

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking
Regarding Policies, Procedures and
Rules for the Low-income Energy
Efficiency Programs of California's
Energy Utilities.

Rulemaking 07-01-042

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES
ON SCOPING RULING REGARDING POLICIES, PROCEDURES AND RULES
FOR THE LOW-INCOME ENERGY EFFICIENCY PROGRAMS OF
CALIFORNIA'S ENERGY UTILITIES**

I. SUMMARY

On March 28 2007, the California Public Utilities Commission ("Commission") issued a Scoping Ruling to provide guidance regarding the California Low-income Energy Efficiency ("LIEE") programs. At this point in the LIEE OIR, the Commission is still exploring how it should define broad program objectives and how it should articulate and prioritize those objectives. On March 23, 2007, the Commission held a workshop where parties were able to participate and provide input on how the Commission should proceed in the instant OIR.

At the workshop, the Administrative Law Judge ("ALJ") identified eight issues for parties to provide written Comments. Pursuant to the Scoping Ruling identifying those issues, the Division of Ratepayer Advocates ("DRA") submits these written Comments on the eight issues identified by the ALJ. DRA's primary recommendations are:

- The Commission should greatly expand the scope and funding for LIEE programs and that the stated goal of making every low-income residence energy efficient by 2015 is appropriate and reasonable.

- System energy and environmental benefits are important aspects of LIEE programs, but should not take precedence over other goals, such as affordability, safety and equity.
- Improving enrollment and improving customer awareness and understanding of energy usage are significant issues the Commission will need to address to meet the stated goals, in addition to increasing program funding.
- All LIEE programs elements should continue to be part of the programs unless they are shown to be infeasible or cost-prohibitive.
- As DRA has stated in the Commission's Energy Efficiency proceeding, the Commission needs to look beyond utility programs as the means of increasing the use and availability of energy efficient products, and should look at other approaches such as improving building and appliance standards, and collaborating with manufacturers and retailers.

II. DISCUSSION

In these Comments, DRA provides recommendations on the eight issues set forth in the Scoping Ruling.

1. **Discuss whether these are the appropriate broad program objectives for LIEE**

- Affordability of energy services by low-income customers;
- Reducing the burdens of energy bills of low-income customers;
- Equity for low-income customers;
- Safety and comfort of low-income customers;
- Energy system reliability and cost-effectiveness (LIEE as an energy resource); and
- Environmental quality and reduction of green house gasses.

The six goals are appropriate objectives for the LIEE program. The first four objectives are appropriate for guiding LIEE program design, as each squarely addresses the specific needs of low-income customers. The last two objectives should be used

primarily for assessing the overall funding levels and cost effectiveness of LIEE programs, as they represent the larger energy system and environmental benefits of the program.

2. Given the broad program objectives for LIEE and assuming there are multiple objectives that are potentially competing, how should the Commission articulate those objectives and prioritize them?

Commission objectives and goals with a direct relevance to LIEE program legal mandates take priority, and should be used to develop program design. LIEE programs fill a specific role of addressing the needs of low-income customers, and need to be considered in that context rather than as just another energy efficiency program. LIEE programs provide significant system reliability and environmental benefits. However, increasing those benefits should not take precedence over the other LIEE goals of affordability, safety and equity.

In particular, cost-effectiveness as a measurement of program success should not overshadow the other purposes of the LIEE program. Public Utilities Code § 381.5(a) states:

. . . any evaluation of the effectiveness of the low-income energy efficiency programs shall be based *not* solely on cost criteria, but also on the degree to which the provision of services allows maximum program accessibility to quality programs to low-income communities . . . (emphasis added).

In evaluating the cost-effectiveness of LIEE programs, the Commission should consider a number of factors. At the most basic level, the Commission should ask whether the cost of the program is recouped in direct energy cost savings to the low-income households served, calculated over the useful life of the energy efficiency improvements. At the next level, cost savings accrue to all energy consumers as statewide power generation requirements and natural gas usage are reduced. At a third level, transmission and distribution costs can be reduced due to reducing the loading on the transmission grid and on individual distribution circuits. Fourth, environmental benefits need to be considered, including local benefits of reduced air pollution as well as

global benefits of reduced carbon dioxide impacts on global warming. In sum, total cost effectiveness of the LIEE program will be significantly understated if the Commission only considers the basic level of direct benefits to low-income households.

