARE discount subsidies. For PG&E, SDG&E, SCE and SoCal, this shortfall will be approximately $116 million at current penetration levels. Finally, there are other programs available to assist low-income customers with their bill arrearages and potential shut-off of service, including a bill payment program administered by the Department of Community Services and Development (DCSD) and new requirements under Assembly Bill (AB) X1 3 for utility assistance. The utilities work in coordination with DCSD to ensure that customers who are participating in the DCSD payment program do not have their gas or electric service shut-off while payment arrangements are being made.

Per SBX1 5, the utilities are required to fully utilize CARE program funding authorized through current rates (including any carryover funding) each month, before drawing on SBX1 5 funds. As discussed in this decision, the funds we allocate today to offset increased CARE rate subsidy costs ($1,178,368 for the SMJU and $83,416,632 to PG&E, SDG&E, SCE and SoCal) shall not be used to supplement rate collections for CARE outreach and associated administrative costs. We have already allocated a fixed amount from SBX1 5 for that purpose: i.e., $15 million for PG&E, SDG&E, SCE and SoCal per D.01-05-033, and $400,000 for the SMJU by today's decision.

Finally, we adopt Energy Division's recommendations regarding the reporting requirements for the SMJU's LIEE and CARE programs, which are presented in Section 7 of this decision.

2. Procedural Background

As directed in Ordering Paragraph 9 of D.01-05-033, Energy Division held workshops on May 29 and 30, 2001. Energy Division provided teleconferencing capabilities for both days of the workshops, and a toll-free number for teleconferencing was provided in the workshop notice and Energy Division's workshop letter. Representatives from the following organizations attended the workshops: AARP (formerly known as American Association of Retired Persons), Charo Community Development Corporation (via teleconferencing), Community Action Agency of San Mateo County, Community Resources Project, Department of Community Services and Development (DCSD), Insulation Contractor's Association, Latino Issues Forum / Greenlining Institute, Office of Ratepayer Advocates, PG&E, Residential Energy Efficiency Clearing House, Inc. (REECH), Richard Heath and Associates, SDG&E, SESCO, Inc., Sierra Pacific, SCE, SoCal, Southwest Gas, The East Los Angeles Community Union (via teleconferencing) and Winegard Energy.

Energy Division's draft workshop report was circulated for comment on June 11, 2001. Comments on the report were submitted by AARP, PG&E, REECH, Bear Valley Cooperative Association, SCE and jointly by SDG&E and SoCal Gas. Energy Division issued its final workshop report on July 2, 2001, and submitted a supplement with updated data for Table 1 of the draft report showing CARE collection shortfalls for PG&E, SDG&E, SCE and SoCal on July 23, 2001.

Before turning to the issues, we commend Energy Division staff for its diligence in working with the SMJU to develop and refine program proposals for our consideration. Without such efforts, the low-income customers served by these utilities would not have available to them the expanded low-income assistance programs we adopt today.

We also reiterate that the purpose of the workshops was to respond to the funding allocation issues that we left open for further consideration by D.01-05-033, as discussed above. In its comments on the draft workshop report, AARP complains that the scope of the workshops was not clear. Energy

Division's May 9, 2001 letter to the utilities may have contributed to some of AARP's confusion because it requested the information in Ordering Paragraph 10 from all of the utilities, not just the SMJU as intended by the decision. Nonetheless, Energy Division correctly clarified the intent and scope of the workshops at the workshops themselves and in the workshop report. In any event, D.01-05-033 clearly stated that the focus of the workshops was to obtain program information from the SMJU in order to develop funding allocation recommendations for Commission consideration. (See D.01-05-033, pp. 59-61, Conclusion of Law 39.) Accordingly, we address those funding allocation issues in today's decision.

3. Allocation of $5 Million LIEE Set Aside to the SMJU

Proposals to expand LIEE activities were submitted by Southwest Gas, Sierra Pacific, PacifiCorp, Bear Valley and Avista to more than double their normal program sizes for the rapid deployment period. These utilities are proposing to use LIEE funds to add additional measures to homes that would otherwise have received fewer measures through their own programs or through the Low Income Home Energy Assistance Program (LIHEAP) administered through DCSD. Southwest Gas proposes to weatherize additional homes as well and repair defective furnaces, and Sierra Pacific proposes to treat additional homes with heat pump installations. Table 1 presents a brief summary of the proposals to augment current LIEE programs and funding with the SBX1 5 set aside. A more detailed account of these proposals is presented in Attachment 2.

Table 1

SMJU Proposals For SBX1 5 LIEE Funds

UTILITY	CURRENT LIEE BUDGET	SBX1 5 LIEE FUNDING REQUEST			
		$'s REQUESTED	HIGHLITES	# of Customers To Benefit from New Funding	COST PER CUSTOMER
Alpine	$0	0	No LIEE Request	No LIEE Request	No LIEE Request
Avista	$80,489	$150,000	Storm windows and insulation as well as other Project Go identified measures		
Mountain Utilities	$0	0	No LIEE Request	No LIEE Request	No LIEE Request
PacifiCorp	$69,000	$100,000	$100,000 for additional measures identified by its CBO such as refrigerator replacement, compact fluorescent lights (CFLs), water heater replacements and furnace repairs	100	$1,000
Sierra Pacific	$126,000	$733,900	Weatherization: $221,400 for additional Project Go identified measures such as refrigerator replacement and CFLs Heat Pumps for 50 homes to replace electric resistance heat: $512,500	135(1) 50(1)	$1,640 $10,250
Bear Valley	$0	$468,000	$468,000 for refrigerator replacement, CFLs and energy education	468	$1,000
Southwest Gas	$302,119	$1,365,000	$1,365,000 for furnace replacement, expanding measures in homes identified by its CBOs, and weatherizing additional homes	592 (2)	$1,976
West Coast Gas	$0	$0	No LIEE Request	N/A	No LIEE Request
TOTAL	**$577,608**	**$2,816,900**			

Notes:

(1) 135 Homes for Weatherization program; 50 homes to receive Heat Pumps

(2) Per additional home (funds will also be expended for additional measures for previously identified homes)

Avista, PacifiCorp, Sierra Pacific, Bear Valley, and Southwest Gas propose to use SBX1 5 funds to expand the penetration of current LIEE program measures and/or offer additional energy efficiency measures to eligible low-income customers. With the exception of Sierra Pacific's heat pump program, the additional program measures have been authorized for inclusion in the LIEE program by D.01-05-033 and prior Commission decisions, or are currently provided under LIHEAP.

Sierra Pacific proposes to offer a renewable energy heat pump to low-income customers residing in areas that do not have access to natural gas and who currently utilize inefficient strip (such as baseboard) electric heat. The heat pump would draw hot and cold air from the ground to heat the house in the winter and cool it in the summer. Although the up-front costs to install the heat pump are relatively large, the energy and bill savings appear quite substantial: the heat pump is projected to use only as much energy as a room fan to heat and cool the house. A customer is expected to see heating and cooling costs reduced by up to 85%.

We agree with Energy Division that it is reasonable to explore this measure on a pilot basis in areas within Sierra Pacific's service territory (and within our jurisdiction) where there are no viable alternatives to assist low-income customers with their home heating and cooling loads. However, we expect a full accounting and reporting of energy and bill savings before this pilot is extended beyond the first 50 homes. In working with the smaller utilities on their reporting requirements (see below), Energy Division should ensure that Sierra Pacific collects sufficient information to assess the effectiveness of this measure. We will require Sierra Pacific to file an Advice Letter if it desires to continue this measure beyond the pilot period, which will end upon the completion of 50 installations.

We also share Energy Division's concern that many of the smaller utilities exist in climate zones where the installation period is short, typically through September only. By authorizing funding for their programs over two program years these utilities could begin rapid deployment now, but could also use the winter months to refine their programs and approach additional vendors, community-based organizations and customers who may wish to participate in the program in 2002. This also gives the smaller utilities time to approach the Commission through their traditional ratemaking processes and request ongoing funding increases for their LIEE programs so that there is program continuity in future years.

Mountain Utilities, Alpine and West Coast Gas did not submit proposals for either LIEE or CARE program funding. Mountain Utilities does not offer either program. The utility only has about 150 year round customers (and a total of 460 residential and commercial meters). The rest of the utility's customers are vacationers in second homes. Alpine has a CARE program, but none of its 461 residential customers have applied for and qualified for the program. Alpine does not offer a LIEE program. West Coast Gas serves approximately 560 residential customers, 14 of which are on its CARE rate. The company's service territory is the former Mather Air Force Base, and all of the housing is new construction. Although there are plans to build low-income housing on the base, which may increase the number of CARE customers, the need for LIEE appears limited at this time.

We believe that these utilities should give further consideration to offering both CARE and LIEE programs in their service territories. We direct Energy Division to continue to work with Alpine, Mountain Utilities, and West Coast Gas to obtain additional demographic information and explore the development of low-income assistance programs, program budgets and targeted outreach for their service territories, as appropriate. Within 30 days of the effective date of this decision, Energy Division shall file and serve its recommendations in this proceeding. We will set aside $100,000 out of the SBX1 5 LIEE funds and $5,000 of SBX1 5 CARE funds for this purpose.

