

Discussion Paper:

**Why the Energy Savings Assistance Program
Will Likely Fail to Achieve Strategic Plan Goal Results and
What the Commission Can Do To Correct This Matter**

James L. Hodges for
The East Los Angeles Community Union (TELACU)
The Maravilla Foundation
The Association of California Community and Energy Services (ACCES)
1069 45th Street
Sacramento CA 95819
(916) 451-7011 voice
(916) 914-2350 fax
hodgesjl@surewest.net

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A Discussion of Why the Energy Savings Assistance Program Will Likely Fail to Achieve Strategic Plan Goal Results and What the Commission Can Do To Correct This Matter

Revisiting Strategic Plan ESAP Goals and Objectives

The California Energy Efficiency Strategic Plan published by the California Public Utilities Commission in 2008, and updated in January 2011, outlines energy goals, efficiency strategies, and hoped-for results for key market sectors including commercial, industrial and residential. Concerning the “Residential Sector Including Low Income” (LIEE, now ESAP) the Plan contains two “Goals” and seven “Goal Results” to achieve in the LIEE vision:

Goal 1: By 2020, all eligible customers will be given the opportunity to participate in the LIEE program.

Goal 1 Results:

- A. Marketing, Education and Outreach programs will be highly successful and;
- B. The number of eligible households in California receiving LIEE services will increase.
- C. LIEE customers will be educated on the benefits of energy efficiency and conservation behaviors.
- D. A trained LIEE workforce will accommodate future job demand and educate their communities.

Goal 2: The LIEE programs will be an energy resource by delivering increasingly cost-effective and longer-term savings.

Goal 2 Results:

- A. Other state, federal and local programs will be leveraged to streamline and improve customer identification and program delivery.
- B. LIEE programs will be integrated with core energy efficiency programs to achieve economies of scale.
- C. Participants will receive comprehensive energy efficiency services that produce long-term energy savings for the state, while reducing low-income customers’ bills and improving their quality of life."

The Strategic Plan is now the "touchstone" for Commission energy policy for all sectors. Covering the 12 year period, 2009 to 2020, there will be four 3-year ESAP program cycles:

- 1. 2009 - 2011
- 2. 2012 - 2014
- 3. 2015 - 2017
- 4. 2018 - 2020

In November of 2008, the Commission issued its first Strategic Plan era low income program decision for the first 3-year ESAP program cycle, 2009 - 2011 (D.08-11-031). We will examine that decision below. Consistent with the Strategic Plan Goal Result 1, the unit goal for this first 3-year program cycle was a substantial increase from the previous year.

And on May 16, 2011 the energy utilities filed their applications for the second 3-year ESAP cycle, 2012 - 2014 (A.11-05-017 et. al.). But their proposed goals did not increase as envisioned by the Plan, they declined.

With nearly three years of ESAP experience in this new Strategic Plan era, as we prepare to review lessons learned in order make improvements in the next 3 year cycle, it is now appropriate to ask: “Is ESAP, as currently designed, implemented, and proposed in the utilities' applications, on track to reach the goal results of California’s Strategic Plan?” Clearly, the answer is “No.”

Contrary to the vision and goal results of the Strategic Plan:

- The number of ESAP eligible households in California will not be increasing; instead, as reflected in the utilities’ applications, it will be decreasing.
- The number of eligible households in California receiving ESAP services will not be increasing, the number will be decreasing.
- Fewer ESAP customers will be educated on the benefits of energy efficiency and conservation behaviors.
- As fewer homes are served, future job demand for a trained ESAP workforce to serve and educate their communities will decline.
- As fewer homes are served, the ESAP program will diminish as an energy resource, and will not be delivering increasingly cost-effective and longer-term savings.

What are the causes of this impending failure?

Even if the utilities’ applications had asked for increased goals, it would be increasingly difficult to reach those goals because of program limitations put in place by the Commission, most notably, Ordering Paragraph 17 of D.08-11-031, discussed below. But the root of the problem is the inconsistent, conflicting, and sometimes unclear policy goals and objectives established for ESAP over the years by the Commission, the state Legislature and, now, the Strategic Plan.

