April 27, 2007

VIA HAND DELIVERY

Administrative Law Judge Kim Malcolm
California Public Utilities Commission
505 Van Ness Ave., Room 5005
San Francisco, CA 94012

Re: R.07-01-042 - Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the Low Income Energy Efficiency Programs of California’s Energy Utilities

Dear ALJ Malcolm:

Enclosed is a courtesy copy of Pacific Gas and Electric Company’s filing of April 27, 2007 in Rulemaking 07-01-042.

COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON THE SCOPING RULING FOR THE COMMISSIONER’S RULEMAKING ON THE LOW INCOME ENERGY EFFICIENCY PROGRAMS OF CALIFORNIA’S ENERGY UTILITIES

This document was submitted to the Docket Office using the new e-filing system, and has been assigned CPUC Confirmation Number 00005148. In addition, the service of the document was accomplished by electronic service on all parties on the Official Service List R.07-01-042.

Very truly yours,

/s/

Chonda J. Nwamu

cc: Commissioner Dian Grueneich
    ALJ Meg Gottstein
    Kelly Hymes
    Jeanne Clinton
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding
Policies, Procedures and Rules for the Low
Income Energy Efficiency Programs of
California’s Energy Utilities.  

Rulemaking 07-01-042
(January 25, 2007)

COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON THE SCOPING
RULING FOR THE COMMISSION’S RULEMAKING ON THE LOW INCOME
ENERGY EFFICIENCY PROGRAMS OF CALIFORNIA’S ENERGY UTILITIES

Dated: April 27, 2007
COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON THE SCOPING RULING FOR THE COMMISSION’S RULEMAKING ON THE LOW INCOME ENERGY EFFICIENCY PROGRAMS OF CALIFORNIA’S ENERGY UTILITIES

I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to participate in the discussion about how to define the goals and objectives of future Low Income Energy Efficiency programs in the State of California. PG&E looks forward to the continued collaboration and the development of best practices that will benefit its customers and the State. In accordance with the schedule set forth in the Scoping Ruling for the Commission’s Rulemaking on the Low Income Energy Efficiency Programs of California’s Energy Utilities, PG&E hereby submits Comments in response to the questions posed in the March 28 Low Income Energy Efficiency (LIEE) Scoping Ruling issued by Commissioner Dian Grueneich in this proceeding.

II. DISCUSSION

1. Discuss whether these are the appropriate broad program objectives for LIEE and, if they are not, propose others:

   - Affordability of energy services by low income customers;
   - Reducing the burdens of energy bills of low income customers;
   - Equity for low income customers;
   - Safety and comfort of low income customers;
   - Energy system reliability and cost-effectiveness (LIEE as an energy resource); and
- *Environmental quality and reduction of greenhouse gases.*

PG&E believes that the broad program objectives identified at the March 23rd workshop and listed above are appropriate objectives for the LIEE program as a whole. Some of the identified objectives potentially conflict or compete with other legitimate objectives (e.g. safety and comfort versus cost-effectiveness). On the other hand, some program objectives are complimentary (e.g. measures that improve environmental quality and reduce greenhouse gases also reduce the energy bill burden for low income customers). PG&E believes that the challenge for the Commission and interested stakeholders is to develop a prioritization of objectives that will provide guidance on program design in light of the competing policy objectives. The LIEE program objectives should be balanced in a way that there are societal benefits as well as energy saving benefits. However, there needs to be a realization that these benefits may not be equally weighted in all circumstances.

Traditionally, the utility LIEE programs in California have been equity-driven programs primarily focused on providing comfort health and safety while delivering energy savings. PG&E supports continuing to treat low income customers equitably and also supports exploring creative ways to tailor the program delivery to achieve maximum benefit for all of its low-income customers. PG&E believes that the LIEE program can and should incorporate a mix of objectives and delivery strategies allowing the program administrators to reach the broad program goal.

