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Commissioner : Sandoval
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ORA Project Mgr. : Glasner
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OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**REPORT ON THE CONSOLIDATED
PROCEEDINGS REGARDING
CALIFORNIA ALTERNATE RATES FOR
ENERGY
PROGRAM (CARE)**

San Francisco, California
April 27, 2015

1 **Chapter 1 CARE INTRODUCTION**

2 The California Alternate Rates for Energy (CARE) program ensures that low-income
3 customers have access to energy at affordable rates that are a discount of 30 to 35
4 percent, on average, relative to non-CARE customer rates.¹ Over the years, the CPUC has
5 sought to achieve the highest possible enrollment of eligible CARE customers while
6 keeping administrative costs down. Attaining and retaining 90% enrollment of all those
7 eligible for the CARE subsidy, however, is not without its challenges. CARE
8 implementers struggle to balance the goal of enrolling roughly one-third of their
9 customers who are eligible, while erecting program barriers to ineligible customers. It is
10 a balance that requires frequent fine tuning to be most cost effective.

11 ORA reviewed the Investor Owned Utility (IOU) 2015-2017 applications, testimony,
12 and initiated Discovery in order to fully understand program proposals and related
13 expenditures.

14 **ORA HAS THE FOLLOWING RECOMMENDATIONS ON IOU CARE**
15 **BUDGETS AND PLANS:**

16 **BUDGET REASONABLENESS**

17
18 **A. THE COMMISSION SHOULD DEFINE ACCOUNTING COMPONENTS**
19 **FOR EACH BUDGET REPORTIN CATEGORY (TABLE B-1), SO THAT**
20 **BUDGETS ARE TRANSPARENT**

- 21 1. IOUs should be required in Rebuttal testimony to standardize reporting for Table
22 B-1.
23 2. IOU proposed budgets should not be adopted until proposed and past
24 expenditures are provided in a transparent and consistent manner.

25 **B. REQUIRE IOUS TO REPORT FULL COST OF ALL SIGNIFICANT**
26 **ACTIVITIES**

- 27 1. Continue with the same B-1 budget categories, but add activity-based reporting,
28 much like the reporting for Outreach, Table B-4, OR
29 2. Redesign B-1 Table and related requirements to be activity- based—this would
30 supersede current B-1 format.

¹ Public Utilities Code 739.1 (c)(1).

1 **C. PRIOR BUDGET AUTHORIZATION SHOULD NOT BE USED AS A**
2 **BASIS FOR PROPOSED BUDGET REASONABLENESS**

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4 **D. AUTHORIZED 2015 ADMINISTRATIVE BUDGETS SHOULD BE**
5 **FROZEN, AND THE COMMISSION SHOULD CONDUCT A REVIEW**
6 **PRIOR TO INCREASING ADMINISTRATIVE BUDGETS**

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8 **OUTREACH BUDGETS**

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10 **A. THE IOUS SHOULD REPORT OUTREACH BUDGETS IN A**
11 **CONSISTENT AND TRANSPARENT FASHION (TABLE B-4)**

- 12
13 1. Report all costs of each Outreach method in Table B-4, including labor, materials,
14 postage, and contracting expenses.
15 2. Add a column to Table B-4 that presents the cost to enroll each customer, or Total
16 Cost of Method/number of customers enrolled.

17 **B. NEW OUTREACH BUDGET TABLES (B-4) SHOULD BE**
18 **STANDARDIZED AND VETTED THROUGH WORKSHOPS**

- 19 1. Standardize inputs and definitions of Outreach methods across utilities in a
20 workshop.
21 2. Use this workshop to compare methods and identify Best Practices to assess costs
22 per method and improve cost effectiveness.

23 **C. IOUS SHOULD ELIMINATE OUTRECAH METHODS THAT ARE MORE**
24 **COSTLY THAN THE AVERAGE OF CAPITATION COSTS OR JUSTIFY**
25 **THEM IN ANNUAL REPORS AND CARE APPLICATIONS**

- 26 1. Establish Cap on unit enrollment costs based on the IOU average of the unit cost
27 of Capitation.
28 2. Any unit cost above the Cap should be reduced, method replaced, or justified in
29 CARE annual report.

30 **POST ENROLLMENT VERIFICATION**

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32 **A. IOUS SHOULD INCLUDE ALL POST ENROLLMENT VERIFICATION**
33 **COSTS IN APPLICATIONS AND ANNUAL REPORTS**

- 34 1. IOUs should track and report all post enrollment verifications costs, including, but
35 not limited to labor and materials involved in probability modeling, contacting
36 customers, processing documents, and on-line costs.

1 **B. DENY SCE's PEV PROPOSED BUDGET INCREASE AND BRING**
2 **DOWN ALL PEV COSTS THROUGH SHARING BEST AND COST**
3 **EFFECTIVER PRACTICES**

- 4 1. The CPUC should deny SCE's PEV budget request.
5 2. SCE should submit all estimated labor and non-labor costs related to post
6 enrollment verification.

7 **C. ESTABLISH POST ENROLLMENT VERIFICATION BEST PRACTICES**
8 **AND REQUIRE EFFICIENCIES THAT WILL BRING DOWN COSTS**
9 **AND NON-RESPONSE**

- 10 1. IOUs should clearly communicate to customers with electricity use of 400%
11 baseline or below that they can provide categorical eligibility documentation for
12 verification.
13 2. IOU should train staff to effectively verify categorical eligibility documentation.
14 3. IOUs should establish and share cost effective verification Best Practices with
15 other IOUs in annual workshops.

16 **D. HIGH ELECTRIC USE: IOUS SHOULD ALERT CUSTOMERS TO**
17 **RISKS OF HIGH USE THRESHOLDS BEFORE THEY REACH THEM**

- 18 1. IOUs should notify CARE customers when they exceed 300% baseline that
19 exceeding 400% baseline would necessitate High Use procedures.
20 2. Design this alert using language that the customer will understand.

