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On 8/12/16 Workshop on Barriers of Low-Income and Disadvantaged Communities

Additional submitted attachment is included below.

Energy Savings Assistance Program – Issues & Recommendations

Natural Resources Defense Council, in partnership with Energy Efficiency for All

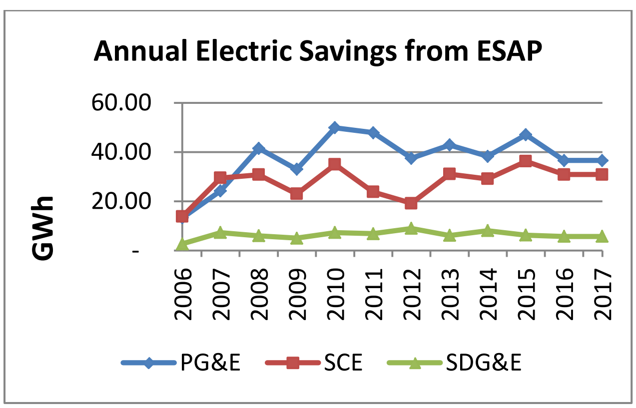
Background

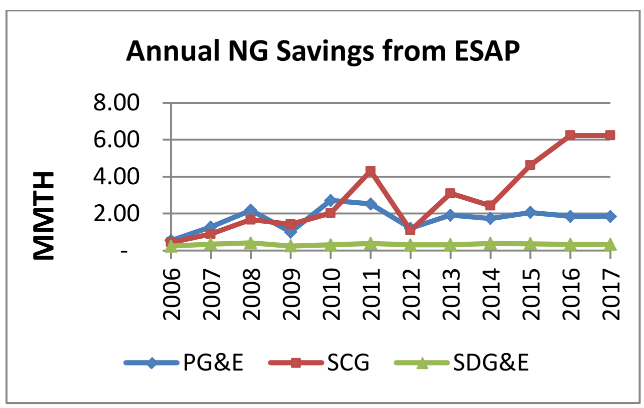
- ESAP is a direct install energy efficiency program for low income households in IOU service territories with a budget of ~$300 million per year.
- A proceeding is underway to evaluate and approve the IOU's 2016-17 programs. Parties have submitted testimony and briefs; a Proposed Decision is expected in September 2016.
- Absent a change in direction, the program will continue to underperform in achieving energy and bill savings for participating customers, and poorly serve multifamily customers, who comprise one-third of the eligible population.

Balancing Outreach With Energy Savings

Issue:

- The Strategic Plan established and subsequent legislation codified dual goals for ESAP: (1) to provide all eligible customers the opportunity to participate by 2020; and (2) to serve as an energy resource by achieving increasingly cost-effective and longer-term savings.[i]
- The Commission has translated the first goal into specific homes 'treated' targets, but has provided no commensurate direction on achieving energy savings
- As a result, ESAP "go[es] to considerable expense in identifying customers to target and enroll, only to install a few measures in many homes."[ii]
- Compared to the general energy efficiency programs, ESAP receives between one-half to one-third the amount of funding, but achieves only 2-4% of the electricity savings. Aside from SCG, the IOUs all project lower energy savings in 2016-2017 than previous years (below). Rather than invest in providing more comprehensive services, the IOUs are proposing to return to homes 'treated' less than a decade ago.[iii]
- A new cost-effectiveness test affords the IOUs flexibility to deliver various measures and services to eligible customers so long as their aggregate ESAP portfolio achieves a minimum level of savings relative to costs, but no threshold has been established (e.g. 1.0 or less).





Solution:

- Establish an **energy savings goal** to measure progress against ESAP's dual goal of serving as an energy resource.

- Establish a **cost-effectiveness threshold** for an adjusted total resource cost test (formally the adjusted ESA Cost Effectiveness Test) that includes a substantial amount of non-energy benefits. This threshold could incentivize utilities to engage in more effective planning and provide tailored measure offerings based on savings potential.
- Eliminate caps on measure offerings per household and other arbitrary restrictions holding back energy savings opportunities once a customer is income-verified and enrolled.
- Clarify that the program will not have met its objectives by simply reaching all eligible customers by 2020. To achieve the Governor's doubling goal, the program will need to shift in emphasis toward providing more durable and deeper savings.

