

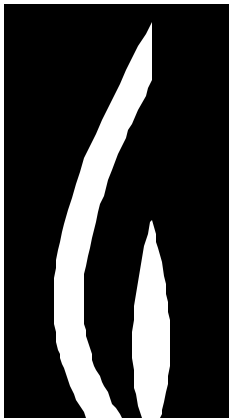
# Low Income Energy Efficiency Program

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**Annual Report**

**Program Year 2001**

**May 2002**



**Southern  
California  
Gas Company<sup>®</sup>**



A Sempra Energy<sup>SM</sup> company



# Low Income Energy Efficiency Program Program Year 2001 Annual Report

May 2002

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## 1. Executive Summary

### **Overview**

This report provides information on the costs and benefits of the Southern California Gas Company's 2001 Low Income Energy Efficiency ("LIEE") Direct Assistance Program ("DAP"). The report also provides the foundation for SoCalGas' Program Year 2001 ("PY2001") shareholder incentive earnings claim.

The DAP program provides low-income residential customers with energy efficiency services, energy education and furnace repair or replacement. During PY2001, the program weatherized a total of 33,046 homes, provide in-home energy education to 32,869 customers and/or households, repaired 397 furnaces and replaced 1,319 furnaces and 1,549 water heaters. In addition, 17,096 customers received energy education through 884 community workshops.

The DAP Training Center provides training to contractors in marketing of services, the installation of energy-efficiency measures and inspection of those installations. The Center provided 38 training classes to over 418 students during PY2001.

### **M&E and Regulatory Oversight**

Measurement and Evaluation activities consists of evaluating program performance as well as regulatory liaison and coordination. In PY2001, LIEE-related regulatory proceedings required a significant commitment of resources to prepare analysis, write testimony, briefs and comments, respond to data requests and attend workshops and hearings. The primary PY2001 M&E and Regulatory activities were primarily focused on Rapid Deployment and SBX1 5 activities, along with Standardization projects such as Program Process Evaluation, Needs Assessment Study, Cost Effectiveness Evaluation and Bill Savings.

### **Shareholder Earnings**

SoCalGas is filing for performance awards of \$439,553 for PY2001, to be collected in two installments, based on exceeding the Minimum Performance Standards.



## 2. Low Income Energy Efficiency

### ***Direct Assistance Program (DAP)***

#### **Program Description**

SoCalGas offers LIEE services through its DAP program. The program provides low-income residential customers with no-cost energy efficiency and conservation services including home weatherization, energy education and furnace repair or replacement. Weatherization services and energy education are provided to both renters and homeowners and include the installation of attic insulation, weather-stripping and caulking, low flow showerheads, water heater blankets, switch and outlet gaskets, faucet aerators, evaporative cooler vent covers, pipe insulation, and building envelope (minor home) repair. In-home energy education is provided to customers when their homes are weatherized. Additionally, qualified customers in the community are provided energy education through community workshops. Furnace repair or replacement services are provided to qualified homeowners with inoperable furnaces.

#### **SBX1 5 Program Expansion**

As a result of Senate Bill 5 from the First Extraordinary Session of the Legislature (SBX1 5), which was passed in April 2001, the State provided additional funding for low-income energy assistance to both the utilities and other state-funded programs. Resources from the State General Fund, which were allocated to the utilities, was managed and contracted through the California Public Utilities Commission (CPUC). In D.01-05-033, issued May 3, 2001, the CPUC directed the utilities to expand and rapidly deploy services associated with the LIEE Programs and provided direction for this program expansion. SoCalGas also incorporated program underspending from previous years, to further enhance the program budget, and provide delivery of services to the maximum number of eligible customers.

In compliance with the CPUC Decision, the DAP program increased the planned annual goals for Weatherization, Furnace and Energy Education workshops. Also, Water Heater replacements and duct sealing and testing were incorporated as new measures. The original, enhanced and total PY2001 planned goals are shown in the Table below.

In addition to enhanced goals and new measures, the utilities were encouraged to work with the California Department of Community Services and Development (DCSD) to explore and coordinate leveraging opportunities. SoCalGas was able to leverage funds

with the state’s Low-Income Home Energy Assistance Program (LIHEAP) providers by bulk purchasing water heaters. Bulk purchasing allowed SoCalGas to obtain the water heaters at a reduced cost and also supply appliances for both the SoCalGas and LIHEAP programs. Each program covered the installation costs, which afforded savings for both entities and allowed for service to additional customers.