21 **E. IOUs SHOULD CUSTOMIZE HIGH USE ESA MEASURES**

1 **Chapter 2 BUDGET REASONABLENESS**

2 **A. THE CPUC SHOULD DEFINE ACCOUNTING COMPONENTS FOR**
3 **EACH BUDGET REPORTING CATEGORY (TABLE B-1), SO THAT**
4 **BUDGETS ARE TRANSPARENT**

5 One barrier to understanding CARE administrative costs is that there is no consistency in
6 IOU reporting content. Reporting is currently framed by a format shown in the CARE
7 applications (see Table B-1),² dividing budgets into ten reporting categories, such as Outreach,
8 Post Enrollment Verification (PEV), Information Technology (IT), Cool Centers, and General
9 Administration. However, the IOU applications have no consistency on how costs are
10 distributed among these budget categories. “IT,” for instance, could represent functions that play
11 a role in multiple activities, through applied labor, hardware, software, and consulting contracts.
12 It is unclear where IT labor, for example, responsible for enrollment or verification processing
13 systems are accounted for – whether in the IT budget, the PEV budget, the Outreach budget, or
14 all three. There is no consistency among the IOU applications in terms of which costs are
15 organized in one budget category versus another; as a result, it is unworkable to track
16 expenditures or compare performance between them.

17 For example, the costs associated with PG&E’s probability (or propensity) modeling
18 work are located in General Administration (\$825,000 for 2015-2017)³ while SDG&E assigns
19 its probability modeling-related work to two budget sub-categories within IT programming.⁴

20 SCE’s IT budget lends another example of the need to improve standardization and
21 transparency. According to responses to an ORA data request, SCE’s IT budget includes no
22 labor costs.⁵ SCE budget jumps from a 2014 expenditures of \$ 764,630 to proposed budgets of
23 \$1,200,000 for 2016 and 2017.⁶ SCE states that this budget increase is necessary to improve
24 online functions for a number of activities, including enrollment, recertification, PEV, and will
25 provide for some administrative streamlining. But since there is no standardization of budget

² Table B-1 appears in all IOU applications and annual reports, and indicates proposed program budget, authorized program budgets and/or expenditures, depending on the context. An example is in the SCE CARE application, Exhibit SCE- 03, Appendix B.

³ Discussed in a conference call between PG&E and ORA on 3/20/15. and response to ORA Data Request PG&E-013.

⁴ SDG&E response to ORA Data Request SDG&E- 004

⁵ See SCE responses to ORA Data Request, 1/20/15 SCE-005,Q1 and Supplemental.2/25/15

⁶ 2014 expenditures are reported in December monthly CARE report, issued 1/21/15.

1 content or reporting, ORA has no way to ascertain whether all other IOUs use IT funds in the
2 same way or if what they spend on similar functions are contained in a different budget
3 category. Unlike SCE, the other IOUs, do include labor costs in IT budgets.² ORA recommends
4 that the IOUs be required in Rebuttal testimony or supplemental testimony to standardize the
5 reporting of Table B-1 to facilitate transparency and comparative review.

6 **ORA Recommendations:**

7 3. IOUs should be required in Rebuttal testimony to standardize reporting for Table
8 B-1.

9 4. IOU proposed budgets should not be adopted until proposed and past
10 expenditures are provided in a transparent and consistent manner.

11 **B. REQUIRE IOUS TO REPORT FULL COST OF ALL SIGNIFICANT**
12 **ACTIVITIES**

13 ORA notes that what the IOUs report in the post enrollment verification budget category
14 does not include all activities having to do with the verification process. Since budget accounting
15 is being performed inconsistently between the IOUs, it may or may not include all of the costs
16 associated with verification. PEV is a relatively new budget category whose content is unclear.
17 ORA recommends that the IOUs be ordered to include all labor and materials involved in
18 selecting and contacting customers, postage, processing responses and appeals, and any other
19 procedures related to verification in a PEV activity budget.

20 The IOUs could accomplish this in one of two ways:

- 21 1. Continue with the same B-1 budget categories, but add activity-based reporting,
22 much like the reporting for Outreach, Table B-4, OR
- 23 2. Redesign B-1 Table and related requirements to be activity- based—this would
24 supersede current B-1 format.

25 ORA recognizes that changing the reporting framework entirely, as in (2), could not be
26 accomplished immediately, however it is important to change accounting practices, as in (1), so
27 that the Commission and stakeholders can understand and compare between IOUs the full cost of
28 each activity. At a minimum, each annual report (starting with 2015) should contain Tables with
29 this information, consistent between IOUs. ORA offers the table below as an example of how
30 the IOUs can consistently and transparently report costs. Note that current budget categories: IT
31 and General Administration have been removed. “Processing” has been removed from the

² See in PG&E Data Request -006, ORA Data Request SDG&E- 004

1 current Processing, Certification, Recertification category. Under ORA’s proposed reporting
 2 change, these costs would be distributed among the functions or activities where they are applied
 3 (e.g., processing costs would appear in verification and certification budgets.) A standardized
 4 methodology could be developed through workshops.