Regardless of what LIEE program objectives the Commission ultimately adopts, PG&E respectfully requests that the Commission also consider the rate impacts of the LIEE program on the low income customers on the cusp of qualifying for LIEE and CARE. While these customers may not meet the low income threshold, the payment for these LIEE programs may nevertheless be a financial burden for them.
2. **Given the broad program objectives for LIEE and assuming there are multiple objectives that are potentially competing, how should the Commission articulate those objectives and prioritize them?**

The LIEE program, by definition, is an energy efficiency program and PG&E places a high value on the energy savings and reduced energy bills the program provides for its low income customers. The importance of energy savings is reinforced by the fact that LIEE is a component of the Energy Action Plan II. However, PG&E places an equally high value, on the non-energy benefits associated with the LIEE program, such as comfort, health and safety of its customers. The LIEE program has traditionally been distinguished from the non-low-income energy efficiency program, in part, by its focus on the customer’s safety, health and comfort. PG&E believes that the LIEE program should continue to focus on safety, health and comfort while delivering energy saving measures.

PG&E has been a proponent of Assembly Bill 32 since its inception and PG&E is committed to the proposed program objective of improving environmental quality and reducing greenhouse gases, consistent with AB 32. Helping low income customers install energy efficiency measures will contribute toward the greenhouse gas reduction goal set forth in AB32. Consequently, the success of this objective is directly linked to the objectives of reducing energy consumption and energy bills of low income customers through the LIEE program.

3. **Comment on whether the following broad goal statement is a reasonable one from the standpoint of law, Commission policy and community needs: To assume that the residence of every low income customer in California is energy efficient by 2015.**

PG&E applauds the Commission’s broad goal statement and supports the goal of creating an energy efficient California regardless of income level. However, this goal statement would be more effective in driving the development of LIEE program objectives and strategies if it was
more specific and measurable. Several parameters and measures will need to be defined in order to objectively determine whether the goal has been met. This could be accomplished through a series of workshops amongst interested stakeholders.

As a preliminary matter, several elements of the goal statement must be defined, namely “residence,” “every low income customer,” and “energy efficient.” For example, the Commission has stated that low income customer dwellings participating in the program may not be treated more than once every ten years (essentially defining the participant as a dwelling). Historically, the 10 year rule has been based on the fact that most measures offered under the current LIEE program are weatherization measures that stay with the home and have an average expected useful life of approximately 10 years. The assumptions underlying the ten year ban on re-treatment of dwellings may no longer be valid. For example, some measures are appliances that could move with the occupant rather than stay with the dwelling. In addition, appliances offered through the program have effective useful lives ranging from just a few years to over twenty years. The Commission should determine when a residence or customer who has been treated by the LIEE program becomes eligible for treatment again under the program. This determination is one variable that will impact how the Utilities calculate the number of residences or customers that are currently eligible for LIEE treatment in their respective service areas. A clear understanding of the magnitude of the eligible population is necessary before PG&E can make an informed statement about whether the proposed broad goal is reasonable.

The term “energy efficient” must also be defined in the context of the proposed LIEE goal, and clearly distinguished from the use of the term in the non-low-income energy efficiency proceeding. Again, PG&E is unable to make an informed statement about whether this is an achievable goal without a clear understanding of the desired outcome including when a residence or low income customer can be categorized as “energy efficient.”
Even after each of the elements of the proposed goal statement are defined, there will be challenges associated with reaching 100% penetration as contemplated by the proposed goal statement. Due to the dynamic nature of the LIEE program and its participants, it is not reasonable to expect that “every” eligible low income customer will be treated by a date certain. Some of the challenges of reaching 100% penetration are that low income customers constantly move in and out of the service area; in and out of dwellings that may have already been treated under the LIEE program; and in and out of “low income” status. The draft Needs Assessment may be of value to identify barriers to total penetration. Notwithstanding these barriers to complete penetration, PG&E’s internal goal is always to serve 100% of its qualifying customers who want to be served under the LIEE program.

PG&E recommends that the target date for meeting the broad LIEE goal adopted by the Commission is changed from 2015 to 2020 to align the LIEE program goal with the greenhouse gas reduction target date of 2020 as outlined in Assembly Bill 32.

4. How should the Commission define the elements of the proposed goal statement to assure that it is clear, efficacious, and reasonable? (That is, how should the Commission define “energy efficiency” for the purpose of meeting its LIEE program goals?)

