California Public Utilities Commission

Internal Audit Unit
California Alternate Rates for Energy (CARE) Program

November, 2016

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

November 9, 2016

Finance and Administration Committee
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Final Audit Report – CPUC Internal Audit Unit (IAU) Report of the **California Alternate Rates for Energy (CARE) Program**

Dear President Picker:

The Internal Audit Unit has completed its review of the CPUC's CARE Program as of November, 2016. Our audit was conducted using the Institute of Internal Auditing's International Professional Standards for the Practice of Internal Auditing. This report represents the IAU's findings regarding risks and controls associated with the CPUC staff's management and oversight of this public purpose rate discount program.

We wish to credit the full assistance and cooperation of the Energy Division staff assigned to this important program, and an audit exit meeting was conducted with this group on August 9th. They agreed with our findings and their responses are included in the audit report; we appreciate their willingness to implement corrective action recommendations related to several findings which are intended to improve the effectiveness of staff's management and oversight of the program, as well as increase overall transparency of its finances.

This audit report is for the information and use of you and your colleagues on the Commission. If you have any questions regarding this report, please feel free to contact me at 415-703-1823 or carl.danner@cpuc.ca.gov.

Sincerely,

Carl Danner
Chief Internal Auditor, California Public Utilities Commission

Enclosure

cc: Commissioners
Timothy J. Sullivan, Executive Director
Ryan Dulin, Deputy Executive Director
Arocles Aguilar, General Counsel
Maryam Ebke, Deputy Executive Director
Barbara Owens, Risk and Compliance Officer

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EXECUTIVE SUMMARY

Introduction

This following report presents the conclusions of the Internal Audit Unit's (IAU) review of the California Alternate Rates for Energy (CARE) program, a low income energy rate assistance program which provides eligible low income households with a discount on their electric and natural gas bills. A description of the CARE Program is included in Appendix A.

CARE is one of a number of public purpose programs funded by a rate surcharge applicable to all customers except those in the program. Since CARE is essentially a rate discount program, the day-to-day operations of the program are managed by the utilities themselves. The Commission and its staff maintain primarily an oversight and policymaking role, approving program budgets on a three-year cycle.

It was the intent of the IAU to evaluate the CPUC staff's management of the program, identify any risks that currently exist regarding compliance with the Public Utilities Code and supporting decisions, and evaluate the effectiveness of control measures to mitigate these risks. Where significant residual risks were determined to be present in the procedural operations of the program, additional control measures are recommended below.

Background and Criteria

Public Utilities Code Sections 382, 739.1, 900, and 2790 require the Commission to establish and manage the CARE program in the most efficient and cost effective way, including the determination of utility administrative and outreach expenditures, and the development of discount rates, penetration goals, and enrollment methods. A variety of related Commission decisions and best practice criteria (such as found in the State Administrative Manual) also speak to similar goals and administrative objectives for the program.

Objectives

The overall objectives of this audit included the following:

- Verify compliance with relevant codes, regulations, and CPUC decisions;
- Establish if existing processes and controls are adequate to assure that program cost and revenue figures provide an accurate basis for ratemaking purposes, and for reports and disclosures about the program;
- Determine if the program is being managed in an effective and cost-efficient manner that reasonably addresses areas of program risks, including the use of best practices where appropriate (including those outlined in the State Administrative Manual (SAM) and other commonly accepted management and accounting practices).

Methodology

The methodology included a review of applicable laws, CPUC decisions, and reports; research interviews; process flow mapping; and a walkthrough and testing exercises. The Energy Division – Residential Demand Program Section (ED-RDPS) staff (client) responded to data requests, and follow-up discussions were conducted. We are pleased to credit the full cooperation of management with this audit.

Results

In general, we find that the longstanding low-income rate discount CARE program is functioning as required according to the established criteria, with a moderate to low level of risk. Based on our review of program materials, interviews with ED-RDPS staff, as well as an assessment of the legal requirements for the program (PU Code §§ 739.1, 382, 900, and 2790) and a review of its general control environment, we conclude with an overall positive finding regarding the program with the exception of the specific items identified in this audit report.

For each of the findings below, the IAU concludes that the application of certain additional controls would help the program function more effectively and reduce related risks to the CPUC. Each of these findings is identified in the following table (**Table ES-1**), and described in detail in this audit report. While we believe that these recommendations will help the CPUC perform better with regard to its statutory obligations, in our view none of the findings rise to the level of non-compliance with any law or rule to which the program is subject.

Conclusion / Next Steps

While it is the conclusion of the IAU that the ED-RDPS appropriately manages the CARE program within the existing regulatory framework and resource allocation, we also note that with some minor changes to the control structure the program could function more effectively and present less risk to the CPUC and ratepayers of California.

Table ES-1 Summary of Internal Audit Findings – CARE Program

FINDING NO.	FINDING TITLE	SUMMARY OF ISSUE	ADD'L CONTROLS?
1.	**Verification of Enrollment and PPP Surcharge**	*Recommend verification of IOUs' self-reported CARE enrollment and surcharge numbers*	Yes
2.	**CARE Balancing Accounts**	*Consistent with State Auditor's findings, regular audit of CARE balancing accounts recommended*	Yes
3.	**CARE Administrative Budget Oversight**	*Additional verification of CARE administrative budget recommended*	Yes
4.	**Policy and Procedure Manual**	*Documentation of duties and procedures recommended to promote consistent administration and efficient transfer of knowledge*	Yes
5.	**Additional Information Required for Tracking and Reconciling ED Staff Costs**	*Disclosure of specific CPUC staff support cost elements recommended to reduce risk of erroneous cost allocations, and for increased transparency*	Yes

INTRODUCTION

The purpose of this internal audit was to review and evaluate the CPUC's internal management and oversight of the California Alternate Rates for Energy (CARE) Program. The CARE program is a rate discount program authorized by CPUC decisions and supporting legislation which provides rate discounts in the range of 30-35 percent to qualifying low income participant households on electricity bills and 20 percent on natural gas bills. Both the large investor owned utilities (IOUs) and smaller multi-jurisdictional utilities (SMJUs) in California are required to maintain CARE or similar programs to assist qualifying low income residents. CARE is funded by non-participating utility customers through a Public Purpose Program (PPP) charge on ratepayer energy bills.

Although the CPUC itself does not actually manage the finances of the CARE program (since fees for electricity and natural gas services are collected directly by each participating utility), the agency does review and approve the budget applications which are submitted every three years by the utilities. Staff also submits data requests, analyzes legislative proposals, reviews advice letter filings related to the program, and advises decision-makers on policy and program implementation. The staff of the Energy Division – Residential Demand Programs Section (ED-RDPS) is responsible for budgets, policies and overall administration of the CARE program for the CPUC.

Audit Objective

The objectives of this audit included the following:

- Verify compliance with relevant codes, regulations, and CPUC decisions;
- Establish if existing processes and controls are adequate to assure that program cost and revenue figures provide an accurate basis for ratemaking purposes, and for reports and disclosures about the program;
- Determine if the program is being managed in an effective and cost-efficient manner that reasonably addresses areas of program risks, including the use of best practices where appropriate (including those outlined in the State Administrative Manual (SAM) and other commonly accepted management and accounting practices).

