

**LOW INCOME ENERGY EFFICIENCY
PROGRAM
ANNUAL REPORT
FOR PROGRAM YEAR 2001**

May 2002



Pacific Gas and Electric Company

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SECTION 1

EXECUTIVE SUMMARY

Low Income Energy Efficiency (LIEE) Overview

The 2001 Low Income Energy Efficiency (LIEE) program was developed and implemented in coordination with the Low Income Standardization Team and the mandates of Decision (D.) 01-05-033. The base program was similar to previous years' low income programs. Energy efficiency measures and services available under the LIEE program included energy education, attic insulation, water heater blankets, energy-efficient showerheads, door weather stripping, caulking, minor home repairs that affect air infiltration, attic venting, attic access weather stripping, evaporative cooler covers, reusable furnace filters, outlet gaskets, water heater pipe wrap, energy-efficient refrigerators, faucet aerators, compact fluorescent lamps (CFLs), hardwired porch lights, portable evaporative coolers, and furnace repair and/or replacement for homeowners whose homes failed the combustion appliance safety test. Pacific Gas and Electric Company (PG&E) increased coordination with the California Alternative Rate for Energy (CARE) program in order to further assist eligible customers with their energy needs.

By December 2000, PG&E bid out and awarded the program administration and implementation roles for the Program Year (PY) 2001 LIEE program. However, all contracts were not fully executed until April 2001. During the administration transition period from January 1, 2001 to May 1, 2001, the 2001 LIEE program was delivered through PG&E's 2000 LIEE implementation contractors, with PG&E acting as interim program administrator.

During the winter of 2000-2001, California experienced an energy crisis and rolling blackouts, which precipitated legislative action in Senate Bill 5 from the first extraordinary session (SBX1-5), signed by the Governor on April 5, 2001. SBX1-5 appropriated state funds to rapidly implement programs aimed at conservation and demand reduction and to help defray increased low income energy bill costs. In May 2001, D. 01-05-033 allocated SBX1-5 low income funding together with all unspent funding carried over from the utilities' previous low income assistance programs to the utilities for the 2001 LIEE Rapid Deployment program. PG&E's PY 2001 LIEE budget was effectively doubled, from \$29 million to \$60 million, by D. 01-05-033.

In addition to increasing PY 2001 LIEE funding, D. 01-05-033 added six new measures and measure qualification criteria to the 2001 LIEE Rapid Deployment program.

The 2001 program operated under the shareholder incentives mechanism ordered in D. 01-06-082. PG&E failed to meet its minimum performance standard under this mechanism and therefore is not eligible to claim any shareholder incentives for PY 2001 activities.

SECTION 2

LOW INCOME ENERGY EFFICIENCY

Overview

Until May 2001, the 2001 LIEE program was similar to the 2000 program. It helped low income customers increase their comfort while reducing their energy consumption, costs, and hardship. The program provided free home weatherization, energy-efficient appliances and energy education services to qualified, low income PG&E customers throughout the Company's service area.

The mandatory and non-mandatory measure distinction ceased to be a criteria for the program in 2000. The 2001 LIEE program required installation of all feasible measures offered under the program for which the customer qualified. PG&E continued to work with the other utilities, the Energy Division and the Office of Ratepayer Advocates (ORA) to standardize the LIEE program.

In accordance with Assembly Bill (AB) 1393, measures offered under the 2001 LIEE program included attic insulation, water heater blankets, energy-efficient showerheads, door weather stripping, caulking, minor home repairs that affect air infiltration, attic venting, attic access weather stripping, evaporative cooler covers, reusable furnace filters, outlet gaskets, water heater pipe wrap, faucet aerators, compact fluorescent lamps, energy-efficient refrigerators, and furnace repair and replacement for homeowners whose homes failed the combustion appliance safety test. Hard-wired porch light fixtures and portable evaporative coolers were available to customers who owned their own homes and became available to renters under the Rapid Deployment program on May 1, 2001.