As an energy resource program ESAP is now required to “be delivering increasingly cost-effective and longer-term savings.” But the program is still required to achieve non-energy objectives including hardship reduction (health, safety, comfort, bill reduction), CBO participation, protect and strengthen the CBO network, encourage local employment and job skill development, and meet targets to serve the disabled and language minority groups. The conflict between the energy and non-energy objectives becomes clear as we review the history of Commission’s attempt to transform an “equity” program into an “energy resource” program.

Attempting to Transform ESAP from an “Equity Program” into an “Energy Resource Program”

In the 1980s the Commission created “Energy Conservation” programs for industrial, commercial, and residential customers. As it became clear that low income ratepayers would not or could not participate in the residential rebate and loan programs (even in PG&E’s Zero Interest Program (ZIP))¹, the Commission authorized the first low income program in 1982 as an “equity” program to ensure that low income ratepayers received some benefit from programs that were paid for in rates. It was first implemented by San Diego Gas and Electric with a DOE-type “Big Six-based” set of measures to be installed primarily by Community Based Organizations at no cost to the low income customer².

¹ “1. The response of low-income homeowners during the Phase I test of ZIP clearly indicates this target group will not participate in substantial numbers.” “2. A free weatherization service for low-income homeowners is less costly than ZIP.” Final Report, Phase I Zero Interest Program Low Income Outreach Demonstration Project, conducted by the California/Nevada Community Action Association under contract with Pacific Gas and Electric Company, prepared by Richard Heath and Associates, Inc., April, 1982, Conclusions and Recommendations.

² SDG&E’s LIEE program manager was Don Wood who was previously employed by the San Diego County Department of Social Services where he managed the counties’ federal low income weatherization assistance program (WAP) which he used as a model for SDG&E’s program. Program eligibility was limited to single family homeowners at 125% of poverty and measures

Because the low income customer did not have to go through the steps of financing a loan or obtaining a rebate after purchase to get their home weatherized, the new program was called a “direct weatherization” or “direct assistance” program for low income ratepayers.

While it was an energy-related program, Low Income Direct Weatherization Program policy objectives, first established by the Commission and then later by the California legislature (beginning 1989), generally reflected non-energy equity program objectives: unit goals, hardship reduction³, protecting and strengthening of the statewide CBO network.⁴

Measurement and Evaluation of LIEE

But how would the Commission measure and evaluate the LIEE program? In the early and mid-1990s, the Commission considered Demand Side Management (DSM) to be an increasingly viable resource alternative to utility generation. In Rulemaking (R.) 91-08-003/Investigation (I.) 91-08-002, the Commission adopted rules governing the evaluation, funding, and implementation of non-low income DSM programs and associated shareholder incentives. The rules established cost-effectiveness tests for DSM programs, which were considered an important factor in determining future funding levels.

The Commission began to wrestle with the issues LIEE cost effectiveness measurement complicated by the fact that LIEE did not fit the usual cost-effectiveness tests because there was no cost to the participant and because the Commission and the Legislature had established non energy objectives. In an attempt to fit the LIEE program into the Commission’s portfolio of energy programs, the Commission adopted a “Modified Participant Test”⁵ and tried to deal with “Non Energy Benefits”⁶ (including “social welfare considerations,”) when determining which measures would be included in the program.

But the difficulty of LIEE measurement is reflected in the following, “Cost effectiveness is clearly an important element in the assessment of programs and measures. However, the Joint RRM/ST Cost Effectiveness Subcommittee believes that, especially in the LIEE arena, clear cut rules on inclusion and exclusion of measures cannot always be made based solely on measure test results. Policy and social welfare considerations not fully captured by these cost-effectiveness tests are often the main guiding element in decisions to retain measures within low-income programs. Additionally, the benefits of many measures offered under the LIEE program (particularly weatherization measures) are strongly interactive, so that it is very difficult, if not impossible, to disaggregate and assess their impacts.”⁷

Acknowledging that LIEE objectives did not easily fit into the Commission’s portfolio of energy programs the Commission said, “The LIEE program serves an equity objective in assisting customers who are highly unlikely or unable to participate in other residential programs and therefore the program is

were installed by “Project Jove,” MAAC Project, and several private contractors. Program eligibility for owners of multifamily buildings was added for all energy utilities in 1984. Source: phone interview with Don Wood.

