Application No.: A.14-11-011

Exhibit No: ____________

Witness: Rendler, Daniel J.

Application of Southern California Edison Company (U 338E) for Approval of its Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets for Program Years 2015-2017.	Application 14-11-007 (Filed November 18, 2014)
And Related Matters.	Application 14-11-009 Application 14-11-010 Application 14-11-011

PREPARED REBUTTAL TESTIMONY OF DANIEL J. RENDLER
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

May 22, 2015

I. INTRODUCTION

The following rebuttal testimony regarding Southern California Gas Company's ("SoCalGas") Low-Income Program Application and Budgets for program years ("PY") 2015-2017 addresses intervener testimony filed on April 27, 2015. This rebuttal testimony focuses on policy-related issues and is intended to be complimentary to and supportive of the SoCalGas California Alternate Rates for Energy ("CARE") and Energy Savings Assistance ("ESA") Program rebuttal testimonies. Based on strong support for the majority of SoCalGas' proposals, with limited opposition, SoCalGas respectfully requests the Commission approve the proposed program years ("PY") 2015–2017 CARE and ESA Programs as put forth in the Application ("A") 14-11-011. SoCalGas remains committed to serving our low-income community through cost-effective and innovative programs that save energy, reduce costs and provide health, comfort and safety benefits.

The following sections of this rebuttal testimony focus on 3 areas:

1) Specific SoCalGas requests that were supported or not opposed by interveners;
2) Intervener proposals, and SoCalGas requests that were opposed or where interveners required clarification;
3) Conclusion.

II. SOCALGAS TESTIMONY SUPPORTED OR WITHOUT OPPOSITION SHOULD BE APPROVED AS REQUESTED

SoCalGas has reviewed intervener testimony and either received support for, or is not aware of any opposition to, a number of its proposals. As a matter of convenience, this section of testimony provides a list of such items taken from the Conclusion section of my Direct Prepared Testimony on policy-related matters. Seeing no opposition, and in many cases support, for the following proposals, SoCalGas requests the Commission explicitly approve in the final Decision to this proceeding the following for PY2015–2017 CARE and ESA Programs:

(1) Approve the proposed budget for the ESA Program of $119,310,646 for PY2015, $126,782,639 for PY2016, and $129,251,729 for PY2017 according to the costs presented by category in the Prepared Direct Testimony of witnesses Aguirre and Yao;

(2) In the event the Commission establishes a higher ESA Program homes treated goal than proposed by SoCalGas in this Application, approve additional funds per dwelling as discussed in the Prepared Direct Testimony of witnesses Aguirre and Yao to treat such homes;

(3) SoCalGas does not believe action should be taken at this time with respect to establishing a prevailing wage for ESA Program labor absent additional research and evaluation that could warrant establishment of prevailing wage conditions;

(4) Authorize net incremental funding of $2.6 million over 3 years for implementing a process to enroll customers into CARE through its Customer Contact Center;

(5) Unless otherwise requested, to continue the policies and rules for the CARE and ESA Programs;

(6) Approve further modification of the 3 Measure Minimum (“3MM”) rule to allow the installation of 1 or 2 measures by a single fuel utility following determination at the in-home assessment that 3 measures in total can be installed in combination with another ESA Program provider (although some parties propose going further and eliminating the 3MM rule);

(7) Allow the provision of energy education to all income-qualified customers and count education alone as a treated home, given the question of how to deliver energy education has been researched more fully and made available to program administrators for their understanding;

(8) Approve modification of the Targeted Self-Certification rule as applied to multifamily dwellings to allow owners of complexes to sign an affidavit that would qualify each of the dwellings for ESA Program treatment if the owners certify that 80 percent of the units are eligible for the ESA Program;

(9) Establish a mid-cycle working group, consistent with the approach conducted after the issuance of the PY2012–2014 decision, to work collaboratively to update the P&P Manual for changes authorized by the Commission for PY2015–2017;

(10) Provide the opportunity for ESA Program providers, mid-cycle, to file an Advice Letter in circumstances where the delivery of all feasible measures requires restatement of the homes treated goal, rebalancing of the energy efficiency portfolio, and performance of associated fund shifts;

(11) Extend the deadline for IOUs to submit the annual estimate of customers eligible for the CARE program from December 31 to February 12 of each year to accommodate the inclusion of meaningful information.

III. SOCALGAS ADDRESSES INTERVENER TESTIMONY AND ENCOURAGES APPROVAL OF ITS PREPARED DIRECT TESTIMONY

The following section addresses intervener proposals and SoCalGas requests that are opposed or where interveners required clarification.

A. THE ORA PROPOSAL TO DEFER A DECISION ON CARE PROGRAM BUDGETS OR FREEZE ADMINISTRATIVE BUDGETS IS

UNWARRANTED AND POTENTIALLY HARMFUL TO THE PROGRAM

The testimony of the Office of Ratepayer Advocates ("ORA"), witness Alice Glasner, requests that the Investor Owned Utilites[1] ("IOUs") proposed budgets not be adopted until proposed and past expenditures are provided in a "transparent and consistent" manner.[2] SoCalGas understands this proposal is associated with ORA's concern with transparency and consistency in the IOUs reporting of expenses. Assuming that SoCalGas understands the implications of this proposal – that the Commission reject all of the IOUs' CARE Applications and the programs continue to operate without an authorized budget – the ORA proposal is severe relative to the issue raised. SoCalGas submitted its proposed budget according to the manner directed in Attachment Q to Decision ("D.") 14-08-030 (Guidance Document for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets Application for the 2015 – 2017 Program Years, hereafter the "Guidance Document"), and consistent with the manner it has reported expenditures beginning with the 2012 program year (and currently in place). If consistent reporting between IOUs was a threshold issue in order to perform a reasonableness review of the proposals, ORA could not have been unaware of that condition, and the appropriate time to raise that would have been at the time of developing the scope and schedule to the proceeding, rather than requesting for such an effort to take place in the limited time between receiving ORA testimony and the submission of rebuttal testimony.

ORA has also performed discovery regarding the Application, and SoCalGas has responded to the questions on various topics to supplement the information already provided and

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[1] The IOUs consist of SoCalGas, San Diego Gas & Electric Company ("SDG&E"), Pacific Gas & Electric Company ("PG&E"), and Southern California Edison ("SCE").
[2] Report on the Consolidated Proceedings Regarding California Alternate Rates for Energy Program (CARE), dated April 27, 2015, p. 1-1, 2-2.

allow for parties to conduct the necessary review of its proposals. ORA had ample opportunity to determine if the SoCalGas proposals are prudent on the merits of its showing. ORA states "there is *no* consistency among the IOU applications in terms of which costs are organized in one budget category versus another; as a result, it is unworkable to track expenditures or compare performance between them." [Emphasis added.] ORA provides two examples using PG&E and SCE to illustrate differences in reporting costs in budget categories. SoCalGas is not aware of additional analysis in ORA's testimony. With these limited examples, ORA does not substantiate its assertion that there is "no consistency" among the IOUs applications, at least to the degree that would impede review of IOUs proposals and lead the Commission to abrogate determining the CARE program budgets. SoCalGas also is not aware of a requirement in the Guidance Document or the proceeding Scoping Memo[3] and Ruling of Assigned Commissioner and Administrative Law Judge that the IOUs proposals be evaluated as a comparative analysis and not upon their own merits.