5 **Table T-1**

NEW BUDGET ACTIVITY CATEGORIES	Examples of accounting subcategories for required and consistent reporting	Examples of costs to Include for each line
Outreach	Direct Mail, Bill Inserts, automated calling, email, text, events, online messaging, call centers, ESA data sharing, IOU data sharing, Capitation contracts, radio-TV-billboard	Internal labor; contracted labor; postage; materials; IT programming labor, hardware, and software; processing.
Certification, Recertification	New customer certification, recertification	Internal labor; contracted labor; postage; materials; IT programming labor, hardware, and software; processing.
Post Enrollment Verification	High use, standard verification, Customer Service processing, OnLine processing, probability modeling	Internal labor; contracted labor; postage; materials; IT programming labor, hardware, and software; processing.
CHANGES Pilot		
Cool Centers		
Measurement and Evaluation		Internal labor; contracted labor; materials; IT programming labor, hardware, and software.
CPUC Energy Division Staffing		labor

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 7 **c. PRIOR BUDGET AUTHORIZATION SHOULD NOT BE USED AS A**
 8 **BASIS FOR PROPOSED BUDGET REASONABLENESS**
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10 In certain cases, like determining bridge funding budgets, it may be reasonable to use
 11 prior authorized budgets to establish future funding budgets. But when considering a new
 12 application cycle, the prior cycle authorized budgets should not be used as a benchmark for new
 13 IOU budget requests. Proposed budgets trend upward (apart from specific incremental
 14 Commission initiatives, like PEV), which can be related to IOU expectations of higher budgets
 15 in future cycles. For example, in response to an ORA question regarding SCE’s PEV budget
 16 request of \$1.7 million, SCE replied that the “verification processing costs [would be] a 20
 17 percent increase above the 2014 *authorized* amount of \$1.4 million to reflect [the] increase in the

1 number of more costly high-use verifications”(emphasis added).⁸ This is a faulty conclusion.
2 All budget proposals should be based on real metrics, such as the actual cost per verification with
3 current procedures, the estimated number of verifications for processing in the coming cycle,
4 factoring any new expenses *and* efficiencies to be incorporated.⁹ Historical authorized budgets
5 do not measure past costs or achievements, only estimated future expenditures. Metrics based on
6 actual historical performance should be used for establishing IOU budgets going forward.

7 **D. AUTHORIZED 2015 ADMINISTRATIVE BUDGETS SHOULD BE**
8 **FROZEN, AND THE COMMISSION SHOULD CONDUCT A REVIEW**
9 **PRIOR TO INCREASING ADMINISTRATIVE BUDGETS**

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11 The Authorized 2015 administrative budgets represent bridge funding that was carried
12 forward from 2014 authorizations.¹⁰ ORA cannot determine whether the proposed administrative
13 budgets for 2015-2017 are reasonable because accounting and reporting practices are not defined
14 or transparent, nor are they consistent between IOUs. To facilitate judicious assessment of
15 budgets, all IOUs should use consistent budget reporting so that parties and the Commission are
16 clear about the budget implications of the various components, such as labor and contracting
17 costs, materials and overhead. The Commission and ORA are obligated to review IOU books
18 and records for regulatory purposes. For all intents and purposes, this is unworkable with the
19 IOUs applications, given that the budget reporting is not clear, nor is it consistent between IOUs.

20 Proposed total 2015-2017 administrative budgets for each utility is as follows:

21 PG&E	\$49,912,832
22 SCE	\$23,953,001
23 SDG&E	\$18,968,381
24 SoCalGas	\$27,970,769

25 Each IOU has at least one significant leap in proposed expenditures that is either
26 insufficiently explained by the application or discovery and/or should be audited for accuracy
27 over the course of 2015. Examples are shown below.¹¹

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⁸ SCE response to ORA Data Request SCE- 011, Q. 6.a., 3/13/15.

⁹ SoCalGas demonstrates this kind of process with its Outreach workpapers, provided as response to SoCalGas Data Request 004,2/4/15.

¹⁰ There were a few small increases authorized by the CPUC, but some IOU proposals differ from what has already been authorized for 2015.

¹¹ Actuals are from 2013 annual reports, December 2014 monthly reports, and Table B-1 in applications.

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Table T-2

Outreach	Actuals 2013	Actuals 2014	Authorized 2015	Proposed 2015	Proposed 2016	Proposed 2017
PGE	3,635,811	5,635,990	5,667,666	7,900,000	9,361,000	10,014,700

Table T-3

PEV	Actuals 2013	Actuals 2014	Authorized 2015	Proposed 2015	Proposed 2016	Proposed 2017
SCE	484,381	462,401	1,423,650	1,708,380	1,708,380	1,708,380

Table T-4

IT	Actuals 2013	Actuals 2014	Authorized 2015	Proposed 2015	Proposed 2016	Proposed 2017
SDGE	474,251	634,476	1,230,082	1,098,580	1,375,387	1,485,444

Table T-5

Processing	Actuals 2013	Actuals 2014	Authorized 2015	Proposed 2015	Proposed 2016	Proposed 2017
SCG	983,603	1,033,376	4,488,248	1,319,947	2,792,978	2,835,541

OUTREACH BUDGETS

A. THE IOUS SHOULD REPORT OUTREACH BUDGETS IN A CONSISTENT AND TRANSPARENT FASHION (TABLE B-4)

Outreach is the only CARE activity currently requiring cost and achievement tracking, and is presented in Table B-4 in IOU ESA/CARE applications.¹² IOUs provide costs of Outreach methods and indicate the number of “net enrollees” enlisted through each method. Yet, similarly to the points made previously in this testimony, the principle problem with Table B-4 is that there is no standardization or consistency between utilities with respect to which costs are included for reporting purposes.

¹² Outreach “Methods” or “channels” make up the various approaches used by the IOUs to increase enrollment and combat attrition of existing eligible customers. Table B-4 show the volumes of customers contacted and the estimated “net” enrollment; that is customers joining CARE who are not already counted as participants.

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IOU Application B-4 Tables with Additional ORA Column (red) Showing 2013 Outreach Method Cost per Enrollee ¹³

Table T-6

SDG&E PY 2013 Outreach Method	Total Cost	Estimated # of Customers Reached	Estimated # of Customers Enrolled	Percent of Net Enrollments for PY 2013	ORA Calculated¹⁴ - Cost/enrollment
CARE Door-to-Door	\$211,404	20,000	8,642	15%	\$24.46
Mass Marketing¹	\$686,293	1,300,000	20,404	35.5%	\$33.64
SDG&E Branch Offices		8,537	7,033	12.2%	?
Telephone Campaigns	\$22,664	140,000	1,837	3.2%	\$12.34
Third-Party Contracts	\$374,687		9,510	16.5%	\$39.40
Customer Contact Center		25,000	5,990	10.4%	?
Data Sharing		N/A	2,119	4%	?
Bill Insert	\$11,404	1,100,000	1,043	2%	\$10.93
Direct Mail	\$34,300	30,000	381	1%	\$90.03
Other		N/A	561	1%	?
Total Enrollments	\$1,340,752		57,520	100%	

1. Includes cost for Mass Media efforts including: Television, phone, print, and, email blast. Enrollments numbers included IVR and Internet enrollments generated from these efforts.

