




A  Sempra Energy utility

FAMILY ELECTRIC RATE ASSISTANCE PROGRAM ANNUAL REPORT

2005 Results

May 1, 2006

INTRODUCTION:

The purpose of this annual report is to provide information on San Diego Gas & Electric Company's (SDG&E) Family Electric Rate Assistance (FERA) program¹ and to report on the administration and subsidy costs incurred by the program in its second year of operation. The California Public Utilities Commission (Commission or CPUC) in Decision (D.) 04-02-057, dated February 26, 2004, adopted the FERA program whereby qualifying lower-middle income large household participants are charged Tier 2 (101% - 130% of baseline) electricity rates for their Tier 3 (131% - 200% of baseline) usage. The FERA program was available to households of three or more persons with total income levels between 175% and 250% of the federal poverty guidelines (FPG) between January 1, 2005 through October 31, 2005. On November 1, 2005, income eligibility guidelines were changed to between 200% and 250% of the federal poverty guidelines in accordance with D. 05-10-044.²

SDG&E's FERA program implementation plan utilizes the existing protocols and procedures already developed and adopted by the Commission for the California Alternate Rates for Energy (CARE) Program. These existing protocols and procedures relate to outreach practices, enrollment, verification, and recertification activities. SDG&E uses one dual application for both the CARE and FERA program.

In Advice Letter 1756-E-A, dated January 12, 2006, SDG&E submitted revised electric tariffs to the CPUC, i.e., Tariff Schedule FERA which sets forth the income eligibility requirements for the program which were effective as of February 1, 2006, and revised Schedule EECC (Electric Energy Commodity Cost) effective date January 1, 2006 to reflect that customers on the FERA tariff would be charged Tier 2 commodity rates for their Tier 3 usage.

¹ Originally referred to in D. 04-02-057 as the Middle Income Large Household Program.

² See D. 05-10-044, Ordering Paragraph 3.

SAN DIEGO GAS & ELECTRIC COMPANY'S REPORT FOR THE FAMILY ELECTRIC RATE ASSISTANCE (FERA) PROGRAM

January 1, 2005 through December 31, 2005

I. Participant Information

A. Provide the total number of FERA customers by month, for the reporting period.

See Table 1.

Table 1		
2005	FERA Enrolled¹	FERA Receiving Tier 3 Benefit¹
January	3,138	1,063
February	3,309	990
March	3,535	996
April	3,847	938
May	4,259	1,146
June	4,540	1,450
July	4,688	1,709
August	4,852	2,035
September	5,297	2,158
October	5,398	2,063
November	5,406	1,773
December	5,005	1,831

Notes:

¹ Does not include sub-metered tenants.

B. Provide the total number of FERA-eligible households, FERA-participating households, and FERA household penetration rates by quarter.

See Table 2 below.

Table 2			
FERA Penetration Rate			
2005 Quarter Ending	(Estimated) FERA-Eligible Households	FERA-Participating Households ¹	FERA Household Penetration Rate ²
March 31	71,788	3535	4.9%
June 30	72,033	4540	6.3%
September 30	72,252	5297	7.3%
December 31	46,509	5005	10.7%

Notes:

¹ Does not include sub-metered tenants.

² FERA Household Penetration Rate is calculated by dividing FERA Participating Households by FERA-Eligible Households.

C. Discuss how the estimates of current FERA-eligible households were developed.

SDG&E used a customer information system count of residential customers within its territory as the basis for estimating FERA eligible customers

Residential Customers **Per Quarter 2005**

March: 1,177,083

June: 1,181,102

September: 1,184,684

December: 1,189,042

The development of the estimate of FERA-eligible households was developed as follows: Step One – to multiply the residential customers by the factor in the Annual Eligibility Update for CARE/FERA³, which is .060988 for the first three quarters of 2005. Step Two - to multiply the 4th quarter residential customer count by .039115. The smaller factor represents the change in income eligibility associated with the Winter Initiatives efforts that started November 1, 2005. The increase to 200% of the Federal Poverty Guideline (FPG) contributed to the reduction in Estimated FERA Eligible Households. See Table 2 above for results.

D. Provide the current FERA sub-metered tenant counts at year-end.

Year-end sub-metered activity totaled 105 tenants.

³ Report provided by our consultant John Petersen of Athens Research.

E. Discuss any problems encountered during the reporting period administering the FERA program for sub-metered tenants and/or master-meter customers.

SDG&E did not experience any difficulty administering the FERA program for sub-metered tenants or master-metered customers.