The CARE Program is impacted negatively when it must operate without an authorized budget level. In such instances, administrators typically operate using the prior-year budget as a point of reference. However, management is challenged to make business commitments and decisions that may impact the budget -- given uncertainty about the eventual-authorized amount. As the CARE Program is experiencing challenges in enrollment relative to the goal of a 90 percent participation rate, operating without a budget is a suboptimal arrangement that can have negative ramifications.

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[3] Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge dated April 10, 2015.

More specifically for administrative costs, ORA proposes to freeze the budget at 2015 levels, and the Commission conduct a review prior to increasing this category.[4] ORA suggests that it cannot determine if administrative budgets are reasonable because the accounting / reporting is not consistent between IOUs.[5] To illustrate its point, ORA suggests there is one significant leap in proposed expenditures that is not sufficiently explained. For SoCalGas, ORA provides an example of Processing costs which is proposed to increase from approximately $1.3 million in 2015 to $2.8 million in 2016 and 2017.[6] In Sections III and IV of the CARE Rebuttal Testimony of Rudshagen and Yao, SoCalGas more fully addressed the reason for change in the proposed budget, but very generally as first discussed in their Prepared Direct Testimony, the proposed increase is primarily due to a new incremental expense to process CARE Applications using Customer Call Center – Customer Service Representatives.[7] SoCalGas notes that ORA and The Utility Reform Network ("TURN") were parties to a Settlement Agreement approved in D.14-06-036, whereby parties agreed that SoCalGas would make such a proposal, and the budget request was explicitly supported in the testimony of TURN witness Hayley Goodson.[8]

ORA does not provide evidence to warrant freezing administrative budgets at 2015 levels, which are essentially 2014 levels given that 2015 is (at least initially) considered a bridge year using the prior year budget. SoCalGas has provided information regarding each of its

[4] Report on the Consolidated Proceedings Regarding California Alternate Rates for Energy Program (CARE), dated April 27, 2015, p. 1-2, 2-4.
[5] *Ibid*.
[6] Report on the Consolidated Proceedings Regarding California Alternate Rates for Energy Program (CARE), dated April 27, 2015, p. 2-5.
[7] *See* Direct Testimony of Carmen Rudshagen and HughYao, beginning at p. CAR-71.
[8] Addressing Certain Proposals of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company Related to the California Alternate Rates for Energy Program, dated April 27, 2015, Prepared Testimony of Hayley Goodson, p. 26.

administrative cost budget categories in its testimony and workpapers;[9] therefore this proceeding is the time for ORA to conduct its review. This is also the time for the Commission to review and determine the reasonableness of this information, as a representation of funding needs. Freezing budgets at a level that was deemed appropriate for a prior program year is thus unwarranted given the availability of information, and not substantiated by ORA as a more accurate measure of funding needed during 2015 – 2017.

B. CHANGES TO CARE PROGRAM EXPENDITURE REPORTS SHOULD BE DONE FOR USEFUL INFORMATION

The testimony of ORA witness Glasner requests that IOUs report the full cost of all significant activities, and thus proposes changes to CARE Program expenditure reports to continue with the same categories but add additional "activity-based" reporting similar to Table B-4, which is an attachment to the IOU Applications, or redesign Table B-1 to be activity-based.[10] SoCalGas in its Table B-4 provided detailed information regarding outreach activities such as Direct Mail, Website Outreach, and Automated Voice Messaging campaigns, to name a few. SoCalGas in total provided information on 9 activities it conducts for its CARE customer outreach. Table B-1 is a primary financial reporting table containing CARE Program budget by major cost category.

The ORA proposal is based on a review of costs of all the IOUs in the post enrollment verification ("PEV") cost category. ORA suggests that budget accounting "may or may not include all of the costs associated with verification" and that for the PEV category the "content is unclear."[11] Neither information nor analysis is presented that would allow parties to better

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[9] *See* Direct Testimony of Carmen Rudshagen and Hugh Yao, Section I.K., pp. CAR-67-CAR-80.
[10] Report on the Consolidated Proceedings Regarding California Alternate Rates for Energy Program (CARE), dated April 27, 2015, p. 1-1, 2-2.
[11] Report on the Consolidated Proceedings Regarding California Alternate Rates for Energy Program (CARE), dated April 27, 2015, p. 2-2.

understand and/or validate ORA's observations; without support for its position it is not possible for the Commission to give weight to speculative concerns. It is certainly not clear from the information provided by ORA that "it is important to change accounting practices."[12] As further discussed in the CARE rebuttal testimony of SoCalGas witnesses Rudshagen and Yao, SoCalGas notes that its accounting system records CARE Program expenses with information that allows parties to understand the content of the charges to the various categories, including the PEV category.

Witnesses Rudshagen and Yao also provide background regarding current CARE reporting practices as directed by the Commission. The recent SoCalGas experience is that following D.12-08-044, the IOUs interacted with Commission Energy Division staff designated to review such reports[13] to discuss the reporting templates (generally, for monthly and annual reports), and to make adjustments where necessary to reflect cost categories for the program cycle beginning in 2012. In addition, the Tables provided by SoCalGas for its Application contain the information directed to be prepared by the Guidance Document from D.14-08-030. The reporting requirements are thus designated by the Commission, with SoCalGas appreciative of the opportunity to give input to ensure alignment between Commission Decisions and the subsequent program cycle reports. SoCalGas supports continued reporting in a manner that serves the Commission's needs.

ORA's concerns appear to have more to do with where costs are counted, but again it is not abundantly clear what need the recommended changes fulfills or whether they are warranted. ORA provides an example of how the CARE expenditure reporting can be modified in Table T-

[12] *Ibid*.
[13] See D.12-08-044, Section 6.3, p. 297.

1, noting that Information Technology ("IT") and General Administration costs are removed.[14] Essentially, cost categories that are support services and currently with their own cost category instead would be attributed to other functions (e.g., IT costs would be tracked between PEV, Outreach, etc.). However, ORA does not express the value of changing this approach other than the desire to perform comparative analysis between utilities. SoCalGas does not oppose changes to reporting practices where warranted, but ORA has not provided a demonstration of the value of changing Table B-1 as suggested by its Table T-1.

ORA also does not demonstrate the value of providing additional activity-based reports. Providing additional reports of that nature does not necessarily achieve the objective of reporting the full cost of all significant activities. Furthermore, not all utilities do the same activities, and activities may change over time in association with programmatic initiatives and/or needs. That being said, SoCalGas does not necessarily object to performing additional activity-based reporting, but recommends that proposals be evaluated on a case-by-case basis and pursued according to usefulness or need for information. The Commission and interested parties should consider that additional reporting requires resources and a sufficient budget, so it should be performed when useful and/or to meet accounting requirements.