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Table T-7

SoCalGas PY 2013 Outreach Method	Total Cost	Estimated # of Customers Reached ¹	Estimated # of Customers Enrolled	Percent of Net Enrollment	ORA Calculated- Cost/enrollment
Direct Mail	685,000	1,000,000	52,145	11%	\$13.14
Web	N/A	361,000	51,000	11%	?

¹³ PG&E updated this table as result of ORA inquiry: PG&E-DR010,Q.1.a; PY2013 was used because data for 2014 was not available for all IOUs.2013 and partial 2014 data is available in all IOU applications.

¹⁴ In each of the four tables, ORA has divided the total cost by the number of customers enrolled to find the cost per enrollment. ORA inserted a question mark where IOUs did not provide sufficient data for calculation.

AVM	33,000	44,144	6,544	1%	\$5.04
Door-to-Door Canvassing	587,300	N/A	37,426	8%	\$15.69
ESAP Data Exchange	N/A	N/A	24,000	5%	?
Customer/CIS Self Mailer	N/A	290,000	231,929	48%	?
Branch Payment Office	N/A	N/A	5,757	1%	?
Bill Insert	90,000	2,900,000	8,634	2%	\$10.42
SCE Data Exchange	N/A	N/A	62,494	13%	?
	1,395,300	4,595,144	479,929	100%	
1. Some outreach methods have a verifiable contact point such as direct mail and other methods only create general awareness such as mass media, radio and newspapers.					

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Table T-8

SCE PY 2013 Outreach Method	Total Cost	Estimate # customers reached	Estimated # Customers enrolled	percent of net enrollment	ORA Calculated-Cost/enrollmt
Annual Solicitation	\$617,551	3,000,000	13,240	4.90%	\$46.64
Call Center Mailer	\$1,186,406	100,000	62,945	23.30%	\$18.85
Call Center Online	\$76,427	100,000	50,686	18.80%	\$1.51
Capitation	\$133,825	20,000	3,787	1.40%	\$35.34
Customer Internet	\$11,052	100,000	54,333	20.10%	\$0.20
General Outreach	\$786,544	800,000	42,527	15.70%	\$18.50
External Data	\$21,059	36,821	36,821	13.60%	\$0.57
Internal Data Sharing	\$61,294	5,740	5,740	2.10%	\$10.68
Total	\$2,894,158	4,162,561	270,079	100%	\$10.72

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Table T-9

PG&E PY 2013 Outreach Method	Total Cost [1]	Estimated # of Customers Reached [2]	Estimated # of Customers Enrolled	Percent of Net Enrollments for PY 2013	ORA Calculated-Cost/enrollmt
Automated Voice Messaging (AVM)	\$90,000	656,000	12,019	3.80%	\$7.49
Automatic Enrollment	\$7,299	n/a	30,400	9.50%	\$0.24
Bill Inserts	\$197,000	6,400,000	5,142	1.60%	\$38.31
Community Outreach Contractors	\$20,000	n/a	1,015	0.30%	\$19.70
Direct Mail	\$1,215,000	1,775,000	19,426	6.10%	\$62.55

Local Office Partnership	\$6,000	n/a	12,064	3.80%	\$0.50
Media	\$170,000	n/a	n/a	n/a	?
Online Enrollment	\$612,000	n/a	157,161	49.10%	\$3.89
Miscellaneous	\$0	n/a	7,099	2.20%	0
PEV Response	\$0	n/a	27,724	8.70%	0
Standard App (via Call Center)	\$236,000	n/a	37,461	11.70%	\$6.30
Welcome Packet Insert	\$35,000	500,000	10,791	3.40%	\$3.24

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As the tables above show, there are significant differences between the costs per enrollment depending on outreach method, as well as gaps in the utility reporting which makes comparisons difficult if not impossible in some instances. Looking at the ORA Calculated Cost/Enrollment Columns in Tables T-6 through T-9, it shows that in 2013,¹⁵ SDG&E spent from \$11 to \$90 per enrollment, SoCalGas spent from \$5 to \$16 per enrollment, SCE spent from \$.20 to \$47 per enrollment, and PG&E spent from \$0 to \$63 per enrollment. However, this is an inaccurate portrayal of relative costs: SCE and PG&E have indicated that Table B-4 includes all costs of Outreach activities,¹⁶ but SDG&E and SoCalGas have indicated that all costs are not included in this Table.¹⁷ Therefore, the actual outreach costs (and the cost per enrollment) for SDG&E and SoCalGas are probably greater than what is indicated in Table B-4.

Table T- 10 below show the reported Outreach expenditures documented in annual reports from 2013 (the same program year as tables above). But if reporting standardization is non- existent, comparison is meaningless.

Table T-10

Outreach	Actuals 2013
PGE	3,635,811
SCE	1,656,337
SDGE	1,927,709
SCG	1,395,300

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¹⁵ Some costs are unknown, or the number of related enrollment is unknown.

¹⁶ SCE email to ORA on 2/25/15, and PG&E responses to ORA Data Requests PG&E-010,Q.1

¹⁷ SDG&E email communication to ORA, “Table B-4 is for outreach initiatives cost only. There are additional cost included in Outreach that are not represented in the table...”, 3/11/15. Also, see Response to ORA DR SoCalGas-009,Q2.a.