PG&E recommends that all of the elements of any adopted goal statement be clearly defined so that all interested stakeholders have a common understanding of the goal of the LIEE programs. PG&E provides the following specific recommendations related defining the elements in the proposed goal:

“Residence:”

The definition of residence should describe the specific housing characteristics that comprise “residence.”
- Meter type (e.g. individual meter, multi-meter, master-meter)
- Dwelling type (e.g., single-family, multi-family, mobile home, movable trailers)
- Occupancy (e.g., agricultural housing, residential hotels, senior housing, independent living facilities and other group living facilities)
- Owner occupied versus Rental Unit

“Every Low Income Customer:”

The definition of “every low income customer” should first articulate whether the relevant element is low income “customers/ people” or “residences/ dwellings.” This clarification is particularly relevant given that low income customers may move from dwelling to dwelling. In addition, the modifier “every” needs to be defined. For example, does “every” mean all eligible customers on a specific date; all eligible customers that have never been treated before; all eligible customers that have not been treated within the last ten years; all eligible customers that want to participate in the program; all eligible full-time and seasonal customers, etc. These, and potentially other, factual considerations need to be thoroughly considered as the Commission develops definitions that will ultimately dictate how the Utilities design LIEE programs to accomplish the goal.

“Energy Efficient:”

The definition of energy efficient must clearly define what activity, installation, or result must occur before a “customer” or “residence” can unequivocally be categorized as “energy efficient” within the meaning of the LIEE goal statement. There are countless ways to define “energy efficient” for the LIEE program goal. However, the adopted definition should reflect a realistic balancing of all of the objectives of the LIEE program. Some potential ways to define “energy efficient” include: adopting a target level of energy savings per home; or ensuring that each treated home is more energy efficient than prior to treatment; or providing specific high energy-savings measures based on the results of an energy audit or some other home assessment.
Any adopted definition of “energy efficient” must appreciate that energy efficiency is dynamic given that technologies evolve and appliances become more efficient over time. PG&E recommends that the LIEE program not require retroactive treatment based solely on a new, more efficient technology being incorporated into the LIEE program. Customers receiving an energy efficient measure under the LIEE program use less energy and receive more energy savings than they did before participating in the program, even if a more efficient version of the measure becomes available later. The principles of equity are not promoted if Utilities continue to go back to the same customers, to the detriment of other customers whose homes have never been treated. Moreover, the Utilities will not be able to treat every low income customer by 2015 or 2020 if they are required to return to previously treated homes as technology advances.

5. *Should the broad program goal be applied to all program elements or should the Commission treat some program elements separately from the goal statement?*

PG&E is unclear on the meaning of this question. PG&E interprets this question to ask whether the broad program goal should be applicable to all of the adopted LIEE program measures/offerings. Based on this interpretation, PG&E believes that the Commission should, as one program design option, explore basing the broad program goal on a subset of program offerings; yet allowing additional program offerings within the LIEE program but not linked to achievement of the broad program goal. This may be one creative way to articulate and adopt a broad program goal that can be achieved within the 2015 or 2020 time frame. This proceeding offers an excellent opportunity to rethink energy efficiency for low income customers in California.

6. *Are there other broad program goals the Commission should consider? For example, should the Commission set a goal in terms of energy savings?*

If the broad goal as articulated in Question 3 (or some variation) is adopted for the LIEE program, PG&E does not see the need for additional broad program goals.
7. What questions must the Commission address in order to implement programs toward the broadly stated goal? For example, questions might include: (1) how should utilities’ current LIEE programs be modified to recognize the goal? (2) what types of strategies would be required to meet the goal? and (3) should the Commission apply the goal to only a subset of measures?

PG&E agrees that three questions identified above should be addressed to inform design and implementation of the LIEE programs toward the proposed goal. PG&E believes the Commission should also address the following questions:

- How does the goal statement reconcile with Section 9500 of the California Public Utilities Code, which mandates that all feasible and cost effective measures must be implemented in low income energy efficiency programs?
- How will transience and mobility in the low income customer market sector be addressed in the broad program goal?
- Can the LIEE program target specific sub-sets of similarly situated low income customers? Should all customers be treated with the same set of measures?
- What are the rate impacts of the LIEE program and how will this affect those customers barely above the low income eligibility criteria? What is an acceptable burden for both the low income ratepayers and the other ratepayers that fund this LIEE programs?
- How can energy efficiency and the LIEE program be coordinated?
- What is an acceptable cost-effectiveness threshold for the LIEE program? How should the LIEE program measure cost-effectiveness? How are non-energy benefits (such as comfort, health and safety) weighted and incorporated? Are non-energy benefits weighted appropriately?
- How should new technologies and services be incorporated into the LIEE program in the future?
- How will the success of the LIEE program be measured?