Qualifications/Limitations

The intent of this audit is to evaluate the internal risks and controls related to the CPUC's management of the CARE program. The IAU has not conducted a financial audit of the CARE program, because the Commission itself does not actually handle the program's finances. The financial component has not been audited in a number of years, and our review led to recommendations for financial review that are incorporated into this report – *for the verification of IOUs' self-reported enrollment figures; and for regular audit of utilities' CARE balancing accounts* – pursuant to PU Code § 900 which authorizes compliance and financial audits of the program. This verification would in essence comprise a financial audit of the program going forward. In addition, the ED-RDPS has reported that the State Controller's Office (SCO) is in the process of developing a scope of work to audit the 2013-2015 low income programs, including CARE. A regular cycle of reconciliation of these accounts would strengthen the credibility of the CPUC and provide added assurance for the best interests of ratepayers.

Research and fieldwork was completed during March-May, 2016 and represents conditions found during that period.

Detailed Audit Results

Initially, the IAU reviewed background information and applicable legislative provisions and CPUC decisions to identify the requirements of the program, subsequently translating these requirements into the objectives and goals of the engaged area, CARE. The second step in the audit process was to identify the various procedural requirements of the program, and to identify the risks associated with each of these processes. Next, the IAU categorized the risk level for each process, in terms of the impact of the risk, and the apparent likelihood or velocity of the risk; the resulting Risk and Control Matrix (RCM) is presented in Appendix B. Once the risk levels were identified, available management controls were identified and evaluated to determine their effectiveness. A walkthrough of each process was then conducted, and control testing objectives were identified to determine the severity of the observed risks. Findings resulted where compliance with statute or Commission decisions could be improved, or where significant risks were identified which were not effectively controlled.

Program Areas Considered

Each of the California Public Utilities Code sections (PU Code) which directly apply to the management and oversight of the CARE program were identified, along with objectives and/or procedural steps derived from these provisions. The applicable provisions include PU Code §§ 382, 739.1, 900 and 2790.

In summary, the Commission is required to establish and manage the CARE program; provide policy development, program implementation oversight, and evaluation support, submit data requests, review advice letters, analyze legislative proposals, and advise decision makers on policy and program implementation. This role includes the determination of appropriate utility expenditures, and the development of penetration goals and enrollment methods. Table 1 summarizes the IAU's assessment of the current level of program consistency with each PU Code section, along with the related audit findings.

Table 1
Assessment of Program Consistency with Public Utilities Code Sections

Public Utility Code Section (§)	Summary	Program Consistency Assessment (Full, Partial, Non)	Related Audit Finding No.
382 (a)	*Authorizes low-income programs*	Full	1, 2, 3
382 (b)	*Establishes discount rates for electricity*	Full	1, 2, 3
382 (c)	*Allow special rates by providers*	Full	N/A
382 (d)	*Low Income Needs Assessment (LINA)*	Full	1, 2, 3, 4
382 (f)	*Funding allocation*	Full	1, 2, 3, 4
739.1 (a)	*Authorizes CARE program*	Full	1, 2, 3, 4
739.1 (b)	*Establish CARE rates*	Full	1, 2
739.1 (c)	*Discount 30-35 percent*	Partial	1, 2
739.1 (d)	*Penetration goals / admin. costs*	Partial	1, 2, 3, 4
739.1 (e)	*Increase CARE enrollment*	Full	1, 2, 3, 4
739.1 (f)	*Applications / coordination*	Full	1, 2, 3
739.1 (g)	*No unfair burden*	Full	1, 2
739.1 (h)	*Include nonprofits, etc.*	Full	1, 2
739.1 (i)	*Verification / usage levels*	Partial	1, 2
900	*Efficient and cost effective CARE*	Partial	1, 2, 3, 4, 5
2790 (a)	*Weatherization program*	Full	3, 4
2790 (b)	*Types of measures*	Full	3, 4
2790 (c)	*Other measures*	Full	3, 4
2790 (d)	*Needs assessment*	Full	3, 4
2790 (e)	*Energy management*	Full	3, 4

INTERNAL AUDIT FINDINGS

The following section presents our audit findings along with the supporting information on which they are based. For each finding, the topic is identified, followed by the evaluation criteria used as a review standard, the existing situation related to the CARE program, why the criteria are not being met, and the resulting risk. In addition, recommendations are provided to promote compliance, strengthen controls, and/or mitigate associated risks.

SUMMARY EVALUATION

The IAU has determined that overall the CARE program is in compliance with the established criteria in statute (PU Code §§ 739.1, 382, 900, and 2790) which state that the Commission shall establish and administer the program in the most efficient and cost effective manner, and in compliance with legal requirements. The IAU's review of a variety of program materials, interviews with ED-RDPS staff, analysis of program documents, and assessment of the general control environment provided evidence supporting this finding.

While a financial audit of the IOU's CARE program administrative costs has not been conducted for a number of years, when last conducted in 2011 there were few (if any) discrepancies identified. The ED-RDPS staff appears to function effectively to oversee the CARE program with limited resources and expanding responsibilities. Although some risk areas were determined as part of this audit as discussed in the findings below, control measures were also recommended which if implemented would reduce risks and improve the efficiency of the program. No risk areas categorized as "very high" were identified by the IAU.

FINDING No. 1 – Verification of Enrollment and PPP Surcharge

1-A. Review Standard/Criteria - Requirement from PU Code §739.1 (d) – Determination by the Commission that administrative costs are reasonable, and can be recovered through balancing account mechanism. PU Code §900 - The Commission shall determine the most efficient and cost-effective way to provide programs pursuant to §739.1 (CARE)…..the Commission may conduct compliance audits to ensure compliance with any order or resolution relating to the implementation of programs….and may conduct financial audits. SAM 7200 – General examination of accounting records to make sure all transactions are properly recorded and that the money is properly handled. Best Practice Criteria - requires solid internal controls over management of the CARE program and use of the Public Purpose Program funds. In addition, there should be regular and pertinent review of the CARE program finances, with supporting documentation, and regular oversight and fund balance reconciliation.

1-B. Conditions/Existing Situation - The participating utilities self-report the difference between estimated and actual CARE participants on a monthly and annual basis, for use in the program enrollment balancing account. These differences are subsequently entered into the CARE Balancing Account for future "true up" reconciliation, a process through which utility rate revenues (collected from participating customers) may increase or decrease depending on the number of CARE subscribers that are reported.

Based upon our research and review of the ED-RDPS activities and processes, there is no independent verification or random checking of utilities' self-reported CARE subscribership numbers. The reason behind the lack of verification of reported numbers has not been determined, other than the possibility that the CPUC has simply relied on the accuracy of utility reported numbers since the program's inception. The absence of independent verification is not consistent with best practices for internal controls. The IAU did not however, review any controls that may exist within the utilities themselves to help assure the accuracy of these figures.

Without some form of independent verification of the utilities' self-reported CARE enrollment numbers, the CPUC and its staff are at risk of errors in the accuracy of reported enrollment numbers and/or inaccurate public purpose program funds collected by the utilities. Inaccurate CARE Balancing Account entries also would present an issue for competent full disclosure by the CPUC.

1-C. Recommendations and/or Action Plan - The IAU recommends that an additional control be instituted to minimize the risk of errors in the accuracy of reported enrollment numbers, and in the magnitude of public purpose program funds collected by the utilities. The structure of this control should be a determination for CPUC management (and potentially the Commission, if appropriate), but the IAU suggests that it be designed in a risk-based manner, and potentially include verification of a random sample of enrollments back to participant applications. Another option might include audits of enrollment figures on a regular cycle (e.g., every 3 years) to confirm their validity and that of corresponding public purpose fund expenditures.

