

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas & Electric Company for Approval of the 2009 – 2011 Low Income Energy Efficiency and California Alternate Rates fro Energy Programs and Budget (U 39 M).	Application 08-05-022 (Filed May 15, 2008)
Application of San Diego Gas & Electric Company (U 902 M) for Approval of Low Income Assistance Programs and Budgets for Program Years 2009 – 2011.	Application 08-05-024 (Filed May 15, 2008)
Application of Southern California Gas Company (U 904 G) for Approval of Low Income Assistance Programs and Budgets for Program Years 2009 – 2011.	Application 08-05-025 (Filed May 15, 2008)
Application of Southern California Edison Company (U 338-E) for Approval of Low Income Assistance Programs and Budgets for Program Years 2009 – 2011.	Application 08-05-026 (Filed May 15, 2008)

**REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY TO THE PROTEST AND
COMMENTS ON ITS APPLICATION FOR APPROVAL OF LOW INCOME
ASSISTANCE PROGRAMS AND BUDGETS FOR PROGRAM YEARS 2009 – 2011**

Kim F. Hassan
Attorney
San Diego Gas & Electric Company
101 Ash Street
San Diego, CA. 92101
Telephone: (619) 699-5006
Facsimile: (619) 699-5027
E-Mail: khassan@sempra.com

June 30, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas & Electric Company for Approval of the 2009 – 2011 Low Income Energy Efficiency and California Alternate Rates fro Energy Programs and Budget (U 39 M).	Application 08-05-022 (Filed May 15, 2008)
Application of San Diego Gas & Electric Company (U 902 M) for Approval of Low Income Assistance Programs and Budgets for Program Years 2009 – 2011.	Application 08-05-024 (Filed May 15, 2008)
Application of Southern California Gas Company (U 904 G) for Approval of Low Income Assistance Programs and Budgets for Program Years 2009 – 2011.	Application 08-05-025 (Filed May 15, 2008)
Application of Southern California Edison Company (U 338-E) for Approval of Low Income Assistance Programs and Budgets for Program Years 2009 – 2011.	Application 08-05-026 (Filed May 15, 2008)

REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY TO THE PROTEST AND COMMENTS ON ITS APPLICATION FOR APPROVAL OF LOW INCOME ASSISTANCE PROGRAMS AND BUDGETS FOR PROGRAM YEARS 2009 – 2011

In accordance with Rule 2.6 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) submits this Reply to Parties’ Protest and Comments on SDG&E’s Application for Approval of Low Income Assistance Programs and Budgets for Program Years 2009 – 2011 (“Application”). Protests were received from Division of Ratepayer Advocates (“DRA”) and the Solar Alliance filed Protests, and comments were received from the Energy Efficiency Council (“EEC”), Bo Enterprises, and Quality Conservation, Inc. (“QCS”).

On June 24, 2008, Administrative Law Judge (“ALJ”) Thomas conducted a Pre Hearing Conference (“PHC”) to establish the scope and procedural schedule for this proceeding. During the June 24, 2008 PHC, the ALJ addressed and resolved several issues raised by various parties in their protest, comments, and pre-hearing conference statements. Below is a summary of those issues that were addressed and resolved during the PHC:

- The Commission, in setting the procedural schedule in this proceeding has determined that no evidentiary hearings will be held. However, an additional round of briefing will be helpful given all the data that will be changing hands before the Commission issues its final decision. (Transcripts at 71-72.)
- The procedural schedule will allow for workshops but parties must provide very detailed specifics about what the proposed workshops will accomplish. Parties are required to submit their request for workshops to the ALJ by June 27, 2008. (Transcripts at 73.)¹
- Utilities should begin working on a transition plan now to prepare for the implementation of requirements outlined in Assembly Bill (“AB”) 1109 which phases out the availability of incandescent light bulbs in California beginning in 2012. (Transcripts at 46.)
- In D. 07-12-051, the Commission adopted the program delivery model proposed by the Energy Division staff and directed the utilities to use the model in developing their 2009 – 2011 Low Income Energy Efficiency (“LIEE”) programs. The model provides a strong foundation for serving both LIEE objectives of providing an energy resource for California and providing low income customers with ways to reduce their bills. The utilities have complied with that directive to use the Commission adopted delivery mechanism in their applications. (Transcripts at 39 and 52.)
- There is no discriminatory issue or statutory violation associated with the tiered program delivery model adopted by the Commission. (Transcripts at 62.)
- The Commission does not support parties’ proposals to phase in implementation of the new tiered program delivery model. The intent is to go forward with the segmentation that was adopted in the D. 07-12-051. (Transcripts at 63)
- There is inadequate time in this proceeding to revisit LIEE cost-effectiveness tests. It is a longer term issue and there will not be a significant amount of work done in the 2009 – 2011 budget cycle. (Transcripts at 54)

Because the Commission has made its determination at the PHC regarding the above listed issues, SDG&E provides no further response to parties’ Comments and Protest related to

¹ If the Commission approves parties’ requests for workshops, San Diego Gas & Electric Company (“SDG&E”) and SoCalGas requested that the workshops be on the record and transcribed (Transcripts at 70.)

these issues. This Reply is limited to issues raised in Parties' Protest and Comments that are specific to SoCalGas' Application.²

II. DISCUSSION

A. Evidentiary Standards and Burden of Proof

In its Protest, DRA makes the general assertion that the investor-owned utilities' ("IOU")³ Applications are deficient because they failed to meet the Commission's evidentiary standards and burden proof. While making this blanket allegation, DRA fails to articulate specific examples or provide proof of how SDG&E's Application fails to meet the legal standards. Contrary to DRA's claims, SDG&E met its burden of proof as it has presented substantial evidence establishing the reasonableness of its proposed low income assistance program for program years 2009-2011, and the resultant energy expenses sought to be recovered. According, DRA's allegations that SDG&E failed to meet the evidentiary standards and burden of proof are without merit and should be dismissed.

B. KEMA REPORT RECOMMENDATIONS

DRA throughout its Protest, is critical of SDG&E, and the other IOUs, for their alleged failure to utilize the results and recommendations of the KEMA Needs Assessment Report ("KEMA Report") to: 1) determine the estimated eligible populations to be served by LIEE and CARE, 2) estimate their goals for achieving the Commission's LIEE programmatic initiative, and 3) determine how they will target outreach and marketing efforts to specific segments of the low income population.

However, DRA's Protest fails to acknowledge the inaccuracies and deficiencies contained in the KEMA Report, as identified by several parties' in their opening and reply comments in response to an Administrative Law Judge's Ruling Seeking Comments on the Issues Raised in the KEMA Report and Natural Gas Appliance Testing, dated September 17, 2007. DRA also fails to acknowledge that the Commission has not formally adopted or endorsed the KEMA Report.

² Some of the issues raised in parties' protests or comments are also being addressed in SoCalGas' replies to the Assigned Commissioner's Ruling Ordering Large Investor-Owned Utilities to Comply with Prior Commission/Commissioner Directives, dated June 13, 2008; the ALJ Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-2011 Low Income Energy Efficiency /CARE Applications issued on June 17, 2008; and the ALJ Second Ruling Seeking Further Information on Large Investor-Owned Utilities' 2009-2011 Low Income Energy Efficiency/CARE Applications, dated June 25, 2008.

³ The investor-owned utilities are comprised of SoCalGas, SDG&E, Southern California Edison Company ("SCE"), and Pacific Gas and Electric Company ("PG&E").