SoCalGas therefore does not support the specific requests of ORA, and recommends that consideration of reporting changes be driven by discussions with the Commission's Energy Division staff to ensure any modifications meet their requirements, and/or findings in the regular course of program audits conducted by the Commission's Utility Audit, Finance and Compliance Branch ("UAFCB").

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[14] Report on the Consolidated Proceedings Regarding California Alternate Rates for Energy Program (CARE), dated April 27, 2015, p. 2-3.

As part of its rebuttal to ORA's request for reporting changes, and to give future consideration to additional activity-based reports, SoCalGas requests that the Commission in its Decision to this instant proceeding modify the schedule for monthly reporting activities. In D.01-05-033 Ordering Paragraph ("OP") 17, the IOUs were directed to file status reports on the rapid deployment efforts 60 days after the effective date of the decision. It is SoCalGas' understanding from that time the IOUs have been submitting monthly reports on the 21st day of the following month, after counting out the number of days from the effective date of that Decision. The current practice requires administrators to compile accounting and program activity information over a shorter time frame than the monthly reports prepared for Energy Efficiency Programs, which contain certain information that is similar to the ESA Program reports (monthly expenditures and energy savings from project installations). Due to the timing of monthly accounting closing activities, and the compilation of other program activities such as the results of outreach and skills training participation, having a full month to prepare this report will support staff interactions to develop and for management time to review the report prior to issuance. SoCalGas thus requests that the Commission in its Decision to this proceeding formally change the submission date of the Low Income Program monthly report to the first day of the following month, similar to the timing of reports for Energy Efficiency Programs. For example, a report that is due for January 2015 would be filed on March 1, 2015, to allow administrators a full month to complete the prior month's report. SoCalGas believes this will better support administrators work load with reporting and other program activities, and not be a significant change in the timing of submission.

C. SOCALGAS SUPPORTS TURN'S CONCLUSION THAT IREC's CLEANCARE PILOT PROPOSAL IS INCONSISTENT WITH PUBLIC UTILITIES CODE SECTION 739.1 AND SHOULD BE DENIED

In testimony, the Interstate Renewable Energy Council, Inc. ("IREC") witness Sara Baldwin Auck recommends that the Commission authorize IREC's CleanCARE proposal to re-direct CARE funds. Specifically, IREC proposes that:

> CleanCARE would allow eligible customers to choose to redirect the current CARE program funds associated with their rate discounts toward purchasing renewable generation from a third-party developer for the benefit of CARE-eligible customers.[15]

IREC witness Auck acknowledges that IREC's CleanCARE proposal was "also introduced into Rulemaking (R.) 14-07-002 regarding the successor tariff to the current net energy metering ("NEM") tariff as a way to promote growth in customer-sited distributed generation for "disadvantaged communities" and low-income energy consumers".[16]

SoCalGas supports efforts to offer affordable renewable energy options to low income customers. However, and consistent with TURN's position, IREC's CleanCARE proposal raises specific concerns regarding the compatibility of the proposal with this proceeding. In testimony, TURN argues that IREC's CleanCARE proposal should be denied because:

- The use of CARE program funds to support the CleanCARE program would violate state law.[17]; and
- Issues related to NEM should be addressed in R.14-07-002 which addresses the development of a successor Net Energy Metering ("NEM") tariff.

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[15] IREC Prepared Direct Testimony, at p. 4, lines 6-8.
[16] IREC Prepared Direct Testimony, at p. 2, lines 9-12.
[17] Prepared Direct Testimony of TURN, at p. 4, lines 12-18.

SoCalGas shares TURN's concerns because the use of CARE program funds to support the CleanCARE program would violate state law, as Public Utilities Code Sec. 739.1(b)(1) directs that the CARE program is intended to provide "a discount for low-income electric and gas customers."   IREC's CleanCARE proposal is not achievable until such time that the California legislature modifies the Public Utilities Code. SoCalGas also concurs with TURN's assessment that issues related to NEM should be addressed in R.14-07-002 because the NEW proceeding addresses the development of a successor NEM tariff. For these reasons, the Commission should deny IREC's CleanCARE proposal.

D. ESA PROGRAM FOCUS ON SERVICES THAT PROMOTE HEALTH, COMFORT AND SAFETY

The Center for Accessible Technology ("CforAT") in the prepared testimony of witness Dmitri Belser, asserts that "the ESA program must also continue to appropriately prioritize customer comfort and safety," and that "these benefits are particularly important to people with disabilities for several reasons."[18] Mr. Belser explains some of the reasons, and concludes that "even households that might not see substantial dollar savings (or contribute to energy savings goals) may well see an improved quality of life via comfort and safety through enrollment in ESAP."[19] SoCalGas shares the perspective of Mr. Belser with respect to customers with disabilities, and likewise requests the ESA Program continue to provide services which support the health, comfort and safety of these individuals. SoCalGas also requests this approach continue to be applied to all customers, not only customers with disabilities, as these program elements are an important part of providing full support to low income customers.

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[18] Prepared Testimony of Dmitri Belser Submitted on Behalf of The Center for Accessible Technology, dated April 27, 2015, p. 10.
[19] *Ibid,* p. 10.

Parties such as the ORA and Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership ("Joint Interested Parties") in their testimonies propose that the ESA Program orientation be focused on producing energy savings and measuring a higher cost-effectiveness.[20] SoCalGas also supports these sentiments in general, and in its Application proposed a portfolio that is projected to achieve both increased energy savings and cost-effectiveness results relative to recent annual achievements. In order to have a balanced ESA Program that can both meet the needs of all low income customer segments and promote reaching California's environmental goals, SoCalGas requests the Commission be mindful and not make changes to program features that serve the energy savings and cost-effectiveness objectives but may disproportionately impede the health, comfort and safety objectives. An example of this could be the establishment of a cost-effectiveness threshold that would require SoCalGas to *not* provide a number of its current measures to customers, such as minor repair to furnaces that are not in service, thereby restoring heating into customer dwellings. SoCalGas, as evidenced by its proposed portfolio, suggests that utilities should strive for programs that meet each of the ESA Program objectives.

E. SOCALGAS SUPPORTS CONTINUATION OF THE ESA PROGRAM GOAL THAT 15% OF ENROLLED HOUSEHOLDS INCLUDE A PERSON WITH DISABILITY

The testimony of CforAT witness Belser advocates retaining the existing goal that at least 15% of enrolled households in the ESA Program include a person with a disability.[21] The Commission has also acknowledged the importance of having and maintaining a goal which they

[20] See Report of the Office of Ratepayer Advocates on the Consolidated Proceedings Regarding Energy Savings Assistance Program (ESA), witness K.C. Watts-Zagha, dated April 27, 2015, generally at pp. 8 – 12. Also see Policy and Overview Testimony of Maria Stamas on behalf of the Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership, generally at Section III.A.