FINDING No. 2 - CARE Balancing Accounts

2-A. Criteria/Review Standard - Requirement from PU Code § 739.1 (d) – Determination by the Commission that administrative costs are reasonable, and can be recovered through balancing account mechanism. SAM 7200 – General examination of accounting records to make sure all transactions are properly recorded and that the money is properly handled. Best Practice Criteria requires solid internal controls over management of the CARE program and use of the Public Purpose Program funds. In addition, there should be regular and pertinent review of the CARE program finances, with supporting documentation, and regular oversight and fund balance reconciliation.

2-B. Conditions / Existing Situation – As noted in Finding 1, each of the IOUs maintains at least two separate balancing accounts to track CARE program enrollment and collection of surcharges so that any differences from adopted forecasts can be recouped in later advice fillings or proceedings. This allows the utilities to reconcile any differences between estimated program enrollment and budgeted administrative costs with the amount of surcharge fee collected in non-CARE rates. The ED-RDPS staff does not conduct regular reviews or independent financial audits of the CARE balancing accounts, with the exception of the risk based balancing account reviews described in the ED's response to this audit. A series of audits of the CARE administrative program costs were conducted by the Division of Water and Audits for PY's 2006-2011, but none have been completed subsequent to those years. In addition, in 2014 the State Auditor issued a report concluding that the CPUC lacked adequate processes to provide sufficient oversight of utility balancing accounts, and recommended that the ED perform more in-depth review of these accounts. In response, the ED developed procedures for auditing all balancing accounts in accordance with the State Auditor's recommendations and requested additional positions to assist with these efforts.

The ED-RDPS performs a high level review of the IOU's informal filings to review the overall CARE enrollment and budget, and the DWA and ORA perform more detailed audits of some balancing accounts when the utilities file for a formal or informal proceeding to refund or recoup some of their balances, but to date there is no evidence of detailed CARE balancing account audits on a regular basis. The absence of such audits or verification represents a significant weakness in the current internal control structure over the CARE balancing account, analogous to that which the State Auditor identified for balancing accounts generally.

Ratepayer dollars flowing through the CARE program in any given year are a substantial component of the CPUC's Public Purpose Programs. In 2015, over 4.6 million households were enrolled in CARE with a budget of $1.3 billion. Even a relatively small error or variance rate in the transactions included in these accounts of over/under collections could amount to large sums. Without any independent review of the CARE balancing accounts, the CPUC and its staff are at risk of errors through the collection of inaccurate public purpose program funds by the utilities. The potential for inaccurate CARE balancing account entries also presents a risk to the CPUC for competent full disclosure.

2-C. Recommendations and/or Action Plan - First, the ED is already authorized to review utility accounts and has taken steps to address the recommendations of the State Auditor, by developing new auditing procedures and obtaining additional staff to assist in this effort. Second, we also note that the ED-RDPS is currently in the process of negotiating an agreement with the SCO to regularly audit the CARE (and ESA) program. The IAU recommends that the CARE balancing accounts be identified as a part of at least one of these two efforts.

We also note the recommendation contained in the 2014 State Auditor's Report which states, "To ensure proper oversight of balancing accounts, the Legislature should amend California

Public Utilities Code, Section 792.5, to require the commission to develop a risk-based approach for reviewing all balancing accounts periodically to ensure that the transactions recorded in the balancing accounts are for allowable purposes and supported by appropriate documentation, such as invoices." While recommendations for legislative action are beyond the scope of this audit, we agree with the substance of the approach proposed.

FINDING No. 3 - CARE Administrative Budget Oversight

3-A. Criteria/Review Standard - Requirement from PU Code § 739.1 (d) - Determination by the Commission that administrative costs are reasonable, and can be recovered through balancing account mechanism. SAM 7200 – General examination of accounting records to make sure all transactions are properly recorded and that the money is properly handled. Best Practice Criteria - requires solid internal controls over management of the CARE program and use of the Public Purpose Program funds. In addition, there should be regular and pertinent review of the CARE program finances, with supporting documentation, and regular oversight and fund balance reconciliation.

3-B. Conditions / Existing Situation - The IAU determined that a series of audits of the CARE administrative program costs were conducted by the Division of Water and Audits for each of the three IOUs covering PY's 2006-2011. The DWA did not find any inaccuracies with regard to the administrative budgets for these program years. It does not appear that any other oversight or review of the CARE administrative budgets for the IOUs' or smaller utilities has been done since this time, however a contract with the SCO is currently being negotiated and it is anticipated that the CARE administrative budget will be audited on a regular basis.

The IAU was unable to locate evidence of any review of IOUs' CARE administrative budgets conducted by the ED or any other party since 2011. Since no regular oversight or review of the CARE administrative budgets is being conducted, the above referenced review standard is not currently being met.

Since there currently is very limited review of the IOUs' CARE administrative budgets, the CPUC and staff are relying heavily on the utilities self-reported finances, increasing the risk of errors or inaccuracies leading to improper public purpose funds being collected by the utilities. The total of the administrative budget expenses for the IOUs is approximately $132 million per year (2015). This lack of oversight also increases the risk to the CPUC for competent full disclosure.

3-C. Recommendations and/or Action Plan - To ensure that CARE administrative expenses are properly recorded and reported reducing the overall risk level of this finding, we recommend that the ED-RDPS regularly review and verify the IOUs' expenses. There are a variety of ways this can be accomplished, possibly through the aforementioned negotiations with the SCO to regularly audit the CARE (and ESA) program.

If and when detailed audits are conducted, we also recommend that they ascertain that the IOUs' internal, management and oversight controls are properly in place and functioning, reducing the overall risk level associated with the CPUC's approval role. Regular audits of this type for programs like CARE will decrease the likelihood of ratepayers paying more than required and will increase transparency and public confidence in both the CPUC and IOUs.

FINDING No. 4 – Policy and Procedure Manual

4-A. Criteria / Review Standard - PU Codes §§ 739.1, 382, 900, and 2790: Require the Commission to establish and manage the CARE program in the most efficient and cost effective way, including the determination of utility administrative and outreach expenditures, and the development of discount rates, penetration goals, and enrollment methods.

4-B. Conditions / Existing Situation - The ED-RDPS does not maintain a written plan or document to specifically lay out the day to day responsibilities of staff related to the Commission's management and oversight responsibilities related to the CARE program. A written CARE Policy and Procedure Manual would help to minimize training required for temporary or newly hired staff, and would expedite the training process to provide competent program management and oversight functions. Preparation of a Policy and Procedure manual would however, require some staff time and effort that presumably has been used for other priorities to this point.

Without a Policy and Procedure Manual which provides control over the day to day responsibilities of staff related to the management and oversight of the CARE program, there is an increased risk of these duties not being performed as necessary, including potential inaccuracies in program management and knowledge transfer issues in the event of staff turnover.

4-C. Recommendations and/or Action Plan - We recommend that the ED-RDPS prepare a CARE Policy and Procedure Manual, which maps out the step by step procedures required by the Section to adequately manage and oversee the CARE program. The existence of such a manual would serve as a control measure and reduce associated program execution risks.