3. Is the Goal of “To assure that the residence of every low-income customer in California is energy efficient by 2015.” Reasonable from the standpoint of law, Commission policy, and community needs?

The goal is reasonable from a legal standpoint. Certainly nothing in the Public Utilities Code contradicts this goal. In fact, the Public Utilities Code supports such a goal. The various mandates within section 381 illustrate that the legislature wants the Commission to progress California towards a more Energy Efficient state. Section 381.5 mandates the Commission to ensure that low-income customers are taking part in energy efficient programs. Other parts of the Public Utilities Code, including section 382, support the notion, that from a legal standpoint, the Commission is encouraged to provide significant energy efficiency programs for low-income customers.

The goal is reasonable from a policy standpoint. Not only will expanding LIEE efforts to reach more customers further the Commission's goals of affordability, equity and safety for low-income customers, but it also will help the Commission address broader goals of reducing greenhouse gas emissions, reducing reliance on natural gas, increasing the reliability of the generation system and compliance with the loading order of the energy action plan.

Expanding the LIEE programs is also appropriate from a policy perspective when compared with recent Commission decisions on other programs. For example, the Commission plans to spend \$216.8 million on incentives to finance solar panels for existing low-income, single-family and multi-family residences¹ and the Commission has trebled the funding for energy efficiency programs for non-low-income customers. Such

¹ California Solar Initiative Proposed Low-income Incentive Program For Single Family Homes (2007)

action demonstrates the Commission's steady policy commitment to the California low-income population, and the value of energy efficiency funding.

Last, the goal is reasonable from a needs standpoint. California has a large low-income population. The KEMA Report indicates that there are 3.3 million consumers in California eligible for LIEE². Even though the Commission approved utility budgets of a record \$315,309,442 for the 2007-2008 LIEE budgets, the vast majority of low-income households in California have not received LIEE benefits.³ Based on the LIEE budget and amount of eligible customers, only \$10 per year is spent on average per eligible household for Energy Efficiency. So from a needs standpoint, the goal to make every low-income household energy efficient by 2015 is well justified.

4. How should the Commission define the elements of the proposed goal statement to assure that it is clear, efficacious, and reasonable? (That is, how should the Commission define "energy efficiency" for the purpose of meeting its LIEE program goals?)

There are a number of aspects of the goal that can be clarified and that will require individual attention by the Commission. First, to address every residence, the Commission will need to improve the existing process of identifying and enrolling low-income customers in these programs. Currently, well less than 100% of those customers that qualify are enrolled.

Second, improving customer awareness and education on energy use is a critical piece of making a household energy efficient. Customer behavior is a primary factor underlying energy usage, and education is an important means of improving customer choices.

Third, programs need to consider **all** reasonable efforts to improve the energy efficiency of residences, including weatherization, installation of efficient appliances and

² KEMA Report, pages 1-4.

³ D.06-12-038

other measures. Missed opportunities to improve efficiency in the initial efforts are unlikely to be corrected later as it is impractical to make repeated efforts on an individual residence.

Finally, as DRA has commented in the Commission's other energy efficiency proceeding, the Commission needs to look beyond utility programs to ensure that California is as energy efficient as possible in the future. Such actions include improving building and efficiency standards, working with manufacturers and retailers to ensure the availability and marketing of efficient products, and improving customer awareness of options they have for reducing their usage.

5. Should the broad program goal be applied to all program elements or should the Commission treat some program elements separately from the goal statement?

The goal statement is an ambitious undertaking that should be applied to all program elements, those being Outreach and Enrollment, Education, and Measure Installation (including weatherization). Energy Efficient installations provide long-lived energy benefits which can be accounted for in energy resource planning. Education, on the other hand, can provide inexpensive, readily deliverable energy benefits, but may not be as clearly quantifiable as Energy Efficient installations. Despite the differences between each element, the broad program goal should be applied to them all.

