

**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
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**COMMENTS OF THE UTILITY REFORM NETWORK
ON LIEE PROGRAM OBJECTIVES AND GOALS**

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I. INTRODUCTION

On March 28, 2007, the Commission issued the *Scoping Ruling for the Commission's Rulemaking on the Low Income Energy Efficiency Programs of California's Energy Utilities (Scoping Ruling)* in the instant proceeding. Among the many issues identified in the *Scoping Ruling* is "how the Commission should articulate broad program objectives and goals" for the Low Income Energy Efficiency program (LIEE). (*Scoping Ruling*, p. 5). The Commission first identified this issue in Rulemaking (R.) 07-01-042, explaining, "As California's energy needs and demographics change, and energy efficiency markets and technologies evolve, we believe we should reconsider our program objectives and priorities." (R.07-01-042, p. 3). To inform this reconsideration, the *Scoping Ruling* solicits comments from parties on a number of questions which were raised at the March 23, 2007, workshop on LIEE objectives and goals. Pursuant to the *Scoping Ruling*, The Utility Reform Network (TURN) respectfully submits these comments.

While TURN agrees with the Commission that many changes are underway in California, one unfortunate fact persists: a significant number of California households struggle to pay for essential energy utility services. According to the KEMA Draft Report on Low Income Needs Assessment (Draft Needs Assessment), issued on September 5, 2006, 3.3 million households, or 28% of the total population in California, are eligible for the LIEE program because of their low incomes.¹ (Draft Needs

¹ TURN notes that the KEMA draft Needs Assessment is currently undergoing review by the Commission and will not be adopted in final form until Summer 2007. (See Low Income Oversight Board March 22, 2007, Meeting Materials, "Schedule for Activities Leading to Revised Needs Assessment Report.").

Assessment, p. 1-4). The percentage of eligible customers of Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) is even higher. (Id., Table 1-1).² Moreover, two thirds of these California households are “in crisis” or “vulnerable” in terms of their ability to keep up with energy payments and avoid service disconnection, meaning nearly one out of every five California households seriously struggles to keep the lights on. (Id., p. 1-19). This percentage is highest in PG&E’s service territory, where 76% of the 1.8 million households eligible for LIEE live constantly at risk of being unable to pay for utilities. (Id., pp. 1-5, 1-20). In light of these facts, TURN urges the Commission to ensure that LIEE continues to primarily serve the broad objective of increasing the affordability of energy services necessary to meet the health, safety and comfort needs of low income households.

II. RESPONSE TO QUESTIONS POSED IN *SCOPING RULING*

In the sections that follow, TURN addresses many but not all of the questions posed by the Commission in the *Scoping Ruling*. Pursuant to the directive in the *Scoping Ruling* that intervenors “should coordinate their work to avoid duplication of efforts,” TURN has discussed these comments with other parties and accordingly focuses our efforts on a subset of issues. We may address the issues we do not cover here in reply comments.

TURN nonetheless relies on the September 2006 draft Needs Assessment in these comments because it is the most recent version publicly available, as far as we know.

² The Draft Needs Assessment uses the Commission’s current income eligibility guidelines for LIEE: up to 200% of the Federal Poverty Guidelines.

1. What Are the Appropriate Broad Program Objectives for LIEE?

The *Scoping Ruling* asks parties to comment on whether the following six broad program objectives are appropriate for LIEE:

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

(*Scoping Ruling*, pp. 5-6). TURN agrees that these six objectives are appropriate for LIEE. However, TURN urges the Commission not to prioritize them equally, as discussed below.