8. What kind of criteria should the Commission consider in determining strategies for meeting the goal, and how generally should those criteria be ranked? For example, the Commission may need to consider cost-effectiveness, the health and safety of low income customers and the efficacy of the strategy for meeting the goal.

PG&E proposes, as a starting point, the following general criteria:
• Cost-effectiveness
• Non-energy benefits including safety, health and comfort
• Equity of the LIEE benefits
• Increased energy savings and reduced bill impacts
• Energy education and changing customer behavior
• Rate impacts

9. **Cost Estimates and Eligible Customer Estimates**

At the March 23 workshop, Administrative Law Judge Malcolm requested that the utilities include in the comments a very rough estimate of the costs of meeting the proposed broad program goal based on the current LIEE program. ALJ Malcolm also requested an estimate of the number of households in need of energy efficiency measures. The utilities agreed to provide the requested cost estimates with the understanding that the estimates would be extremely rough and should not be relied upon or substituted as an accurate measure of potential cost. Consistent with the discussion at the Workshop, the March 28 Scoping Ruling provides that, “[t]hese estimates would be provided with the understanding that no party is committing to their precision or accuracy and that they would be used only as a way of measuring the preliminary impact of the Commission’s program objectives and goal.” (p.7).

In PG&E’s service area, there are currently an estimated 1,400,000 customers eligible to receive services via the LIEE program. PG&E derived this number of eligible customers by quantifying the approximate number of total LIEE income-eligible customers in its service area (an estimated 1,868,000 customers), and subtracting out the number of customers that have been treated by the LIEE program within the last 10 years (an estimated 500,000). The 500,000 customers are not currently eligible because under the existing program rules a customer is not
eligible to participate in the LIEE program if the dwelling has been treated within the last 10 years. PG&E expects an annual increase in the 1,400,000 eligible customers due to census updates, as well as the re-eligibility of customers who were treated 10 years prior.

To hypothetically meet the proposed broad program goal set forth in the Scoping Ruling, PG&E estimates that it would need to treat approximately 1,400,000 customers in 7 years, i.e., treat approximately 200,000 customers annually. This would be an increase of 400% based on the current annual treatment rate.

The table below provides cost estimates using PG&E’s 2007 LIEE program treatment protocols with an average treatment cost per dwelling of $1,335. Estimates are provided for a program goal target date of 2015 and for 2020, as suggested by PG&E. These costs are rough estimates and will likely significantly differ from actual LIEE program costs in the future depending on various factors including the future design of the LIEE program.

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<tr>
<th>Goal Target Date</th>
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<tbody>
<tr>
<td></td>
<td>2015</td>
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<td># of Customers Treated Annually</td>
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<tr>
<td>Estimated Annual Cost</td>
<td>$261,000,000</td>
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III. CONCLUSION

PG&E greatly appreciates this opportunity to provide initial comments regarding a redesign of utility LIEE programs and looks forward to working with Energy Division, the Division of Ratepayer Advocates, the Low Income Oversight Board and other interested parties to develop low income energy efficiency programs that provide the benefits of safety, comfort and health while reducing overall energy consumption for PG&E’s low-income customers.
Respectfully Submitted,

PETER OUBORG
CHONDA J. NWAMU

By: __________________________ /s/ __________________________
    CHONDA J. NWAMU

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: April 27, 2007
CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 27th day of April 2007, I served a true copy of:

COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON THE SCOPING RULING FOR THE COMMISSION’S RULEMAKING ON THE LOW INCOME ENERGY EFFICIENCY PROGRAMS OF CALIFORNIA’S ENERGY UTILITIES

[ X ] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.06-04-010 et al. with an e-mail address.

[ X ] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to all parties on the official service list for R.06-04-010 et al. without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 27th day of April 2007 at San Francisco, California.

/s/

PATRICIA KOKASON