Based on Energy Division's recommendations, we will authorize the allocation of the $4,900,000 out of the $5 million in SBX1 5 LIEE funds set aside for the SMJU as follows:

Table 2

Allocation of SBX1 5 Set Aside Funds To SMJU

	$'s Requested	% of Total	Adopted Allocation for PY 2001 and PY 2002 (combined)
Avista	$150,000	5%	**$260,925**
PacifiCorp	$100,000	4%	**$173,950**
Sierra Pacific	$733,900	26%	**$1,276,620**
Bear Valley	$468,000	17%	**$814,086**
Southwest Gas	$1,365,000	48%	**$2,374,419**
TOTAL	**$2,816,900**	**100%**	**$4,900,000**

As Energy Division points out in its report, our policy on standardization of LIEE program offerings would, under normal circumstances, require the SMJU to offer all of the same measures as the large utilities and use the standardized Policy and Procedure (P&P) and Weatherization Installation Standards (WIS) manuals. However, we acknowledge that this will not be feasible in a rapid deployment mode for the SMJU at this time. We will therefore adopt Energy Division's recommendation that these utilities be exempt from our standardization requirements for program year 2001. Nonetheless, we believe that these utilities will find the standardized P&P and WIS manuals invaluable in improving their programs, where their programs are similar to the large utilities. Much thought, planning and expertise went into the development of these documents. We direct the smaller jurisdictional utilities to implement appropriate portions of the standardized P&P and WIS for program year 2002 and beyond.

Energy Division will be entering into contracts with each of these utilities to encumber the SBX1 5 funds, as allocated above, well before March 31, 2002. Therefore, these funds will not revert to the general fund, as provided for under Section 11 of the statute.

4. Allocation of SBX1 5 CARE Funds to the SMJU

Section 5(a)(2) of SBX1 5 appropriates $100 million to "increase and supplement CARE discounts" and "increase enrollment in the CARE program." By D.01-05-033, we allocated $15 million of that funding to PG&E, SDG&E, SCE and SoCal to augment current CARE outreach efforts. We directed that the remaining $85 million be allocated to the utilities to cover the increased costs of CARE rate subsidies, on an "as needed" basis, noting that the Legislature directed that these funds be used to "supplement, but not replace, surcharge-generated revenues."[5] As part of the workshop process, we directed Energy Division to obtain information from the SMJU to assess whether or not a portion of the $85 million should be used to supplement their funding for CARE outreach and rate discounts, as appropriate.[6]

In its workshop report, Energy Division compiled data to illustrate the relative sizes of the SMJU CARE customer population, program participation and potential impacts of changes in CARE program eligibility guidelines and discount rate. That information is presented in Tables 3 and 4 below. The Commission is currently considering whether to apply (1) the increase in the CARE rate discount from 15% to 20% and (2) the change in income eligibility levels for CARE from 150% to 175% of the federal poverty guidelines to the SMJU, as it has recently done for PG&E, SCE, SoCal and SDG&E.[7]

Table 3

SMJU CARE POPULATION

Utility	# of Residential Customers	% of Customers on CARE	# of Customers on CARE	# of Customers Eligible @ 150%	Current CARE Penetration Rate	# of Customers Eligible @ 175%	% Increase in Eligible Customers @ 175%
Alpine	461	0%	0	0	0%	N/A	N/A
Avista	2,755	22%	606	2,408	25%	2,544	6%
Bear Valley	7,794	11%	872	1,871	47%	2,338	25%
Mountain	150	0%	0	0	0%	N/A	N/A

5 D.01-05-033, mimeo, p. 58, Conclusion of Law 37, Ordering Paragraph 8.

6 *Ibid.* p. 60, Conclusion of Law 39, Ordering Paragraph 9.

7 See D.01-06-010 and Administrative Law Judge's Ruling dated June 19, 2001 in this proceeding.

PacifiCorp	32,000	6%	1,973	10,880	18%	14,744	36%
Sierra	39,000	3%	1,106	1,980	56%	2,277	15%
Southwest	121,000	12%	14,736	27,502	54%	31,557	15%
North			181	1,511	12%	2,317	53%
South			14,555	25,991	56%	29,240	13%
West Coast	559	3%	14	60	23%	68	13%

Notes:

(1) Mountain Utilities currently does not have a CARE program, Alpine has a CARE program but currently doesn't have any participating customers.

(2) Energy Division did not review amounts presented by the utilities for accuracy.

(3) Sierra Pacific' service territory contains about 50% vacation/rental homes resulting in a statistical impact on penetration rate data.

Table 4

SMJU CARE PROGRAM PARTICIPATION AND PROJECTED PARTICIPATION

Utility	Authorized CARE Collection	CARE 2000 Expense	Estimated Increase for 150% FPG @ 95% Penetration @ 15% Discount	Estimated Increase for 175% FPG @ Current Penetration @ 15% Discount	Estimated Increase for 175% FPG @ 95% Penetration @ 15% Discount	Estimated Increase for 175% FPG @ Current Penetration @ 20% Discount
Alpine	$0	$0	$0	$0	$0	$0
Avista	$66,000	$45,025	$84,000	$3,300	$193,000	$4,400
Bear Valley	$77,643	$77,643	$80,617	$19,419	$120,190	$25,892
Mountain	$0	$0	$0	$0	$0	$0
PacifiCorp	$180,000	$180,000	$982,800	$464,040	N/A	$618,720
Sierra Pacific	$120,000	$107,000	$74,977	$37,575	$112,552	$50,100
Southwest Gas	$678,000	$898,146	$648,375	$146,400	$993,000	$195,200
West Coast	$6,000	$1,356	N/A	$6,800	N/A	$9,067

Notes:

(1) PacifiCorp's Income Eligibility Guidelines are currently at 130% of Federal Poverty Guidelines. $982,800 is the figure available from PacifiCorp to go to 95% penetration at 130% FPG. We do not have estimates for 150% or 175% FPG at 95% penetration levels.

(2) Sierra estimates that 50% of its residential customers' homes are vacation or rental properties

(3) Avista indicates that a substantial portion of its residential customer's homes may be vacation or rentals

(4) Avista indicates that the Commission authorized a rate increase in March so CARE costs for 2001 are estimated to be $66,000

4.1 Expanded CARE Outreach

Avista, PacifiCorp, Sierra Pacific, Bear Valley and Southwest Gas submitted proposals for expanding CARE outreach and associated increased administration activities, using SBX1 5 CARE funding. These utilities also request SBX1 5 funding to cover the additional subsidy costs associated with increased program penetration. For reasons discussed above, Alpine, Mountain Utilities and West Coast Gas did not submit proposals.

We have reviewed the proposals submitted for CARE outreach funding and associated administration. We concur with Energy Division that the levels proposed by these utilities are appropriate in light of the overall CARE program size and eligible population. Accordingly, we authorize a total of $400,000 to augment SMJU budgets for outreach and associated administrative costs out of the remaining $85 million in SBX1 5 CARE funds. Our adopted allocation is presented in Table 5 below.

Table 5

Adopted Allocation of SBX1 5 CARE Funding
for SMJU CARE Outreach

UTILITY	CARE Outreach Requests
Avista	$20,000
PacifiCorp	$85,000
Sierra Pacific	$40,000
Bear Valley	$80,000
Southwest Gas	$175,000
TOTALS	**$400,000**

As we discussed in D.01-05-033, these funds should not be used for mass media campaigns, with the exception of the non-English radio and print ad outreach authorized below. Rather, the SMJU should expand targeted outreach efforts through coordination with LIHEAP providers in their service territories, as appropriate, and undertake other efforts to reach vulnerable households, including outreach to senior centers, independent living centers, welfare departments, and migrant and seasonable farm workers. Consistent with our direction in D.01-05-033 and the mass media limitation contained in Section 5(a)(C) of SBX1 5, SMJU may use up to 10% of the CARE outreach funding authorized today to fund non-English radio and print advertising for CARE outreach.

4.2 SBX1 5 Funding For CARE Subsidies

As indicated in Table 4, Avista, PacifiCorp, Sierra Pacific, Bear Valley, Southwest Gas and West Coast Gas will experience funding shortfalls with increased CARE program penetration, particularly if the discount level and income guidelines adopted for PG&E, SCE, SoCal and SDG&E are extended to them. For example, Avista is projected to experience an increase in CARE subsidy costs of $4,400 per year if these guidelines are adopted without any change in its current 25% CARE penetration level. With expanded outreach and increased program penetration, costs could increase many times that amount, with or without changes in income eligibility or the discount level. Accordingly, these utilities request that we allocate some of the SBX1 5 CARE funding to supplement the funds they currently collect in rates for this purpose.

There was lengthy discussion at the workshops on how the remaining SBX1 5 CARE funds should be allocated to the utilities, including to PG&E, SCE, SDG&E and SoCal. However, few specifics emerged with respect to the amount that should be set aside to augment subsidy funding for the SMJU programs. Instead, there was considerable debate over whether or not SBX1 5 funds should be allocated based on some form of an incentive plan to reward those utilities who are the most successful in their outreach efforts. Those advocating such a plan propose that the Commission hold back a portion of SBX1 5 CARE funding and establish June 1, 2001 program statistics to use as a baseline. After a certain period (every quarter or annually), the Commission would review and verify actual enrollments. The held back funds would then be allocated to the utilities based on a predetermined formula, which could include the relative level of undercollections, new enrollments, or other factors. There could also be minimum performance levels to achieve (e.g., 50% penetration level) before any SBX1 5 funding would be allocated to the utility.