SoCalGas also enhanced its outreach efforts during the program year with the development of new program outreach materials, utilizing the existing database information to provide contracting agencies with leads for appliance installations, increased media coverage, collaborative outreach efforts coordinated with the California Alternative Rates for Energy (CARE) program and participation in community events. Outreach activities are provided to the Commission monthly as an element of the Rapid Deployment Reporting mechanism.

**2001 Results and Achievements**

During PY2001, DAP weatherized 33,046 homes and provided energy education to the 32,869 residents of those homes. DAP provided an additional 17,096 customers with energy education through 884 workshops. DAP repaired 383 furnaces and replaced 2,818 furnaces and 1,549 water heaters.

Activity	2001 Original Plan	2001 RD Plan	2001 Total Plan	2001 Actual	2002 Plan
Homes Weatherized	22,500	9,973	32,473	33,046	32,700
Energy Education Participants					
In-Home	22,500	9,973	32,473	32,869	32,700
Workshops	725	275	1,000	884	725
Total EE Participants	11,250	3,750	15,000	17,096	10,000
Furnaces	3,000	1,000	4,000	3,201	3,000
Water Heaters	0	1,500	1,500	1,549	2,000
Duct Testing & Sealing	0	3,375	3,375	0	N/A

No specific Duct Testing & Sealing Goal was specified for PY2002.



## **2002 Planned Goals**

The CPUC held a Pre-Hearing Conference on February 8, 2002, to assess whether rapid deployment strategies adopted in D.01-05-033 should continue through PY2002. At this conference, the proposed program budget and goals were presented for consideration. During PY2002 SoCalGas and Southern California Edison ("Edison") jointly plan to continue the Inter-Utility Agreement between them to provide collaborative delivery of services. SoCalGas' PY2002 goals, as shown in the table above, include the weatherization of 32,700 homes, providing 42,700 customers with energy education (both in home and via workshops), installation of 2,000 water heaters, and repair or replacement of 3,000 furnaces. These enhanced goals will focus on continuation of the rapid deployment of energy services to the maximum number of limited customers.

To enhance enrollment and delivery of services to the hard-to-serve rural customers in Kern and Imperial counties, a Rural Outreach Project is planned to emphasize recruitment of agencies and organizations servicing the Hispanic and Latino communities. These organizations will be enlisted and trained through a series of public meetings that will be held in their respective service areas. They will be enlisted in the "Help Us Help" campaign to promote the programs and services and refer clients to the appropriate organization for the provision of energy-related programs, assistance and services. To monitor the success of this project, participating agencies will be surveyed regularly in order to determine the number of contacts and referrals they have made within their community.

SoCalGas also plans a collaborative effort with Edison on development of an enhanced in-home Energy Education component and Resource Guide. This dual utility project is being designed to increase customers' energy efficiency measure knowledge and encourage customers to be aware of, and change, their energy behaviors for both gas and electric energy usage.

## ***Direct Assistance Program (DAP) Training Center***

### **Program Description**

The Direct Assistance Program Training Center ("Center") provides training to contractors in outreach and marketing of program services, the installation of energy efficiency measures and inspection of those installations. The Training Center was developed in the early 1980s as a joint effort with the U.S. Department of Energy, the State Department of Economic Opportunity and a consortium of community agencies. The Center offers courses in outreach and assessment, weatherization, and building envelope (minor home) repair. The objective of the Center is to ensure that employees of community and other organizations are well trained and provide quality service to the Company's customers.

**2001 Results and Achievements**

During PY2001, SoCalGas trained 418 students, which consisted of Community Agency personnel, Edison and SDG&E Inspectors and California Conservation Corps personnel. The Training Center also hosted a training class in July, conducted by an outside consultant, which covered duct sealing and testing. There were 14 representatives, from installing agencies, who attended this class. The classes offered and number of students for PY2001 is shown below.

Class	# of Classes	# of Students
Outreach & Assessment	13	178
Basic Weatherization	13	144
Minor Home Repair	9	69
Mobile Home	3	27
Total	38	418

## **2002 Plans**

The Training Center plans to continue offering classes based on contractor needs for PY2002. Outreach and Assessment training will be reviewed to incorporate a stronger focus on customer marketing and interaction. A new photo ID system, which will allow for better identification of Outreach, Field and Inspection personnel by incorporating a card numbering system will be included as a new element of the Training Center contractor tracking system. The photo ID cards will also be redesigned in appearance so customers can read them without difficulty and better identify the program and contracting organization.