³ Pub. Util. Code § 2790(a) directs the Commission to consider “both the cost effectiveness of the services and the policy of reducing the hardships facing low-income households” in designing LIEE programs. (1989) It also codified the “Big Six” measures as discussed in footnote #10

⁴ “Pub. Util. Code § 381.5. “It is the intent of the Legislature to protect and strengthen the current network of community service providers...”, and to “Encourage local employment and job skill development.” (1999).

⁵ “The modified participant test ratio is the participant benefits divided by the utility program costs.” D.02-08-034, “Interim Decision: Low Income Energy Efficiency Program and Measure Cost-effectiveness Testing,” Attachment 2, p. 2

⁶ “Regardless of how the NEBs are allocated to measures, there is a false sense of precision inherent in the process – it may or may not be true that a certain measure would provide the level of non-energy benefits attributed to it.” D.02-08-034, Attachment 2, p. 8.

⁷ D.02-08-034, Attachment 2, pp. 1-2.

not subject to strict cost-effectiveness requirements.” Instead, the Commission “should evaluate the LIEE program and individual measures from a *cost-efficiency* perspective.”⁸

Energy and Non Energy Objectives in Conflict

But here is an example of how cost-efficiency objectives can run into conflicts with non-energy objectives required by the Legislature, in this example, CBO participation:

Consistent with a “cost-efficiency perspective” in January of 1998 PG&E awarded its LIEE program administration contract to the lowest bidder, SESCO, Inc. of New Jersey. Under this new program administrator CBOs and private contractors who wanted to continue their LIEE contracts had to agree to significantly reduced prices for their services. Several CBOs accepted the contracts and succeeded, some CBOs took the reduced contracts but failed, and many CBOs who had been PG&E LIEE contractors refused contracts at that low level and simply left the program.

After two years the Commission wrote in D.00-07-020, “We also observe that PG&E’s program has experienced a precipitous drop in direct CBO participation, and currently has the lowest level of CBO participation in terms of the percentage of units treated by CBOs...Irrespective of the specific causes for the decline in CBO participation in PG&E’s program, we conclude that this decline has adversely impacted the program with respect to the type of access intended by Assembly Bill 1393. We direct the utilities to report on the access of low-income customers to programs provided by community service providers, consistent with the intent of the Legislature.”⁹

The Transition to Energy Resource Objectives

The Commission began to refer to the existing LIEE program as “contributing to a sound energy strategy” but it did not initiate substantial program changes. In D-06-12-038 Commissioner Grueneich, the Assigned Commissioner for low income programs, stated, “LIEE has been, for the most part, an equity program. We recognize, however, that LIEE programs benefit all California customers because those programs contribute to a more reliable and environmentally sound energy system. The Commission has found that energy efficiency is among the most important of the state’s energy resources. In recent years, we have recognized LIEE as contributing to a sound energy strategy for California.”

Advocates for low income ratepayers, who over the years were sometimes in conflict with utilities or Commissioners who wanted to cut back the program, were pleased to see the Commissioner put forth yet another reason to continue the existing LIEE program.

She continued, “In Decision 01-05-033 ... we found that LIEE programs could contribute to peak load savings. In D.04-09-060, we officially recognized the role of LIEE programs as part of the state’s energy resource strategy by counting LIEE energy savings in utility energy efficiency program goals. In addition to promoting a less expensive, more reliable energy resource base, energy efficiency programs may reduce greenhouse gasses and affect water conservation.”

While asserting the existing LIEE program had energy resource value, neither of those decisions called for major program changes. And though Commissioner Grueneich wrote, “To the extent cost-benefit information is available, our bias is to fund the most cost effective programs first,”¹⁰ the decision did not result in substantial program modifications. But that was to change as Commissioner Grueneich’s office and Energy Division staff prepared the groundwork for an ESAP transformation by playing a major role in preparation of the low income portion of the California Energy Efficiency Strategic Plan.¹¹

⁸ D.02-08-034, pp. 11-12 emphasis added.

⁹ D.00-07-020, p. 6

¹⁰ D.06-12-038 pp. 6-8

¹¹ Strategic Plan, Acknowledgements, Section 13, p. 113

Strategic Plan and D.08-11-031: Transition Complete?