Prior to the implementation of Rapid Deployment, the refrigerator replacement component provided free energy-efficient refrigerators only to low income customers who owned their own refrigerators. Two refrigerator sizes, 14 cubic feet and 18 cubic feet, were offered to customers based on existing refrigerator size. The refrigerator replacement service included delivery, installation, removal and environmentally safe recycling of the inefficient units being replaced. Rapid Deployment made refrigerator replacement available to low income tenants who did not own the refrigerators in their dwellings.

Energy education was also provided to all participating customers to help them understand how they used energy and what specific strategies they could employ to reduce their energy costs.

PG&E successfully bid out administration and implementation contracts for the PY 2001 program. Contracts were fully executed by May 1, 2001. During the administration transition period from January 1, 2001 to May 1, 2001, the 2001 LIEE program was delivered through PG&E's 2000 LIEE implementation contractors with PG&E acting as interim program administrator. Richard Heath and Associates was awarded the LIEE administration contract and began work in that role on May 1, 2001.

Low Income Energy Efficiency (LIEE) Program

2001 BASE PROGRAM ELEMENTS

Energy Education

In 2001, PG&E continued to offer energy education during the first home visit. An energy education follow-up communication was mailed to the customer's home following the energy education visit.

The first visit by an energy education specialist assisted the customer with a CARE application and/or HEAP contact information if applicable. Combustion appliance safety (CAS) testing was conducted at this time on all homes where there were combustion appliances. The energy education specialist also ensured that low income customers were aware of other low income programs to help them control their energy bills. Additionally, customers received an energy savings plan to reduce overall energy usage. The customers were asked to adopt at least three energy saving practices which would result in overall reduced energy usage and increased comfort.

A mailed follow up communication ensured continuity in energy education and increased the customer's understanding of the energy efficiency benefits of the measures installed. The customer received a bill disaggregation energy graph depicting a breakdown of energy usage in their home. The customer also received contact information for PG&E's toll free Smarter Energy Line, where their questions could be answered.

Approximately 25 percent of all customers served received a follow up phone communication addressing customer satisfaction with the program and addressing any questions they might have.

Appliance Replacement

Similar to LIEE program restrictions in 1999 and 2000, refrigerator replacement prior to the implementation of the Rapid Deployment program was restricted to customers who owned their own refrigerators and whose refrigerators were at least 10 years old. Evaporative coolers were also provided only to owner-occupied units where the home had existing air conditioning and the addition of an evaporative cooler could lower the homeowner's consumption of energy. Furnace repair and replacement was provided to customer-owned homes that failed the combustion appliance safety test.

In the spirit of lowering energy usage during the energy crisis and helping low income customers with their energy bills, D. 01-05-033 mandated that refrigerators and evaporative coolers also be provided to LIEE participants in rental units who did not own these appliances. Furnace repair and replacement continued to be available only to homeowners, as providing functional heating is the legal responsibility of the landlord.

Changes for the 2001 LIEE program

The biggest change to the 2001 LIEE program was the initiation and implementation of the Rapid Deployment program in May 2001, per D. 01-05-033. Under the Rapid Deployment program, the following measures were added: air conditioners, duct seal and repair, gas and electric water heaters, set-back thermostats, evaporative cooler maintenance, and whole house fans. Additionally, hard-wired porch light fixtures, refrigerators, and evaporative coolers were made available to qualifying renters where the landlord owned the refrigerator or evaporative cooler.

D. 01-05-033 added all PG&E's past unspent LIEE program carryover funding to the Company's PY 2001 base funding, increasing PG&E's total funding for the PY 2001 LIEE Rapid Deployment program from \$29 million to \$60 million. Restrictions prohibiting fund shifting between the various weatherization and energy efficiency measures were eliminated.