2. How Should the Commission Articulate and Prioritize the Broad Program Objectives?

TURN believes that the overarching objective of LIEE should be to increase the likelihood that low income households can afford the energy services reasonably necessary to benefit from the energy-using appliances and fixtures in their homes, and to do so in an energy efficient manner. The benefits associated with the program objectives not directly encompassed by this statement should flow from LIEE, rather than guide LIEE development and implementation. Accordingly, TURN recommends that the Commission prioritize program objectives a (affordability) and b (reduced energy burden), with the understanding that low income households should be able to afford to use the appliances and fixtures in their incomes in a manner consistent with health, safety and comfort (objective d), and that this consumption should be energy efficient to lower its financial and environmental costs (objectives f, linked to a and b).³ TURN views the

³ The Draft Needs Assessment distinguishes between “energy insecurity” – a measure of how difficult or

benefits associated with objective c (equity) as inherent to the LIEE strategy we propose; all Californians should be able to afford the necessity of energy utility services and LIEE is an equitable mechanism for furthering this ultimate objective. And we recommend that LIEE be designed to capture the benefits associated with e (LIEE as energy resource), to the extent consistent with serving the needs of low income households.

Viewing LIEE as an environmentally appropriate strategy to increase the affordability of energy utilities and reduce the energy burden for low income households prioritizes suitably the needs of low income Californians. In directing the Commission to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures, the California Legislature recognized: “electricity is a basic necessity, and ... all residents of the state should be able to afford essential electricity and gas supplies.” (Cal. Pub. Util. Code § 382(b); *see also* Cal. Pub. Util. Code § 739 (c)(2)(“electricity and gas services are necessities”). The Legislature has likewise recognized the importance of energy efficiency as a means of “reducing the energy-related hardships facing low-income households” while touting the environmental benefits to be gained from displacing the need for supply side energy resources with energy efficiency. (*See* Cal. Pub. Util. Code § 2790 (c)).

Furthermore, TURN’s recommended prioritization creates long term benefits for participant customers, such as reducing the risk that such customers will struggle or fail to keep up with energy payments, which in turn allows these customers to avoid the

easy it is for households to keep up with energy payments and how often households are threatened with or have experienced service disconnection – and “energy burden” – the portion of total household income that goes toward paying utility bills. (Draft Needs Assessment, p. 1-17 and 1-18). TURN understands the objective of “affordability” in the *Scoping Ruling* as being synonymous with “energy insecurity”, and we assume that “energy burden” in the *Scoping Ruling* has the same definition as in the Draft Needs Assessment. These two measures are not interchangeable, although intimately connected by the size of utility bills faced by a household, and thus warrant separate mention in the Commission’s articulation of the broad objectives of LIEE.

cascade of direct and indirect financial, health and safety problems that flow from losing power to one's home. Likewise, this strategy creates benefits for the general body of ratepayers, in terms of reduced costs associated with arrearages and uncollectibles, long term reduced CARE costs, and the displacement of supply side energy resources with (hopefully) reliable and persistent demand side resources. Finally, this strategy creates societal benefits for all Californians, through increased equity, increased health and safety of the population, and the environmental benefits associated with energy efficient consumption.⁴

TURN recognizes that enabling low income households to be healthy, safe and comfortable in their homes through the energy efficient use of relevant appliances and fixtures may increase the total energy burden on a household relative to the energy demand associated with broken appliances, or appliances so inefficient as to be cost-prohibitive for a low income household to use. However, LIEE should reduce hardship and provide low income households the ability to afford necessary electricity and natural gas supplies. This necessarily means that households must be able to afford to benefit from the energy-using appliances and fixtures associated with health, safety and comfort in their homes. Providing low income customers with energy efficient appliances and fixtures, while educating household members about the benefits of conservation and efficiency, should also increase the affordability and environmental sustainability of home energy for LIEE participants.

⁴ See *i.e.* "The Economics of Low-Income Electricity Efficiency Investment," prepared for Entergy Corp. by J. Oppenheim & T. MacGregor, January 8, 2002, available at <http://www.democracyandregulation.com/detail.cfm?artid=14&row=0> (discussing the benefits to participants and ratepayers, as well as other societal and broad economic benefits of LIEE programs).

3. Is the Broad LIEE Goal Statement – to Assure That the Residence of Every Low Income Customer in California is Energy Efficient by 2015 – Reasonable Considering Law, Commission Policy and Community Needs?