A draft Strategic Plan was distributed by the Commission in early 2008 and formally adopted September 18, 2008. The Plan put forth its “Big/Bold Strategy” for the transformation of the LIEE programs. Declaring “The Commission has called upon the IOUs for a fresh look at LIEE programs as a California energy resource...” the Plan said,

- “By 2020, all eligible customers will be given the opportunity to participate in the LIEE program.”¹²
- “The LIEE programs will be an energy resource by delivering increasingly cost-effective and longer-term savings.”
- “The IOUs will focus their efforts on improving delivery methods” by targeting “outreach efforts based on four customer profile segments: geography, demographic description (e.g., language preference), social networks; and level of energy use.”
- IOUs will “improve the efficiency of delivery by identifying geographic and social concentrations of customers to achieve economies in delivery, material purchasing and resources.” This “segmentation or tiered approach will enable the IOUs to offer more households measures more efficiently.”
- “The expanded LIEE programs will require additional trained professionals” and, “to promote substantial growth in a trained LIEE workforce, the IOUs will integrate LIEE program installation training with other energy efficiency training. This integration will enable a wider network of providers to provide for LIEE services and provide those trained in LIEE access to other energy service opportunities.”
- These new program approaches would “be further developed in the IOU’s 2009 – 2011 programs.”¹³

Commissioner Grueneich then oversaw the 2008 LIEE proceeding for the design and budgets for LIEE for program years 2009 – 2011 and the final decision, issued in November of 2008, ordered LIEE changes consistent with the Plan’s vision to transform ESAP into an actual energy resource program which is expected to deliver “increasingly cost-effective and longer term savings.” Commissioner Grueneich wrote:

"As we state in our recently adopted California Long-Term Energy Efficiency Strategic Plan, the LIEE program must evolve into a resource program that garners significant energy savings in our state while providing an improved quality of life for California's low income population." “Any program with energy efficiency in the title must, in fact, deliver such savings.”¹⁴

As envisioned in the Strategic Plan, the Decision substantially increased the low income program's unit goals and, for the first time, set explicit cost-effectiveness requirements at the measure level and by climate zone to determine which measures are included or excluded from the Commission’s low income program.¹⁵ It ordered the IOUs to use a “Whole Neighborhood Approach” for outreach, certification, and service delivery which “will increase energy savings, reduce overhead and

¹² This was codified in 2009 in Pub. Util. Code § 382 (e) “The commission shall, by not later than December 31, 2020, ensure that all eligible low-income electricity and gas customers are given the opportunity to participate in low-income energy efficiency programs, including customers occupying apartments or similar multiunit residential structures.” (SB 695, Kehoe)

¹³ Strategic Plan, Section 2, pp. 23 - 25

¹⁴ D.08-11-031, p. 1

¹⁵ Utilities had already been reporting the cost effectiveness of the program’s overall “portfolio” of measures.

transportation costs and encourage leveraging with local entities.”¹⁶ It ordered outreach, marketing, and service delivery through a “segmentation or tiered approach” as described in the Plan. We now look at two major components of the Decision.

The Whole Neighborhood Approach White Paper vs. Reality

The Decision ordered the IOUs to work with the Energy Division to adopt a Whole Neighborhood Approach (WNA) for LIEE program delivery. In May 2009 the Energy Division issued a Draft WNA White Paper (more accurately, we obtained a bootleg copy because the Draft was not shared with non-IOU parties in a timely manner, despite Energy Division’s claims of having compiled the paper “with input from the IOUs and other stakeholders.”¹⁷) The White Paper introduction says,

“The WNA differs from the prior LIEE program delivery model in its focus on serving neighborhoods as opposed to individual households. As stated in Decision 08-11-031, ‘At a given point in time, an IOU will focus its program delivery efforts on a specific set of neighborhoods, maximizing LIEE penetration prior to moving on to the next set of neighborhoods.’ The focus on neighborhoods can result in improved efficiency, coordination with new entities and increased customer interest in the LIEE program.”