II. Program Costs

A. Discount Cost

State the average monthly FERA discount received, in dollars per FERA customer.^{1, 2}

In 2005, the average monthly discount for a FERA customer receiving the benefit was \$2.35 per customer.

Notes:

¹Does not include sub-metered tenants.

²Does include all enrolled customers who have received a discount in any month.

2. State the cumulative annual discount for all FERA customers¹.

In 2005, the cumulative annual discount for all FERA customers was \$43,775.

B. Administrative Cost.

1. Show the FERA Program's administrative cost by category.

See Table 4

Table 4	
FERA Program Administrative Costs by Category and Benefits	
Category	Cost
Outreach (Capitation)	\$ 144
Processing, Certification, and Verification	\$ 20,778
General Administration	\$ 7,672
TOTAL PROGRAM COSTS	\$ 28,594
CUSTOMER BENEFITS	\$43,775
TOTAL PROGRAM COSTS & CUSTOMER BENEFITS	\$72,369

2. Explain what is included in each administrative cost category.

Category	Description
Outreach (Capitation)	Includes costs paid to Capitation Contractors for each contract invoiced and paid in 2005.
Processing, Certification, and Verification	Includes costs associated with Staff labor application processing, training, programming labor, and sub-meter certification.
General Administration	Includes costs associated with program management labor (including pensions and benefits), office supplies, market research and information technology (technical support and software licensing).
Customer Benefits	Includes costs associated with rate discounts.

3. Explain how costs of joint CARE/FERA activities are charged to each program.

As directed by the Commission, the FERA program was implemented using "...existing protocols and procedures already developed and found reasonable for CARE or other programs, to the extent feasible⁴." Since the CARE and FERA programs share a joint application, SDG&E leverages program management and processing functions with the CARE program.

Although the programs were coordinated within the same group, every effort was made to ensure that FERA costs were charged and tracked separately from the CARE program. SDG&E uses a program specific internal order (IO) to charge FERA cost associated with administering the program. Only incremental costs that would not have been incurred by the CARE program were charged to the FERA program. For example, the design cost associated with changing the CARE applications to include FERA was charged to the FERA program. However, because SDG&E did not increase the number of CARE/FERA applications printed for FERA outreach efforts, the cost of printing remained with the CARE program. Allocations for program management and processing time were determined and charged to the FERA program. These allocations are reviewed on an ongoing basis to ensure the programs are charged appropriately.

⁴ Decision 04-02-057 pg. 56.

C. Provide the year-end December 31 balances for the FERA balancing account for both the current and prior reporting periods.

For 2005, the second reporting period, there was \$72,369 in FERA costs applicable to the FERA sub account in the Baseline Balancing Account (BBA). These costs include \$43,775 for the customer benefits in rate discounts provided to customers from January through December 2005.

III. Outreach

A. Discuss utility outreach activities and those undertaken by third parties on the utility's behalf.

Annual Bill Insert – SDG&E's annual bill insert notification for the FERA program occurred in mid-July through mid-August 2005. The joint CARE/FERA application was used in order to leverage the programs and reduce cost to FERA. A total of 363 applications were received from this effort.

Customer Contact Employees – SDG&E offers the FERA program through the customer call center, bill payment offices and field services activities. Customer Service Representatives (CSRs) advise customers of the program whenever service is initiated, at customer request, and during other customer calls, e.g., credit and collection calls. Approximately 1,000 customers submitted applications after speaking to a CSR.

Interactive Voice Response (IVR) Information on Hold – The IVR message to customers waiting for help on telephone inquiries provides prompts and scripts about the FERA and CARE programs in both English and Spanish. Customers are able to request applications through the IVR process.

Direct Mail – In May 2005, SDG&E leveraged targeted direct mail efforts for CARE with the FERA program. A joint CARE/FERA direct mail piece was mailed to 30,000 SDG&E customers utilizing census data information targeting potentially eligible customers in low-income areas. SDG&E received over 1,000 applications from this effort. Additionally, customers applying for the CARE program and whose income exceeded CARE eligibility guidelines were enrolled in FERA. Additionally, 200 customers applying for the CARE program and whose income exceeded CARE eligibility guidelines were enrolled in FERA program.

Collection Call – SDG&E provides an additional outbound telephone call with a follow-up letter to low-income customers faced with collection activity on their account. Information about the availability of payment arrangements and customer assistance programs is given, and the customer is urged to call SDG&E for more information. The call is directed to both FERA and CARE customers and customers identified as having a high probability of being low-income customers who are not on FERA or CARE programs.

Website – SDG&E's website provides information and applications for the FERA program. The downloadable application is a dual CARE/FERA application. In 2005, 140 customers submitted applications downloaded from the internet for FERA.