[21] Prepared Testimony of Dmitri Belser Submitted on Behalf of The Center for Accessible Technology, dated April 27, 2015, p. 3.

initiated in the 2009 – 2011 program cycle, and continued for the program cycle beginning in 2012.[22]

SoCalGas supports the CforAT proposal to retain the goal for the 2015 – 2017 period at the 15% level and has worked diligently over the last program cycle to meet this goal. As noted in Table 1 below, through the use of bill inserts, outreaching at special events and partnerships with groups such as the Deaf and Disabled Telecommunications Program, SoCalGas has improved moderately over the past 3 years and most recently met this goal in 2014.

Table 1: SoCalGas Disability Information 2012 - 2014

Year	Total Enrollments	Disability Enrollments	% of Disability Enrollments
2012	96,893	11,486	12%
2013	106,948	14,978	14%
2014	92,967	13,555	15%

F. SOCALGAS CONCURS WITH PARTIES' PROPOSALS TO ESTABLISH A MID-CYCLE WORKING GROUP AND FOR OPPORTUNITIES TO MAKE CERTAIN MID-CYCLE CHANGES

Multiple parties in testimony propose the use of a mid-cycle working group to address changes as needed for the ESA Program Installation Standards Manual, Policies and Procedures Manual, and to address mid-cycle policy and program offering changes.[23] This is consistent with the SoCalGas proposal in my Prepared Direct Testimony:

SoCalGas asks the Commission to establish a mid-cycle working group, consistent with the approach conducted after the issuance of the PY 2012 – 2014 decision, to work

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[22] See D.08-11-031, Ordering Paragraph 31, and D.12-08-044, Ordering Paragraph 117.

[23] See The Testimony of James Hodges on Behalf of The East Los Angeles Community Union, the Maravilla Foundation, and the Association of California Community and Energy Services, p. 3, The Prepared Testimony of Allan Rago on Behalf of the Energy Efficiency Council, pp. 2 – 3, and the Prepared Testimony of Cynthia K. Mitchell, Submitted on Behalf of The Utility Reform Network, pp. 21 – 22.

collaboratively to update the P&P manual for changes authorized by the Commission for PYs 2015 – 2017.[24]

SoCalGas concurs with parties that it is prudent to establish a Mid-Cycle Working Group for the cycle to discuss the topics proposed, including statewide installation standards, updating the Policy & Procedures and Installation Standards manuals, adding or retiring measures, other mid-cycle changes and/or policy recommendations. This group can also serve the Commission's needs for matters that are not possible to resolve in a timely way in the instant proceeding, by continuing to examine issues and preparing a report for Commission review and disposition.

SoCalGas offers that the format of the group for the program cycle beginning in 2012 was effective under the leadership of the Commission's Energy Division staff. The Working Group is an efficient process to make necessary adjustments in the ESA Program, from examining and discussing potential savings impacts of the ESA Program's measure mix, the introduction of new measures, a platform to discuss various strategies from overcoming barriers to participation to forming collaborative partnerships, and methods to improve and deliver communication to low income customers.

The testimony of TURN also proposes that IOUs propose mid-cycle changes to measures through Tier 2 Advice Letters, after conferring with the Mid-Cycle Working Group.[25] SoCalGas strongly supports the recommendation to allow for mid-cycle changes to measures. In the event new opportunities arise with regard to measure offerings, this could allow for meaningful mid-cycle program enhancements. SoCalGas also supports leveraging of the Mid-Cycle Working Group for a preliminary review and input regarding the contemplated measure proposals, but

[24] Prepared Direct Testimony of Daniel J. Rendler, p. 38.
[25] Prepared Testimony of Cynthia K. Mitchell, Submitted on Behalf of The Utility Reform Network, p. 22.

predicated on the condition that the Commission in its Decision directs the Mid-Cycle Working Group to hold ad-hoc meetings within a reasonable time frame to ensure the submission of proposals are not held up by the process. Requiring the group to meet within a month of a request from an IOU should be sufficient time to schedule a meeting, without delaying a desired filing. In the event the Mid-Cycle Working Group does not convene within 30 days of the request, the IOU should be allowed to submit its proposal (if desired). The Tier 2 Advice Letter process will still allow for public and Commission review of the proposed change to measure offerings, including members of the Mid-Cycle Working Group, and to determine if the proposal meets cost-effectiveness requirements, program energy savings goals, and/or other ESA Program policies, without hindering the timing for approval of possible program enhancements.

G. SOCALGAS COMPLIES WITH THE TIMING OF AUDITS AS PRESCRIBED BY THE COMMISSION'S UTILITY AUDIT, FINANCE AND COMPLIANCE BRANCH

The testimony of ORA witness Alexander Cole proposes the Commission conduct an audit for each Low Income Program funding cycle.[26] SoCalGas remarks that the frequency and timing of audits are determined by the UAFCB, and SoCalGas complies with the audit requirements to facilitate timely review and completion of such activities. SoCalGas notes that ORA witness Cole requests that auditing for the 2015 – 2017 cycle begin in 2016, and also remarks that "these audits should begin as soon as the 2016 program year is over."[27] Although the UAFCB will determine the timing for beginning its audit engagement, SoCalGas respectfully reminds all parties that financial and program activity information for a program year is considered final with the submission of the Annual Report on May 1 (of the following year).

[26] Report on the Consolidated Proceedings Regarding Energy Savings Assistance Program and California Alternate Rates for Energy, witness Alexander Cole, dated April 27, 2015, p. 2.
[27] *Ibid*.

Initiating auditing activities after that point in time ensures program evaluation will occur using final information for the most recently concluded year.

SoCalGas also notes its understanding that UAFCB practice is to publicly issue final evaluation reports, containing audit findings and associated recommendations and IOU follow up actions. ORA does not explain a need for additional administrative activities associated with evaluation reports, such as the filing of Advice Letters of Tier 2 or Tier 3 status, which would require the attention of Energy Division staff and possibly the full Commission. ORA has also not demonstrated there is a deficiency with the current process or explained the need for involvement of staff in addition to the branch responsible for the audit and addressing corrective actions.

H. PROPOSALS TO ESTABLISH AN ENERGY SAVINGS TARGET AND REMOVING PROGRAM RULES THAT INHIBIT TAILORED MEASURE OFFERINGS

The testimony of Joint Parties witness Maria Stamas proposes establishing an annual energy savings goal along with authority to tailor measure offerings to customer segments based on energy savings potential.[28] SoCalGas recommends the Commission should thoroughly evaluate the Joint Parties proposal prior to establishing a goal for the ESA Program. SoCalGas concurs with the sentiment that energy savings is an important element of the ESA Program, and has been mindful of that objective in proposing its portfolio for the upcoming years. However, as noted elsewhere in this rebuttal testimony, SoCalGas is also considerate of the program objectives to provide services associated with health, safety and comfort for low-income customers, and certain of such measures do not count toward energy savings. The development

[28] Policy and Overview Testimony of Maria Stamas on behalf of the Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership, p. 12.

of any ESA Program goal should reflect devotion of budget and services to address those dwelling conditions.