1 Comparison of IOU methods, costs, and outcomes is essential for evaluation of programs,
2 and essential for improving them. In this case, not only the totality of what each IOU spends, but
3 what it spends on each outreach method and the relative success of the method should inform the
4 program going forward and improve cost effectiveness. Each Outreach method cost in Table B-
5 4 should be standardized across all IOUs and include all known costs including labor, IT,
6 postage, materials, and contracting expenses.

7 As discussed above, consistent and transparent reporting should characterize the CARE
8 program. It is also required to assess the accomplishments and potential inadequacies of the IOU
9 programs, and to increase program effectiveness.

10 **ORA Recommendations:**

- 11 1. Report all costs of each Outreach method in Table B-4, including labor, materials,
12 postage, and contracting expenses
- 13 2. Add a column to Table B-4 that presents the cost to enroll each customer, or Total
14 Cost of Method/number of customers enrolled

15 **B. NEW OUTREACH BUDGET TABLES (B-4) SHOULD BE**
16 **STANDARDIZED AND VETTED THROUGH WORKSHOPS**

17 Stakeholders should be able to ask substantive questions regarding the differences in
18 costs between IOUs. To improve effectiveness, IOUs should have a basis by which to quantify
19 and share Best Practices. In current applications IOUs have incomplete information on the
20 methods they use, and all IOUs could benefit from identifying Best Practices and improving
21 method cost effectiveness. For example, direct mail campaigns may be a necessary, yet costly
22 way to enroll customers; SDG&E's and PG&E's expenses (\$90 and \$63 per enrollment,
23 respectively) are the costliest methods shown (see Tables T-6 and T-9 above). Since SDG&E
24 and PG&E's direct mail costs are orders of magnitude greater than SoCalGas' direct mail costs
25 of \$13 per enrollee (see Table T-7), there may be techniques used by SoCalGas that could be
26 used by the other IOUs to help bring down their direct mail costs.¹⁸ Because SCE doesn't use a
27 term comparable to the term "direct mail," it's difficult to compare its costs to the other IOUs
28 simply by referring to Table B-4

¹⁸ ORA acknowledges that PG&E response to ORA Data Request PG&E-010,Q1 indicates that Direct Mail doubled in its share of enrollment capture in 2014, and so the per unit cost decreased to \$26. Though we don't have full costs for SDG&E, even \$90 seems unreasonable high.

1 IOUs are testing various digital and other online means to connect with customers.
2 Though some of these methods seem relatively inexpensive (see SCE and PG&E in tables
3 above), the roll out of a new practice could be pricey.¹⁹ Sometimes enrollment outcomes are
4 difficult or impractical to quantify (see all of the question marks in the ORA Calculated
5 cost/enrollment column in the SoCalGas Table T-7 above). New ideas and successes are
6 important to share among IOUs so that Best Practices can be widely disseminated. Information
7 sharing provides opportunities to discuss performance metrics, how to estimate costs, and
8 avoidance of expensive pitfalls. But until the IOUs standardize how Table B-4 is presented and
9 what is included, there will be missed opportunities in learning, information sharing, and
10 determining Best Practices between IOUs. ORA recommends that the IOUs be required in
11 Rebuttal testimony or supplemental testimony to standardize the reporting of Table B-4 *and*
12 provide a column which computes the total cost per enrollment for each row of the table.

13 **ORA Recommendations:**

- 14 1. Standardize inputs and definitions of Outreach methods across utilities in a
15 workshop
16 2. Use this workshop to compare methods and identify Best Practices to assess costs
17 per method and improve cost effectiveness

18 **C. IOUs SHOULD ELIMINATE OUTRECAH METHODS THAT ARE MORE**
19 **COSTLY THAN THE AVERAGE OF CAPITATION COSTS OR JUSTIFY**
20 **THEM IN ANNUAL REPORS AND CARE APPLICATIONS**
21

22 Penetration rates and goals are two of the primary metrics by which to assess the CARE
23 enrollment processes. Following the implementation of high user verification activities, IOU
24 penetration rates have dropped,²⁰ and have put more pressure on Outreach activities to both boost
25 new enrollment and stave off attrition of eligible customers so that rates closer to the 90%
26 Commission goal will be reached and maintained.
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¹⁹ PG&E Response to ORA Data Response PG&E-010,Q1, shows “Digital” at a cost of \$941,000 achieved 15,620 enrollments—about \$60/enrollment.

²⁰ See Southern California Edison, CARE Program Plan and Budgets Proposal for the 2015-2017 Program Cycle, November 18, 2014, p.9. SoCalGas does not have high use PEV

IOU	PY 2013 Penetration ¹	PY2014 Penetration ²	est. 2017 ³
PG&E	88%	85.7%	89%
SCE	94.7%	87.4%	87%
SDG&E	85%	75.7%	90%
SoCalGas	89.2%	82.6%	92%

1. Program year calculations are from IOU 2013 ESA-CARE Annual Reports, submitted 5/1/2014.

2. Jan-Dec calculations are from IOU ESA-CARE December Monthly reports, Table 2 submitted 1/21/15.

3. 2017 penetration estimates are from Table B-5 in 2015-2017 applications.

1
2 D.14-080-30, the guidance decision for the 2015-2017 applications, asks utilities to
3 describe plans for reaching the 90% penetration goal, targeting hard-to-reach customers, and to
4 identify any particular challenges they face, among other elements.²¹ Consequently, IOU
5 application testimony includes discussion of the outreach methods being used and how the
6 outreach plans intend to reach various customer segments. ORA has reviewed the IOU outreach
7 plans and notes that all IOUs will continue methods like mass marketing, direct mail, bill inserts,
8 and paying organizations to enroll individuals (with capitation fees).