Those opposing this approach argue that holding back SBX1 5 funding as some form of incentive payment would work at cross purposes with the intended purpose of the funds. They view the SBX1 5 funds as a vehicle for keeping rates down for non-participating customers as CARE subsidy costs increase during rapid deployment. In their view, using these funds as a form of incentive payment would inappropriately penalize non-participating ratepayers.

We agree with Energy Division that the CARE funds should be dispersed without delay. Mechanisms to provide incentives to utilities in implementing CARE or LIEE programs are more appropriately considered in our shareholder incentive proceedings, rather than in the context of how to equitably distribute SBX1 5 funding to offset increased costs to non-participants. Traditionally, the utilities are authorized to recover CARE rate discount ("subsidy") costs, whatever those turn out to be, on an as needed basis. We reiterated this policy in D.01-05-033 when we directed that "the remaining $85 million appropriated by SBX1 5 for CARE shall be allocated to the utilities to cover the increased costs of CARE rate subsidies on an 'as needed' basis."[8] Holding back a portion of the SBX1 5 funds under the incentive plan advocated by some workshop participants is inconsistent with this longstanding policy and would penalize non-participating ratepayers.

Moreover, the incentive proposals discussed during workshops lack a reasonable basis for determining how much of the funds "held back" would be disbursed over time, and to which utilities. For example, one of the proposals would distribute SBX1 5 funds over time based on the ratio of a particular utility's undercollections relative to total undercollections. Another proposed formula would use the ratio of new CARE enrollments within a utility's service territory relative to total new enrollments in the program.[9] Under either approach, the nonparticipants of a large utility with a relatively large population of eligible, but unenrolled customers, would have the clear advantage over those residing in smaller jurisdictions, in areas where low-income customers are harder to reach, or in service territories that have relatively high CARE penetration rates as of June 1, 2001. In addition, the verification requirements of such an incentive approach could be complicated and costly. None of the proponents of this approach considered these implementation issues, or attempted to quantify the cost versus benefits of this plan.

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[8] D.01-05-033, Ordering Paragraph 8. We note that under the electric rate freeze imposed during electric industry restructuring, recovery of these costs has taken the form of booking expenses against headroom, rather than recovery through rate increases.

[9] See Final Workshop Report, p. 17.

As indicated in Table 4 above, the SMJU will experience CARE subsidy cost increases that exceed current rate collections during rapid deployment. The same is true for the larger utilities. As indicated in Table 6, the shortfall between projected CARE costs and revenues collected from the surcharge for PG&E, SCE, SoCal and SDG&E at current penetration levels will be approximately $116 million based on the utilities' current estimates. This shortfall will increase with the implementation of rapid deployment activities we adopted in D.01-05-033.

Table 6

Projected Shortfall in CARE Collections for PG&E, SDG&E, SCE and SoCal (in thousands of dollars)

	Penetration Rate March, 2001 (@ 150% FPG)	Current 2001 CARE Budget	Collection Needed 175% FPG Current Partic. 15% Discount	Collection Needed 175% FPG 95% Penetration 15% Discount	Collection Needed 175 FPG Current Partic. 20% Discount	Estimated Shortfall at Current Partic.	Collection Needed 175% FPG 95% Penetration 20% Discount	Estimated Shortfall at 95% Penetration
PG&E	47%	$41,566	$46,519	$93,087	$62,025	$20,459	$124,116	$82,550
SDG&E	65%	$12,159	$14,448	$24,236	$19,264	$7,105	$32,315	$20,156
EDISON	69%	$48,960	$70,130	$96,552	$93,507	$44,547	$128,736	$79,776
SoCal Gas	67%	$27,507	$53,753	$74,391	$71,671	$44,164	$99,188	$71,681
Total		$130,192	$184,850	$288,266	$246,467	$116,275	$384,355	$254,163

The purpose of the SBX1 5 CARE funding is to supplement surcharge collections so that non-participating ratepayers in the utilities' service territories share equitably in the available "buffer" against rising subsidy costs and resulting shortfalls in rate collections. Clearly, based on the data presented in this proceeding, the shortfall between collections and needed CARE rate subsidies far exceeds the remaining $84.6 million available in SBX1 5 funding. In fact, many of the utilities will experience this shortfall in a matter of months. Therefore, our task today is to adopt a reasonable method for allocating a portion of this limited SBX1 5 CARE funding to the SMJU and, ultimately, to allocate the remaining funds among the larger utilities.

Workshop participants discussed some general approaches for allocating SBX1 5 funding among all of the utilities that would not involve hold backs or an incentive approach. Some suggested using the 30/30/25/25 "standard allocation formula" adopted in Resolution E-3585 for allocating costs among PG&E, SCE, SoCal and SDG&E, respectively. Although parties also suggested that this formula be adjusted to include the SMJU, no specific methods to make such adjustments were proposed during workshops. Workshop participants also suggested various factors to consider in allocating the SBX1 5 funds, including estimates of expected enrollments, funding shortfalls, subsidy increases from new enrollments and the amounts needed to fund the one-time credit for gas CARE customers, as directed in Assembly Bill (AB) 1X 3.

In its workshop report, Energy Division developed a formula for allocating the $84.6 million in SBX1 5 CARE funding among the utilities, including the SMJU, based on factors that reflect the relative size of the CARE program. Specifically, Energy Division compiled data on 1) CARE budgets authorized for 2001; 2) CARE expenditures for program year 2000; 3) the number of customers currently on CARE; 4) the number of residential customers, and 5) the number of customers eligible at the 150% income guidelines. Taking the ratios of each utility's share of totals for these data, Energy Division developed a formula that allocates a portion of the $84,600,000 to the SMJU. In this way, the funds would be allocated based on a combination of factors that reflect the relative size of the SMJU CARE program from a variety of perspectives. We find Energy Division's approach to be reasonable. Accordingly, we set aside

$1,178,368 of SBX1 5 funds to augment CARE subsidy costs for the SMJU, allocated as follows:

Avista	$ 35,247
Bear Valley	$ 48,707
PacifiCorp	$ 175,933
Sierra Pacific	$ 97,499
Southwest Gas	$ 818,905
West Coast Gas	$ 2,077
Total	**$ 1,178,368**

As discussed in Section 3, Alpine and Mountain Utilities should further consider offering CARE to customers, and West Coast Gas should consider expanding CARE outreach during rapid deployment. Accordingly, we set aside an additional $5,000 in SBX1 5 CARE funds for this purpose, pending our review and consideration of Energy Division's recommendations.

5. Other SBX1 5 CARE Allocation Issues

The remaining $83,416,632 in SBX1 5 CARE funds will be allocated among PG&E, SDG&E, SCE and SoCal via the Advice Letter process we established in D.01-05-033. While we find considerable appeal in applying the allocation formula presented by Energy Division to these utilities as well, we recognize that the July 2, 2001 Advice Letters present updated information on CARE subsidy costs and projected collections that could not be evaluated during the workshop process or in the final report. This includes information on the impact of Assembly Bill (AB) X1 3, which directs the gas utilities to calculate a one-time gas bill credit for existing customers who enroll in CARE after the effective date of the bill until October 1, 2001.[10] Accordingly, we wish to consider Energy Division's allocation formula for these utilities, and possible refinements thereto, in the context of this information. In no event, however, will we revisit the issue of disbursing SBX1 5 funds under an incentive plan, as proposed by some workshop participants.

As the Legislature directed, SBX1 5 CARE funding must be used to supplement, and not replace, surcharge collected revenues. Accordingly, the utilities are required to fully utilize CARE program funding authorized through current rates (including any carryover funding) each month, before drawing on the SBX1 5 funds we allocate today. In addition, consistent with our determinations in D.01-05-033 and D.01-06-082, the funds we allocate today to offset increased subsidy costs ($1,178,368 for the SMJU and $83,416,632 to PG&E, SDG&E, SCE and SoCal) shall not be used to supplement rate collections for CARE outreach and associated administrative costs. We have already allocated a fixed amount from SBX1 5 for that purpose, i.e., $15 for PG&E, SDG&E, SCE and SoCal in D.01-05-033, and $400,000 for the SMJU in today's decision.

As discussed in D.01-05-033, the utilities are required to report their rapid deployment activities and expenditure levels for both the CARE and LIEE programs on a monthly basis, which will enable us to carefully monitor utility compliance with this requirement. We note that SBX1 5 does not require the utilities to encumber these funds within a specific timeframe, as it does for LIEE appropriations. Therefore, these funds will be available to offset the subsidy costs to non-participants beyond March 31, 2002.

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[10] By ruling dated June 15, 2001, the gas utilities were directed to include these costs in their July 2, 2001 Advice Letters.

All CARE and LIEE funding authorized today is the property of the Commission and not of the utilities. With respect to such funds, utilities shall serve as collection and remittance agents only and have no beneficial interest whatsoever in the monies. The utilities shall segregate all CARE and LIEE funding authorized today from all other utility funds and not use that funding for any purposes other than as provided for in this decision. While the funds authorized in this decision are in the utilities' possession, the utilities shall hold those funds in trust solely for the benefit of the Commission.