FINDING No. 5 – Additional Information Required to Track and Reconcile ED Staff Costs

5-A. Criteria / Review Standard - PU Codes §§739.1, 382, 900, and 2790: Require the Commission to establish and manage the CARE program in the most efficient and cost effective way, including the determination of utility administrative and outreach expenditures, and the development of discount rates, penetration goals, and enrollment methods. SAM 7200 – Requires general examinations of accounting records to make sure all transactions are properly recorded and that the money is properly handled. In addition, Best Practice Criteria apply, including the provision of solid internal controls for the management of the CARE program and use of the Public Purpose Program funds. In addition, there should be regular and pertinent review of the CARE program finances, with supporting documentation, and regular oversight and fund balance reconciliation.

5-B. Conditions / Existing Situation – Once a year, the CPUC staff notifies each IOU of a dollar amount to be reimbursed to the CPUC from CARE program revenues (i.e. from IOU ratepayers) to compensate the CPUC for its staff expenses associated with oversight of each utility's CARE program. In the monthly and annual reports, each of the IOUs includes a corresponding budget amount for ED-RDPS staff costs, reported as only a lump sum total. We were not able to obtain from staff the methodology or accounting used to track these ED-RDPS staff costs. Detailed line item budgets which can be traced back to expenditures are not available for staff costs; therefore, it is difficult to determine if these operations are handled in an efficient manner.

Although the dollar amounts of the ED Staff costs are relatively small compared to the overall CARE budgets, the lack of detailed information about CPUC staff costs that are assessed limits the overall transparency of the program and its expenditures. Also, without detailed information the risk of erroneous calculations and charges to ratepayers (through the PPP surcharge) is increased.

5-C. Recommendations and/or Action Plan - The IAU recommends that the ED-RDPS staff annually review and provide to the IOUs a detailed breakout of its basis for calculation of the ED Staff Cost line item, and direct the IOUs to provide this information in at least one monthly report during the course of the year. This will reduce the risk of error and increase stakeholder confidence in the level of effort required to perform these tasks. Providing more detailed information could also improve the ability of staff to potentially request reimbursement for additional work that may be required to minimize risk and improve performance of management activities.

MANAGEMENT RESPONSE TO THE IAU'S CARE PROGRAM AUDIT

In addition to helpful informal comments, the ED-RDPS provided the following response to the draft audit report:

INTERNAL MEMO

To: **Carl Danner and John Forsythe**

From: **Pete Skala**

Date: **October 6, 2016**

Re: **Energy Division Response to Draft Internal CARE Audit Report**

Summary - Below are our comments in response to Management's draft Internal CARE Audit Report. Per your request, these comments are limited to the following two categories: corrective actions for each of the five audit findings and informal comments and suggestions regarding the report.

I. Corrective Actions for Audit Findings

1. **Verification of Enrollment and PPP Surcharge** – Additional verification measures are addressed in Proposed Decision (PD) and Alternate Proposed Decision (APD) which authorize IOU funding for enhanced "real time" measurement and verification. Both decisions are currently pending Commission activity in proceeding (A) 14-11-007 with a vote anticipated by the end of 2016.
2. **CARE Balancing Accounts** – Residential Program staff intends to contact the State Controller Office (SCO) audit staff to incorporate an audit of balancing accounts into the CARE program audits currently underway.
3. **CARE Administrative Budget Oversight** – CARE administrative budgets are included in scope of the aforementioned SCO audits to ensure reporting accuracy, uniformity across budget categories, and also prevent potential overlap with General Rate Case (GRC) related costs.
4. **Policy and Procedure Manual** – Residential Program staff is open to preparing a CARE policy and procedure manual and intends to explore this initiative further once the pending decision has been voted out and the implementation phase of the proceeding begins.
5. **Tracking and Reconciling ED Staff Costs** – Residential Program staff intends to coordinate with IOU staff to reconcile this budget line item and will also revisit related compliance reporting during the implementation phase of the proceeding.

Conclusion – We appreciate the opportunity to provide comments and look forward to final report and upcoming presentation to the Finance and Administration Committee.

IAU Further Comments on the "ED Response to Draft Internal CARE Audit Report" – dated October 6, 2016

Comment #1 – The IAU appreciates ED's response and reference to the pending PD and APD, specifically regarding enhanced "real time" measurement and verification. We believe ED is referring to the proposed IT system upgrades for the IOUs contained in both the PD and APD, along with the solicitation for Advanced Metering Infrastructure Data, which eventually has the potential to generate electric end use profiles for the CARE program population and non-CARE program residential electric user profiles. While we agree that these measures will help to quantify energy savings resulting from the CARE program, it is unclear how these measures will help to verify the number of CARE participants or surcharge collections claimed by the IOUs in any given month. It would be helpful for the ED to specify the exact process by which the "enhanced, real time measurement and verification" process will translate into an ability for the ED to provide an ongoing assurance (such as through independent tracking and confirmation of the IOUs reported figures) about the accuracy of the CARE program enrollment and surcharge numbers, which is the precise issue raised by the first audit finding.

Comment #2 – The IUA concurs with the ED's proposal to incorporate an "audit of balancing accounts" in the ongoing CARE program audits being conducted by the SCO, as noted in audit finding number 2. Since the IAU did not have the opportunity to review the scope of work during our fieldwork, we would appreciate the opportunity to review it at this time to complete our evaluation of this issue and provide full disclosure of the CARE balancing account review process. The IAU appreciates the partial description of the scope in Comment #3.

Comment #3 – It is useful to understand that the SCO audit will include an assessment of the CARE administrative budgets "to ensure reporting accuracy, uniformity across budget categories, and also to prevent potential overlap with GRC related costs." This does in part address the concern expressed in audit finding number 3, although in addition to reviewing the administrative budget categories as described, the IAU suggests that the overall staff management of the CARE program administrative budget would benefit through proactive analysis and oversight of the budget to ensure consistency with the authorizing policies identified in the audit report.

Comment # 4 – As stated in the CARE report for finding number 4, the IAU believes that a written Policy and Procedure Manual would aid in consistency through program activities and reduce and minimize risk to program procedures. We fully support ED's intent to develop such a manual in the future, especially with new and revised program elements resulting from the pending 2015-2017 decision.

Comment # 5 – This comment addresses the spirit and intent of finding number 5 in the audit report, and while the total budget for ED staff cost is minimal when compared to the program budget as a whole, further tracking and reconciliation of these costs will help reduce risk of error and increase overall program transparency. In addition, if new or revised activities are required once the decision is implemented, careful monitoring of the ED staff budget will allow precise additions or reductions with limited risk of errors.

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The IAU appreciates the complete cooperation and responsiveness of the ED-RDPS staff as well as the time required to review and comment on the audit report. In addition, we thank all others who have assisted in the preparation of this report.

APPENDIX A

Description of the CARE Program

Background and History of CARE

The California Alternate Rates for Energy Program was established in 1989 pursuant to CPUC Decisions D. 89-07-062 and D. 89-09-044 as the Low Income Ratepayer Assistance (LIRA) Program. The program has evolved over time and the name was changed from LIRA to CARE as authorized in D. 92-04-024. The current CARE program is offered by all four of the large IOUs and several smaller and/or single fuel utilities and provides a monthly discount on energy bills for qualifying residential single-family households, tenants of sub-metered residential facilities, nonprofit group living facilities, agricultural employee housing facilities and migrant farm worker housing centers in California.