Capitation Contractors – Community based organizations (CBO's) that are contracted to offer CARE through the fee per application or Capitation Program with SDG&E also offer FERA using the dual CARE/FERA applications. The terms and condition of the contracts are the same with contractors receiving compensation of up to \$12.00 for each eligible applications received. There were 34 enrollments with 12 being invoiced and paid during program year 2005.

Community Events – SDG&E participated in 228 local community events starting in January 2005, throughout San Diego County to provide information on FERA and other assistance programs. Types of events included presentations to community groups, health and safety fairs, community resource fairs, along with several FERA sign up day's at faith based organizations. Many of the events were leveraged with the Lighting Turn In program targeted to seniors and other hard to reach residential customers.

Winter Initiatives - On October 27, 2005, the CPUC issued D.05-10-044, which adopted new income eligibility guidelines for the CARE and FERA programs.

SDG&E on November 1, 2005, launched its winter outreach campaign to expedite informing customers about the new adopted CARE and FERA guidelines. SDG&E notified customers of the changes through direct mail efforts (see Section V), news releases, mass media efforts, bill inserts and agency communication campaigns.

Submetered Apartments and Mobile Home Parks –FERA program informational packets were mailed to all managers/owners of sub-metered facilities during the CARE/FERA annual recertification in August 2005. Packets included bulletin board posters and FERA/CARE applications for their tenants. Additionally, the Senate Bill 920 mailing required for the CARE program, and completed in November of 2005, included FERA program information.

B. Discuss each of the following:

1. How FERA customer data and other relevant program information is shared within the utility, for example, between its LIEE and other appropriate low-income programs.

CARE – In addition to utilizing a joint CARE/FERA application, SDG&E uses CARE recertification and income verification documents received that are over the income limits for CARE but are eligible for FERA. SDG&E enrolled over 500 customers from CARE denied documents.

Energy Education for Low Income Program (EELI) –This program, implemented by SDG&E as part of its portfolio of low income energy efficiency programs (LIEE),

educates low-income customers about energy conservation and other utility programs and services, including FERA and CARE. Classroom education is provided through a network of local community based organizations. FERA/CARE applications are made available at all classes.

Low Income Energy Efficiency – SDG&E's LIEE program provides recipients of weatherization measures with in-home energy education, including FERA/CARE information and an opportunity to enroll in FERA/CARE.

2. Discuss barriers to participation encountered during the reporting period and steps taken to mitigate them.

SDG&E did not encounter any barriers to participation during the reporting period.

IV. Processing FERA Applications

**A. Processing Self-Certification and Self-Recertification Applications
(individually metered and sub-metered customers)**

1. Provide the number of utility and third-party FERA self-certification and self-recertification applications provided, received, approved, denied, pending/never completed, or duplicates for the reporting period.

See Table 5.

Table 5						
FERA Self-Certification and Self-Recertification Applications ¹						
	Prov ided	Received	Approved	Denied	Pending/Never Completed	Duplicates
Utility	N/A	3956	3667	73	0	216
Capitation	N/A	34	34	0	0	0
Other Third-Party	N/A	39	37	0	0	2
Total	N/A	4029	3738	73	0	218

¹Includes sub-metered tenants.

B. Processing Random Post-Enrollment Verification Requests

1. Provide the total number of verifications requested, received, approved, denied, pending/never completed, or duplicates, for the reporting period.

SDG&E evaluated the programming costs associated with the development of a random verification model for the FERA program, similar to the model used by the CARE program. Due to low program participation, SDG&E did not implement random verifications in 2005. Although, SDG&E was able to verify

150 CARE customers' eligibility for FERA using income documents received through the CARE random verification process.

V. Program Management

A. Discuss issues and/or events that significantly affected program management in the reporting period and how these were addressed.

As discussed in section III A of this report, the expansion of the CARE income guidelines changed the eligibility for FERA from 175-250 % of the FPL to 200-250%, and increasing the CARE income guidelines to 200% of the FPL. As a result the number of FERA eligible households was reduced by 25,743 and was 46,509 at year end.

Since the CARE program provides a greater benefit than the FERA program, SDG&E took proactive steps to enroll new CARE eligible customers participating in FERA onto CARE. SDG&E reviewed CARE income verification documents and previously denied CARE applications to determine if customers were eligible for CARE under the new income guidelines, if not then customers still have the option of being considered for the FERA program.. SDG&E also mailed letters to over 5,400 FERA participants notifying them of the increased guidelines for CARE. Through December, SDG&E had transferred approximately 400 customers from the FERA program to CARE.