SoCalGas and SDG&E filed joint comments on October 16, 2007 and reply comments on October 24, 2007, discussing issues regarding the sampling size and survey implementation, the analysis and ultimate use of survey data and in determining targets for enrollment in the California Alternate Rates for Energy (“CARE”) and LIEE programs. Several other parties commented on the KEMA Report data and pointed out discrepancies regarding inaccurate tables and factual errors, lack of analysis and analysis data in the KEMA Report, unsubstantiated conclusions, unclear recommendations on the CARE population targets, insufficient sampling data for the small and jurisdictional utilities, conflicting recommendations, and departure from the principal objectives of the report. In the testimony of Witness Hobbs, SDG&E acknowledged that only limited data from the KEMA Report was used in the preparation of its Application because the Commission has not yet addressed parties concern with the Report nor has the Commission determined how the Report will be used. SDG&E continues to have concerns with the results of the KEMA Report and reiterates its request that the Commission address the KEMA Report’s inaccuracies before relying on the data contained in the KEMA Report for CARE and LIEE program planning purposes.

C. ESTIMATED ELIGIBLE POPULATION TO ESTABLISH THE PROGRAMMATIC INITIATIVE GOALS

DRA in its protest raises a series of suggestions regarding the utilities’ estimates of the eligible LIEE population for 2009 – 2011. DRA’s arguments can be boiled down to two basic issues. First, the utilities should have used the LIEE eligibility estimates that were produced in the KEMA⁴ Report, rather than the utilities’ estimates that were submitted to the Commission in October 2007. Second, the utilities have not projected population growth into the estimates for 2009, 2010, and 2011. DRA questions the methodology the IOUs used to develop the estimated LIEE eligible populations in their respective service territories stating that the methodology used creates more questions than answers. DRA first challenges the IOUs’ use of the methodology adopted by the Commission in Decision (“D.”) 01-03-028, stating that the statewide estimation of 5.404 million⁵ is incorrect. DRA bases its assertion on the fact that the KEMA Report⁶ estimated the low income eligible population in 2006 to be 5.633 million. DRA stated that the

⁴ Phase II Low Income Needs Assessment Final Report, October 12, 2007.

⁵ See footnote 31 of DRA’s Protest.]

⁶ As discussed in Section II.C above, SDG&E challenges DRA’s reliance on the KEMA Report due to a number of inaccuracies and discrepancies identified in the report which the Commission has not yet addressed.

IOU's estimate suggests that the eligible population in California shrunk by 4% and challenges the assumption that there are now fewer families eligible for assistance in the IOU's service territories. However, DRA does not provide a clear foundation for this assertion. DRA also challenges the subtraction of homes served through the Low Income Home Energy Assistance Program ("LIHEAP") program "in 2008 and beyond" and states the homes should not be subtracted from the eligible population because the Commission does not guarantee LIHEAP services. DRA is confused, as SDG&E did not propose to deduct the estimated number of homes to be served by the LIHEAP program in the future. SDG&E's estimate simply deducted the actual number of homes served through LIHEAP from 2002 – 2007, plus the estimated number of homes to be served through the LIHEAP program by year-end 2008. DRA agrees with the IOUs' methodology to deduct the number of homes that have served through the LIHEAP program between 2002 – 2008 and that they should not count as homes "remaining to be treated."

DRA erroneously claims that the IOUs subtracted 295,452 eligible households from their total estimate, but mistakenly states that the IOUS indicated that these homes were treated by LIHEAP between 2002 and 2008. However, this number reflects the number of homes treated through the LIEE program (not LIHEAP).

DRA also challenges the IOUs' use of the KEMA Report's conclusion that an estimated 10% of low income customers are unwilling to participate in the CARE program be used for estimating the number of customers unwilling to participate in LIEE. The KEMA Report estimates match the IOUs' estimates that were submitted to the Commission in October 2006. The utilities, using the same methodology, revised their annual estimates in October 2007. The data for 2007 shows that the LIEE eligibility in California among residential households dropped from approximately 32% to slightly less than 31% of all households.