Over time, various modifications and improvements have been made to the program. As part of D. 05-10-044, the eligibility level was increased to 200 percent of the FPG. In 2013, AB 327 (Perea) revised P.U. Code 739.1 (a) to require that the CARE income eligibility level for one-person households would be based on two-person household guideline levels, and also establishes that the CARE electric discount shall be no less than 30 percent and no greater than 35 percent of revenue. A complete list of all applicable legislation, decisions, and codes related to the CARE program, along with a brief summary of each is included as Appendix C.

In addition, D. 12-08-044 and D. 15-05-044 required the CARE program to include a mandatory high usage policy which has resulted in the removal of certain households from the program for excessive usage. The Energy Savings Assistance (ESA) Program is closely related to the CARE program and many participants are enrolled in both CARE and ESA. ESA is also funded through Public Purpose Program (PPP) funding and therefore will be the subject of a forthcoming audit by the IAU.

There are several other programs which are closely related to the CARE program including the Energy Saving Assistance (ESA) program, the Family Electric Rate Assistance (FERA) program, and the Middle Income Direct Install (MIDI) Program.

Enrollment and Verification

To enroll in the CARE program, customers must self-certify that they meet the income and household eligibility requirements on a CARE program application. Customers can enroll online, by mail, over the telephone or through a community based organization (CBO). Through categorical eligibility, customers who are enrolled in one of several public assistance programs, including Medicaid/Medi-Cal, Supplemental Security Income and CalFresh / SNAP (food stamps), are also eligible for automatic enrollment in CARE, regardless of whether they meet the income guidelines.

Participants must recertify their eligibility every two years, or every four years if they are on a fixed income. The IOUs are mandated to verify a certain percent of the total CARE residential population annually to ensure that households enrolled do meet the programs income guidelines. Documentation regarding income and/ or participation in categorically eligible programs are required as part of this process.

The utilities utilize a Post Enrollment Verification (PEV) process to ensure that the self-certified CARE participants fall within eligible income guidelines and meet other requirements. Households are selected at random through probability models and are required to provide verification of income in order to remain in the program. In addition to this random verification, verification for high usage customers is authorized by PU Code § 739.1(i) 1-3, and requires that participants with monthly usage at or above 400 percent of baseline may be required to enroll in the ESAP and where usage exceeds 600 percent of baseline the customer must enroll in ESAP which includes a residential energy assessment.

In addition, Community Based Organizations (CBO's) are utilized by the utilities to assist in obtaining qualified low income customers suitable for enrollment into the CARE program. These CBO's are referred to as "capitation contractors" and receive compensation for assisting with the enrollment process, receiving a maximum payment of $20 per successful enrollment pursuant to D. 12-08-044.

Penetration Goals

There is a 90 percent penetration goal set for the CARE program, which was established in D. 08-11-031 and retained in 12-08-044.

The overall program budget for CARE in 2015 was approximately $1.3 billion, and approximately 4.6 million households were enrolled statewide in 2014 equating to an 84 percent overall penetration rate (percentage of enrolled households projected as eligible). Participation is highest in the South Coast/ Inland region at around 50 percent of program participants, to 25 percent in the Central Valley, 15 percent along the Central Coast, to less than 10 percent in the Desert, North Coast and/or Mountain regions.

Rate Recovery / CARE Balancing Account

In general, CARE costs are recovered via a two-way balancing account. A graphic showing the conceptual process flow activity of the CARE balancing accounts is provided in Figure A-1. The CPUC authorizes a budget for the CARE administrative costs and estimates the discount that will be incurred once every three years. These budgets are used to set the surcharge each year. While the IOUs are expected to maintain the administrative costs within the adopted budgets, the discount and other benefits are considered needs-based, meaning that utilities can recover the full amount of discount provided. Each year the number of participants and their energy usage fluctuate, making program cost estimates necessarily uncertain when developing the budget for the forthcoming year.

The CARE program is funded by all non-CARE participating ratepayers through the Public Purpose Program (PPP) rate surcharge. CARE funding is recovered through a fractional cost per therm of natural gas and fractional cost per KWh basis for electricity, and is applied to all customer classes except those actually participating in CARE.

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Pursuant to CPUC directives contained in D. 01-03-028 and D.02-07-033, each of the IOUs are required to submit both monthly and annual reports, which provide information about the number of eligible customers and program expenditures and accomplishments. The utilities are required to submit formal filings with the Commission every three years to request approval of their administrative budgets and projected CARE subsidy costs.

Administration and Outreach

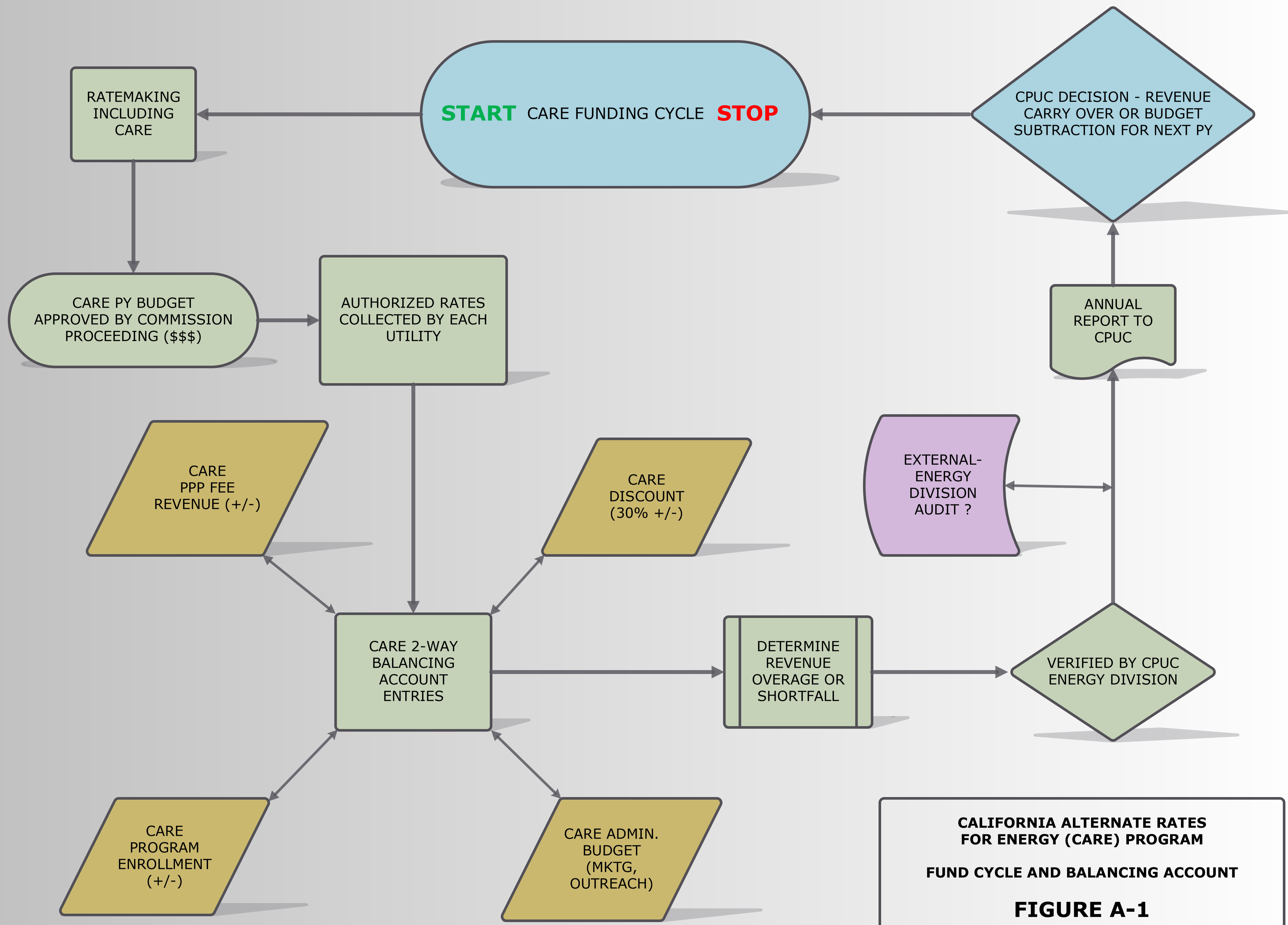
As required by PU Code § 739.1 (b) the IOUs are also able to recover CARE administrative costs through the balancing account, subject to Commission approval. These include several budget categories of expenses that are identified in Table A-1.