6. Use of SBX1 5 CARE Funding For Bill Arrearages

During the workshops, SDG&E, SoCal and several other participants proposed that a portion of the SBX1 5 CARE appropriations be used to assist customers in reducing energy bill balances they owe to the utilities either by bringing arrearages to zero or to a reduced level.[11] Since this proposal would significantly modify the scope of the CARE program that the utilities have administered in the past and the rapid deployment program plans approved by D.01-05-033, we address it in today's decision.

Although the language of SBX1 5 allows the use of Section 5(a)(2) funding to assist customers experiencing difficulty paying their energy bills, it does not specify the form of assistance to be provided. Moreover, nothing in the language of the statute or Legislative history dictates that the CARE program should be expanded to include bill arrearage payment assistance.

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[11] SDG&E and SoCal included proposals for funding bill arrearages out of SBX1 5 funding in their July 2, 2001 Advice Letter filings.

In considering this issue, we acknowledge that a bill arrearage assistance program could help prevent the shut-off of service to some low-income customers, thereby mitigating or avoiding concerns of health and safety for these customers. Using SBX1 5 funds for this purpose would also enable low-income customers to budget for increased future utility bills without the added burden of making payments on past-due amounts. However, we believe that using the funds to expand participation in CARE provides longer term benefits to customers.

Also, there simply is not enough funding provided by SBX1 5 to offer bill arrearage assistance and address the growing shortfall between rate collections and CARE discount subsidies. Consistent with our goals and those of the Legislature, the CARE discount program has been expanded in terms of discount levels, eligibility and outreach efforts so that many more low-income customers receive immediate assistance in managing their bills. As discussed above, the shortfall in collections is much greater than the supplemental CARE funding made available via SBX1 5. Therefore, to also fund a bill arrearage assistance program at this time would require pulling back on outreach efforts for the CARE discount program so that funds could be diverted to pay bill arrearages, or raising electric and gas rates to nonparticipating ratepayers even further, or both. We do not find these options acceptable.

Moreover, there are other programs and activities available to assist low-income customers with their bill arrearages and potential shut-off of service. DCSD's LIHEAP program includes a program to pay down energy bills, and SBX1 5 appropriated an additional $120 million to supplement this and other LIHEAP programs. The utilities work in coordination with DCSD to ensure that customers who are participating in the DCSD payment program do not have their gas or electric service shut-off while payment arrangements are being made. In addition, subsequent to the passage of SBX1 5, the Governor signed ABX1 3, which directs the utilities to take certain actions to address nonpayment and potential disconnection of service among low-income customers. These include providing such customers with CARE information and other assistance programs (e.g., the LIHEAP home energy assistance program), and providing information about individual payment arrangements that allow customers to pay the amounts due over a reasonable period of time. It also directs the utilities to try to enroll these customers in the CARE and payment plan programs before further nonpayment or disconnection actions are taken.

In view of the above, we believe using limited SBX1 5 CARE appropriations to initiate and fund a bill arrearage assistance program would not be as effective as applying the funds to expanding participation in CARE. Accordingly, we do not approve that portion of Sierra Pacific's proposed program that would be used for this purpose. (see Attachment 2.)

7. Reporting Requirements for the SMJU

In D.01-05-033, we directed PG&E, SDG&E, SCE and SoCal to submit monthly status reports on rapid deployment, working with Energy Division to ensure that these reports provide the necessary information to effectively monitor program results.[12] Energy Division reports that the reporting guidelines for PG&E, SDG&E, SCE and SoCal have been completed, subject to ongoing refinements as needed.

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[12] *Ibid.* Ordering Paragraphs 14 and 17.

For the SMJU, we directed Energy Division to develop reporting requirements during the workshop process.[13] Energy Division recommends that the SMJU reports provide monthly expenditures for LIEE and CARE programs, year-to-date expenditures and yearly budget amounts. The LIEE reports are to include expenditure categories for administration and installation costs broken down by base expenditures and SBX1 5 funded program components. Energy Division recommends that the actual measures installed be accounted for on a monthly and year-to-date basis broken down by base funds and SB5 funds. The report would include kilowatt hour and/or therm savings and kilowatt reduction for the entire program on a monthly basis and year-to-date basis, broken out by base funds and SBX1 5 funds. However, the SMJU would not be required to account for these saving on a per measure basis. Energy Division also recommends that the SMJU provide a narrative of their leveraging practices and report any LIEE installation expenditures not channeled through LIHEAP providers or community-based organizations.

Energy Division recommends that the CARE reports account for administrative and outreach costs as well as discount subsidy costs on a monthly and year-to-date basis, broken out by base and SBX1 5 funding. The reports would also present projections of the annual budgets for each of these costs. Energy Division also recommends that the CARE report show the number of new customers enrolled per month and the current year to date total number of customers enrolled in the program. If the SMJU choose to use capitation fees to

[13] *Ibid.* Ordering Paragraphs 9.

increase enrollment, Energy Division recommends that this budget item be reported separately under CARE administration.

Energy Division recommends that the required reports be defined in the SMJU SBX1 5 contracts with the Commission.

Energy Division's recommendations are reasonable and shall be adopted. Energy Division, the Assigned Commissioner or Administrative Law Judge may initiate checkpoint meetings, workshops or other forums, as appropriate, to further monitor the activities and program accomplishments under the SMJU low-income assistance programs.

8. Comments on Draft Decision

Rule 77.7(f)(9) of the Commission's Rules of Practice and Procedure provides in relevant part that:

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

We balance the public interest in quickly addressing these SMJU funding allocation and related matters against the public interest in having a full 30-day comment cycle on the draft decision. We conclude that the former outweighs the latter. A reduced period for review and comment balances the need for parties' input with the need for timely action.

Comments were filed by DCSD, SDG&E, SoCal, Southern California Water Company, and SESCO, Inc. We have reviewed the comments, and make minor editorial changes and corrections, but do not substantively change the draft decision.

Findings of Fact

1. Alpine, Mountain Utilities and West Coast Gas did not submit proposals for either LIEE or CARE program funding because they do not currently offer these programs or because their residential and low-income populations are very limited in size. However, there is insufficient information on the record to determine if LIEE or CARE programs should be introduced or expanded in their service territories at this time.

2. Avista, PacificCorp, Sierra Pacific, Bear Valley and Southwest Gas propose to use SBX1 5 funds to expand the penetration of current LIEE program measures and/or offer additional energy efficiency measures to eligible low-income customers.

3. With the exception of Sierra Pacific's heat pump program, the SMJU proposals involve program measures that have been authorized for inclusion in the LIEE program by D.01-05-033 and prior Commission decisions, or are currently provided under LIHEAP.

4. Sierra Pacific's proposed renewable heat pump program serves low-income customers in its service territory who do not have access to natural gas and utilize expensive electric resistance heating. The heat pump is projected to use only as much energy as a room fan to heat and cool the house, and is expected to reduce heating and cooling costs by up to 85%.

5. Many of the SMJU exist in climate zones where the installation period for LIEE measures is short, typically through September only. Authorizing SBX1 5 funding for only one program year will not afford these utilities sufficient time to effectively implement and refine their rapid deployment programs, or to develop funding proposals to ensure program continuity in future years.

6. The standardized policy and procedures manual and weatherization installations standards manual developed for PG&E, SDG&E, SCE and SoCal's LIEE programs can serve as valuable tools for improving the SMJU LIEE programs.

7. The levels of funding for expanded CARE outreach presented by the SMJU are appropriate in light of the overall size of their CARE programs and eligible populations.

8. The SMJU will experience CARE subsidy cost increases that exceed current rate collections during rapid deployment, as will PG&E, SDG&E, SCE and SoCal. Many of these utilities will experience this shortfall in a matter of months. As discussed in this decision, the shortfall between collections and needed CARE subsidies is expected to far exceed the remaining $84.6 million available in SBX1 5 CARE funding.

9. As discussed in this decision, withholding a portion of SBX1 CARE funds to disburse them under an incentive plan, as proposed by some workshop participants, would penalize nonparticipating ratepayers and is inconsistent with the direction in D.01-05-033 and longstanding Commission policy to authorize recovery of CARE rate subsidies on an "as needed" basis.

10. Under the incentive formulas proposed during workshops, the nonparticipants of a large utility with a relatively large population of eligible, but unenrolled customers, would have the clear advantage over those residing in smaller jurisdictions, in areas where low-income customers are harder to reach, or in service territories that have relatively high CARE penetration rates as of June 1, 2001.

11. The verification requirements of the incentive plans presented during workshops could be complicated and costly.

12. The standardized formula adopted in Resolution E-3585 for allocating program costs and funding among utilities does not take the SMJU into account.

13. Energy Division's formula for allocating the remaining $84.6 million in SBX1 5 CARE funding is based on factors that reflect the relative size of the utilities' CARE programs from a combination of perspectives. However, for PG&E, SCE, SDG&E and SoCal, updated information on collections and projected shortfalls is now available in their July 2, 2001 Advice Letter filings, including the impact of ABX1 3 requirements.