Under LIEE standardization rules, homes that were treated under the LIEE program within the past 10 years were generally not eligible for participation in the current program, although exceptions could be granted with the written approval of the utility administrator's program manager.¹ D. 01-05-033 granted utility administrators the flexibility to send service providers back to treated homes to install the new measures adopted under the Rapid Deployment program. Other load reduction measures that were not offered at the time the home was treated and would contribute significantly to bill savings (e.g., refrigerator replacements) could also be installed under the Rapid Deployment program. D. 01-05-033 granted an "automatic exception" to revisiting previously treated homes for these measures during the rapid deployment period.

Targeted Market and/or End-Uses

Low income customers who met CARE income guidelines of 175 percent of the Federal Poverty Income Guidelines or 200 percent for low income customers with heads of household who are 60+ years old and/or disabled, with income adjustments for family size, were targeted for this program. (CARE and base LIEE income guidelines increased in June 2001 from 150 percent of the Federal Poverty Income Guidelines to 175 percent, per D. 01-06-010.)

Implementation Strategy

In 2001, low income customers who experienced problems paying their PG&E bill or requested energy efficiency assistance were referred to PG&E's Smarter Energy Line (SEL) for pre-qualification and inclusion into the program. To increase CARE participation and make customers aware of the services provided by PG&E to low income customers, PG&E required contractors to market the LIEE program to CARE customers and customers requesting weatherization services. Customers were made aware of and, upon request, assisted in filing out a CARE program application.

Additionally, PG&E signed capitation outreach contracts with 83 service providers to enroll qualifying customers in the CARE program. In addition to

¹ See D.01-03-028, mimeo., p. 16 and Attachment 3.

signing up new CARE customers, capitation outreach contractors told CARE customers about the LIEE program services available at no cost to them and gave them literature about the LIEE program including phone numbers to call to participate.

Major Accomplishments

PG&E's Rapid Deployment efforts began to produce strong results by September 2001, after a slow start following the program's implementation in May 2001. The results are shown in detail in Technical Appendix Tables TA 4 and TA 7. Highlights of the completed² accomplishments are as follows:

- Weatherized³ 21,084 homes;
- Provided energy education in 51,080 homes;
- Replaced primary refrigerators in 5,091 homes and committed 676 to be installed;
- Provided evaporative coolers in 3,076 homes and committed 348 to be installed;
- Installed 169,269 compact fluorescent lamps;
- Repaired or replaced furnaces in 988 homes; and
- Installed rapid deployment measures including:
 - 35 air conditioners;
 - 396 water heaters; and
 - 179 set-back thermostats.

Attic Venting as a Stand-Alone Measure

PG&E continued to treat this measure as a pilot. The pilot isolated this measure from other installed measures by choosing homes that received measures in the past but not attic venting. Stand-alone attic venting was installed under the pilot in 1999 and 2000. PG&E tracked impacts for attic venting installed under the pilot study separately for a full 12-month period and reported the findings in April 2002.

2002 PROGRAM ELEMENTS

² Installations and services are not counted as "completed" until they have been paid, per agreement at 11/6/02 and 11/13/02 RRM Rapid Deployment Monthly Reporting Compliance meetings.

³ "Weatherized" homes are a subset of "treated" homes, and are defined as income-qualified homes that have received any weatherization measures under the LIEE program.

The 2002 Low Income Energy Efficiency program continues the 2001 Rapid Deployment Low Income Energy Efficiency program unchanged per the Assigned Commissioner Ruling regarding post-2001 program planning for low income assistance programs, dated February 27, 2002.

PG&E continues its program administrator contract with Richard Heath and Associates for the 2002 LIEE program. Contracts to implement the program were also continued and are assigned to the LIEE administrator. Additionally, the LIEE administrator may bid out further work by county as needed.

PG&E continues to work with the Utility Standardization Team to standardize the LIEE program between utilities on a statewide basis.

Shareholder Incentives for Low Income Activities

PG&E assumes that the shareholder mechanism for 2001 will continue to be used, since the 2002 program is a continuation of the 2001 Rapid Deployment program.