## ***Regulatory Compliance and Oversight and Measurement and Evaluation***

In support of Public Utility Code Sections 327 and 381.5, SoCalGas supplies delivery of weatherization services through predominately local community service providers, many of which also contract with the state under California's Low-Income Home Energy Assistance Program (LIHEAP). This allows leveraging of funds and services from both the utility and state programs and provides the customer with a one-stop-shopping selection of services to better meet their energy needs. During PY2001, SoCalGas increased the planned weatherization goal by almost 10,000 units and also incorporated water heater replacement into the range of services available. Year-end goal attainment exceeded the enhanced plan as a result of enhanced outreach, collaborative efforts and in-house lead generation.

Collaborative efforts were also a focus between the primary California investor-owned utilities (IOUs) and the Energy Division during PY2001 in addressing program services, impacts and effectiveness. These projects included a standardized approach to assessment of the programs via a Process and Impact Evaluation, Customer Needs Assessment, Measure Cost Effectiveness Evaluation and comparative Bill Savings report.

### **Process and Impact Evaluation**

In accordance with the Joint Recommendation on PY2000 LIEE Program Shareholder Incentive Mechanism, the four investor-owned utilities, with input from the Energy Division, retained a third party consultant to complete an evaluation and analysis of the LIEE program(s). This evaluation was intended to provide feedback to each utility for making operational improvements and offer recommendations for achieving operational efficiencies. The evaluation will include an assessment of marketing and outreach efforts, customer satisfaction, effectiveness of energy education, quality assurance procedures, staffing and coordination with other low-income programs. It provided insights to assist the utilities in evaluating and implementing improvements associated with program quality, cost efficiencies, customer satisfaction and to help achieve a greater degree of standardization in delivery of the programs.

This project also includes an impact evaluation to determine first-year gas and electric impacts of the program, utilizing a billing analysis approach for installations during PY2000. The two types of billing analysis, models developed and integrated to assess impacts, were models using all PY2000 program participants with adequate billing data plus a control group consisting of all PY1998 participants with adequate billing data and; models using a subset of PY2000 program participants who were administered a telephone survey. Volume I, Impact Evaluation of the 2000 Statewide Low-Income Energy Efficiency (LIEE) Program Report, Study ID Number 576, was finalized April 2, 2002.

### **Needs Assessment**

The CPUC is directing a Low-Income Needs Assessment Project to establish market potential for both the CARE and LIEE programs. The project is being conducted in two phases. Phase I is a scoping study designed to assess the focus of the needs assessment, to identify data sources that can be used in the assessment of needs and to design a means of collecting data that is not already available. Phase II will involve the execution of the needs assessment, including the analysis of existing data and the collection and analysis of additional primary data.

The primary focus of Phase I of this study is to assess the currently available data on key program information needed by CARE and LIEE program planners to effectively plan future program efforts and to design a means of augmenting these data with additional primary data collection activities. It will develop indicators of the potential for low-income programs, to identify key characteristics of the low income community to be analyzed, to define specific needs, concerns and perception to be evaluated, to assess the ability of existing information to serve the purposes, identify new data that will have to be collected and develop a detailed work plan and comprehensive request for proposals for the analysis to be conducted under Phase II.

Phase II will focus on obtaining and analyzing Census and other data, conducting on site surveys, developing estimates of market potential for CARE and LIEE, characterizing the eligible population, identifying needs and concerns of the eligible population and presenting recommendations on how the Phase II results can be used to improve program implementation and developing a method of tracking penetration over time.

### **Cost Effectiveness Evaluation**

Ordering Paragraph 9, Decision 01-12-020 requires that the utilities evaluate the LIEE program and individual measures by calculating both the participant cost and utility cost test, including non-energy related benefits developed by the RRM Working Group in the calculations. The RRM Working Group and Standardization Project Team were directed to jointly develop recommendations on how each of these tests should be considered in making final measure selections or in evaluating the overall effectiveness of the LIEE program and provide an explicit method for addressing the 'gross versus net costs' and savings issue in measure and program evaluation. For equitable comparison across utilities, SoCalGas and SCE shall be considered as a single utility as this approach was used in the bill savings assessment.

### **Bill Savings**

In Ordering Paragraph 7 of D.00-07-020, the CPUC directed the utilities to jointly develop standardized methods for producing data on bill savings and expenditures for LIEE programs for an overall program and per unit basis, by utility. The methods used to produce the information were to be consistent with the methodologies used to evaluate energy efficiency costs and savings in the Annual Earnings Assessment Proceeding (AEAP). The utilities were to coordinate with the Energy Division on all aspects of methodology design and implementation. The joint utilities filed a revised report on

Standardized Methods for Producing Data on Bill Savings and Expenditures for LIEE Programs on March 12, 2001. The report established recommendations for definitions of administrative and implementation costs and how costs were to be allocated to various categories. The report further established that the bill savings presented were the lifecycle net present value, saved by the installed measures in each dwelling unit, taking into account the number of measures installed, the energy rate, and the effective useful life of the measure.