Table A-1 CARE Program Administrative Cost Categories

1) Outreach
2) Processing, Certification, and Recertification
3) IT Programming
4) Cool Centers
5) Pilot Programs
6) Measurement and Evaluation
7) Regulatory Compliance
8) General Administration
9) CPUC Energy Division Staff Support

Low Income Oversight Board (LIOB)

The Low Income Oversight Board (LIOB) is an advisory board established to provide advice on low-income electric and gas issues and serve as a liaison between the Commission and low income ratepayers and their representatives. The LOIB was established pursuant to PU Code § 382.1 and its charter was updated in 2007 under Resolution E-4095. The LOIB maintains a website at www.loib.org. The LIOB hosts quarterly meetings to address low income issues and provide recommendations to the Commission. The LIOB is comprised of eleven members of the public, a Commissioner, a gubernatorial appointee, and a variety of utility and industry representatives. The LOIB website provides information and direct links to the CARE and ESA programs, as well as other low-income programs.



CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) PROGRAM

FUND CYCLE AND BALANCING ACCOUNT

FIGURE A-1

APPENDIX B

PRELIMINARY RISK AND CONTROL MATRIX

APPENDIX B

PRELIMINARY RISK AND CONTROL MATRIX

AUDIT ENGAGEMENT - California Alternate Rates for Energy (CARE) Program

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
COMMISSION REQUIREMENTS EXTRACTED FROM PUBLIC UTILITIES (PU) CODE 739.1						
1. The Commission shall continue a program of assistance to low-income electric and gas and customers with annual household incomes that are no greater than 200 percent of the FPG levels.	Program is discontinued or utilities don't participate – eligible customers are not served.	High	Low	CPUC	PU Code 739.1 and annual utility reports	Annual reports document compliance and participation levels.
2. The Commission shall ensure that low income ratepayers are not jeopardized or overburdened by monthly energy expenditures.	Qualified participants required to spend excessive amount on utility bills.	High	Low	CPUC	Staff confirm past years results in annual reports	Staff reports to Commission; independent review of Impact Report
3. The Commission shall ensure that the level of discount for low-income electricity and gas ratepayers correctly reflects the level of need as determined by the needs assessment conducted pursuant to subdivision (d) of Sect. 382.	Need not met pursuant to requirement.	Low	Low	CPUC	Staff review needs assessment and report to Commission	Confirm the findings presented in the needs assessment.

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
4. The average effective CARE discount shall not be less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers.	Discount level does not meet the specified objective.	Low	Low	CPUC	Staff reviews utilities annual reports to confirm	Review reports to test and confirm findings meet requirements.
5. The average effective CARE discount shall be calculated as a weighted average of the CARE discounts provided to all individual customers.	Discount calculations do not meet the objective/goal or calculations done incorrectly.	Low	Low	CPUC/ Utilities	Staff reviews utilities reports, adjustments can be made during next program cycle.	Review reports to test and confirm findings meet requirements.
6. The entire discount shall be provided in the form of a reduction in the overall bill for the eligible CARE customer.	Program guidelines not followed as directed by PU Code.	Low	Low	CPUC/ Utilities	Staff confirms program follows guidelines	Program well established, testing of this factor not required.
7. The Commission shall work with the electrical and gas corporations to establish penetration goals.	Penetration goals not established or met.	Low	Low	CPUC/ Utilities	Staff confirms penetration goals are set for each program cycle in coordination with utilities.	Program well established, testing of this factor not required.
8. The Commission shall authorize recovery of all administrative costs associated with the implementation of the CARE program that the commission determines to be reasonable,	Administrative cost recovery not authorized or administrative cost item not included in budget.	High	Low	CPUC	PU Code authorizes activity; staff reviews	Review reports and independent audit of legitimacy of balancing

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
through a balancing account mechanism. These costs shall include outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and upgrades to communications and processing equipment.	Balancing account process not followed properly.				annual report to ensure conformance; independent review of balancing account	accounting.
9. The Commission shall examine methods to improve CARE enrollment and participation, including comparing CARE information to the ULTS to increase enrollment.	Enrollment and participation goal not achieved.	Low	Low	CPUC	Staff provides documentation of efforts to improve enrollment including consultation with ULTS.	Program well established, testing of this factor not required, however documentation of this activity would confirm.
10. The Commission shall ensure that a customer consents prior to enrollment.	Utilities enroll customers without prior consent.	Low	Low	CPUC/ Utilities	Staff verification of customers consenting to enrollment; means of reporting problems to Commission.	Review staff findings; random sampling of consent documentation and/or application.
11. The Commission shall consult with interested parties including ULTS providers to determine the best methods of informing ULTS customers about other low-income programs.	ULTS customers and others not aware of CARE eligibility.	Low	Low	CPUC	LIOB meetings enable consultation and continued improvement of increasing	Program well established and penetration rates generally achieved therefore outreach and consultation appears to be

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
					enrollment.	satisfactory.
13. The Commission shall improve the CARE application process by cooperating with other entities and representatives of California government to ensure that all eligible customers are enrolled in CARE.	Eligible customers are not enrolled in program.	Low	Low	CPUC	Document coordination; achieving penetration goals; identification of eligible customers not enrolled.	Review of annual reports to ensure that the majority of eligible customers are enrolled in program.
14. The Commission shall determine that gas and electric customers are categorically eligible for CARE assistance if they are enrolled in other public assistance programs.	P.U. Code requirements not being met and eligible customers not enrolled in program.	Med.	Low	CPUC	Compliance with PU Code. Staff reviews enrollment statistics provided by utilities.	Confirm compliance with code; independent review and cross check of enrollment statistics.
15. The Commission shall work with the electric and gas corporations and the Low Income Oversight Board (LIOB) to meet the low-income objectives.	Non-participation; code requirement not being met; objectives not met.	Low	Low	CPUC	Verify compliance with PU Code.	Program well established and consultation with LOIB documented; testing not warranted.
16. The Commission shall ensure that an electrical and gas corporation with a Commission approved program to provide discounts based on economic need in addition to the CARE program use a single application form.	Non-compliance with PU Code; multiple applications required for participation in multiple programs.	Low	Low	CPUC/ Utilities	Staff records of verification	Random checks to ensure compliance with PU Code; however programs well established and risk is low.