Other conditions are also pertinent. There is limited time left for ESA Program providers to serve all eligible and willing customers by 2020; the establishment of an additional goal for energy savings should not be at cross-purposes with treating homes. The Joint Parties also give recognition to program policies that have a bearing on energy savings achievements, such as the requirement to install all feasible measures.[29] Finding a balance between prudent policies and program objectives may comport to the development of "targets" or other metrics that can be leveraged to guide ESA Program provider proposals, rather than the employment of more firm goals at this stage.

SoCalGas also provides certain cautions; if the Commission chooses to establish an energy savings goal, portfolios should be offered that align with meeting such goals. SoCalGas is concerned if there is not alignment between the various program conditions, offerings and goals for energy savings, it may be necessary to review proposals and even potentially "re-balance" portfolios. It is important to give the proper consideration to existing requirements and objectives before settling on pathways such as additional and new goals to ensure customers continue to be served as intended.

I. THE COMMISSION SHOULD INITIALLY ESTABLISH A TWO YEAR (2016 – 2017) PROGRAM CYCLE, AND ALLOW PROPOSALS IN THE NEXT APPLICATION REGARDING PROGRAM CYCLE LENGTH

The testimony of ORA witness Watts-Zagha proposes the Commission convene a workshop to plan the length of the next program cycle. In addressing this issue, ORA expresses it would be most realistic to authorize the Low Income Programs for a term of at least four years

[29] Ibid, p. 14.

in this proceeding. ORA suggests that a longer program cycle can allow for program changes and improvement, and allow time to implement and review certain proposals.[30] As a condition of authorizing programs for a four year term, ORA would require IOUs to propose clear metrics and milestones for activities to allow for performance review in key areas and monitor the management of important activities, with Advice Letter compliance filings to be made at least every year to articulate progress.[31]

SoCalGas appreciates the consideration by ORA regarding the term, and the challenges posed by the likelihood that after 2015, five years remain to achieve the objective to serve all eligible and willing customers by 2020. As ORA notes, although plans may have contemplated program cycles with three year terms, the prior and current cycles are four years in length.

SoCalGas has concerns regarding the establishment of at least a four year term, which, if granted, would make the instant Application minimally cover program years 2015 – 2018. A primary deficiency is the absence of IOU proposals for PY 2018. SoCalGas is also concerned that extending the cycle will shorten the term of the final cycle. SoCalGas recommends aiming for the next Application to cover a three year period beginning in 2018 in the event IOUs encounter difficulties serving the remaining customer segment to meet the 2020 goal. In that event, should it be necessary to propose and implement new approaches to serve the hardest-to-reach customers, sufficient time will be available for implementation and deployment of such tactics.

Given recent terms have covered a span of four years, ORA has not demonstrated a need for additional Advice Letter compliance filings to be performed at least every year, or made a

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[30] Report of the Office of Ratepayer Advocates on the Consolidated Proceedings Regarding Energy Savings Assistance Program (ESA), witness K.C. Watts-Zagha, dated April 27, 2015, pp. 46 – 47.
[31] *Ibid*, pp. 47 – 48.

recommendation of additional metrics or milestones for evaluation at this time. The IOUs currently file monthly and annual reports containing metrics that allow for the monitoring of activities and progress which can serve this purpose.

SoCalGas does not believe a final determination of program cycle term needs to be made at this point in time. In its Direct Prepared Testimony, SoCalGas made the following proposal regarding program cycle term:

> *…Since PY2012-2015 are a discrete "program cycle," SoCalGas requests that the Commission make PY2016-2017 the first two years for determining the next cycle accomplishments and for fund shifting activity. Given the brevity of a two year period, SoCalGas proposes the Commission allow the utilities to review the program data and propose whether the PY2016-2017 should stand alone as a two-year cycle or be combined with years 2018 – 2020 as a five-year cycle in the next Application.*[32]

The benefit of the SoCalGas recommended approach is that IOUs can be directed to submit an Application at the end of 2016 for programs covering the 2018 - 2020 years, and can propose treatment either as continuation or to begin a new program cycle, depending on projected funding and/or programmatic change needs. This will provide all parties with flexibility in determining the most fitting approach

J. THE JOINT PARTIES ARE INCORRECT TO ASSERT THAT SOCALGAS DOES NOT COMPLY WITH COMMISSION ORDERS FOR MULTIFAMILY PROPOSALS

The testimony of Joint Parties witness Stamas claims that IOUs do not comply with D. 14-08-030 requirements in the Application for multifamily sector proposals, including new, cost

[32] Prepared Direct Testimony of Daniel J. Rendler, p. 9.

effective measures.[33] SoCalGas respectfully disagrees with Joint Parties representation of the SoCalGas proposal. Although the Commission adopted the studies in D.14-08-030, guidance is also provided regarding proposals for the Applications:

> *Parties have filed comments noting that some of the finding and recommendations of these studies and working groups' reports require further review and vetting and therefore are not actionable at this time…As discussed below, these studies and working groups' reports, as well as the findings and recommendations therein shall inform and guide the IOUs in their preparation of their 2015-2017 ESA and CARE Program applications…Some aspects of those issues or subject areas, including some of the related recommendations require further vetting, are not yet poised for full resolution at this junction and our review of those issues or subject areas should therefore be continued to the next cycle proceeding. Thus, on recommendations of the studies and working groups' reports for which (1) parties have raised objections or concerns and (2) we do not explicitly direct implementation of the specific recommendation in this decision, including the Attachment Q to this decision, we are specifically reserving those recommendations for further deliberation during the upcoming cycle.*[34]

The multifamily study recommendation regarding the provision of new, cost-effective measures for the multifamily sector, including common area measures and central heating,

[33] Policy and Overview Testimony of Maria Stamas on behalf of the Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership, p. 22.
[34] See D.14-08-030, pp. 56 – 57.

cooling and hot water systems were matters where concerns were raised. Furthermore, Attachment Q, the Guidance Document for the Applications, states the following on this matter:

> *(12) Multifamily Measure Offerings: Discuss if your utility will be proposing to offer common area lighting measures and/or other "new" measures to eligible and willing multifamily properties via the ESA Program? If so, discuss whether there is precedent or justification for a mechanism to pool or comingle ESA Program funds with MFEER and/or EUC-MF offerings or other energy efficiency, energy procurement or demand response programs to provide increased incentives for those programs for eligible low-income properties?*[35]

By the Guidance Document raising the question if the utility will be proposing to offer measures, it is clear that SoCalGas was to use the Multifamily Segment Study recommendation as a guideline for its proposal, and did not make a "clear violation of the mandate to propose new cost-effective measures within their ESAP applications."[36] In the testimony of witnesses Aguirre and Yao, SoCalGas discusses its efforts to leverage programs that address common area measures such as the Multifamily Energy Efficiency Rebates program, or Multifamily Energy Upgrade California - Home Upgrade Program, and through its partnership with the Los Angeles Department of Water and Power.[37]

SoCalGas does not agree that D.14-08-030 directed utilities to fund multifamily common area measures from the ESA Program. Rather, utilities were directed to discuss how they planned to integrate funding with other program funds (or through private funding). Therefore,

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[35]D.14-08-030, Attachment Q, pp. 15 – 16.
[36] Policy and Overview Testimony of Maria Stamas on behalf of the Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership, p. 22.
[37] Prepared Direct Testimony of Mark Aguirre and Hugh Yao, dated November 18, 2014, pp. 83 – 84.

