

October 28, 2002

Advice 2416-G/2296-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Request to Shift Low-Income Energy Efficiency Funds Between
Electric and Gas Departments

Purpose

Pursuant to Ordering Paragraph (O.P.) 12 of Decision (D.) 01-05-033, PG&E requests approval to shift approximately \$13 million of Low-Income Energy Efficiency (LIEE) funds collected in rates from the gas to the electric department.

Background

In D. 01-05-033, the Commission adopted a rapid deployment strategy and funding levels for low-income assistance programs during the energy crisis. The decision also ordered PG&E to install all feasible Low-Income Energy Efficiency (LIEE) measures in all homes that qualify for the LIEE program and to continue performing under this directive until further Commission order.

Historically, the LIEE program has spent the bulk of its funds on the installation of gas measures and a smaller percentage on the installation of electric measures. LIEE program measures typically have reduced gas usage far more than electrical usage. Accordingly, a greater percentage of the LIEE revenues have been collected and allocated to the gas department than to the electric department (51.6 percent gas and 48.4 percent electric). However, the rapid deployment strategy adopted in D. 01-05-033 changed the LIEE program measure mix resulting in more electric expenditures than gas expenditures. In fact, most of the new measures added by this decision are designed to reduce the use of electricity instead of gas. Additionally, many of the rapid deployment measures added are expensive items that are being offered for the first time to a broader customer

base that also includes renters. These high-cost items include air conditioners, whole house fans, refrigerators, and evaporative coolers.

By the end of July 2002, PG&E's total LIEE program budget of \$60 million was fully committed and PG&E took steps to suspend any new 2002 LIEE enrollment. On August 20, 2002, PG&E was ordered to continue the rapid deployment measures for its LIEE programs until further Commission order. In Resolution G-3340, the Commission authorized PG&E to establish LIEE memorandum accounts for the purpose of recording the continuation of PY 2002 LIEE program expenditures. Approval of the request in this advice letter will have no impact on the operation of the memorandum accounts established by Resolution G-3340.

As a result of the greater emphasis on the installation of electric rather than gas LIEE measures during the energy crises, expenditures on electric LIEE Rapid Deployment Program measures have outpaced the 2002 electric LIEE budget authorized by D. 01-05-033. The majority of the \$60 million budget has been spent on electric LIEE measures. As a result of recent invoices paid to contractors, PG&E recognizes that the electric LIEE cash spending has exceeded its allocated budget while the gas cash spending is substantially below its allocated budget. This advice letter simply requests approval to move funds from the gas sub-account to the electric sub-account, consistent with D. 01-05-033.

The Rapid Deployment decision, (D.) 01-05-033, foresaw that fund shifting between the gas and electric sub-accounts might become necessary, and provides PG&E and SDG&E the opportunity to request approval to transfer funds between sub-accounts by advice letter.

Specifically, ordering Paragraph 12 of D. 01-05-033 requires dual-fuel utilities to obtain prior Commission approval before shifting LIEE funds collected in rates between their gas and electric departments. Ordering Paragraph 2 of Resolution E-3586, which authorized the 1999 CARE and LIEE program budgets also provides that dual-fuel utilities may request approval to redirect funds by advice letter if it appears that funds in one department may run out before the end of the program year.¹

Accordingly, PG&E requests approval to shift approximately \$13 million of LIEE funds collected in rates from the gas to the electric sub-account. Due to the nature of the Rapid Deployment measures' commitments, it is difficult to predict the exact expenditures for the remainder of 2002. PG&E will not know the exact amount to be transferred until those commitments materialize at the end of the year. Therefore, PG&E proposes to net out the actual gas and electric LIEE

¹ The only objection to this proposal was made by ORA, which recommended that the Commission exercise oversight over such transfers. Having considered the Low-Income Governing Board's proposal and requiring only that the utility obtain advice letter approval of the transfer, the Commission has indicated that it is disposed to approve such a transfer (Res. G-3340).

expenditures and accruals to ensure that only the necessary funds are transferred between the gas and electric sub-accounts.

The derivation of the \$13 million fund shift is shown on the following table. The \$13 million shift requires estimating expenditures for the last three months of the year. This accounting transfer will occur only between LIEE funds already collected through rates.

	Electric	Gas	Total
2002 PPPLIBA Beg. Balance	(8,043,424.49)	(20,434,422.61)	(28,477,847.10)
Pre-98 Transfer (9/02)	(5,500,000.00)	(126,000.00)	(5,626,000.00)
Subtotal ¹	(13,543,424.49)	(20,560,422.61)	(34,103,847.10)
Revenue - 2002	(14,076,000.00)	(15,024,000.00)	(29,100,000.00)
Total Funds Available - 2002	(27,619,424.49)	(35,584,422.61)	(63,203,847.10)
Booked Actual Expenditures - 9/30/02	36,878,148.35	15,041,133.96	51,919,282.31
Commitments not included in 9/30 expenditures	11,306,716.64	3,751,276.37	15,057,993.00
Forecasted Expenditures - New Work per Res. G-3340	6,091,641.00	3,391,325.00	9,482,966.00
Expenditures + Commitments thru 12/31/2002	54,276,505.99	22,183,735.33	76,460,241.31
Forecast G/L Balance at 12/31/02	26,657,081.50	(13,400,687.29)	13,256,394.21
Estimated Transfer	(13,000,000.00)	13,000,000.00	
Balance after transfer	13,657,081.50	(400,687.28)	
To be recorded in the Memo accounts	13,657,081.50	0.00	13,657,081.50

¹ The subtotal \$34.1 million is an updated calculation of the total LIEE funds available at the beginning of 2002.

This number includes the actual compounding interest accumulation in the LIEE balancing accounts. The \$31 million carryover funding described in D.01-05-033 was an initial estimate of available LIEE funds at the beginning of 2001.

Upon approval of this filing, PG&E will transfer approximately \$13 million from the Gas PPPLIBA to the Electric PPPLIBA. This transfer will not affect the amount spent to fund the PY2002 LIEE Rapid Deployment program.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **November 18, 2002**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200

E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Les Guliasi
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226

E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice filing become effective **December 7, 2002**, which is 40 days after the date of filing.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for R. 01-08-027. Address changes should be directed to Rose Abao at (415) 973-2218. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

cc: Service List – R. 01-08-027