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EDMUND G. BROWN JR.
GOVERNOR

January 4, 2019

Commissioner Cliff Rechtschaffen
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Alice Stebbins, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Challenges Implementing CSD/IOU Leveraging Directives

Commissioner Rechtschaffen and Executive Director Stebbins:

As you know, the California Public Utilities Commission (CPUC) decision 14-11-007 directs the Investor-Owned Utilities (IOU) to implement co-funding strategies with the Department of Community Services and Development (CSD) for the installation of energy efficiency measures in qualified low-income multi-family housing units. Throughout 2017 and 2018, CSD has been meeting with the IOUs to establish a contractual relationship for the installation of Energy Savings Assistance (ESA) funded measures under CSD's Low-Income Weatherization Program (LIWP) MF component.

Unfortunately, CSD has faced numerous challenges with the IOU in establishing the framework for ESA MF program measure integration into CSD's LIWP MF component. CSD greatly supports the CPUC's directive to leverage funding for the expansion of the weatherization measure offerings. However, as the program requirements are not completely aligned and IOU were unable to change ESA requirements, developing the implementation parameters has required considerable time and resources. CSD had to adjust the programmatic and fiscal elements of CSD's LIWP MF component and a considerable amount of time was spent by CSD's legal department working through required documentation to accommodate the inclusion of ESA funded measures and varying IOU administrative structures and requirements.

Due to the extensive nature of the programmatic, fiscal, and legal modifications necessary to CSD's LIWP MF component, each instance of ESA/LIWP leveraging will "look" different for each IOU due to different IOU requirements – meaning CSD must navigate the discussion, negotiation, drafting, review, and implementation of ESA/LIWP three separate times.

After over two years of meetings with IOU, CSD has made considerable progress with Pacific Gas & Electric (PG&E) in reaching agreement on the ESA/LIWP Funding Agreement, ESA Affidavit, and the LIWP Service Delivery Plan – all documents

developed or modified to effectuate ESA measure integration with CSD's LIWP MF component. In addition, it appears that CSD and PG&E are now in basic agreement as to what application forms must be completed, how CSD will report results to PG&E, and how CSD will seek reimbursement from PG&E for installed ESA measures.¹

However, while it appears CSD has reached agreement with PG&E, no such progress has been made with the remaining IOUs. It is CSD's understanding that the remaining IOUs are waiting to see what CSD and PG&E develop in the hopes the approach and documentation will be acceptable to their program and legal staff. CSD has not received any comments from San Diego Gas & Electric (SDG&E), Southern California Edison (SCE) and Southern California Gas (SCG) on the initial Funding Agreement, ESA Affidavit, or proposed amendments to the Service Delivery Plan. As such, CSD does not know if what has been developed with PG&E would in fact be workable for the remaining IOUs.²

Unfortunately, given the length of time it has taken to reach this level of agreement, and CSD and PG&E may realistically be months away from finalizing agreements, CSD's LIWP MF administrator, AEA now faces timing constraints to leverage any ESA funds made available to CSD by the IOUs. AEA, is under contract to administer LIWP MF component through June 30, 2021. Recently AEA provided a project pipeline report that estimates those properties AEA expects to complete before June 2021.

AEA estimates it can complete 64 properties representing 5,585 units in electric utility territory and 53 properties representing 5,474 units in gas utility territory. Of the total properties/units³, 81 properties representing 7,335 units are in PG&E's territory.⁴ Of the other three IOUs, only SCE and SCG have properties and units in AEA's estimated project pipeline.⁵

Given the amount of funds pledged by SCE and SCG, the time it may take to reach final agreement with these IOUs, the limited number of projects in AEA's project pipeline in those IOU territories, and the fact it is currently unknown the extent each project would be eligible for ESA measures, CSD wishes to limit the implementation of the ESA/LIWP MF integration to PG&E only and postpone additional discussions with SCE, SCG, and SDG&E. However, CSD would like to reevaluate the opportunity to reengage SCE, SCG, and SDG&E in the event the FY 2019/20 state budget act appropriates additional funds for the LIWP MF program component that will support new projects within these specific IOU service areas.

¹ The ESA measure install/reporting documentation is currently being developed between CSD, PG&E, and RHA. CSD expects this document to be completed by early 2019.

² CSD assumes what the Department has developed with PG&E will work for SCE, SCG, and SDG&E but, to date, CSD has had no direct responses from the remaining IOUs to support this assumption.

³ Total Properties – 117; Total Units – 11,059.

⁴ Properties in PG&E's territory represent roughly 70% of total properties in the pipeline representing 66% of all units.

⁵ Projects in SCE territory: 8 properties representing 893 units; Projects in SCG territory: 19 properties representing 1,681 units.

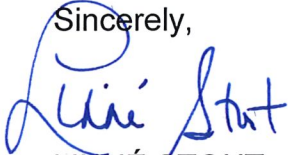
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While CSD applauds the CPUC's direction and firmly believes in the benefits the installation of energy efficiency measures affords low income Californians under LIWP with the help of additional IOU dollars from ESA leveraging, the time necessary for agreements to be reached with SCE, SCG, and SDG&E inhibited the ability to really provide substantial benefit through effective leveraging. Should another funding opportunity be available in the future CSD would definitely be interested in participating.

Sincerely,



LINNÉ STOUT
Director

c: Robert Castaneda, Low-Income Oversight Board Chair
Benito Delgado-Olson, Low-Income Oversight Board Vice-Chair
Syreeta Gibbs, CPUC
Mark Aguirre, SCG
Giovanna Casillas, SDG&E
Davi Ibarra, SCE
Mary O'Drain, PG&E