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
17. The Commission shall ensure that CARE participants receive affordable electric and gas service that does not impose and unfair economic burden on those participants.	Non-compliance with PU Code and economic hardship for participants.	Med.	Low	CPUC	Staff review Utility and Impact Report to ensure compliance and modify as needed with next program cycle.	Program well established and testing not necessary due to low likelihood.
18. The Commissions' program shall include nonprofit group living facilities and other qualifying facilities such as women's shelters, hospices, and homeless shelters.	Non-compliance with PU Code and qualifying facilities not enrolled in CARE program.	Low	Low	CPUC	Staff reviews annual utility reports documenting compliance.	Program well established and previously modified to include qualifying group facilities.
19. The Commission's program shall also include migrant farmworker housing and employee housing and housing for agricultural employees meeting specified requirements.	Non-compliance with PU Code and qualifying facilities not enrolled in CARE program.	Low	Low	CPUC	Staff reviews annual utility reports documenting compliance.	Program well established and previously modified to include qualifying group facilities.
19. The Commission shall require all electrical and gas utilities with CARE program rates to utilize multilingual information to facilitate better penetration rates and protect low-income and senior households from the	Non-compliance with PU Code requirements; multilingual information not available.	Low	Low	CPUC	Program year attributes provided in applications and confirmed	Spot checking possible; the program attributes are well established and

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
unwarranted disconnection of service.					by staff and Commission review. Disconnection documented in annual reports. Comments and complaints are recorded by utilities.	functioning for several years. Investigate unwarranted disconnections through random sample and report findings.
20. The Commission shall prohibit disconnection of customers that have made and are in compliance with payment arrangements offered by utilities.	Unwarranted disconnection of service due to non-payment; non-compliance with PU Code.	Med.	Low	Utilities/ CPUC	PU Code and program guidelines; plan requirement.	Random sample and investigation of any disconnection record.
21. The Commission shall direct the utilities to provide information on customers' bills indicating the availability of the CARE program.	Non-compliance with PU Code; lack of information on statements	High	Low	Utilities/ CPUC	Staff review IOU's applications for program year forward.	Outreach and marketing programs established by utilities and included in applications. Random check of compliance viable.
22. The Commission shall conduct targeted outreach about the CARE program using census block data to effectively target low-income and senior households throughout the state.	Non-compliance with PU Code; eligible participants not aware or enrolled in CARE	High	Low	CPUC/ utilities	Program guidelines require documentation of outreach plan	Review application to ensure outreach activities in compliance with PU Code.

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
					applications provide documentation of outreach.	
23. The Commission shall require that the master-meter customer charge each user of the service at the same rate that would be applicable if the user were receiving gas or electricity or both directly from the corporation.	Non-compliance with PU Code and/or inappropriate billing rate.	Low	Low	CPUC/ utilities	Staff review of annual reports; independent audit of program finances.	Well established program; random verification possible.
24. The Commission shall require that the corporations notify each master-meter customer of its responsibilities to its users under the P.U. code.	Non-compliance and/or master-meter customers receiving improper billing.	Low	Low	CPUC/ utilities	Staff verify notification of master-meter customers and proper billing Review utilities annual report	Spot check master-meter customers' notification and billing in annual reporting for compliance.
25. The Commission shall accept and respond to complaints concerning the requirements of the P.U. Code through its consumer affairs branch.	Stakeholders have no outlet to provide input on PU Code.	Med.	Low	CPUC	Staff shall confirm the availability of consumer affairs to receive complaints; confirm contact info; check log of stakeholder complaints	Independently verify control measures.

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
26. The Commission shall not deny eligibility for the CARE program for a residential user who is sub-metered on the basis that some units in the complex do not receive service through a sub-metered system.	Non-compliance with PU Code; eligibility issue for sub-metered users.	Low	Low	CPUC/ Utilities	Staff confirm records for sub-metered users with utilities via data request; user complaints.	Program well established and most eligibility issues have been resolved however control could be verified and any record of non-compliance could be investigated.
27. Any reduction in CARE discount shall be reasonable and subject to a phase-in schedule.	Financial impact on CARE participants	Med.	Low	CPUC	CPUC shall adhere to PU Code when making changes to CARE discount rate.	Any changes in CARE discount program can be verified at each renewal cycle to confirm conformance with PU Code requirements.
COMMISSION REQUIREMENTS EXTRACTED FROM D. 12-08-044						
1. For each budget cycle, the Commission approves budgets for, and directs the IOUs' administration of the ESA and CARE Programs for the next program cycle.	Lapse in CARE program implementation or funding due to delay or lack of CPUC approval	Low	Low	CPUC	CPUC adheres to Decision; staff implements.	Verify compliance via approved program and budget for upcoming cycle

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
2. The Commission shall monitor the CARE and ESA programs to ensure that they deliver the benefits envisioned in the California Long-Term Energy Efficiency Strategic Plan (Strategic Plan).	Benefits of CARE not consistent with “Strategic Plan.”	Low	Low	CPUC	CPUC adheres to Decision; staff review for consistency and implements. Impact Report	Verify evidence of CPUC compliance with Strategic Plan
3. The Commission shall direct the Corporations to ensure and deliver the CARE Program benefits to only those eligible customers for whom it was designed.	Ineligible recipients receive CARE benefits; non-compliance with Decision	High	Low	CUPC/ Utilities	Verification and PEV process; annual reporting; lessons learned from initial program and issues with verification of ineligible customers	Review annual reports to document PEV; random checks of eligibility.
4. The Corporations shall retain the 90% CARE penetration target established by the Commission in D.08-11-031.	Penetration rate not met; non-compliance with Decision.	Med.	Med.	Utilities	Verification via annual reports and means to achieve target percentage contained in the applications.	Annual penetration rate percentages can be tested via annual reports.

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
5. D.06-12-038 directs the IOUs to file, by or before October 15 of each year, their annual estimates of customers eligible for the CARE Program.	Non-compliance with Decision.	Low	Low	Utilities	Staff and Commission verify submittal of annual estimate.	Test compliance with Decision.
6. During the 2012-2014 funding cycle, the Commission shall focus on heightening the scrutiny of all pilots, studies and proposals approved, authorized and evaluated. The Commission shall also raise the accountability of both the timing and deliverables resulting from the authorized pilots, studies and proposals so that the ESA and CARE Programs receive benefits from these initiatives without undue delay.	Non-compliance with Decision.	Med.	Low	CPUC	Staff reviews pilot programs and reports to commission	Test to determine if review of Pilot programs adheres to the terms of Decision.
COMMISSION REQUIREMENTS EXTRACTED FROM D. 14-08-030						
1. In this decision the Commission provides the IOU's with a guidance document for CARE (and ESA) program and budget applications for 2015-2017 PY's.	Non-compliance with Decision	Low	Low	Utilities	Staff verifies compliance.	Test compliance with Decision; format of program and budget applications.
2. The Commission specifically requests SDG&E to carefully administer its program enrollments with an eye to prevent any and all	Abuse of SDG&E CARE program enrollments.	Med.	Med.	Utility – SDG&E	Staff and commission shall verify	Vague objective difficult to test compliance except

OBJECTIVES / GOALS	RISKS OF ENGAGEMENT	RISK LEVEL Impact / Likelihood		OWNER	CONTROL MEASURE	EFFECTIVE?/ TESTING OBJECTIVE
potential abuses of the program that may occur through these enrollment processes.					compliance with Decision.	to check records of enrollment abuse and/or PEV.
3. The Commission expresses its ongoing concern with the constant increase in the average cost to treat a household in SoCal Gas's service territory.	Continued program cost increases in SoCal Gas territory.	Med.	Med.	CPUC/ Utility SoCal Gas	Staff reviews annual report for trends.	Test to ensure staff compliance with requirement
4. This decision reiterates the Commission's goal of serving more multifamily customers and ensuring that there is no inequity between multifamily renters and multifamily homeowners with respect to eligibility for water measures.	Inequity pursuant to objective	Low	Med.	Utilities	Staff reviews annual report for trends.	Test to ensure staff compliance with requirement
4. In 2013, AB 327 was passed and amended the California Public Utilities Code Section 382(d) which now requires that "A periodic assessment shall be made not less often than every third year."	Non-compliance with PU Code; periodic assessments not conducted as required	Low	Low	CPUC	Staff conducts or verifies assessment has been conducted as required.	Test to verify completion of assessments as required.