Measurement and Evaluation (M&E) and Regulatory Oversight for Low Income Activities

PG&E conducted studies as directed by the Commission to report the results of LIEE program activities. PG&E also participated on several statewide LIEE teams with the purpose of standardizing LIEE programs and utility reporting to the Commission.

Measurement and Evaluation

Low income measurement and evaluation activities completed in PY 2001 include a Statewide First Year Load Impact Study of the PY 2000 LIEE Programs completed in April and a Statewide LIEE Process Evaluation. These studies were required to fulfill the second shareholder earnings claim, pursuant to the PY 2000 LIEE shareholder incentive mechanism adopted in D. 00-09-038.

PG&E also completed and filed eight Rapid Deployment Monthly Reports between July 2001 and January 2002 detailing LIEE Rapid Deployment program activities, impacts and expenditures through December 31, 2001, as directed in D. 01-05-033.

PG&E will use the results of these studies and reports as appropriate to augment and refine future programs.

Utility Standardization

PG&E also participated in the Phase I, II and III Low Income Utility Standardization Project to develop a Statewide LIEE Policy and Procedures Manual and Statewide Weatherization Installation Standards. PG&E will continue to work with the other utilities, the Energy Division, and ORA on the Phase IV Utility Standardization Project to study carbon monoxide testing and refrigerator grounding and other studies as directed by the Commission.

Reporting Requirements Manual

The Assigned Commissioner Ruling dated April 28, 2000 directed the RRM Working Group to file a report revising the Reporting Requirements Manual (RRM) low income sections to standardize reporting requirements and administrative costs. The RRM Working Group includes PG&E, San Diego Gas and Electric Company (SDG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), the Energy Division, ORA, and other interested parties. The RRM Working Group filed the Phase I RRM Report on October 2, 2000. D. 01-03-028 adopted the revised reporting requirements and directed that they be used by the utilities to report the results of the PY 2000 LIEE programs. The RRM Working Group has filed two revisions since filing the first report: the Phase II RRM Report on April 9, 2001 incorporated definitions from the Bill Savings Report filed March 15, 2001, and the January 10, 2002 RRM Report revised RRM sections in compliance with the Commission's directives in D. 01-12-020, Ordering Paragraph 11. The new RRM tables are included in this filing.

PG&E filed monthly reports detailing its PY 2001 LIEE Rapid Deployment activities. PG&E worked with SDG&E, SCE, SoCalGas, the Energy Division, and ORA to develop a common set of monthly reporting tables in compliance with D. 01-05-033, Ordering Paragraphs 2 through 7.

In February 2002, PG&E, SDG&E, SCE, SoCalGas, the Energy Division, and ORA determined that the measure installation date would be the basis for reporting PY 2001 LIEE activities and expenditures. This means that all measures installed in December 2001 should be paid out of PY 2001 LIEE funds even if payment is not actually made until 2002.

PG&E counted a home as completed following installation of all measures installed by the weatherization contractor, although a home is considered treated⁴ as soon as it has received any service or measure under the LIEE program. PG&E's weatherization contractors installed all feasible LIEE program measures for which a home qualified *except* refrigerators and evaporative coolers, which were delivered and installed by a separate appliance contractor after the weatherization contractor's work was completed. Thus, a home that qualified for a refrigerator and/or evaporative cooler – and counted as treated in December 2001 – may not actually receive its refrigerator until 2002. All of these refrigerators and/or evaporative coolers will be installed in 2002 but funded out of the PY 2001 budget. These measures are reported as PY 2001 program commitments on the budget and energy/bill savings tables in this filing.

Bill Savings Report

On February 1, 2001, the RRM Working Group filed a Joint Utilities Low Income Energy Efficiency Program Costs Bill Savings Standardization Report (revised March 15, 2001) in compliance with D. 00-07-020, Ordering Paragraph 7.

⁴ A "treated" home is an income-qualified home that has received any measure or service under the LIEE program, including energy education, CFLs, weatherization and appliances. Under the LIEE program, a treated home must receive all feasible measures for which it qualifies.