### **Energy Related Hardship**

SoCalGas' LIEE program provides direct energy saving benefits through the installation of measures which reduce air leakage and drafts in the home, make the dwelling more secure, provide higher efficiency appliances, all which in turn allow the customers to reduce their energy usage and correspondingly decrease their utility bills. The program's services also provide other indirect benefits associated with comfort, health and safety. Energy Education materials provide customers with information on how they can obtain a variety of services such as payment assistance, medical baseline, third-party notification and enrollment in CARE. Workshops focus on the education and the correlation between energy behaviors and the usage and cost of energy. Understanding of this correlation provides customers with the knowledge they need to take more control over their utility bills.

The new Utility Cost Test and Modified Participant Cost Test used the quantification of these benefits, as filed in the "LIEE Program and Measure Cost Effectiveness Report" to capture the cost-effectiveness of the utility programs when non-energy hardship benefits are incorporated into the evaluation of true benefit to customers.

### **Community Based Organizations, Leveraging and Access to Community Services**

Over half of SoCalGas' LIEE participating program contractors are also Low-Income Home Energy Assistance Program (LIHEAP) providers. This affords the opportunity to leverage the services offered by both programs to our customers. The LIHEAP, and other LIEE contractors, are committed to supporting the rapid deployment process and providing more comprehensive services to each low-income household. All of the weatherization agencies/contractors are classified as either community-based organizations or Women, Minority and Disabled Veteran Business Enterprises (WMDVBE) certified. Almost one half of the appliance contractors providing furnace and water heater services in PY2001 also hold either CBO or WMDVBE status. The existing DAP database was utilized to provide contractors with potential leads for new furnaces and water heaters as well as identify those dwellings that had exceeded the 10 year limit.

SoCalGas supported the leveraging activities with LIHEAP agencies, providing water heaters to those who were not SoCalGas water heater contractors, but who could install them under the State program. In addition, SoCalGas worked with the California

Conservation Corps (CCC) to support distribution of program information when CCC conducted the statewide compact fluorescent lamp distribution over the summer. Information on all of SoCalGas' customer-assistance services, such as CARE, DAP, or payment arrangements, is provided at every turn-on, when a customer calls for payment arrangements, when they have a high-bill investigation, or when there is a potential for shut off of service. Eligible customer information is also provided to the CARE staff for automatic enrollment where possible and certification of post-enrollment verification.

In addition to the weatherization services offered by many participating agencies, other programs and services (from other funding sources) offered to customers include: the Home Energy Assistance Program (HEAP), Consumer Credit Counseling, Housing Programs, Food and Clothing Referrals, Job Assistance, Child Care, Transportation Services, Recycling Programs, Youth and Family Services, Senior Programs, Neighborhood Beautification, Computer Labs and Vocational Training, Homeless Centers, Legal Assistance, Head Start Programs, Handyman Programs, Drug and Domestic Violence Programs and Healthy Family Program as well as many other services. When outreached in the community or when applying for specialized assistance, the low-income customer is screened for all the services that are needed and/or for which the customer qualifies, including SoCalGas weatherization and appliance assistance.

## **2002 M&E Plans**

In 2002, the Edison M&E group will manage a comprehensive evaluation of the PY2001 LIEE program. As stated previously, a plan and budget were filed and accepted in late 2001 for evaluating the new Rapid Deployment measures. As indicated in the filed research plan and, in an attempt to inform and improve the PY2002 program design and PY2003 program planning efforts, the utilities find it prudent to include the evaluation of the new Rapid Deployment measures in a comprehensive review and evaluation of the entire PY2001 LIEE program. This overall evaluation will entail a process evaluation of the Rapid Deployment efforts as well as an impact evaluation of the existing LIEE measures. The objective is to assess process and customer satisfaction issues relating to Rapid Deployment. This effort will include a survey of samples of program participants statewide and interviews with statewide program administrators, implementers, CBOs, and contractors. As with the PY2000 process evaluation, the intent is to identify areas of best practice and provide recommendations for potential program improvements, with an emphasis on the Rapid Deployment efforts. A study research plan detailing these additional tasks along with the previously approved plan for evaluating the new Rapid Deployment measures was distributed in April 2002 to Energy Division and ORA staff, who will be working with the utilities to complete this evaluation effort.