6. Are there other broad program goals the Commission should consider? For example, should the Commission set a goal in terms of energy savings?

DRA does not recommend any additional goals at this time.

7. **What questions must the Commission address in order to implement programs toward the broadly stated goal? For example, questions might include: (1) how should utilities' current LIEE programs be modified to recognize the goal? (2) what types of strategies would be required to meet the goal? and (3) should the Commission apply the goal to only a subset of measures?**

The goal statement will require a significant change in the way the utilities, public, and Commission view the current LIEE programs. Clearly the utility LIEE budgets will have to be expanded to reach the sizable California low-income population. Therefore, the following questions should be addressed:

A. How Much Will The Programs Cost?

The goal of having every California low-income household energy efficient by 2015 will be a tremendous undertaking. A fundamental question that must be answered is how much will it cost to achieve this goal, and is it reasonable to spend that amount of money. There will undoubtedly be varying forecasts between utilities, community organizations, ratepayer groups and other as to what measures should be included in these programs and what the costs of the programs will be. The Commission should allow for an extensive analysis and review of this question with meaningful input from all parties.

B. How Do You Evaluate And Update Program Design and Expenditures?

Given a significant increase in the scope and funding of LIEE programs, it is essential that the Commission provide greater oversight of the program, and provide clarification of the role of the Low-Income Oversight Board (LIOB).⁴ DRA does not believe that the LIOB in its current form is able to function as an effective overseer of the programs. The Commission and the LIOB will need to be more effective in how it oversees the LIEE programs, including the following aspects:

- a) Maintaining cost accountability for expanding LIEE budgets.
- b) Ensuring that the LIEE program is operating within PUC Code.

⁴ The LIOB advisory functions and expectations are set in PUC Code 382.1.

- c) Providing a venue for dialogue between the public, utilities, and Commission.
- d) Identifying and resolving LIEE operational problems before they reach the “point of no return.”
- e) Providing regular reviews of utility budgets, programs and progress towards meeting the LIEE goals.

C. How Do You Incorporate Municipal Utilities Into The LIEE Program?

To meet the goal statement of reaching every low-income resident in the State of California, there will have to be a discussion on how municipal utility districts will be incorporated into the LIEE program. California is served by 25 municipal utility districts;⁵ The Los Angeles Department of Water and Power and Sacramento Municipal Utility District alone are estimated to have close to 2 million residents eligible for LIEE.⁶ Even though municipal utility districts operate their own low-income programs, integration between the municipalities and the Commission should be addressed. Also, it should be noted, that discussion and coordination with municipal utilities will allow for the free-flow of new ideas and concepts that may be beneficial to the LIEE program.

D. How Do You Reach All Qualifying Customers?

Developing improvement in the efficacy and scope of Outreach and Enrollment processes is essential to delivering program benefits. The broad goal of assuring that all low-income households are energy efficient requires that program administrators first find and then enroll all eligible low-income customers.

A means of bringing LIEE benefits to Renter and Sub-metered tenants will need to be considered. Renters and Sub-metered tenants are an important part of the California population, but currently have limited participation in the LIEE process.⁷ Although the

⁵ California Energy Commission (2006)

⁶ KEMA Draft Low-income Needs Assessment at 1-6

⁷ The “2005 American Community Survey” states that there were 5,027,756 Renter-Occupied Housing Units in California in 2005

goal statement implies that Renters and Sub-metered tenants will be included, this group presents a unique challenge to LIEE implementation. Therefore, it will require a strong commitment from all parties involved to insure that this group is allowed access to a program that will provide safety, comfort, and energy efficiency to their households.

- 8. What kind of criteria should the Commission consider in determining strategies for meeting the goal, and how generally should those criteria be ranked? For example, the Commission may need to consider cost-effectiveness, the health and safety of low-income customers and the efficacy of the strategy for meeting the goal.**

Currently, DRA offers no specific criteria for determining the strategy for meeting the goal.

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III. CONCLUSION

DRA's initial comments of the Scoping Ruling issues are presented above. At this point in this proceeding, many of the issues are considered at a very broad level. As the proceeding moves further, and objectives and goals are more clearly defined, DRA will have significant inputs for the more narrow and particular issues.