After reviewing the White Paper we wrote:

“The White Paper makes a fundamentally mistaken assessment of the current LIEE program and, therefore, makes fundamentally mistaken recommendations for transformation and improvement of the program. The White Paper is filled with inaccuracies, unsupported assertions, and unrealistic assumptions which, unless corrected, make it unlikely the White Paper’s WNA will be able to achieve the Commission’s objectives.”¹⁸

Without rehashing to entire episode, suffice it to say the White Paper generated much negative comment from those with actual LIEE program experience and the Commission has, apparently, backed away from the White Paper. The point here is that Commission staff attempts to redesign the LIEE program without extensive experience and knowledge of the program could have very negative effects. And that is what we think happened with Ordering Paragraph 17.

The Effect of “Ordering Paragraph 17”

Decision D.08-11-031, which attempts to transform ESAP into an actual Energy Resource program, appears to have tried to deal with a fundamental fact: If ESAP was held to the Commission’s strict cost-effectiveness requirements, the program would be eliminated (though PUC code section 2790 requires the Commission to have some sort of program). According to D. 08-11-031’s Attachment F1 through F4 on “LIEE Cost-Effectiveness: Measures,” using the Total Resource Cost test, no measures in the ESAP programs of PG&E, SDG&E, or SoCalGas achieve a benefit/cost ratio of 1.00 or greater and only a handful of SCE’s electric measures have benefit/cost ratio of 1.00 or greater.¹⁹

¹⁶ D.08-11-031, p. 11.

¹⁷ Draft Whole Neighborhood Approach – White Paper, p. 3

¹⁸ “The Joint Opening Comments of The Association of California Community and Energy Services (ACCES) and The Community Action Agency of San Mateo County, Inc., The East Los Angeles Community Union (TELACU) and the Maravilla Foundation on the Energy Division’s Draft Whole Neighborhood Approach White Paper” p. 3.

¹⁹ Water Heater Conservation, CFLs, Torchieres, Central AC Service, D.08-11-031, Attachment F4

In an apparent attempt to strike a compromise between program elimination due to the Commission's "strict cost-effectiveness requirements" for energy resource programs and the non-energy objectives set by the state Legislature and the Commission, Ordering Paragraph 17 adopted a methodology using the Modified Participant Test (PCm) and the Utility Cost Test (UCT) to establish a cost effectiveness ratio threshold of .25 to determine measure inclusion or exclusion from the program. (We have been unable to find in the record of that proceeding any data or information to justify the .25 ratio). But this compromise still had the effect of eliminating measures which had been in the program for decades. (Though the decision asserts "improved quality of life" is an objective of ESAP, even more measures would have been eliminated had not we strongly protested the first Proposed Decision and managed to get some measures "added back" in the final decision for reasons of "improved quality of life").

In the first two and a half program years it has now become clear that as program measures are prohibited due to the methodology established in Ordering Paragraph 17, it starts a cascade of consequences, with homes denied eligibility, reducing the demand for trained workers, reducing long term energy savings, effectively setting the groundwork for a failure to reach Strategic Plan goal results.

The "Big/Bold" Policy Issue

The Commission should now recognize that ESAP has non-energy policy objectives (established by the Legislature and the Commission over the years) that are different from, and in conflict with, the energy resource program objectives set in D.08-11-031 and in the Strategic Plan and the Commission should not attempt to shape the ESAP program based primarily on energy resource program requirements.

Issues Which Need to Be Addressed

- 1. The role of the Commission's Cost Effectiveness requirements used to determine which of measures may be installed and where they may be installed.** The threshold established in Ordering Paragraph 17 of D.08-11-031 serves to eliminate measures which had been in the program for decades. Unlike the Plan's goal in the non-low income sector to reach "all existing homes and maximize their energy efficiency potential through delivery of a comprehensive package of cost-effective, whole house energy efficiency retrofit measures — including building shell upgrades, high-efficiency HVAC units, and emerging deep energy reduction initiatives,"²⁰ the number of allowable measures in the ESAP is being reduced in various climate zones, losing air infiltration measures, duct testing and sealing, pipe wrap, waterheater blankets, attic insulation, wall A/C, and faucet aerators.
- 2. The Commission does not establish any energy savings targets for ESAP.** Though "Energy Savings" is a Strategic Plan's goal, and though cost effectiveness is given as the reason to eliminate measures from ESAP, the Commission does not establish any energy savings targets for ESAP.
- 3. The Commission's .25 cost effectiveness ratio threshold appears to be arbitrary.** We are not aware of any data to support this threshold number and are unable to determine how this number was selected. A number selected without foundation is, technically, arbitrary. The Decision could just have easily picked 1.00 or even .15. The number chosen has a major effect on the program.
- 4. While the Commission eliminates certain measures which produce actual energy savings, it approves certain activities with no link to energy savings, namely, energy information and**