PG&E, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company filed a second draft interim “Joint Utility Low Income Energy Efficiency 2001 Costs and Bill Savings Standardization Report” on April 30, 2002, in the Low Income Rulemaking proceeding, R. 01-08-027. The report calculates, compares and explains differences in the annual bill savings achieved by each utility for 1999, 2000 and 2001. In compliance with Ordering Paragraph 4 of D. 01-12-020, the joint report is incorporated by reference in this Annual Report. Monthly bill savings are reported by the utilities in their Monthly Rapid Deployment Reports.

Measure Savings Matrix

Ordering Paragraph 4 of the Assigned Commissioner Ruling Regarding Post-2001 Program Planning For Low Income Assistance Programs (February 27, 2002), ordered the utilities to “include in their Annual Report on LIEE activities, due May 1, 2002, comparative information on how the savings for each home was determined.” The utilities prepared this matrix and included it as Appendix A to the Joint Utilities’ Bill Savings Report, filed April 30, 2002, in the Low Income Rulemaking Proceeding.

Cost-Effectiveness Tests

PG&E included results of the Total Resource Cost Test (TRC), the Utility Cost (UC) Test and the modified Participant Cost (PC_m) Test for PY 2001 LIEE programs in Table 3.

In D. 00-09-036, the Commission stated its expectations that the RRM Working Group would develop specific modifications to the cost effectiveness tests for low income programs. The Low Income Public Purpose Test (LIPPT) Report was filed on April 9, 2001, as part of the RRM Working Group Phase II Report. In compliance with the directives of D. 01-03-028, the LIPPT incorporated non-energy benefits (NEBs) including comfort, health and safety into the cost-effectiveness testing methodology.

D. 01-12-020 adopted the NEBs proposed in the LIPPT report but ordered that the RRM Working Group and the Standardization Team work together to develop a methodology for incorporating them into the Participant and Utility Cost Tests to assess the LIEE program and individual measures.

The Joint RRM Working Group and Standardization Team Cost Effectiveness Subcommittee filed its report and recommendations for using the results of the UC and PC_m Tests to assess LIEE program and measure cost effectiveness on April 10, 2002.

Coordination with Hard-to-Reach Programs

In D. 00-07-017, the Commission ordered the Joint Utilities to increase their publicity and marketing efforts for single-family and multifamily Residential Contractor Programs to better reach under-served markets.⁵ As described by the Commission in D. 01-05-033, “the Hard-to-Reach program . . . targets the

⁵ D.00-07-017, issued July 6, 2000, Ordering Paragraph 18.

residential market that is hard-to-reach, based on the following: (1) language . . . (2) income – those customers who fall in the moderate (rather than high or low) income group, (3) housing type – multifamily and mobile home tenants, and (4) homeownership status – renters.”⁶

During 2001, PG&E made efforts and implemented policies designed to ensure that eligible low-income customers were able to participate in LIEE programs, yet still enabling the Company to effectively promote non-LIEE energy efficiency programs to hard-to-reach customers.

PG&E had several policies and procedures in place in 2001 to coordinate the delivery of LIEE and non-LIEE energy efficiency programs targeted to hard-to-reach customers so that the interests of low income customers were best served. The goal of this coordination was to ensure that all qualifying low income PG&E customers were aware of the no-cost measures and services available to them through the LIEE and CARE programs before deciding to participate in any other energy efficiency programs offering them the same or similar measures and services for a fee.

In 2001, PG&E successfully implemented its Hard-to-Reach program. This was an outreach program marketing residential energy efficiency programs and services to “hard-to-reach” customers, who are defined in the CPUC Policy Manual for 2001 programs as “residential and non-residential customers who do not have easy access to program information or generally do not participate in energy efficiency programs due to language, income, housing type or home ownership.”

The Hard-to-Reach program reached targeted customers by using local implementers such as community-based organizations (CBOs), faith-based organizations (FBOs), local government agencies, and other community or ethnic groups that have established ties with this sector.