14. Neither the language of SBX1 5 nor its Legislative history directs the Commission to expand CARE to include bill arrearage assistance.

15. Using SBX1 5 CARE funds to initiate a bill arrearage assistance program could help prevent the shut-off of service to some low-income customers. However, longer term benefits can be realized by using the SBX1 5 funds to expand participation in CARE.

16. To initiate a bill arrearage assistance program at this time would require pulling back on outreach efforts for the CARE rate discount program so that funds could be diverted to pay down bill arrearages, or raising electric and gas rates, or both.

17. There are other programs available to assist low-income customers with their bill arrearages and potential shut-off of service, including a bill payment program administered by the Department of Community Services and Development and new requirements under AB X1 3 for utility assistance.

18. SBX1 5 directs that CARE funding must be used to supplement, and not replace, surcharge collected revenues.

19. By D.01-05-033, we allocated a fixed amount from SBX1 5 CARE funding ($15 million) among PG&E, SDG&E, SCE and SoCal to cover the costs of

increased CARE outreach activities and associated administration costs. By today's decision, we similarly allocate a fixed amount ($400,000) among the SMJU for this purpose.

Conclusions of Law

1. The proposals of Avista, PacifiCorp, Sierra Pacific, Bear Valley, and Southwest Gas for rapid deployment of their LIEE programs should be approved and authorized for a two-year program period and allocated per Energy Division's recommendations. As discussed in this decision, $100,000 of the $5 million in LIEE funds for the SMJU should continue to be set aside as we consider initiating programs in Alpine, Mountain Utilities, and West Coast Gas service territories.

2. Sierra Pacific's heat pump program should be authorized on a pilot basis only and should end upon the completion of 50 installations. Sierra Pacific should be required to file an Advice Letter if it desires to continue this measure beyond the pilot period with the use of authorized SBX1 5 LIEE funds. Energy Division should work with Sierra Pacific to ensure that it collects sufficient information to assess the effectiveness of this new measure.

3. Avista, PacifiCorp, Sierra Pacific, Bear Valley and Southwest Gas should implement appropriate portions of the standardized policy and procedures and weatherization installation standards manuals for program year 2002 and beyond.

4. It is reasonable to set aside a portion of SBX1 5 CARE funding for the expanded CARE outreach activities proposed by the SMJU. Accordingly, $400,000 will be set aside for this purpose, and allocated among the SMJU as discussed in this decision.

5. Alpine and Mountain Utilities should further consider offering CARE to their customers and West Coast Gas should consider expanding CARE outreach during rapid deployment.

6. SBX1 5 CARE funding that is not budgeted for outreach should be used to supplement surcharge collections costs so that non-participating ratepayers in the utilities' service territories share equitably in the available "buffer" against rising CARE subsidy costs and shortfalls in current rate collections.

7. For the reasons discussed in this decision, SBX1 5 CARE funding should not be withheld in order to provide incentives to utilities in implementing CARE programs. Such new incentive mechanisms are more appropriately considered in our shareholder incentive proceedings, rather than in the context of how to equitably distribute SBX1 5 program funding to offset increased CARE costs to nonparticipants.

8. Energy Division's recommendations for allocating a portion of SBX1 5 CARE funds to Avista, Bear Valley, PacifiCorp, Sierra Pacific, Southwest Gas, and West Coast Gas to augment funding for CARE rate subsidies is reasonable, and should be adopted. Accordingly, $1,178,368 should be set aside for this purpose and allocated among these utilities as discussed in this decision. An additional $5,000 should be set aside to consider CARE program funding for Alpine and Mountain Utilities (outreach and subsidies) and expanded outreach for West Coast Gas' existing CARE program. The remaining $83,416,632 should be allocated among PG&E, SDG&E, SCE and SoCal to supplement funding for CARE rate subsidies via the Advice Letter process we established in D.01-05-033, without delay. There, we should consider Energy Division's allocation formula for these utilities, and possible refinements thereto, in the context of updated information. However, the issue of disbursing remaining SBX1 5 CARE funds

under an incentive plan, as proposed by some workshop participants, should not be revisited. As discussed in this decision, these funds should not be used to supplement rate collections for CARE outreach and associated administration costs, or to reduce bill arrearages.

9. The utilities should fully utilize CARE program funding authorized through current rates (including any carryover funding) each month, before drawing on the SBX1 5 CARE funds allocated by this decision.

10. As described in this decision, the utilities should segregate all CARE and LIEE funding authorized today from all other utility funds and hold these funds in trust for the benefit of the Commission until expended.

11. Energy Division's recommendations regarding the reporting requirements for the SMJU's LIEE and CARE programs are reasonable, and should be adopted. Energy Division, the Assigned Commissioner or Administrative Law Judge may initiate checkpoint meetings, workshops or other forums, as appropriate, to further monitor the activities and program accomplishments under the SMJU low-income assistance programs.

12. The period for public review and comment on the draft decision should be reduced, pursuant to Rule 77.7(f)(9) of the Commission's Rules of Practice and Procedures.

13. In order to proceed with rapid deployment by the SMJU as expeditiously as possible, this order should be effective today.

INTERIM ORDER

IT IS ORDERED that:

1. Avista Utilities (Avista), Bear Valley Cooperative Association (Bear Valley), Sierra Pacific Power Company (Sierra Pacific), PacifiCorp, Southern

California Water Company, Southwest Gas Company (Southwest Gas), and West Coast Gas Company (West Coast Gas) are authorized to increase deployment of their Low Income Energy Efficiency (LIEE) and California Alternate Rates For Energy (CARE) programs with funding from Senate Bill (SB) X1 5, as follows:

	Sec. 5(a)(3) LIEE Program (PY 2001 and PY 2002)	**Sec. (a)(2) CARE Outreach**	**Sec. (a)(2) CARE Subsidies**	**Totals**
Avista	$ 260,925	$ 20,000	$ 35,247	$ 316,172
PacifiCorp	$ 173,950	$ 85,000	$ 175,933	$ 434,883
Sierra Pacific	$1,276,620	$ 40,000	$ 97,499	$ 1,414,119
Bear Valley	$ 814,086	$ 80,000	$ 48,707	$ 942,793
Southwest Gas	$2,374,419	$175,000	$ 818,905	$ 3,368,324
West Coast Gas	$ -	$ -	$ 2,077	$ 2,077
Totals	**$4,900,000**	**$ 400,000**	**$1,178,368**	**$ 6,478,368**

2. The SBX1 5 LIEE funding levels presented above are adopted for program years 2001 and 2002 (i.e., through December 31, 2002). These funds shall be used to implement the rapid deployment plans presented by Avista, PacifiCorp, Sierra Pacific, Bear Valley and Southwest Gas in this proceeding. (See Attachment 2.) As discussed in this decision, Avista, PacifiCorp, Sierra Pacific, Bear Valley and Southwest Gas shall implement appropriate portions of the LIEE standardized policy and procedures manual and weatherization installation standards for program year 2002 and beyond.

3. Sierra Pacific is required to file for Commission approval via an Advice Letter to continue its heat pump program beyond the pilot period, which will

end upon the completion of 50 installations. This Advice Letter shall be served on all appearances and the state service list in this proceeding, or its successor proceeding. Sierra Pacific shall not use SBX1 5 CARE funds for bill arrearages, as discussed in this decision.

4. As discussed in this decision, Alpine Natural Gas Company, Mountain Utilities, and West Coast Gas Company shall provide Energy Division with additional demographic information and explore the development of both LIEE and CARE programs, program budgets, and targeted outreach for their service territories. For this purpose, $100,000 of the $5 million in SBX1 5 LIEE funding and $5,000 in SBX1 5 CARE funding will be set aside. Within 30 days from the effective date of this decision, Energy Division shall submit recommendations on these issues, after working further with these three utilities. Energy Division shall file and serve its recommendations in this proceeding.

5. The remaining $83,416,632 in SBX1 5 CARE funding shall be allocated among Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company and Southern California Gas Company via the Advice Letter process we established in Decision (D.) 01-05-033, without delay. As discussed in this decision, these funds shall be used to supplement surcharge collections to cover the increased costs of gas and electric CARE rate subsidies, including the one-time bill credit required by Assembly Bill X1 3. They shall not be used to supplement rate collections for CARE outreach and associated administration costs, or to reduce bill arrearages.

6. Energy Division's recommendations for LIEE and CARE reporting by the small and multi-jurisdictional utilities, as described in Section 7 of this decision, are adopted.

7. All CARE and LIEE funding authorized today is the property of the Commission and not of the utilities. With respect to such funds, utilities shall serve as collection and remittance agents only and have no beneficial interest whatsoever in the monies. The utilities shall segregate all CARE and LIEE funding authorized today from all other utility funds and not use that funding for any purposes other than as provided for in this decision. While the funds authorized in this decision are in the utilities' possession, the utilities shall hold those funds in trust solely for the benefit of the Commission.

8. This proceeding shall remain open to monitor the rapid deployment of low-income assistance programs, pursuant to D.01-05-033 and today's decision.

This order is effective today.

Dated August 23, 2001, at San Francisco, California.