To conduct the overall program evaluation, additional costs totaling \$125,435 will be incurred to cover evaluation of the existing LIEE program measures, conducting the process evaluation, and for expenses related to project management. Including the budget previously allocated to evaluate the new Rapid Deployment measures, the overall project budget totals \$300,435. The SoCalGas LIEE program will incur just over \$75,000 associated with this evaluation process.

## ***Shareholder Performance Incentive for Low Income Activities***

Using the mechanism adopted by the Commission, SoCalGas is requesting a shareholder incentive of \$439,553, payable 50% upon verification of earnings and 50% as a second claim in the 2003 AEAP. SoCalGas' first half earnings claim for PY2001 is \$219,777 in shareholder incentive, plus \$9,209 in interest and franchise fees and uncollectibles (FFU) for a total of \$228,986. SoCalGas is also requesting a shareholder incentive of \$105,751 representing second year earnings claim from PY2000, plus \$7,282 in interest and franchise fees and uncollectibles ("FFU") in the amount of \$2,157 for a total of \$115,190.



**TABLE 1.1**  
**SUMMARY OF COSTS: LOW-INCOME - SOCALGAS**

LIEE Programs	2001		2002
	Budgeted	Recorded	Budgeted
<b>Energy Efficiency</b>			
Gas Appliances	\$10,667,630	\$5,560,771	\$5,961,081
Electric Appliances	\$0	\$0	\$0
Weatherization Measures	\$19,798,565	\$11,508,939	\$20,644,641
Outreach & Assessment	\$0	\$1,716,929	\$1,893,800
In Home Energy Education	\$3,229,501	\$730,604	\$1,300,090
Education Workshops (see note)	\$0	\$0	\$0
<b>Total Energy Efficiency</b>	<b>\$33,695,696</b>	<b>\$19,517,243</b>	<b>\$29,799,612</b>
<b>Pilots</b>			
Attic Venting	\$0	\$0	\$0
<b>Total Pilots</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Training Center	\$355,946	\$207,217	\$223,602
Inspections	\$1,109,724	\$434,453	\$1,196,324
Advertising	\$129,500	\$124,708	\$21,140
M&E Studies	\$272,934	\$182,752	\$65,763
Regulatory Compliance	\$386,680	\$364,201	\$64,451
Other Administration	\$2,325,282	\$1,694,041	\$3,109,009
Indirect Costs	\$0	\$44,185	\$0
<b>Oversight Costs</b>			
LIOB Expense	\$15,000	\$0	\$0
CPUC Energy Division	\$29,500	\$28,060	\$25,000
<b>Total Oversight Costs</b>	<b>\$44,500</b>	<b>\$28,060</b>	<b>\$25,000</b>
<b>Shareholder Incentives</b>			
<b>TOTAL COSTS</b>	<b>\$38,320,262</b>	<b>\$22,596,860</b>	<b>\$34,504,901</b>

## Notes:

SoCalGas SAP Accounting System reports by Labor and Contract only.

Includes Base, Carry Over, SBX15 Funding.

In-Home Energy Education & EE Workshops shown as combined total.

Includes Appliance accrual account adjustment of -796,100 from the Revised December RD Report for Recorded Expenses.

Shareholder Incentives are determined in the AEAP and are not part of the program budget..

**TABLE 1.2**  
**SUMMARY OF LIEE PROGRAM EFFECTS - SOCALGAS**  
(Annual Energy Reductions)

LIEE	PY 2001 (Recorded)	PY 2002 (Planned)
mWh (kWh, 000's)	397	392
mTherm (therm, 000,000's)	762	1,014

**TABLE 1.3**  
**SUMMARY OF LIEE COST-EFFECTIVENESS - SOCALGAS**  
 (Ratio of Benefits Over Costs)

	PY 2001 (Recorded)			PY 2002 (Planned)		
	Utility Cost Test	Total Resource Cost Test	Modified Participant Test	Utility Cost Test	Total Resource Cost Test	Modified Participant Test
Low-Income Energy Efficiency	0.15	0.13	0.50	0.14	0.13	0.41

**TABLE 1.4**  
**SUMMARY OF LIEE COST EFFECTIVENESS - SOCALGAS**

(Net Benefits: \$Million)

Low-Income Energy Efficiency	PY 2001 (Recorded)		PY 2002 (Planned)	
	TRC	MPPT	TRC	MPPT
	0.13	0.50	0.13	0.41