SoCalGas requests the Commission find Joint Parties assertion of non-compliance with the Commission directives to be without merit and should be rejected.

K. SOCALGAS PROPOSALS FOCUSED ON SERVING MULTIFAMILY CUSTOMERS ARE REASONABLE AND SHOULD BE ADOPTED

The testimony of Joint Parties witness Maria Stamas proposes the Commission adopt a separate multifamily track for the ESA program, recommending the Commission order that utilities spend a minimum of 32% of their budgets on multifamily properties.[38] SoCalGas appreciates and supports the focus on, and recognition of, the importance of serving ***all*** low-income customers, including those residing in multifamily buildings and ensuring programs serve their needs. However, SoCalGas has concerns with adopting a separate track for treating multifamily dwellings through the ESA Program.

SoCalGas assumes the Joint Parties' multifamily proposal is intended to assure an enhanced level of focus, and an assured level of spending on multifamily dwellings. The proposal is broad, and it is unclear what impacts will result from reconfiguring the ESA Program focus. Generally speaking, the ESA Program has been designed to provide energy efficiency measures and services to low-income residential dwelling types. SoCalGas is concerned that allocating a minimum percent of the ESA Program budget to a particular dwelling type, at a conceptual level, may provide less flexibility to serve customers who are identified as eligible for the program. SoCalGas is highly motivated to serve all eligible and willing customers, including those residing in multifamily residences, and does not believe creating a separate track or raising budget restrictions will serve to enhance motivation.

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[38] Policy and Overview Testimony of Maria Stamas on behalf of the Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership, p. 24.

SoCalGas requests the Commission approve its multifamily sector proposals that are designed to effectuate customer enrollments in the next program cycle, and as outlined in the testimony of witnesses Aguirre and Yao.[39] These proposals include modification of the targeted-self certification approach that would allow owners of complexes to sign an affidavit to qualify dwellings for ESA Program treatment. Other new ESA-wide programmatic initiatives, such as the offering of new measures and performing minor furnace repair for renters, modification of the 3MM rule, and offering the 10-year Go-Back Rule further complement the multifamily sector strategies. SoCalGas recommends adoption of these enhancements as a way of improving penetration into multifamily dwellings, rather than enacting new requirements with unknown program impacts. Should the Commission determine that it is appropriate to establish a separate track for the multifamily component of the ESA Program, SoCalGas recommends a stakeholder working group be established to design a program that meets the needs of all customers residing in all housing types.

L. THE BENEFIT OF THE ESA-ADDER PROPOSAL IS UNCERTIAN AND LACKING FOUNDATION FOR ADOPTION AT THIS TIME

The testimony of Joint Parties witness Dryden proposes that IOUs provide an "ESA-adder" that would serve as an additional incentive per unit provided to a multifamily owner accessing the Multifamily Energy Upgrade California – Home Upgrade Program, or other whole building program, based on the average ESA Program cost per unit or other metric.[40] Joint Parties suggests the incentive should be determined based on input from stakeholders, and

[39] Prepared Direct Testimony of Mark Aguirre and Hugh Yao, dated November 18, 2014, pp. 72 – 85.
[40] Testimony of Amy Dryden on behalf of the Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership, p. 7.

provides an example whereby the incentive is provided as a rebate in addition to funds from an Energy Efficiency program, rather than through direct installation of measures.[41]

SoCalGas interprets the proposal as, in lieu of providing traditional ESA Program services, simply providing a cash-incentive to building owners who qualify for whole building programs. While the Joint Parties indicate the additional per unit incentive would be eligible to all low income units in a building,[42] conditions for use of funds (i.e., the investment) is not clear, and there is no representation of cost-effectiveness. This is of some concern as the Commission evaluates setting a cost-effectiveness threshold for the ESA Program.

SoCalGas believes it is important to service both the owner and tenant; the measure mix in the SoCalGas ESA Program provides improvements that accrue to both parties. It is not clear if the Joint Parties proposal contemplate all of the measures provided under ESA, and whether the measures are provided under current ESA Program conditions or in line with the whole building program. For example, certain measures available in ESA Programs and directly installed by the utility contractor may not be available through the whole building program, such as repair to an existing furnace to restore heating functionality. In its Application, SoCalGas makes proposals to spur multifamily dwelling activity, and as pointed out in the rebuttal testimony of witnesses Aguirre and Yao, the Single Point of Contact ("SPOC") will coordinate benefits between programs so building owners can receive ESA Program benefits.

The Joint Parties claim that the ESA-adder model will allow property owners to leverage greater funding to achieve greater energy retrofits while meeting goals, avoid multiple applications, comply with program rules that are currently not consistent, allow multifamily property owner participation to increase, decrease administrative costs, and may provide

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[41] Ibid, pp. 7 – 8.
[42] Ibid, p. 7.

opportunities for contractors to expand services.[43] However, the proposal is not specific, and there is no information provided to support these claims. SoCalGas is open to further discussion regarding approaches that can leverage ESA funds with other available programs, but does not believe this proposal is developed enough to recommend going forward.

M. SOCALGAS' PROPOSAL TO PERFORM A LIMITED NUMBER OF POST-2002 ENROLLMENT IN 2015-2017 SHOULD BE ADOPTED

ORA, TURN, and the Energy Efficiency Council ("EEC") address in their respective testimony SoCalGas' proposal to perform post-2002 re-enrollments in 2015-2017. ORA recommends denial of this proposal, based on a preference that the program undergo "redesign" prior to beginning any re-enrollments. TURN[44] and EEC support the elements of SoCalGas' proposal, although TURN counsels caution in ensuring the first-time enrollments are not "deprioritized," and EEC[45] supports the more aggressive 8-year go-back rule proposed by PG&E rather than SoCalGas' 10-year proposal. This testimony will address the policy-related considerations associated with SoCalGas' proposal, while the testimony of SoCalGas witnesses Aguirre and Yao will address operational and outreach considerations associated with providing go-back services.