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

ATTACHMENT 1

LIST OF ACRONYMS AND ABBREVIATIONS

LIEE – Low-Income Energy Efficiency
CARE – California Alternate Rates For Energy
SB – Senate Bill
Alpine – Alpine Natural Gas Company
Avista – Avista Utilities
Bear Valley – Bear Valley Cooperative Association
Sierra Pacific – Sierra Pacific Power Company
Southwest Gas – Southwest Gas Company
West Coast Gas – West Coast Gas Company
SMJU – Alpine, Avista, Bear Valley, Mountain Utilities, Sierra pacific, PacifiCorp, Southwest Gas, and West Coast Gas
PG&E – Pacific Gas and Electric Company
SDG&E – San Diego Gas & Electric Company
SCE – Southern California Edison Company
SoCal – Southern California Gas Company
AARP – American Association of Retired Persons
DCSD – Department of Community Services and Development
REECH – Residential Energy Efficiency Clearing House, Inc.
LIHEAP – Low Income Home Energy Assistance Program
P & P – Policy and Procedure
AB – Assembly Bill

ATTACHMENT 2

SMJU Rapid Deployment Proposals

A. Southern California Water Company Proposal

Southern California Water Company operates 39 separate water systems within 75 communities in California, providing service to approximately 250,000 customers. It also operates an electric system in the Big Bear area through Bear Valley Electric (Bear Valley), which serves 21,000 customers.

Bear Valley has not had a LIEE program in the past due to economic studies demonstrating such a program could not be operated in a cost effective manner. With an increase in energy costs, Bear Valley believes such a program would be cost effective in its area now.

While Bear Valley does not currently have a LIEE program, it is actively engaged in an effort to develop a plan using potential funding from SB X1 5. The company feels it could implement a program that would include a replacement and recycling program for old inefficient refrigerators, the provision of compact florescent lights (CFL) and fixtures, and energy education to approximately 25% of the current CARE eligible customers (approximately 468 homes) for an estimated cost of $468,000.

B. Avista Utilities

Avista Utilities (Avista) has a limited income weatherization program that it operates in conjunction with Sierra Pacific Company in the South Lake Tahoe area. Using Project Share funds distributed by El Dorado County Community Services, Project Go, Inc., a Placer County CBO provides program services to targeted utility customers with limited resources to invest in energy efficiency improvements. Funding for Avista's 2001 LIEE program is set at $77,175.

In its current program, Avista specifies glass storm windows as an upgrade from the plastic storm windows previously installed. The utility feels the more expensive glass storm windows will provide significantly greater measure life and benefit to the customers receiving this service.

Avista indicates that it implements its current program though Project Go, a LIHEAP provider, and also leverages with Sierra Pacific. Avista stated that it currently supports a limited income weatherization program through the South

Tahoe Housing Authority (STHA) Rehabilitation Program. STHA administers Community Development Block Grant Funds to weatherize qualified limited income homes.

C. PacifiCorp

PacifiCorp has a CARE program but its eligibility guidelines are different than all the other utilities. PacifiCorp's income guidelines are currently set at 130% of the federal poverty guidelines.

A total of 1,570 homes have been weatherized under the PacifiCorp's low-income weatherization program in California since the program began in 1986. The company uses CBOs that leverage funds from a variety of state and federal sources.

PacifiCorp would like to contract with these organizations to fund additional measures under a rapid deployment program such as providing CFLs, water heater replacements, refrigerator replacements and possibly furnace repairs.

The company is requesting a total of $185,000 for program expansion that will allow it to expand the weatherization program, increase CARE penetration rates, provide arrearage assistance and conduct program outreach.

D. Southwest Gas Corporation

The Southwest Gas LIEE program operates on a budget of $302,119. The company is seeking $1,365,000 in SB5 funding, which will benefit 592 additional households at a cost of $1,976 per household. Southwest indicated its program will be coordinated with Edison and Sierra in the overlapping service areas.

Southwest suggests that the SMJU, many of which do not have balancing account treatment for any of the CARE costs, be awarded 100% of their increased CARE costs from the SB5 monies. Southwest points out that this will only get these small utilities through one year, but that would allow them to seek increased funding for future years in a traditional manner.

In detail, Southwest is requesting the following:

1. $1,365,146 for expansion of its LIEE program

2. $817,500 for increased CARE participation to 75% penetration under current authorized discount and income eligibility, or

3. $2,141,500 for increased CARE participation to 75% with a 20% CARE discount and eligibility levels increased to 175%,

4. $157,500 for CARE outreach under 2) above or $175,500 for CARE outreach under 3) above.

Southwest requests that the SMJU not be ordered to adopt the standardized policy and procedure manual used by the large utilities.

Refinements to note in Southwest's LIEE proposal include budgeting additional funds for increasing the number of homes weatherized in its southern service area, additional measures in the northern area, expanding weatherization services to the Truckee area, an area that has not received weatherization efforts before, as well as a pilot program to replace unsafe and inoperable furnaces.

E. Sierra Pacific

Sierra Pacific (Sierra) implements a CARE program. Sierra indicates that it doesn't have a balancing account for its CARE subsidy or related costs.

Sierra currently provides direct weatherization using a CBO, Project Go. Sierra's program is a joint program with Southwest and Avista in those areas where there is overlap with those utilities' service areas. In areas where natural gas is not provided, Sierra provides the program. Sierra indicated that Project Go is the only LIHEAP provider in Sierra's service area.

Sierra has a portion of its territory in which there isn't any access to natural gas. Sierra points out that these customers use expensive electric resistance heat.

Sierra Pacific is requesting $892,600 in SB5 funding to fund three specific projects. The company plans to utilize $221,400 to install additional measures in homes covered by the utility's existing programs. $512,500 would be used on a special initiative to replace electric resistance heat with an efficient ground source heat pump in low income homes where natural gas is not available. The company indicates that $158,700 will be used for increases in CARE including outreach, CARE discounts, and assisting customers who have past due account balances.

PacifiCorp's Response to CPUC Data Request

Stephen Rutledge
California Public Utilities Commission
Energy Division, 4th Floor
505 Van Ness Ave.
San Francisco, CA 94102

RE: SBX1 5 Funds to be allocated to the Energy Utilities
Data Request

(1) The number of eligible households currently served under the utilities' existing low-income assistance programs (break down the numbers separately according to CARE and LIEE participation)

	CARE	LIEE
1996	3,947	87
1997	4,653	106
1998	4,714	96
1999	3,898	114
2000	1,769	56
4/01	1,973	N/A

CARE – 15% discount on utility bill for qualified low-income customers.
PacifiCorp contracts with nonprofit community agencies to provide low income weatherization to customers in Northern California. The Low-Income Weatherization program is operated through the Norte County Senior Center in Crescent City and Great Northern Corp. in Weed, Ca. A total of 1,570 homes have been weatherized under the low-income weatherization program in California since it began in 1986.

(2) Program plans to expand services to low-income customers, utilizing the leveraging scenarios described in D. 01-05-033.

As described above, PacifiCorp utilizes community-based organizations that leverage funds from a variety of state and federal sources. PacifiCorp plans to contract with these organizations to enhance the current weatherization program. This will include funding for additional cost-effective measures such as compact fluorescent light bulbs and refrigerator replacements.

PacifiCorp requests a total of $185,000 for program expansion.

Expanded Weatherization efforts through CBO's	$100,000
CARE Customer Assistance	$ 65,000
CARE Rate Advertising Campaign	$10,000
Administration	$10,000
Total	$185,000

(3) An estimate of the increase in CARE funding required to: cover the cost of increasing the program penetration rate to 95% of the eligible population; cover

the cost of increasing program eligibility to 175% of the federal poverty level; and cover the cost of increasing the penetration rate to 95% as well as increasing the program eligibility to 175% of the federal poverty level.

PacifiCorp has approximately 32,000 residential customers in its service territory in Northern California. It is estimated that approximated 34% of those customers are currently eligible for the CARE rate based on 130% of Federal Poverty guidelines. The Current Penetration Rate for the CARE program is 18%. The CARE discount currently amounts to $180,000.

Assuming that a 95% participation rate were achieved using the current income criteria PacifiCorp estimates that approximately an additional $982,800 would be distributed to customers for the CARE discount. This estimate does not include additional administrative costs that would be incurred to achieve a 95% participation rate.

Currently PacifiCorp has an estimated 18% of eligible customers on the CARE rate. If the Company had a 95% participation rate on the program, the total CARE customers on the CARE program would be 10,336. This new total represents an increase of 8,363 customers.

PacifiCorp customers on the CARE rate are eligible if they are at the 130% of Federal Poverty level. The increase of going from 130% to 150% would mean an additional 1,179 households would be eligible and an additional $141,480 would be paid out in CARE discounts. Further going from the current 130% Federal Poverty guideline to the proposed 175% Federal Poverty guideline would mean and additional 3,864 households would be eligible and an additional $464,040 dollars would be paid out in CARE discounts.

(4) A description of current efforts to leverage LIEE funds through community based organizations or other local energy efficiency service providers.

Partnerships with existing Community Based organizations are in place with approximately 50% funding from PacifiCorp and 50% from grants the agencies receive from other sources.