²⁰ Strategic Plan, Section 2, p. 18

education programs.²¹ Make no mistake: We support, and urge the Commission to continue, energy information and education programs. But our point is there is a bit of arbitrariness to the Commission's elimination of actual energy saving measures while continuing activities that cannot be linked to energy savings.²²

5. The limited list of ESAP eligible measures and appliances. The Commission originally designed the ESAP program, not as an energy "retrofit" program which may install all possible energy saving measures, such as boilers, windows, and solar, but as a "Big Six Weatherization" program which has a limited number of allowable measures and appliances for the single family and multifamily markets. The "Big Six" measures were codified in 1989, before current energy and environmental issues were prevailing.²³ In contrast, for the non-low income sector the Plan "envisions a refocusing of these [non low income] programs to move from a 'widget' based approach to a 'whole house' approach to program delivery to offer comprehensive packages of audits, demand side management options and tools, rebates and financing options, and installation services. A similar approach must be developed for multifamily housing, both condominiums and rentals."²⁴

6. A prohibition on certain measures and repairs which are the responsibility of the landlord. Though allowed in owner occupied dwellings, the Commission has placed in ESAP a prohibition on certain measures and repairs in multifamily and single family rental units. The Commission writes, "... no furnace repair and replacement or water heater repair and replacement work shall occur in violation of our holding in D.07-12-051 that heating and water heating in rented housing are the responsibility of the landlord:" (D.08-11-031, November 10, 2008, page 39). But nothing in the law prohibits the Commission from subsidizing measures which "are the responsibility of the landlord." It is a Commission policy decision.

7. The Commission's definition of "low income." The Commission has chosen to define "low income" as 200% of the Federal Poverty Guideline. That is not the only possible definition. The HUD definition, generally 80% of median income, would result in a greater number of eligible "low income" households. (The utilities assert the goal reductions in their applications is the result of their assessment of the remaining market at 200% of the Federal Poverty Guideline.)

8. The Commission has created for ESAP a "3 measure minimum/minimum energy savings" requirement which, when combined with items 1, 6, 7, and 8 above, creates significant limitations on serving the multifamily and single family markets.

²¹ "For generalized information programs (e.g., when customers are provided generic information on means of reducing utility bills without the benefit of on-site evaluations or customer billing data), cost-effectiveness tests are not expected because of the extreme difficulty in establishing meaningful estimates of load impacts." California Standard Practice Manual, p. 5 "Information and education programs are examples of programs that do not provide such direct impacts. For these programs, there is a more tenuous link between the program activities and any eventual savings." California Energy Efficiency Evaluation Protocols, p. 10.

²² D.10-04-029 found it is reasonable to measure savings from certain behavior based programs, but "we will restrict the definition of behavior based programs to the 'comparative energy usage disclosure programs' defined in SB 488." P. 37.

²³ In 1988, concerned that utilities were trying to persuade the Commission to no longer require the companies to implement "social programs" such as LIEE, state Senator Herschel Rosenthal carried legislation (SB 845) directing the Commission to require utilities to "perform weatherization services for low-income customers." And informed by low income energy advocate James Hodges that at least one utility (SoCalGas) was simply delivering a low flow showerhead and waterheater blanket to customers and calling it a "weatherized" unit, Senator Rosenthal asked Hodges, and consulting economist Bill Marcus, for a suggested list of measures to define "weatherization." That list, which included the "Big Six" and "other building conservation measures, energy-efficient appliances, and energy education programs determined by the commission to be feasible, taking into consideration for all measures both the cost-effectiveness of the measures as a whole and the policy of reducing energy-related hardships facing low-income households," was included in SB 845 which was signed into law by Governor George Deukmejian and in 1989 became Pub.Util.Code § 2790. Source: James Hodges.