The reduction in eligible customers could have occurred for any number of reasons, including adjustments in data sources used by vendors, errors at some level, census data adjustments. DRA asserts that, "[g]iven the state's poor economy, higher unemployment, and increased foreclosures, it is highly unlikely that there has been a reduction in LIEE eligible customers.⁷" As economic conditions continue to evolve, it is quite possible, that the annual estimates that will be submitted in October 2008, will show an increase in LIEE eligibility

⁷ DRA Protest, June 19, 2008, page 12.

estimates among households. DRA does not provide quantifiable estimates of how current economic conditions will affect eligibility estimates. It is preferable to adhere to the established methodology that currently is in use by the utilities, rather than attempting to respond to indicators that may provide a forecast of future directional changes in eligibility without providing the data necessary to make adjustments. The 2009-11 program cycle will leave 9 years remaining to achieve the Commission's goals. Future LIEE eligibility estimates will allow the utilities to true-up the treated homes targets in subsequent funding cycles.

The annual eligibility estimates produced by the IOUs for LIEE and CARE have provided an annual snapshot of eligibility for the programs and have provided demographic eligibility rates for LIEE and CARE that can be applied to total households. DRA notes the utilities have not projected population growth into the applications. DRA appears to have used an arbitrary figure of 1% to increase population estimates into 2010 and 2011. Again, subsequent funding cycles will allow the utilities to true-up the population estimates and ultimately the treated home targets as we move closer to 2020. Rather than applying an arbitrary growth factor at this time, SDG&E is willing to work with DRA, the Commission, and other interested parties to develop a procedure for forecasting population growth that can be incorporated into the next set of applications for the funding cycle beginning in 2012. For PY 2009-11, DRA has not demonstrated the need to revise the estimates of LIEE eligible customers presented by the utilities in their applications. Accordingly, SDG&E's application supports the Commission's programmatic initiative and should be adopted.

D. ESTIMATING UNWILLINGNESS TO PARTICIPATE IN THE LIEE PROGRAM

DRA does not agree with the KEMA Report's 10% unwillingness adjustment that the IOUs used to calculate the number of customers willing and eligible to participate in the LIEE program. Before submitting their applications, the IOUs engaged in many discussions regarding how to incorporate unwillingness into their eligibility estimates. All the IOUs agreed that there is some percentage of customers who will never participate. Since none of the four IOUs had another estimate of the number of low income customers that might be unwilling to participate, PG&E and the other IOUs decided to use the 10% factor reported in the KEMA *Final Report on Phase 2 Low Income Needs Assessment* as an initial estimate of the customers that would be unwilling to participate in LIEE.

At the low end, KEMA interviews of CARE customers reveal 2% not willing to participate, with an additional 2% only a little willing, while interviews about LIEE reveal 5% not willing to participate and an additional 3% only somewhat willing. KEMA incorporates this 2% self-reported CARE unwillingness factor with other information collected, coming up with an overall factor of 10% when they write that "Using the information collected through the onsite survey, we estimated that 10% of all low income households would be unwilling or unlikely to participate in CARE." (KEMA Report, p.7-20)

KEMA does not provide a similar overall unwillingness factor for the LIEE program, however in addition to the 5% self-reported not all willing, KEMA provides additional estimates for LIEE and other public assistance programs on pages 5-69 and 5-71 in the Volume 1, and on pages D-6, D-22, and D-39 in Volume 2, Appendix D of the *Phase 2 Report*.

The IOUs believe 10% is a reasonable estimate. DRA points out that the KEMA 10% estimate is the overall rate of customers that will not participate in the *CARE* program, and is not specific to the LIEE program. The IOUs note that self-reported unwillingness was higher for LIEE than for CARE (4% reported being somewhat or not at all likely to participate in CARE, while 8% reported being somewhat or not at all likely to participate in LIEE), thus IOUs believe that assuming the same level of unwillingness as CARE is probably conservative due to the additional participation barriers that exist for the LIEE program. Participants in the CARE program enroll by completing a simple application and self-certifying their eligibility. Most LIEE participants are required to provide documentation to verify their income level when they enroll, a more stringent process, either by providing income documentation or proof they participate in a number of mean-tested programs such as MediCal, Healthy Families, or WIC.⁸ LIEE participation requires a time commitment from the participant, as an adult must be home to allow weatherization workers and appliance installers into the home.