PG&E anticipated that targeted Hard-to-Reach program outreach efforts might also reach some customers who could potentially qualify for the LIEE and CARE programs. As part of its outreach and education efforts, PG&E required contractors implementing both LIEE and non-LIEE Hard-to-Reach customer programs to provide information on available low income as well as non-low income energy efficiency programs and assistance on how to participate. Hard-to-Reach contractors provided LIEE materials and CARE applications at their outreach events.

Energy-Related Hardship

The Energy-Related Hardship subsection describes how PG&E’s LIEE program attempted to mitigate Energy-Related Hardship according to the following definition:

⁶ D.01-05-033, issued May 3, 2001, p. 36, n.28.

Low income energy efficiency programs have been implemented in recognition of the limited financial resources and access that might hinder low income customer participation in conventional energy conservation programs. The intent was to create equity for customers who might not be able to take advantage of energy efficiency measures or otherwise manage their energy costs, thereby relieving the energy-related difficulties faced by low income customers. The following definition seeks to characterize “hardship” as it relates to customers participating in low income energy efficiency programs.

Energy-related hardship is defined as adverse impacts on the comfort, health, and safety of low income customers that can be mitigated by access to low income energy efficiency programs and services.

Within the context of this definition, the following adverse elements of hardship can be mitigated:

- *Comfort* - Ease energy-related stress resulting from inadequate control over ambient climate or temperature due to insufficient energy efficiency measures or uninformed decision making on energy use, thereby promoting effective energy management behaviors.
- *Health* - Enhance physical and mental well being through improved ambient temperature and increased dwelling unit protection from weather-related elements.
- *Safety* - Increase home and personal security through the application of energy efficiency measures.⁷

PG&E participated in the LIPPT study to develop a cost effectiveness test that incorporated these and other non-energy benefits (NEBs). The LIPPT Report was filed by the RRM Working Group on May 25, 2001, in compliance with D. 01-03-028, Ordering Paragraph 15. D. 01-12-020 adopted the NEBs, although not the LIPPT. D. 01-12-020, Ordering Paragraph 9 ordered the RRM Working Group together with the Standardization Team to apply the adopted NEBs to the Participant Cost Test and the Utility Cost Test.

The RRM Working Group and the Standardization Team formed a Joint Cost Effectiveness Subcommittee to develop a methodology for applying NEBs to the two tests. PG&E participated in the Joint Cost Effectiveness Subcommittee and filed the Subcommittee report describing the two tests developed on behalf of the Subcommittee on April 10, 2002. The cost effectiveness results reported in Tables 3 and 4 are consistent with the methodology developed by the Joint Cost Effectiveness Subcommittee.

⁷ Reporting Requirements Manual (RRM) Working Group – Revised RRM Sections for Low Income Assistance Programs, in R. 01-08-027, January 10, 2002.

Access to Programs Provided by Community-Based Providers

In D. 00-07-020, the Commission directed the utilities to report on the access of their low income program participants to programs provided by community service providers, consistent with the intent of the Legislature in Public Utilities Code § 381.5(a).

This section describes PG&E's referral system between the CARE program and Low-Income Home Energy Assistance Program (LIHEAP). PG&E met the requirements for the state to qualify for financial leveraging of federal funds. In addition, the system is in place for identifying the needs of LIEE program participants and directing them to CBOs and other low income community agencies that can address these needs are described.

The number of CBOs participating in the LIEE program as contractors or subcontractors as well as the percentage of units treated by CBOs and non-CBOs is reported in Table TA 6.

During 2001, PG&E actively pursued leveraging and outreach opportunities with other State and local agencies offering low income services, including the California Department of Community Services and Development (CSD) which provides LIHEAP services in California. In addition, PG&E continued to increase outreach and leveraging within the company, coordinating activities and advertising with other PG&E energy efficiency programs likely to reach low income customers and service providers. PG&E's LIEE contractors were required to leverage the LIEE program and report leveraging activities monthly.