July 16, 2001

Mr. Stephen Rutledge
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear Mr. Rutledge:

This letter is in response to your June 11, 2001 letter accompanying the draft ***Workshop Report on Distribution Proposals for Unallocated SBx1_5 Low Income Funds (Report)***.

Southwest has refined its initial proposal presented on June 6 to your offices. The attached proposal incorporates some of the suggestions made during the May 29 and 30, 2001 workshops conducted by the Energy Division as well as subsequent developments, including: 1) a proposal consistent with ABx1_3 legislation mandating a one-time bill credit for newly-enrolling CARE customers; and 2) a possible change in CARE bill discounts and qualifying income levels emanating from Decision 01-06-010 rendered in Application 00-11-009, et al. Southwest's SBx1-5 Rapid Deployment Proposal is enclosed for incorporation into the final version of the Report. It replaces the original submittal in the draft report under "ATTACHMENT P." Pages 4 and 5, "Low Income Energy Efficiency Programs," are identical to the draft submittal and therefore remain dated June 6. Pages 6a, 6b, and 6c, "Costs for Increased Care Participation/Outreach," have been changed and are dated June 18. Page 3, "Workshop Proposal," also changed and is dated June 18.

Southwest is proposing the following:

1) $1,365,146 for Low Income Energy Efficiency Programs;
2) $161,400 to be applied to reducing CARE arrearages;
3) $817,500 for increased CARE participation to 75% under current authorized CARE discount and income eligibility (Option A); or
4) $2,141,500 for increased CARE participation to 75% under revised CARE discount and income eligibility (CARE discount increasing from 15% to 20%, income eligibility increasing from 150% federal poverty level income (FPI) to 175% FPI) (Option B);
5) $157,500 for CARE Outreach under Option A or $175,500 for CARE Outreach under Option B; and
6) $413,100 for the ABx1_3 Mandate CARE bill credits.

Details of Southwest's proposals for unallocated SBx1_5 funds are included in the enclosed schedules.

Southwest is concerned that the Energy Divisions' suggestion requiring the small utilities to adopt "the standardized Policy and Procedure Manual" (P&P), used by the large utilities, may be overly burdensome. (See Draft Report page 34, section D, fourth paragraph). Requiring the small utilities "to offer all of the same measures as the large utilities" and do it in an identical manner (P&P) seems unworkable for most on its face. While Southwest understands the desire for "standardization" it would seem reasonable to adopt a different more flexible standard for the small utilities. Ranging in size from a few hundred customers to approximately 125,000 appears to establish a " separate group" of seven companies with substantially different capabilities than the four major utilities in California. Southwest respectively asks that consideration be given to this request.

Allow me to add our thanks to you and Donna Wagoner for assisting the smaller utilities, like Southwest, in coordinating requests for the SBx1_5 funds and leveraging the rapid deployment of conservation and low-income assistance to our customers.

If you have any questions, please feel free to contact me at: 702-876-7367.

Very truly yours,

Wally Kolberg

Wallace C. Kolberg
Marketing Manager

SOUTHWEST GAS CORPORATION
CALIFORNIA
SBX1 5 – RAPID DEPLOYMENT PROPOSAL
WORKSHOP PROPOSAL

	Option A **	Option B **
Low Income Energy Efficiency Programs	**$1,365,146**	**$1,365,146**
Increased CARE Participation Outreach	**$1,549,500**	**$2,891,500**
Grand Total (All Programs)	**$2,914,646**	**$4,256,646**

Note: On June 7, 2001 in Decision No. 01-06-010 the CPUC set new CARE guidelines. Two sets of budgets were calculated to show the impact of this decision.

Option A – CARE[1] Guidelines – 150% of Federal Poverty Income with a 15% bill discount

Option B – CARE[2] Guidelines – 175% of Federal Poverty Income with a 20% bill discount

June 11, 2001

Ms. Donna Wagoner
California Public Utilities Commission
Energy Division, 4th Floor
505 Van Ness Avenue
San Francisco, CA 94102

RE: SBX1 5 Funds

Dear Ms. Wagoner,

Thank you for the opportunity to attend the workshop held May 29th and 30th in San Francisco regarding the allocation of funds for small multi-jurisdictional utilities. We have updated and clarified the proposal presented at that workshop. Sierra Pacific Power Company (Sierra) would like to request $892,600 to benefit California low income customers during this energy crisis.

This money will fund three specific efforts. First, $221,400 of the total funds will be utilized to install additional measures on homes covered by Sierra's existing programs, thereby leveraging existing marketing and outreach efforts. Secondly, $512,500 will be used on a special initiative to replace electric resistance heat with an efficient ground source heat pump in low income homes where natural gas is not available. Third, $158,700 will be utilized for increases in CARE. Details of each effort mentioned are outlined below.

<u>Weatherization - $221,400</u>

Currently Sierra provides direct weatherization for the low income, disabled, and elderly customers in its California territory. A community based organization, Project Go, identifies eligible customers, determines their needs, and installs the retrofit weatherization measures. The program is a joint venture with those natural gas utilities (Southwest Gas and Avista) that overlap in Sierra's electric service area. In areas were gas service is not provided by the partners, Sierra provides the program. In addition to weatherization, Sierra provides information and education relating to the efficient use of energy to our customers.

As it is not feasible for Project Go to increase the number of homes weatherized at this time, we would like to enhance the current program to provide additional weatherization and conservation measures to current participants. These measures will include, but not be limited to windows, doors, electric water heaters and appliances. The homes will be evaluated to determine what additional measures are needed. Sierra is hoping to use Project Go to do the additional work, however, if that is not possible, we will investigate other options. At this time, Project Go is the only LIHEAP approved community based organization in the area that we are aware of. We will continue to look for other resources.

Geo Exchange Program- $512,500

A portion of Sierra's service area does not have access to natural gas. They use electric resistance heat. Sierra will replace these expensive heating units with efficient ground source heat pumps for the low-income customers who qualify. This is a long-term solution to an ongoing problem for these customers. As these units are replaced, the homes will be weatherized to allow the customers to achieve the maximum benefit.

Sierra believes the intent of these funds is to ease the hardship the energy crisis places on the low income customers. That thought coupled with the fact that this area of Sierra's service territory has been especially hard hit by recent economic conditions due to major reductions in the logging industry. This is the perfect opportunity to provide a long-term solution and ease the burden of expensive energy costs in low-income housing.

CARE – $158,700

Care funds will be used for 1) additional outreach, 2) to cover the cost of the recent increase of the care discount from 15% to 20% and increased eligibility from 150% of poverty to 175% (Sierra does not have a balancing account) and 3) to assist CARE customers with arrearages.

1.) Additional Outreach - $40,000
Outreach efforts will be expanded by advertising using radio, newspaper and posters in community offices, as well as increasing the outreach and processing efforts by CSD.

2.) CARE Increase - $50,100

It has been estimated that an increase in the CARE discount from 15% - 20% will cost Sierra an additional $35,300

The estimated incremental cost to add another 4% of customers to the CARE rate would cost Sierra $14,800.

3.) Arrearages - $68,600

This money will be used to assist CARE customers with their past due accounts.

Again, thank you for the opportunity to submit a proposal to you for the SBX1 5 funds. The above estimates for the enhanced weatherization and conservation measures as well as for the Geo Exchange program are based on the ability to secure contractors, however, Sierra feels confident we can rapidly deploy the above requested funds.

If you have any questions, please call me at (775) 834-4773.

Sincerely,

Teresa Gardner, Program Manager
Residential Weatherization and Insulation

Cc: Steven Rutledge, CPUC
John Hargrove, SPPC

AVISTA UTILITIES
DRAFT RESPONSES – Data Requests

Request 2-1

Please provide the number of eligible households currently served under the utilities' existing low-income assistance programs (break down the numbers separately according to CARE and LIEE participation.)

Response

Year	LIEE Households	CARE/Expanded CARE Households
1996	78	585
1997	91	630
1998	85	647
1999	61	646
2000	74	606

Request 2-2

Please provide the program plans to expand services to low-income customers, utilizing the leveraging scenarios described in D. 01-05-033

Response

Avista Utilities' current Limited Income Weatherization program relies on community-based organizations (CBOs) who leverage funds from a variety of partners, including local utilities. Avista has an ongoing joint project with Sierra Pacific and Project Go, Inc. which specifically targets utility customers with limited resources. These customers typically have the opportunity to reap substantial benefits through proper weatherization. The current weatherization measures provided by Project GO consist mainly of storm windows and insulation. (Avista has provided funding Project Go for over 10 years for such measures.)

Avista has been in contact with Project Go and Sierra Pacific regarding efficient deployment of expanded weatherization / conservation services to our limited income customers. Our initial conversations indicate that perhaps the most efficient means of expanding such services would be to fund additional conservation measures for the households identified by Project Go.

Request 2-3

Please provide an estimate of the increase in CARE funding required to: cover the cost of increasing the program penetration rate to 95% of the eligible population; cover the cost of increasing the program eligibility to 175% of the federal poverty level; and cover the cost of increasing the penetration rate to 95% as well as increasing the program eligibility to 175% of the federal poverty level.

Response

Avista estimates that it serves approximately 22% of the eligible households in its South Lake Tahoe Service territory per the its May 1999-April 2000 CARE Report. Avista estimates that its current annual discount granted is $66,308.