Yes, TURN believes this broad goal statement for LIEE is reasonable, particularly if LIEE works in tandem with appliance and building codes and standards advocacy and in well-coordinated collaboration with related state, federal and other Commission-jurisdictional programs. While “Energy Efficient” is inherently a moving target (assuming we continue to progress toward increasingly efficient technologies), TURN sees this goal statement as providing useful direction regarding scope, pace and direction of LIEE, all necessary to better capture the enormous potential benefits associated with the program. Thus, TURN greatly appreciates the efforts of ALJ Malcolm in devising this goal statement for consideration by parties in this proceeding. (*See Scoping Ruling*, p. 5).

4. How Should “Energy Efficient” Be Defined in This Goal Statement?

To align this goal statement with the broad program objectives discussed above, TURN recommends that an “Energy Efficient” residence be defined as one in which the energy consuming fixtures and appliances that are necessary for the health, safety and comfort of the household operate with energy efficiency exceeding the codes and standards in place in 2007 in California, and where residents have basic knowledge about efficiency and conservation for bill reduction and environmental purposes. TURN does not currently have an opinion regarding the benchmarks that building shell retrofits should meet or exceed under the definition of “Energy Efficient” for LIEE, and we look forward to learning the thoughts of other parties on this issue. This second part addresses the possibility that low income households served by LIEE will move during the period

covered by the goal statement, or will at least make consumption and purchasing decisions in the interim for their existing homes, and seeks to attach some extent of the “Energy Efficient” label to the program participants, as well as the physical dwelling unit. Practically speaking, and in order for the program to reach the breadth envisioned by the goal statement, the definition of “Energy Efficient” may need to contain a prioritization of fixtures, appliances and building shell components, rather than listing all installations as if they were equally essential to satisfying the definition. TURN discusses this issue further in response to Question 7 below.

5. Should This Goal Apply to All Program Elements or Should Some Elements Be Treated Separately?

As stated above, TURN believes that LIEE should encompass elements that increase the affordability of energy services, while increasing the health, safety and comfort of low income households. The broad goal statement most clearly addresses how energy will be consumed in a participating household, which could extend to the appliances, fixtures as well as the building shell – all of which should influence affordability and energy burden. To the extent that additional measures are warranted by the health, safety and comfort objective in a participating household, TURN recommends that the broad goal statement not be construed as prohibiting their implementation.

6. Are There Other Broad Program Goals the Commission Should Consider?

TURN looks forward to the comments of other parties in response to this question and may respond in reply comments.

7. What Questions Must the Commission Address in Order to Implement Programs Toward the Broadly Stated Goal?

Because TURN sees affordability as paramount to ensuring that low income households have meaningful access to energy utility services, TURN recommends that the Commission consider which measures carry the greatest potential to reduce the overall household energy consumption of low income Californians, which in turn could increase affordability and decrease energy burden. The Draft Needs Assessment is an extremely useful tool for addressing this question, and in fact, makes specific recommendations regarding which measures to prioritize if affordability and reduced energy burden are objectives of LIEE. (*See i.e.* Draft Needs Assessment, Chapter 7). Notably, the measures with the greatest ability to reduce household energy consumption through efficiency gains are also those measures with the greatest demand side energy resource impact and associated environmental benefits. Regarding additional questions, TURN looks forward to the suggestions of other parties.

8. What Kind of Criteria Should the Commission Consider in Determining Strategies for Meeting the Goal, and How Generally Should Those Criteria Be Ranked?

TURN looks forward to the comments of other parties and may respond thereto in reply comments.

III. CONCLUSION

For the foregoing reasons, TURN respectfully recommends that the Commission maintain the focus of LIEE on the energy needs of low income households. The overarching objective of LIEE should be to increase the likelihood that low income households can afford the energy services necessary to reasonably benefit from the energy-using appliances and fixtures in their homes, and to do so in an energy efficient

manner. Accordingly, TURN recommends that the Commission prioritize energy affordability and reduced energy burden for low income customers, with the understanding that low income households should be able to afford to use the appliances and fixtures in their incomes in a manner consistent with health, safety and comfort, and that this consumption should be energy efficient to lower its financial and environmental costs.

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