Although SoCalGas refers to its proposal as "returning to 10-year Go-Back Rule" and performing "post-2002 re-enrollments,"[46] ORA refers to both SoCalGas' proposal and PG&E's 8-year go-back proposal using PG&E's name, "ESA II." However, SoCalGas does not view its

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[43] Ibid, pp. 8 – 9.
[44] "TURN supports a return to the previous 10-Year Go-Back Rule because it provides an opportunity to restore degraded measures and also to provide newer technologies and services in furtherance of additional energy savings" p.20.
[45] EEC p.6: "The goal should be to provide customers with the necessary home improvements and we support PG&E's recommendation of using 8 years and need as the only rules for go-backs."
[46] Aguirre/Yao p.29

proposal as a fundamentally new start to the program, as a title like "ESA II" might imply.[47] Rather, the adjustment – limited to a modest number of units in the coming cycle – is proposed as an incremental step in the continuing evolution of the existing program. In fact, as ORA acknowledges, SoCalGas has also proposed to introduce other elements that provide incremental improvements to the program, stating that SoCalGas' proposal, "would adapt its program in response to changing needs of its low income customers. SoCalGas proposes multiple improvements in response to Commission guidance, studies and working groups."[48] These improvements include Tub Spout and High Efficiency Furnace measures, neither of which was available 10 years ago. Far from proposing an "indefinite expansion"[49] of the ESA program, SoCalGas' proposal is to deliver on the 2020 goal, while ramping go-backs up very modestly in a manner that will position the program to continue at whatever magnitude the Commission determines is appropriate. Customers eligible for treatment under a Go-Back Rule would be the beneficiary of these services, with the opportunity for energy and bill savings.

SoCalGas supports ORA's desire to ensure the program is as cost-effective and valuable for go-back customers as possible. However, SoCalGas views the 2015-2017 period as critical, with the post-2020 era approaching rapidly. Denying the go-back proposal now will leave little time to plan and prepare the transition. ORA's proposal does not provide substantial detail as to the supposed redesign, and does not offer a solution to smooth the transition to post-2020.

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[47] Nor does PG&E characterize its "ESA II" proposal as a fundamental break from the existing program, but as "expansion" of the existing program: "As PG&E moves closer to reaching our established 2020 homes treated goal, we are proposing a new initiative, ESA II, to expand the current ESA Program and treat homes that have not received ESA treatments within the past eight years." PG&E testimony November 18, 2014 Landry/O'Drain/Smith p. 2-6.

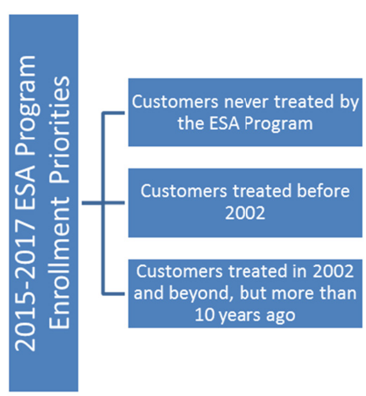
[48] Report of The Office of Ratepayer Advocates on The Consolidated Proceedings Regarding Energy Saving Assistance Program (ESA) April 27, 2015, K.C. Watts-Zagha and Louis Irwin, witnesses, p.10.

[49] "*Indefinite expansion*" paraphrases ORA's testimony which reads at p.41, "…to simply keep the program going at current funding levels, is unsupported. There was never a guarantee that the expansion of the ESA program would be indefinite"

ORA's proposal that "ESA II should first be redesigned for identified underserved segments" is logically inconsistent.[50] The object of the go-back proposal is to reach customers who have been previously served. "Underserved segments," to the extent they have yet to be reached, are the target of the 2020 goal and not of the go-back proposal. SoCalGas agrees that underserved segments are extremely important and has proposed specific strategies to reach those segments, but these strategies apply no more to the go-backs than to the remaining 2020 goal units that the program has yet to reach. ORA's proposal's to "identify and target the next phase of ESA toward underserved segments"[51] is thus not a reason to delay approval of SoCalGas' go-back proposal.

Although TURN supports SoCalGas' go-back proposal, it identified a concern that go-backs could result in inadequate priority to the most difficult 2020-goal units (not previously treated since 2002). SoCalGas appreciates TURN's support for the 10-year Go-Back Rule, and as described more fully in the rebuttal testimony of witnesses Aguirre and Yao, plans management activity and system enhancements to implement the enrollment hierarchy shown in Figure 1 below, and repeated from my Prepared Direct Testimony:

Figure 1: SoCalGas' Proposed 2015-2017 Enrollment Prioritization Plan



[50] Report of The Office of Ratepayer Advocates on The Consolidated Proceedings Regarding Energy Saving Assistance Program (ESA) April 27, 2015, K.C. Watts-Zagha and Louis Irwin, witnesses, p.39.
[51] *Ibid*, p. 39.

SoCalGas' proposal to reintroduce the 10-year Go-Back Rule does not represent any abandonment or reduction in emphasis on the 2020 goal. SoCalGas estimates it can achieve the 2020 goal at a steady pace of 80,000 units per year.[52] The proposal to treat 105,000, 100,000, and 90,000 units toward the 2020 goal in 2015, 2016, and 2017 respectively goes beyond this level, leaving room to make adjustments in the later years and anticipating that the last units will be the most challenging to enroll.

Finally, the measures that will be offered to go-back customers under this proposal provide significant savings. In addition to renewing measures such as air sealing that are likely to have worn out after ten or more years, the program will offer qualified customers, for the first time, the High Efficiency Forced Air Unit Furnace, the High Efficiency Clothes Washer, the Thermostatic Shower Valve, and the Tub Spout, all of which are substantial contributors to SoCalGas' energy saving portfolio.[53]

For the above reasons SoCalGas' proposal to re-introduce the 10-year Go-Back Rule for a limited number of re-enrollments should be adopted.

N. THE COMMISSION SHOULD NOT IMPOSE A COMMON SET OF MEASURES AS PROPOSED BY JOINT PARTIES

Joint Parties propose a common core set of measures "to create consistency in standards and terminology where possible". As stated in Ms. Amy Drdyen's testimony, " the Joint Parties identifies nine new measures that we recommend the Commission and utilities consider for adoption as eligible measures in their 2016-2017 programs for both multifamily and single-family properties. These measures include: package terminal air conditioners, <u>package terminal</u>

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[52] *Ibid,* pp. 14 – 22.

[53] As provided in attachment to Aguirre/Yao testimony at Exhibit 2, HE FAU furnace provides first year savings of 8-65 therms depending on housing type and climate zone; HE clothes washer provides 31 therms; TSV provides 1-3 therms; and Tub Spout provides 22-35 therms.

heat pumps, ceiling fans (ENERGY STAR® Qualified), refrigerant charge verification, bathroom exhaust fans (ENERGY STAR® Qualified), bathroom fan controls, window films, tub diverters, and LED lighting."[54] SoCalGas is not opposed to standardizing terminology for ease of comparison and discussion. However, it should be noted that differences in housing stock and climate (zone) can result in significant differences in feasibility and cost effectiveness of measures.

SoCalGas' proposed measure mix is designed to encompass every measure that is an effective offering for SoCalGas and its customers. In addition, SoCalGas routinely reviews and evaluates offerings of other utilities and newly available technology.

To the extent utility portfolios differ, the Commission is not unduly burdened in evaluating differences among utilities.

Joint Parties have offered no factual basis to support this recommendation.

O. MARIN CLEAN ENERGY (MCE) AND JOINT PARTIES FUEL SWITCHING PILOT PROPOSALS ARE UNSUBSTANTIATED AND SHOULD BE REJECTED

MCE witness Rebecca Menten proposes a Low-Income Families and Tenants ("LIFT") pilot that includes fuel switching, replacing natural gas furnaces with electric heat pumps.[55] MCE's testimony lacks substantive support in their claims regarding the cost effectiveness of heat pumps, the heat pump health and safety benefits, and reduction in costs associated with fuel switching, and thus should be denied.