9 While IOUs may consider all methods viable and useful, the B-4 Tables above indicate
10 that some method costs (e.g., direct mail for SDG&E at \$90 per enrollment, annual solicitation
11 for SCE at \$46 enrollment) are exorbitant and represent a very small portion of enrollment
12 success. These costs should either be reduced or the methods be replaced by more cost effective
13 strategies. ORA proposes a cap on enrollment unit costs. Capitation costs are generally high
14 because they include a person-to-person cost of enrollment that has been authorized by the
15 Commission. Capitation per unit for each utility is the following: PG&E(\$19); SCE(\$35),
16 SDG&E (\$24 or\$39)²², SoCalGas (\$16). It would be prudent to average the 2013 capitation
17 costs and use it as a cap on the per capita cost of all Outreach methods. Any measure that costs
18 more the average of the allowed capitation expense (per enrollment) should be eliminated or
19 justified in each IOU's annual report. In this case, the Outreach Cap would be \$24.²³

20 **ORA Recommendations:**

²¹ See D.14-080-30, Attachment Q, pp.32-33.

²² It's difficult to discern whether SDGE's "third party contracts" may contain capitation, like the "door to door." The former's unit cost is \$24 and the latter's unit cost is \$39, as shown in the table above.

²³ Or \$25 if SDG&E's "third party contracts" are capitation contracts.

1. Establish Cap on unit enrollment costs based on the IOU average of the unit cost of Capitation
2. Any unit cost above the Cap should be reduced, method replaced, or justified in CARE annual report.

POST ENROLLMENT VERIFICATION

A. IOUS SHOULD INCLUDE ALL POST ENROLLMENT VERIFICATION COSTS IN APPLICATIONS AND ANNUAL REPORTS

Table T-11

PEV	Actuals 2013	Actuals 2014	Authorized 2015	Proposed 2015	Proposed 2016	Proposed 2017
PGE	1,122,913	1,275,340	1,920,000	1,600,000	1,581,000	1,627,000
SCE	484,381	462,401	1,423,650	1,708,380	1,708,380	1,708,380
SDGE	156,019	201,812	403,200	437,912	369,581	341,012
SCG	318,737	333,764	3,744,000	334,645	342,970	351,765

Post Enrollment Verification (PEV) consumes significant funds in the IOUs’ CARE administrative budgets. About \$1,920,000 for PG&E, \$1,423,650 for SCE, \$403,200 for SDG&E, and \$3,744,000 (SoCalGas)²⁴ was authorized in 2015 by the CPUC.²⁵ As described above, the IOUs are not defining budget category content in a consistent or transparent manner. Therefore, analysis and comparison of PEV costs would be inconclusive and subject to misinterpretation. The PEV budget category should include all expenses related to post enrollment verification activities as discussed earlier.

To give an example of the current Table B-1 PEV versus total verification costs, consider PG&E. For PG&E, verification costs are tracked in three budget (B-1) categories: PEV, Outreach, and General Administration (but as suggested earlier, applicable processing and IT costs should also be included in any discussion regarding the full cost of verifying a customer). PG&E’s data demonstrates that, in 2014, estimated verification costs for 28,400 customers who responded to requests were greater than in the standard reporting table (see above) – was \$1.451

²⁴ Note that SoCalGas, in its proposed or “planned” 2015 budget, it requests \$334,645, comparable to expenditures of 2013 and 2014: \$318,737 and \$333,764, respectively.

²⁵ See current IOU applications, Table B-1. Note the preceding discussion regarding reporting inadequacy and B-1 budgets probably do not isolate all PEV related activities into the PEV category; expenditures could be higher for all verification processes.

1 million, broken down as follows: PEV (\$1,275,000 including labor), Outreach (\$67,000), and
2 General Administration (\$109,000).²⁶

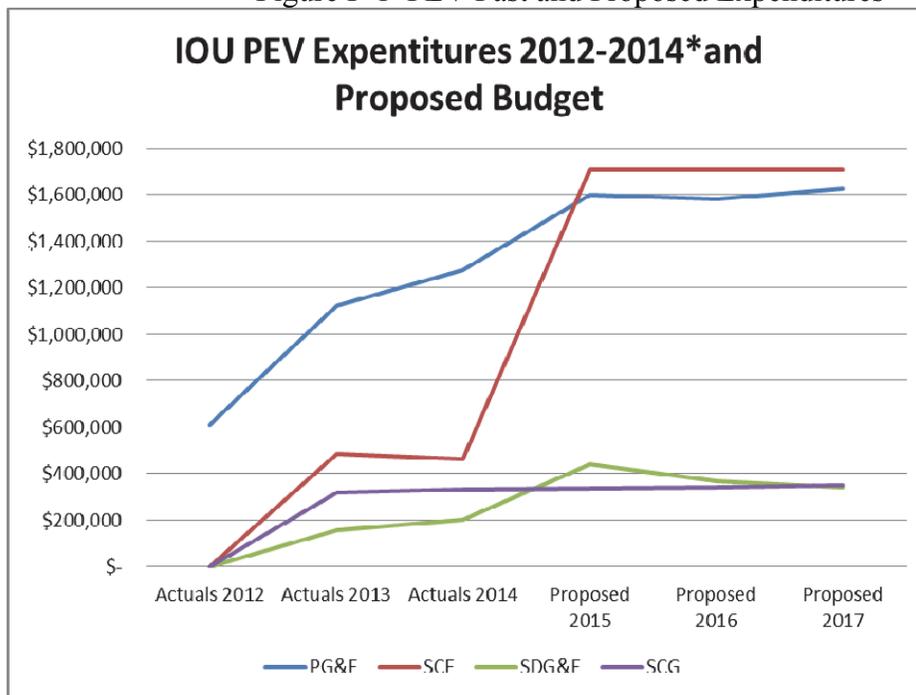
3 ORA requires complete and transparent accounting to determine the reasonableness of
4 budgets. Those analyzed thus far, may not include the full cost of any given activity. Reporting
5 must be changed in order to control cost and improve activities such as Post Enrollment
6 Verification.

7 **ORA Recommendation:**

- 8 1. IOUs should track and report all post enrollment verifications costs, including, but
9 not limited to labor and materials involved in probability modeling, contacting
10 customers, processing documents, and on-line costs.