PG&E also entered into an agreement with La Cooperativa Campesina, a group of CBOs targeting agricultural workers who had received funding from the California Department of Community Services and Development (CSD) as a result of the energy crisis. The CSD funded start up costs and customer education and PG&E provided refrigerators and compact fluorescent lamps. Based on this leveraged activity, La Cooperativa agencies were able to refer several thousand customers to PG&E who were eligible for refrigerators and CFLs.

PG&E employees regularly made presentations about the Company's Low Income and Hard-to-Reach programs to the media and at community events throughout the PG&E service area. These presentations were used to educate consumers about energy efficiency and inform them about assistance programs and opportunities available to them through PG&E. PG&E employees made over 145 presentations about LIEE and CARE in Spanish, Chinese and other languages.

Attachment A summarizes PG&E leveraging and outreach activities during 2001.

Bill Savings

This section discusses updates to the variables and calculations used in preparing the applicable standard tables in the Technical Appendix for this program area.

PG&E, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company filed a second draft interim “Joint Utility Low Income Energy Efficiency 2001 Costs and Bill Savings Standardization Report” on April 30, 2002, in the Low Income Rulemaking proceeding, R. 01-08-027. The report calculates, compares and explains differences in the annual bill savings achieved by each utility for 1999, 2000 and 2001. In compliance with Ordering Paragraph 4 of D. 01-12-020, the joint report is incorporated by reference in this Annual Report. Monthly bill savings are reported by the utilities in their Monthly Rapid Deployment Reports.

Shareholder Performance Incentives for Low Income Activities

Utilities are eligible for shareholder incentives based on the criteria described below. PG&E is not eligible for shareholder incentives for 2001 low income activities and makes no claim for PY 2001 earnings in this AEAP. PG&E makes its second claim for shareholder incentives earned for 2000 low income activities in this AEAP.

Shareholder Incentives for 2001 Low Income Activities

The 2001 LIEE program provided shareholder incentives based on the PY 2001 LIEE shareholder incentive mechanism adopted in D. 01-06-082.

The shareholder incentive provided a flat 2% management fee on actual LIEE program expenditures, not including shareholder earnings, provided that the Minimum Performance Standard (MPS) was achieved during calendar year 2001. The MPS was equal to 100% of the first-year savings goals for Big Six measures, as verified with actual program participation levels in the AEAP. PG&E’s MPS for the 2001 LIEE program was 2,139,056 kWh and 1,198,319 therms. For purposes of this incentive mechanism, the Big Six measures consisted of attic insulation, caulking, weather stripping, low flow showerheads, water heater blankets, and door and building envelope repairs which reduce infiltration.

Recovery of LIEE incentives takes place over two equal installments. The first 50% installment will be handled in the first AEAP proceeding in which the Commission conducts an assessment of actual program participation levels and expenditures for PY 2001. The remaining 50% of the earnings claim will be authorized for recovery in the AEAP proceeding following the completion of a first-year load impact study for PY 2001. The load impact study will not affect the amount of earnings claim recovery, but rather will be used to guide future program development.

PG&E did not achieve its MPS during 2001 and thus requests no shareholder incentives for 2001 LIEE activities.

Second Claim Shareholder Incentives for 2000 Low Income Activities

The 2000 LIEE program provided shareholder incentives based on the PY 2000 LIEE shareholder incentive mechanism adopted in D. 00-09-038.

For expenditures on required items that either produced no energy savings (such as furnace repair and replacement) or that were difficult to measure (such as energy education), the utility continued to earn a percentage of expenditures. The total earnings for this portion of the mechanism are 25 percent. Twenty-five percent of the forecasted earnings divided by the forecasted budget determines the percentage for earnings that are then applied to the actual 2000 expenditures for energy education and furnace repair and replacement.

For measures that produce energy savings, the shareholder incentive is paid on a per measure basis, proportional to the forecasted savings generated by each measure. Each utility created a table of measures and corresponding incentive amounts using the remaining 75 percent of the forecasted earnings for PY 2000 as a basis to establish table entries.