²⁴ Strategic Plan, Section 2, p. 18

9. **The Commission is using outdated NEB data in its cost effectiveness tests.** Though the Commission asserts Non Energy Benefits (NEBs) are considered when determining which measures are allowed in the ESAP program,²⁵ the Commission has given the most weight to Cost Effectiveness. Decision 08-11-031 directed the utilities, with Energy Division oversight, to conduct a study to update the NEB data but the utilities and the Commission's Energy Division completed phase one of the study but has, apparently, decided to not complete phase 2 of the study. Given the importance of NEBs to the program, this study should be completed.

10. **The Commission has placed "Caps on Master-Metered Dwellings" as a percentage of the total units treated in the ESAP program:**

PG&E: 15.0%; SCE: 8.0%; SoCalGas: 15.0%; SDG&E: 15.0% (ESAP Policy and Procedures Manual Table 2-4)

11. **The Commission has placed "Long Term Targets for Treatment of Multifamily Dwellings" in the ESAP program.** "These multifamily targets are cast in terms of units treated, and are set equal to the proportions of multifamily dwellings in the overall low-income housing stock of each utility's service area."

PG&E: 23.1%; SCE: 51.3%; SoCalGas: 32.8%; SDG&E: 47.5% (ESAP Policy and Procedures Manual Table 2-5).

12. **The Strategic Plan envisions long term program expansion but has goal of reaching the entire eligible low income market by the end of 2020 which, by definition, means no more potential customers.** The Plan says, "The number of eligible households in California receiving LIEE services will increase" and "A trained LIEE workforce will accommodate future job demand and educate their communities." It is true that the ESAP goals for the first program cycle were a substantial increase over the previous years. But the IOU applications for the second program cycle are proposing reduced goals. We suspect this is not what the writers of the Plan envisioned. But, on the other hand, if the goal is to reach the entire eligible low income market by the end of 2020, the program must begin to shrink at some point before the end of 2020. This issue requires clarification.

13. **Marketing, Outreach, and Income Eligibility Paperwork requirements.** Most homeowners, landlords, and property managers are not aware of the program and do not believe the services are delivered at no cost to them. Utilities could help out on this issue. And Paperwork requirements are a serious burden. Targeted "self-certification," approved in D.08-11-031, should be expanded.²⁶

²⁵ "The final Low Income Public Purpose Test (LIPPT) model was created for the Reporting Requirements Manual Working Group (including representatives from PG&E, SCE, SDG&E, SCG, CPUC Energy Division, DRA, and the public) by TecMRKT Works, SERA Inc., and Megdal Associates in 2001. The cost effectiveness methodology was later modified by the Cost Effectiveness Subcommittee of the RRM Working Group and the LIEE Standardization Team in 2002 to incorporate two separate tests, the Utility Cost Test and a modified Participant Test, both that incorporate Non Energy Benefits working in conjunction with Equipoise Consulting, Inc." D.08-11-031, p. 50, footnote 41

²⁶ IOUs use "self-certification and enrollment in areas of their service territory where 80% of the customers are at or below 200% of the federal poverty line. Given that self-certification has been met with success in increasing LIEE penetration, extending this approach through the next budget cycle will help the IOUs meet the programmatic initiative of serving 25% of the eligible population. To make LIEE an energy resource, it is important to provide energy efficiency services to as many customers as possible at the lowest possible cost." D.08-11-031 p. 28

Conclusion and Recommendations

The ESAP energy resource goals established by the Strategic Plan and D.08-11-031 do not adequately take into account the conflicts between ESAP's energy resource objectives and ESAP's historic non-energy objectives established by the Commission and the Legislature. Because of this, ESAP will likely fail to achieve Strategic Plan goals and its non-energy objectives may be in jeopardy.

Rather than attempting to shape ESAP based primarily on energy resource program requirements, the Commission should instead update the Strategic Plan so that the Plan's ESAP goals more realistically take into account ESAP's non-energy objectives.²⁷ A final decision in this proceeding should reflect those more realistic goals and a direct, immediate result of such a decision would be for the Commission to put measures back into the program.

²⁷ "This Plan is a dynamic document that will be regularly updated to reflect past successes, failures, and lessons learned and to adjust the visions, goals and strategies accordingly." Strategic Plan, Section 1.6.