APPENDIX C

California Alternate Rates for Energy (CARE) Program Legislation, Codes, and CPUC Decisions and Summary Description

P. U. Code 739.1	*States that the Commission shall continue a program of assistance to Low-income electric and gas customers referred to as the California Alternate Rates for Energy or CARE program. Provides details of the program and how it shall function as well as criteria for different categories of consumers.*
AB 327 (2013)	*Revised P.U. Code Sect. 739.1 (a) to require that CARE income eligibility level for one-person households to be based on two-person household guideline levels effective 1/1/14. Also establishes that the CARE electric discount be no less than 30 % and no greater than 35 % of revenue.*
SB 1207 (2012)	*Authorizes utilities to require CARE participants whose usage exceeds 400% of baseline to provide proof of income eligibility and participate in ESAP; also requires a participant with usage exceeding 600% to participate in ESAP and allows removal of participant from program if after residential energy assessment usage the participants' usage continues to exceed 600% of baseline, however the bill does allow for an appeals process.*
SB 2 (2001)	*Amended PUC Sect. 739.1(d) to authorize the recovery of CARE administrative costs through a balancing account, subject to Commission's determination they are reasonable.*
SB X2 2	*Established the Low Income Oversight Board to advise the Commission on low income gas and electric customer issues and to serve as a liaison for the Commission to low income ratepayers and representatives. PUC Section 382.1 outlines the LIOBs specific responsibilities.*
SB XI 5	*Refer to D. 01-05-033 – One time appropriation of $100 million to supplement CARE funding for discounts and outreach. With $15 million Commission authorized utilities to pay certain organizations for assisting customers in applying for CARE.*

A. 12-12-011	*Instituted PG&E's Community Help and Awareness with Natural Gas and Electricity (CHANGES) pilot program.*
D. 89-07-062	*Authorized the Low Income Rate Assistance (LIRA) Program; 15% discount to households at or below 150% Federal Poverty Guidelines (FPG).*
D. 89-09-044	*Supports decision above. Only incremental administrative costs are permitted to be booked to the balancing account – costs which would not have been incurred absent CARE. Administrative costs are to be allocated between gas and electric operations in the same proportion as gas and electric program discounts. Ordered CARE costs to be recovered on transported volumes of gas and on equal cents per kWh basis across all classes of customers.*
D. 92-04-024	*Program name changed from LIRA to CARE. Extended CARE benefits to qualifying group living facilities.*
D. 94-12-049	*Made changes to LIRA to comply with legislation and to improve the program in general. Extended discount to residents of housing centers, women's and homeless shelters, hospices, and requiring recertification every two years.*
D. 95-10-047	*Extended discount to migrant farm workers housing, agricultural employee housing.*
D. 96-03-022	*Provided for the Public Goods Surcharge to fund CARE and other programs.*
D. 97-02-014	*Set initial finding for the CARE program at 1996 authorized levels, but remain uncapped and adjusted to meet customer need. The Commission also ordered the LIOB to design and undertake a needs analysis as part of its program development and evaluation functions.*
D. 97-04-044	*Ordered the LIOB to design and conduct a statewide needs assessment.*
D. 99-07-016	*Determined sources of income to be used to determine eligibility for CARE*

D. 99-12-001	*The Commission described the types of income to be used to determine eligibility*
D. 00-09-036	*Ordered the utilities to develop a standard method for calculating the CARE penetration rates.*
D. 01-01-018	*In response to the energy crisis, the Commission exempted CARE customers from electric rate surcharge imposed to cover the increased cost of procuring energy in the wholesale markets.*
D. 01-03-028	*The Commission adopted the joint utility methodology for all IOUs which is used to develop monthly CARE penetration rate estimates. This method entails annual estimation of eligibility for CARE and other income by household size parameters at the small area (block group, census tract, Zip +2, etc.) for each IOU territory and the state as a whole.*
D. 01-03-082	*Adopts a proposal that specifically shelters low-income households eligible for the California Alternative Rates for Energy (CARE) program for the electric customers of PG&E and Edison by expanding the eligibility criteria from 150% to 175% of federal poverty guidelines.*
D. 01-05-033	*The Commission adopted a rapid deployment strategy for CARE utilizing funds appropriated by the legislature vis SB XI 5 to help qualifying customers learn about and enroll in CARE and assist in managing increased energy costs.*
D. 01-06-010	*CPUC authorized an increase in CARE eligibility from 150-175% of FPG and the rate discount from 15-20%.*
D. 02-01-040	*Changed the income criteria and discount for customers of the small and multi-jurisdictional utilities.*
D. 02-07-033	*The Commission set a CARE participation goal of 100%, established benchmarks for each of the utilities to achieve, and adopted an automatic enrollment process to assist in reaching goals by sharing participant information between utilities. Participants in LIHEAP are also automatically enrolled in CARE.*

D. 02-09-021	*The Commission made changes to the utilities ratemaking to comply with the changes to PUC Sect. 739.1(b) made under SB 2. Also noted the inconsistencies in administrative cost accounting conventions across the utilities.*
D. 03-02-023	*In this decision, the Commission orders that the Greenlining Institute and Latino Issues Forum to be awarded $74,563.72 in compensation for substantial contributions to Decision (D.) 01-05-033 and D.01-06-010.*
D. 05-10-044	*CARE eligibility level increased to 200% of FPG. Also authorized enrollment and recertification by telephone, ordered that CARE customers not be dropped for failure to recertify during winter months and ordered the utilities to increase outreach efforts.*
D. 05-12-026	*Authorized budgets for CARE for program year 2006*
D. 06-04-001	*Order correcting errors in D. 05-12-026*
D. 06-08-025	*Modified budgets for CARE for program year 2006*
D. 12-08-044	*Adopted the 2012-2014 CARE Program.*
D. 12-12-011	*Approved continued funding of CHANGES joint utility pilot program. The program provides funding to Community Based Organizations (CBOs) to assist Limited English Proficient (LEP) customers with energy education and billing issues.*
D. 14-08-032	*General rate case approved employee benefit costs for 2014-2016*
D. 15.07-019	*Decision granting compensation to the Utility Reform Network for substantial contribution to D. 12.12-001 and D. 14.08-030.*
Resolution E-3585 (1999)	*Requires the utilities to submit standardized reporting guidelines to the Low Income Governing Board.*

Resolution E-3586	*Requires that the four IOU's use self-certification for enrollment beginning 1/20/99. Also required the utilities to incorporate random post enrollment verification.*
Resolution E-3601	*Approved utilities proposal for conducting outreach pilots for CARE.*