PG&E requested \$0.82 million in shareholder incentives for 2000 LIEE activities to be recovered from rates in two installments. The first installment of 50 percent (\$0.41) was requested for recovery in 2002, with the remainder (\$0.41) to be recovered in the 2002 AEAP, following completion of the program evaluation.

The PY 2000 Statewide LIEE Impact Evaluation was completed and filed on May 1, 2002 on behalf of the Joint Utilities by Southern California Edison Company, fulfilling the requirements for claiming recovery of the second shareholder installment. PG&E therefore requests recovery of \$0.41 in earnings for the 2000 LIEE program to be recovered in 2003.

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FOR PROGRAM YEAR 2001
TECHNICAL APPENDIX**

May 2002



Pacific Gas and Electric Company

TECHNICAL APPENDIX

LOW INCOME ENERGY EFFICIENCY

Low Income Energy Efficiency (LIEE)

Reporting Requirements Manual

The Assigned Commissioner Ruling dated April 28, 2000 directed the RRM Working Group to file a report to revise the Reporting Requirements Manual (RRM) low income sections to standardize reporting requirements and administrative costs. The RRM Working Group includes PG&E, SDG&E, SCE, SoCalGas, the Energy Division, ORA, and other interested parties. The RRM Working Group filed the Phase I RRM Report on October 2, 2000. The RRM Working Group has filed two revisions since filing the first report: the Phase II RRM Report on April 9, 2001 incorporated definitions from the Bill Savings Report filed March 15, 2001, and the January 10, 2002 RRM Report revised RRM sections in compliance with the Commission's directives in D. 01-12-020, Ordering Paragraph 11. The new RRM2 technical appendix tables are included in this section and describe LIEE program cost estimates used for cost effectiveness, LIEE cost elements, program detail by housing type and heating source, and program detail by measure.

Cost-Effectiveness Tests

PG&E includes results of the Total Resource Cost Test (TRC), the Utility Cost (UC) Test and the modified Participant Cost (PC_m) Test. The UC and PC_m Tests incorporate non-energy benefits, as directed in D. 01-12-020, Ordering Paragraph 9.

In D. 00-09-036, the Commission stated its expectations that the RRM Working Group would develop specific modifications to the cost effectiveness tests for low income programs. The LIPPT Report was filed on April 9, 2001, as part of the RRM Working Group Phase II Report. In compliance with the directives of Decision 01-03-028, the LIPPT incorporated non-energy benefits (NEBs) including comfort, health and safety into the cost-effectiveness testing methodology.

D. 01-12-020 adopted the NEBs and, in Ordering Paragraph 9, directed the RRM Working Group and the Standardization Team to:

“...evaluate the Low Income Energy Efficiency (LIEE) program and individual measures by calculating both the participant cost test and utility cost test, including in that calculation the non-energy related benefits developed by the RRM Working Group.”

The Joint RRM Working Group and Standardization Team Cost Effectiveness Subcommittee filed its report and recommendations for using the results of the

UC and PC_m Tests to assess LIEE program and measure cost effectiveness on April 10, 2002.

PY 2001 LIEE Program Achievements

The energy savings for the PY 2001 LIEE program are based on the results and subsequent analysis of the measurement and evaluation study titled “First Year Load Impact Study of the 1998 Low Income Energy Efficiency Programs for PG&E, San Diego Gas and Electric Company, Southern California Edison Company and Southern California Gas Company” (April, 2000).

PG&E treated 37,935 dwellings in PY 2001, achieving a total of 14,859 mWh and 0.62 mTherm (million Therm) savings.

PY 2001 LIEE energy savings by program element include:

Compact fluorescents lamps	9,809 mWh	
Refrigerator replacement	3,126 mWh	
Infiltration and space conditioning	399 mWh	0.14 mTherms
Water heating		0.37 mTherms