Although the IOUs used an unwillingness factor, none of them is limiting final participation to the estimated eligible number of low income customers with or without factoring in the number of customers that will be unwilling to participate. The IOUs all aim to treat all of their eligible and willing customers by 2020. Estimating an unwillingness factor is simply a method for projecting realistic three-year budgets that are not too burdensome to either

⁸ In SDG&E's program, customers residing in neighborhoods believed to have a high concentration of LIEE-eligible customers are permitted to self-certify that they meet the LIEE program's income eligibility guidelines. This enrollment process with authorized by the Commission in D. 05-10-044 and D. 06-12-038.

participants or non-participating ratepayers, all of whom contribute to the public purpose charge. The IOUs will revisit the appropriate unwillingness factor to use as well as the number of estimated eligible customers in the next budget cycle.

D. COST EFFECTIVENESS TESTS

DRA in its Protest incorrectly asserts that the IOUs failed to use the appropriate cost-effectiveness tests in accordance with Commission directives to utilize the cost-effectiveness methodologies adopted in Decision (D.) 02-08-034 stating that the methodology does not take non-energy benefits into consideration. DRA states that the IOUs failure to utilize cost effectiveness in accordance with Commission direction “is one of the most crucial deficiencies in the Applications.” DRA provides no documented proof to support its assertion.

As directed by the Commission, SDG&E did use the methodology adopted in D.02-08-034 to complete the cost effectiveness test in its Application. The only issue in question was whether or not SDG&E, along with the other IOUs, used updated avoided costs input in the E-3 calculator adopted in the Energy Efficiency proceeding⁹ (R. 06-04-010), which the utilities determined was the case.¹⁰ After consultation with the other utilities, it was determined that they were consistent in their use of updated avoided costs inputs into the E-3 calculator and, therefore, would not necessitate SDG&E revising its cost effectiveness test calculations used in its Application.

Because DRA did not provide documentation to support its assertion that SDG&E failed to comply with Commission directives in calculating its LIEE cost effectiveness results, the Commission should not give this erroneous assertion any consideration when evaluating the merits of SDG&E’s LIEE program proposal for 2009 – 2011.

E. PROTEST OF THE SOLAR ALLIANCE

The Solar Alliance’s Protest one issue with SDG&E’s Application is SDG&E’s proposal to require all LIEE measures be installed prior to solar measures being installed on the LIEE

⁹ *Assigned Commissioner’s and Administrative Law Judge’s Ruling Regarding May 15, 2008 Energy Efficiency Portfolio Plans for 2009 – 2001*, dated April 21, 2008.

¹⁰ DRA, on page 20 of its Protest, also incorrectly states that the ALJ issued a Ruling ordering the utilities to rerun the cost effectiveness tests again with the updated avoided costs inputs. In an electronic inquiry to SDG&E and SoCalGas, dated June 13, 2008, ALJ Thomas inquired whether or not the two utilities used the same avoided cost methodologies as PG&E and SCE in cost effectiveness tests presented in their Applications. On June 19th, PG&E on behalf of the other large IOUs and subsequent to PG&E and SCE filing errata to their Applications used consistent avoided cost methodologies in calculating LIEE cost effectiveness tests. Therefore, SDG&E and SoCalGas would not be required to file errata to their Applications.

CERTIFICATE OF SERVICE

I hereby certify that a copy of **REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY TO THE PROTEST AND COMMENTS ON ITS APPLICATION FOR APPROVAL OF LOW INCOME ASSISTANCE PROGRAMS AND BUDGETS FOR PROGRAM YEARS 2009-2011** has been electronically mailed to each party of record of the service list in A.08-05-022, A.08-05-024, A.08-05-025, A.08-05-026, and R.07-01-042. Any party on the service list who has not provided an electronic mail address was served by placing copies in properly addressed and sealed envelopes and by depositing such envelopes in the United States Mail with first-class postage prepaid.

Copies were also sent via Federal Express to Administrative Law Judge Sarah R. Thomas and Commissioner Dian Grueneich.

Executed this 30th day of June, 2008 at San Diego, California.

 /s/ Jenny Tjokro
Jenny Tjokro