11 **B. DENY SCE'S POST ENROLLMENT VERIFICATION PROPOSED**
12 **BUDGET INCREASE AND BRING DOWN ALL PEV COSTS THROUGH**
13 **SHARING BEST AND COST EFFECTIVE PRACTICES**

14
15 Figure F-1 PEV Past and Proposed Expenditures²⁷



16
17

²⁶PG&E Response to ORA Data Request PG&E-008,Q.2.a.,2/9/15. This is only the cost of those who did respond.

²⁷ In 2012, SCE, SDG&E, and SoCalGas, *did* verify customers (contrary to what the graph suggests), but the costs were housed in other budget categories.

1 SCE's application says it is seeking a "20% increase" in PEV budget with the goal of
2 increasing high usage PEV which it states is more complex, and thus suggest, more costly than
3 standard PEV.²⁸ Although PEV for high users may turn out to be more costly per verification as
4 SCE anticipates, SCE is not asking for a 20% budget increase. SCE is actually proposing a
5 **269% increase** over what SCE actually spent for PEV in 2014 (from \$462,401 to 1,708,380, see
6 Table T-11). The graph above (F-1) shows the information from Table T-11, without
7 "authorized 2015" and adding actuals for 2012: actual expenditures for 2012-2014 through
8 proposed budgets (2015-2017).²⁹ ORA cannot confirm the reasonableness of this request. SCE
9 has not provided any detailed explanations for its proposed budget increase for 2015-2017, such
10 as anticipated cost per customer for verification (labor and non-labor costs). Instead, SCE
11 anticipates fewer high use verifications for years 2015-2017 (less than 37,000) and fewer
12 verifications overall (up to 92,844 compared to 93,449 in 2014).³⁰ SCE must quantify the cost
13 assumptions it used in its PEV proposal, as well as all other expenditures related to the task of
14 verification.

15 **ORA Recommendations:**

- 16 1. The CPUC should deny SCE's PEV budget request
17 2. SCE should submit all estimated labor and non-labor costs related to post enrollment
18 verification

19 **C. ESTABLISH POST ENROLLMENT VERIFICATION BEST PRACTICES AND**
20 **REQUIRE EFFICIENCIES THAT WILL BRING DOWN COSTS AND NON-**
21 **RESPONSE**

22
23 PG&E's PEV proposed budget increase (shown in table T-11 above) primarily rests on
24 rising labor costs (3% annually) and the expectation that a greater number of customers will
25 respond to the high use verification request in 2015 and leveling off thereafter.³¹ The cost per
26 high use verification issued is expected to go from \$19 in 2014 to \$33 in 2017.³² ORA assumes

²⁸ SCE response to ORA Data Request 011, Q6.a., 3/13/15.

²⁹ Actuals, or expenditure information is from IOU annual reports from 2012, 2013, and December 2014 monthly reports-published 1/21/15. "Proposed" amounts are from IOU 2015-2017 applications. The numbers represented are the same as those on the table on p.2.

³⁰ See Southern California Edison, CARE Program Plan and Budgets Proposal for the 2015-2017 Program Cycle, November 18, 2014, Attachment B-9. Also, Dec.2014 monthly report, 1/21/15.

³¹ PG&E Response to ORA Data Request PG&E015,Q5-6,3/27/15.

³² Ibid.

1 this is an average estimate since PG&E has also demonstrated that the cost of verification for just
2 addressing responders is much higher--- Specifically, PG&E reports that for 28,400 PEV
3 customer responses, the average cost was \$51.10.³³ The cost of non-response is much lower and
4 brings down the average.³⁴ PG&E's PEV costs (shown here) are based solely on verification
5 requests processed and the data shows that PG&E's cost of processing the responses is quite
6 high. SoCalGas, on the other hand, reported a much lower PEV cost per customer verified in
7 2013.³⁵ On average, for those customers that responded to requests, each verification cost only
8 \$9.00 as compared to PG&E's (\$51) cost.³⁶

9 As a gas-only utility, SoCalGas does not verify high (electric) use customers, as PG&E
10 does. Still, the large difference between the costs suggests that there could be meaningful
11 SoCalGas procedures that could be applied to PG&E and the other IOUs. For example,
12 SoCalGas clearly advises customers that they can either verify through income OR categorical
13 eligibility documentation- consistent messaging that carries through from its (CARE)
14 application.³⁷ By encouraging those categorically eligible to use public assistance documents for
15 verification (as directed in D.12-08-044),³⁸ SoCalGas saves labor and processing costs. On
16 average SoCalGas has shown its processing costs to be substantially lower for verification
17 processed through categorical eligibility (as shown in table T-12 below)³⁹ SCE and PG&E have
18 indicated to ORA that customers may provide categorical eligibility documentation for this
19 purpose, but neither IOU clearly communicates this to their customers as well as SoCalGas
20 does.⁴⁰

³³ PG&E Response to ORA Data Request PG&E-008,Q.2.a.,2/9/15.

³⁴ PG&E Response to ORA Data Request PG&E-008,Q.2.a.,2/9/15. PG&E's reported cost of processing 69,700 verification requests with no response was \$201,000- an average of \$2.88.

³⁵ ORA acknowledges that comparisons between IOUs must be used with caution.

³⁶ SoCalGas Response to ORA Data Request SoCalGas-006,Q3.h. There is no averaging in of non-response processing.

³⁷ See customer verification letter (SoCalGas). SDG&E presents that information but in a denser format that could confuse customers.

³⁸ See D.12-09-044, p.16 and p.216.

³⁹ Table provided by SoCalGas in Response to ORA Data Request-006,Q3.h.

⁴⁰ See PG&E, SCE verification requests provided to ORA.