Assuming that a 95% participation rate could be achieved, at current CARE Program income criteria Avista estimates that approximately an additional $184,000 would be paid out in annual CARE discounts. (This estimate does not include current estimates of possible future gas increases.) This number does not include additional administrative costs incurred to achieve and administer a 95% participation rate. Avista is unable at this time to estimate the program dollars required to achieve a 95% participation rate.

Avista estimates that increasing the program eligibility from 150% to 175% of the federal poverty level would result in an approximate increase of the CARE discount of $3,300 at the current participation levels of 22%.

Avista further estimates that an increase in the program eligibility from 150% to 175% of the federal poverty level and an increase in the participation level to 95% would result in a $193,000 increase in CARE discounts granted.

Avista notes that our customers just recently (on March 21, 2001) experienced their first PGA rate increase since January 6, 1995, due to a rate freeze plan that was in effect until January 1, 2001. We would expect to see an increase in CARE program applications during the 2001/2002 heating season.

Request 2-4

Please provide a description of current efforts to leverage LIEE funds through community based organizations or other local energy efficiency service providers.

Response

Please see the Company's response to Request 2-2.

---Original Message-----
From: Mitchell, Kathy [mailto:kathy.mitchell@avistacorp.com]
Sent: Wednesday, June 06, 2001 4:34 PM
To: 'Rutledge, Stephen J.'
Cc: Shroy, Kerry; Andrews, Liz
Subject: RE: Avista's Proposal

Stephen,

Below please find an estimate of what Avista believes could reasonably be done with additional funds. We've served through Project Go an average of 70 households during the past 5 years. Project Go has indicated to us that they couldn't add additional households in our service area but that they could provide those households with additional measures. Based on Kerry Shroy's understanding of Projects Go's operations this appears to be a reasonable to us at this time. (We understand that Sierra is also requesting additional funding for it's Project Go program, therefore our request takes that into account, as our customers are also Sierra's customers.) We are assuming that Project Go's expanded measures include furnace and water heater replacements where appropriate.

Thank You

Kathy Mitchell
(509)495-4407
Avista requests a total of $184,500. The funds would be used for expanded conservation measures through Project Go, assistance for our Care rate customers who are past due on their gas bills and a promotion campaign to inform our customers of the Care rate program. We would also propose that any funds not used through Project Go be used on the other proposals.

The breakdown of the funding is:

Expanded Project Go Measures $150,000

Care Customer Assistance $10,000

Care Rate Ad Campaign $20,000

Administration $4,500

Total $184,500

June 18, 2001

Mr. Stephen Rutledge
California Public Utilities Commission
Energy Division, 4th Floor
505 Van Ness Ave.
San Francisco, CA. 94102

Re: Draft Energy Division Workshop Report on Distribution Proposals for Unallocated SBX1 5 Low Income Funds.

Dear Mr. Rutledge:

Southern California Water Company (SCWC) is principally engaged in the delivery of water service. It operates 39 separate water systems within 75 communities in California to approximately 250,000 customers. It also operates an electric system in the Big Bear area through Bear Valley Electric (BVE), serving some 21,000 customers.

SCWC did receive the Energy Division data requests of April 30, 2001 and May 9, 2001. Unfortunately, due to resource limitations, SCWC was unable to respond to the requests prior to the workshops. Although SCWC was not able to send anyone to the workshops, we did attempt to participate through the teleconferencing link. For whatever reasons, however, we were unable to complete that connection.

It was neither the intent nor desire of SCWC to ignore the Energy Division's requests in this area. It has simply been the unavailability of SCWC staff that prevented us from developing a meaningful response. SCWC appreciates the Energy Division's efforts to include all utilities, including those utilities who did not attend the workshop, in the allocation of the SBX1 5 funds.

Since our phone conversation on June 12, SCWC has performed some preliminary analysis that we hope will help the Commission better assess the funding allocations of the SBX1 5 monies for low income customers.

BVE has not had a LIEE program in the past primarily because previous studies failed to demonstrate that such a program could be operated in a cost effective manner. With the increase in energy rates, it is certainly appropriate to revisit that area. We also believe it may be appropriate to examine the discount and qualifying level for our CARE program, in light of the Commissions decisions for the large energy utilities.

CARE

Currently SCWC has 7,794 full-time residential customers in the BVE service area. Of those, there are 872 on the CARE program. Our analysis indicates, based upon 1990 census data, that approximately 24% or 1,871 BVE customers are eligible for CARE using the current criteria, i.e. income eligibility levels set at 150% of the federal poverty level. These figures indicate that the penetration rate of the BVE CARE program is 47percent. Approximately 30% or 2,338 customers could qualify if the criteria were raised to 175% of the federal poverty level.

Each year, SCWC mails an information letter and application for the CARE program to all of the full-time residential customers in the BVE service area. The most recent mailing will be completed in July of this year. SCWC is also in the process of developing an extended outreach plan for CARE. We expect to have more details of the plan by July 2, 2001. However, preliminary analysis indicates that the cost could range between $40,000 and $80,000, depending on the comprehensiveness of the plan.

Enclosed with this letter is a table providing an estimate of the loss of revenue that would result from: a) an increase in the CARE penetration rate to 95%; b) an increase in the CARE income-eligibility levels to 175% of the Federal poverty level; and c) the combined effect of an increase in the penetration rate and the income eligibility levels. This information was requested in the May 9th Data Request.

LIEE

As indicated above, SCWC does not currently have a LIEE program. However, with the increase in energy rates and the potential for SBX1 5 funds to aid with a program, SCWC is actively engaged in an effort to develop a plan. Based on preliminary estimates, SCWC could implement an abbreviated LIEE program that focuses on replacement and recycling old inefficient refrigerators, providing compact fluorescent lamps and fixtures, and energy education to approximately 25% of the current CARE eligible customers (approximately 468 customers) for an estimated cost of $468,000. SCWC expects that these energy efficiency measures can be quickly implemented and have an immediate impact on customer's electric bills. SCWC expects to have a more detailed plan by July 2, 2001.

SCWC has not estimated the cost of a more comprehensive program (i.e., gas and electric measures). However, we have had preliminary discussions with a representative of Southwest Gas Company to explore the prospect of taking advantage of any synergies that may exist. Given our current position, we believe that we can achieve a more rapid deployment if we implement the plan described above. If a more comprehensive program is developed, customers participating in the abbreviated program could be offered additional measures.

SCWC is also interested in offering energy efficiency services to other customers, who otherwise might not qualify as low-income participants. We understand that there may be funds available under SBX1 5 to provide services to some of these customers as well. We would appreciate being put in contact with someone at the Energy Division that may be able to provide information relating to the availability of such funds.

SCWC is committed to helping our customers during this crisis and we appreciate any support that you can provide.

Sincerely,

SOUTHERN CALIFORNIA WATER COMPANY

Keith Switzer
Special Projects/Tariff Manager

Enclosure

ltr16301

SOUTHERN CALIFORNIA WATER COMPANY
BEAR VALLEY ELECTRIC SERVICE
INCREASE IN CARE PROGRAM COSTS
FROM INCREASED PENETRATION AND HIGHER INCOME ELIGIBILITY LEVELS

REVENUE REDUCTION FROM INCREASE IN PENETRATION RATE TO 95 PERCENT

(1) Current Number of CARE Customers		872
(2) Estimated Number of CARE Eligible Customers		1,871
(3) Current Penetration Rate (Row 1/Row 2)		47%
(4) Number of Customer at 95% Penetration (Row 2 x 95%)		1,777
(5) Increase in Number of Customers Needed to Achieve 95% Penetration (Row 4 - Row 1)		905
(6) Decrease in Monthly Bill for CARE Customers	$	(7.42)
(7) Annual Revenue Loss from Increased Penetration (Row 5 x Row 6 x 12)	$	(80,617)

REVENUE REDUCTION FROM INCREASE IN CARE ELIGIBILITY INCOME LEVELS TO 175% OF FEDERAL POVERTY LEVEL

(8) Estimated Number of CARE Eligible Customers at 150% of FPL		1,871
(9) Estimated Number of CARE Eligible Customers at 175% of FPL		2,338
(10) Increase in Number of Eligible Customers (Row 9 - Row 8)		468
(11) Current Penetration Rate		47%
(12) Increased Number of CARE Participants (Row 11 x Row 10)		218
(13) Decrease in Monthly Bill for CARE Customers	$	(7.42)
(14) Annual Revenue Loss from Increase in Income Eligibility Levels (Row 12 x Row 13 x 12)	$	(19,419)

REVENUE REDUCTION DUE TO INCREASE IN INCOME ELIGIBILITY LEVELS AND INCREASED PARTICIPATION TO 95% AT THE NEW LEVELS

(15) Current Number of CARE Customers		872
(16) Estimated Number of Eligible Customers at 175% of FPL		2,338
(17) 95% Participation at New Income Levels (Row 16 x 95%)		2,221
(18) Total Combined Increase in Number of CARE Customers (Row 17 - Row 15)		1,349
(19) Decrease in Monthly Bill for CARE Customers	$	(7.42)
(20) Annual Revenue Loss from Increase in Income Eligibility Levels (Row 18 x Row 19 x 12)	$	(120,190)