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[54] Joint Parties Testimony (Dryden), p. 11.

[55] Testimony of Marin Clean Energy Regarding a Proposed Low-Income Energy Efficiency Pilot Program for the Program Years 2015 – 2017, witness Rebecca Menten, Exhibit C, pp. 18 – 19, and Appendix A, p.A-1.

MCE states "Heat pumps are typically not as cost effective as supplying more efficient gas-burning equipment."[56] Furthermore, MCE jumps to the conclusion that "[r]eplacing problematic natural gas equipment, such as an inadequately venting furnace, with an electric heat source such as a heat pump can resolve health and safety issues while improving the efficiency of a home's heating system."[57] MCE ignores the fact that equipment of any fuel – including electric equipment – can have issues that are "problematic" and can ultimately be corrected to resolve health and safety issues without necessitating fuel switching. MCE also makes the statement that "the reduction in costs associated with combustion appliance safety testing and associated repairs or improvements, which are not required for heat pumps, ***may*** substantially mitigate the higher cost of heat pump technology."[58] MCE does not provide evidence or analysis to support this statement.

For Energy Efficiency programs, the Commission requires a "three-prong test" to be considered for funding for fuel substitution programs.[59] It is prudent to consider the test with respect to the MCE pilot proposals, which is described as bridging energy efficiency and low-income energy efficiency programs, and which proposes to offer measures that are currently offered in the MCE multifamily energy efficiency program with a cap of $1,200 per unit.[60] The test, generally, states that proposals must not increase source-BTU consumption, have Total Resource Cost ("TRC") and Program Administrator Cost ("PAC") benefit-cost ratios of 1.0 or greater,[61] and must not adversely impact the environment by comparing environmental costs

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[56] *Id.*, p. 18.
[57] *Id.*
[58] *Id.*
[59] See Energy Efficiency ("EE") Policy Manual, Version 5, dated July 2013, pp. 24 – 25.
[60] Testimony of Marin Clean Energy Regarding a Proposed Low-Income Energy Efficiency Pilot Program for the Program Years 2015 – 2017, witness Rebecca Menten, Exhibit C, p. 9, p. 16.
[61] The EE Policy Manual indicates is the responsibility of the party sponsoring the analysis to show adherence to the benefit-cost ratio requirement.

with and without the program. MCE has not provided data that supports including the heat pump fuel switching component as part of the proposal. MCE in its proposal raises concerns regarding cost-effectiveness, fuel efficiency, and costs associated with heat pump technology, per the quoted portions of MCE testimony above.

The fuel switching element of the MCE proposal is not supported by California policy as characterized by MCE. In testimony, MCE states that installing heat pumps "support[s] the Governor's fuel-switching goal."[62] The associated footnote states that "Governor Jerry Brown proposed a goal to make heating fuels cleaner in his inaugural address. January 5, 2015."[63] SoCalGas has reviewed a transcript of the inaugural address and confirmed that the Governor did not mention fuel switching, nor establish a fuel switching goal or policy, and SoCalGas is not aware of a formal California policy that instructs transition of heating specifically toward electric applications.[64] SoCalGas concurs with the goal of making heating fuels cleaner, and to that end offers programs and measures that are tailored toward increasing gas-fuel efficiencies.

Although SoCalGas supports efforts to offer low-income programs to the "hard to reach" and multifamily segments, SoCalGas is not convinced the fuel switching component of the LIFT program will better serve low-income customers. MCE does not provide a detailed breakdown of the energy savings for this element of the proposal; thus SoCalGas is not able to evaluate estimated bill impacts. Low income customers that may be challenged with covering living expenses should not be further burdened with increased electric bills.

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[62] Testimony of Marin Clean Energy Regarding a Proposed Low-Income Energy Efficiency Pilot Program for the Program Years 2015 – 2017, witness Rebecca Menten, Exhibit C, p. 4.
[63] Ibid, footnote 6.
[64] The transcript of the Governor's address can be found at the following link: http://gov.ca.gov/news.php?id=18828. The goal referenced by MCE states "Double the efficiency of existing buildings and make heating fuels cleaner," and does not mention fuel switching there or elsewhere in the speech.

In addition to MCE, the Joint Parties also propose two pilot programs that would evaluate viability of fuel switching for low income customers. Pilot 1 would involve replacement of in unit wall furnaces or forced air systems providing heating and cooling with heat pump systems, while Pilot 2 would involve replacement of central water heating systems with heat pump water heating systems.[65] SoCalGas believes similar issues exist with these proposals, and do not recommend approval of these initiatives.

With respect to Pilot 1, the Joint Parties do not provide support for statements such as "gas wall heaters are inefficient systems" or "remove any health and safety problems resulting from gas combustion."[66] The suggestion of adding cooling to buildings in dry climate zones which may increase building energy demand, and lack of detail regarding cost of the pilot for installation and abandoning old systems, may not reflect well with regard to the three-pronged test which considers these matters. Similar concerns exist for Pilot 2. There is not enough information to warrant moving forward.

Based on the above discussion, SoCalGas does not recommend the Commission move forward with the MCE or Joint Parties fuel switching proposals because they have not been shown to be in the best interest of low income customers.

IV. CONCLUSION

SoCalGas remains committed to serving the low-income community through cost effective and innovative programs that save energy, reduce costs and improve the comfort and safety of our low-income customers.

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[65] Testimony of Amy Dryden on Behalf of the Natural Resources Defense Council, National Consumer Law Center, and the California Housing Partnership, Exhibit 5, pp. 16 – 18.
[66] Ibid.

Based on significant support from interveners and the responses to intervener concerns set forth above and in the rebuttal testimonies of my counterpart SoCalGas witnesses, SoCalGas respectfully requests the Commission approve the PY2015–2017 CARE and ESA Program requests as stated in the conclusion of my original direct testimony.

This concludes my Prepared Rebuttal Testimony.

V. STATEMENT OF QUALIFICATIONS OF DANIEL J. RENDLER

My name is Daniel J. Rendler. My business address is 555 West Fifth Street, Los Angeles, California, 90013. I am employed by Southern California Gas Company ("SoCalGas") as Director, Customer Programs & Assistance. I have 30 years of experience in the utility industry, and have been employed at SoCalGas since 1984. While at SoCalGas I have held various staff and line positions of increasing responsibility in the functional areas of Marketing, Customer Contact and Services, Environmental, Safety, Emergency Services, Technology & New Product Development and Gas Field and Technical Operations. My present responsibilities include directing the development and implementation of energy efficiency and low-income assistance policy and programs for SoCalGas' diverse customer base including commercial and industrial businesses and the residences of over 21 million people in southern California. I earned a Bachelor of Science Degree in Mechanical Engineering from California State University, Northridge and an MBA from the University of Redlands with honors. I have previously testified before the California Public Utilities Commission.