Respectfully submitted,

/s/ Rashid Rashid

Rashid Rashid

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-
Fax: (415) 703-2262

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a certified copy of the foregoing document “**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON SCOPING RULING REGARDING POLICIES, PROCEDURES AND RULES OF THE LOW-INCOME ENERGY EFFICIENCY PROGRAMS OF CALIFORNIA’S ENERGY UTILITIES**” on all known parties to **R.07-01-042** by mailing prepaid postage, first-class, a copy thereof properly addressed to each party.

Executed in San Francisco, California, on the **27th** day of **April, 2007**.

/s/ Joanne Lark

Joanne Lark

SERVICE LIST

R.07-01-042

bobbi.sterrett@swgas.com
francisco.aguilar@swgas.com
valerie.ontiveroz@swgas.com
emello@sierrapacific.com
mthorp@sempra.com
alexstot@aol.com
richvilla4@hotmail.com
Marybeth.quinlin@sce.com
montoym1@sce.com
Stacie.Schaffer@sce.com
rkmoore@gswater.com
dwood8@cox.net
Lurick@sempra.com
gredican@caasm.org
hayley@turn.org
rhd@cpuc.ca.gov
cmb3@pge.com
epoole@adplaw.com
enriqueg@lif.org
irene@igc.org
cjin3@pge.com
pxo2@pge.com
jwwd@pge.com
LATc@pge.com
ralf1241a@cs.com
thaliag@greenlining.org
pucservice@dralegal.org
pucservice@dralegal.org
sebesq@comcast.net
anginc@goldrush.com
carolyncox2@sbcglobal.net
www@eslawfirm.com
hodgesjl@surewest.net
westgas@aol.com
ryan.flynn@pacificorp.com
Shayleah.LaBray@Pacifcorp.Com
lrackley@sppc.com
msimmons@sierrapacific.com
centralfiles@semprautilities.com
spatrick@sempra.com
Senpolanco22@aol.com
Gregory.Kosier@constellation.com
mmazur@3phases.com
ron@releenergy.com
kmaetani@aol.com
pssed@adelphia.net
arago@qcscsca.com
akbar.jazayeri@sce.com

case.admin@sce.com
jack.parkhill@sce.com
john.fasana@sce.com
jyamagata@semprautilities.com
khassan@sempra.com
gbass@semprasolutions.com
mshames@ucan.org
ywhiting@semprautilities.com
CentralFiles@semprautilities.com
lschavrien@semprautilities.com
thamilton@qualitybuilt.com
jnewc@capsbc.sbcounty.gov
mjuarez@riversidedpss.org
rgunnin@commerceenergy.com
joe@rhainc.com
kristine@rhainc.com
or10sia@aol.com
rcosta@turn.org
lcf2@pge.com
jscancarelli@flk.com
jwiedman@goodinmacbride.com
cpuccases@pge.com
mjob@pge.com
rjrb@pge.com
bkc7@pge.com
rick_noger@praxair.com
zzeria@aol.com
jody_london_consulting@earthlink.net
markr@greenlining.org
flt2@pge.com
bobho@mid.org
joyw@mid.org
rmccann@umich.edu
jjensen@kirkwood.com
jwimbley@csd.ca.gov
rbicker@caanet.org
bernardo@braunlegal.com
sheila@wma.org
dstephenson@amwater.com
pamela@rhainc.com
Sami.Khawaja@quantecllc.com
marisa.decrisoforo@pacificorp.com
ryan.flynn@pacificorp.com
ayo@cpuc.ca.gov
hcf@cpuc.ca.gov
jme@cpuc.ca.gov
jcw@cpuc.ca.gov
kim@cpuc.ca.gov
mcl@cpuc.ca.gov
mvc@cpuc.ca.gov
wow@cpuc.ca.gov
gig@cpuc.ca.gov

leh@cpuc.ca.gov
sbs@cpuc.ca.gov
ssr@cpuc.ca.gov
smw@cpuc.ca.gov
tjt@cpuc.ca.gov
tnr@cpuc.ca.gov
zca@cpuc.ca.gov