1 **Table T-12, Provided by SoCalGas**
 2 **SoCal Gas Verification Expenses, Categorical Documentation Vs Income Documentation⁴¹**
 3

Verification	Categorical documentation	Income documentation	All		Note
Type of Proof	44%	56%	100%	A	
Weights	1.00	153%		B	it take 53% more time to process income documentation
No. of Verifications	15,920	20,261	36,181	C	60% customers submitted proof of participation in one assistance program for the entire household in 2013.
Weighted No. of Verifications	15,920	31,067	46,987	D	B*C
Cost %	34%	66%	100%	E	% distribution of D
Total Cost	\$107,991	\$210,746	\$318,737	F	E*total cost in 2013
Unit Cost	\$6.78	\$10.40	\$8.81		F/C

4
 5 **ORA recommendations:**
 6

- 7 1. IOUs should clearly communicate to customers with electricity use of
 8 400% baseline or below that they can provide categorical eligibility
 9 documentation for verification
 10 2. IOU should train staff to effectively verify categorical eligibility
 11 documentation
 12 3. IOUs should establish and share cost effective verification Best Practices
 13 with other IOUs in annual workshops

14 **D. HIGH ELECTRIC USE: IOUS SHOULD ALERT CUSTOMERS TO**
 15 **RISKS OF HIGH USE THRESHOLDS BEFORE THEY REACH THEM**

16 The utilities should notify customers who have high electric usage and are likely to
 17 trigger high use verification requirements under the Commission’s implementation of Public
 18 Utility Code Section 739.1. Currently the Commission requires that all electricity-serving IOUs
 19 income verify customers whose electric use exceeds 400% baseline. Those with usage between
 20 400% to 600% baseline in any monthly billing cycle must undergo post enrollment verification

⁴¹ SoCalGas response to ORA Data Request SoCalGas-006,Q3.h.3/

1 and apply for ESA.⁴² Customers using more than 600% baseline in any monthly billing cycle
2 must undergo post enrollment verification and participate in ESA⁴³, and reduce use below 600%
3 to continue on the CARE rate.⁴⁴

4 Creating meaningful messaging for customers is a good approach to educate customers
5 about post enrollment verification and potential consequences of high use, however, all IOUs
6 should be creating an effective warning system so that CARE customers know that *exceeding*
7 *400%* baseline and then 600% baseline use puts them into a new documentation and requirement
8 category *before* customers reach those thresholds. Moreover, IOUs should alert customers with
9 language customers will easily understand (e.g., do not use technical jargon that may be
10 misunderstood by typical customers, such as “400% baseline”).

11 ORA supports SCE’s proposal to introduce notices to high use customers to provide
12 usage information “...that may help them stay within the prescribed usage limits to avoid
13 removal from the CARE program,” and it is “exploring opportunities” to use data to personalize
14 high use letters.⁴⁵ SDG&E suggests an alert system to notify customers when they are at risk of
15 reaching the >600%baseline threshold in “Rate Education Reports” and “High Use Alerts.”⁴⁶

16 ORA supports the implementation of “High Use Alerts” when customers exceed 300% of
17 baseline.

18 **ORA Recommendations:**

- 19 1. IOUs should notify CARE customers when they exceed 300% baseline that
20 exceeding 400% baseline would necessitate High Use procedures.
- 21 2. Design this alert using language that the customer will understand.

⁴² D.12-08-044, Ordering Paragraph 101(c), p.401

⁴³ PUC 739.1 *requires* ESA participation only for customers with usage over 600%. IOUs *may* require ESA participation and *may* require income documentation to verify eligibility, but are not required to verify in this manner.

⁴⁴ D.12-08-044, Ordering Paragraph 101(a),p.400.

⁴⁵ Southern California Edison, CARE Program Plan and Budgets Proposal for the 2015-2017 Program Cycle, November 18, 2014p.15.

⁴⁶ See Prepared Direct Testimony of Sandra Williams and Horace Tantum IV on Behalf of SDG&E’s CARE Program Plans and Budgets for Program Years 2015,2016. 2017, p.37.

1 **E. IOUs SHOULD CUSTOMIZE HIGH USE ESA MEASURES**

2 The IOUs do not yet have targeted measures for high use customers, since the ESA
3 program focuses on a variety of goals, not all of which reduce energy consumption (such as
4 furnace repair). Instead, ESA focuses on a combination of energy use reduction, education,
5 comfort, and safety measures (see ORA Testimonies of Camille Watts-Zagha and Louis Irwin).
6 For now, IOUs do not provide evidence showing that ESA can consistently lower use levels
7 beneath the “high use” thresholds—i.e., there may be a false expectation that ESA will lower
8 energy bills for customers.

APPENDIX A
QUALIFICATIONS OF WITNESSES

1 **QUALIFICATIONS AND PREPARED TESTIMONY**

2 **OF**

3 **ALICE GLASNER**

4 **Q.1. Please state your name and business address.**

5 **A.1.** My name is Alice Glasner and my business address is 505 Van Ness Avenue, San
6 Francisco, California.
7

8 **Q.2. By whom are you employed and in what capacity?**

9 **A.2.** I am a Public Utilities Regulatory Analyst in the Electricity Pricing and Customers
10 Programs Branch of the Office of Ratepayer Advocates (ORA) at the California Public
11 Utilities Commission, and have held this position since 2012.
12

13 **Q.3. Please describe your professional experience.**

14 **A.3.** I perform research and analysis on issues pertaining to the California Alternate Rates for
15 Energy (CARE). I also have experience working in the CPUC's Energy Efficiency
16 proceeding and Water Energy Nexus proceedings.
17

18 **Q.4. Please describe your educational background and qualifications.**

19 **A.4.** Prior to working at the CPUC, I worked on local government policy and planning for the
20 City of Oakland, Alameda County, and the City and County of San Francisco. My
21 educational background includes a Master's Degree in Geography from San Francisco
22 State University and a B.S. in Agricultural Sciences and Management from the
23 University of California, Davis.
24

25 **Q.5. What is your area of responsibility in this proceeding?**

26 **A.5.** I am sponsoring all of ORA's testimony on the California Alternate Rates for
27 Energy Program Applications of the IOUs.

28 **Q.6. Does this complete your testimony?**

29 **A.6.** Yes, it does.