Multifamily

Issue

- A third of the ESAP eligible population resides in multifamily housing, yet IOUs spend on average less than 15% of their budgets serving the multifamily market.
- The multifamily (MF) sector differs in fundamental respects from the single family sector:
  1. MF buildings have more complex and varied ownership and financing structures
  2. MF buildings are more heterogeneous (e.g. they vary widely in the structure of their heating, cooling, and ventilation systems and water heating tends to be the principal source of energy usage)
  3. Common areas and tenant units are metered separately, resulting in split-incentives and complex program incentive structures (tenants often pay bills while owners invest in the equipment, and utilities offer separate programs for building owners and tenants)
- The IOUs have not complied with the Commission's explicit order to work directly with property owners on a whole-building basis and propose new common area measures for the multifamily sector, including central heating, cooling, and hot water systems.[iv]
- Other utility multifamily programs have budgets on the order of $1 million per year and are difficult if not impossible for building owners to navigate and integrate with ESAP.

ESAP Multifamily Spending and Unspent Funds (in $1,000s)						
Utility and Year	**Total ESAP Spending**	**ESAP Multifamily Spending**	**MF % of Total**	**Equitable MF Spending (32% of Total)**	***MF Shortfall (32% Less Actual MF)***	**Unspent Funds**
SCG						
2012	$74,976	$6,861	9%	$23,992	*$17,132*	$27,629
2013	$88,293	$8,441	10%	$28,254	*$19,812*	$20,005
SCE						
2012	$39,379	$3,756	10%	$12,601	*$8,846*	$33,083
2013	$50,213	$7,004	14%	$16,068	*$9,064*	$17,010
PG&E						
2012	$101,033	$12,756	13%	$32,331	*$19,574*	$19,801
2013	$109,668	$22,550	21%	$35,094	*$12,543*	$14,149
SDG&E						
2012	$18,490	$4,616	24%	$5,917	*$1,301*	$669
2013	$15,160	$3,696	24%	$4,851	*$1,155*	$4,266

Utility Program Budgets, Average of Expenditures in 2013-2014 (in $1000s)

Utility	ESAP, 2013 Expenditures	ESAP Multifamily (32%)	Middle Income Direct Install	Multifamily Energy Efficiency Rebate	Energy Upgrade California - MF	Residential Direct Install
SCG	$88,293	$28,254	$1,000	$664	$500	
SCE	$50,213	$16,068	$1,685	$11,750	$1,000	
PG&E	$109,668	$35,094	$2,495	$2,595	$750	$1,588
SDG&E	$15,160	$4,851		$1,701		$1,857

Solution

- Create **a multifamily-specific component within ESAP**, seamlessly integrated with other energy efficiency programs, and with its own dedicated budget, similar to Marin Clean Energy's proposal.
- Work directly with **building owners** as the program participant and only directly solicit tenants for in-unit measures if building owners are unresponsive.
- Use robust **audits** to identify all cost-effective measures.
- Based on audit results, provide funding for specific **common area measures and central heating, cooling, and hot water measures**, subject to energy assessment findings and owner co-pays as appropriate.
- Allow building owners to choose their contractors or require utilities to train contractors qualified to serve the efficiency needs of multifamily buildings.

Untapped Savings Exist In The Multifamily Sector

- Energy Upgrade California programs in N. California (whole-building multifamily pilots) are achieving an average of 16-22% savings for less money per-unit than ESAP, which is achieving 3-9% savings on average and likely less in multifamily units.[v]
- NRDC's preliminary ESAP-eligible potential study found total cost-effective electricity savings worth 30% of total usage and gas savings worth 22% of total usage by 2020.

Other States Are Successfully Serving The Low-Income Multifamily Population

- Numerous jurisdictions offer specific low-income programs designed for the multifamily sector that work directly with the building owner, use robust audits, and cover common area and whole-building measures (including NY, MA, TX, MN, VT, OR, RI, and NJ). Several of these programs also have energy savings goals and spend less per-unit than ESAP, but achieve greater energy savings.

[i] CA PUC Section 382(c) "The commission shall, by not later than December 31, 2020, ensure that all eligible low-income customers are given the opportunity to participate in low-income energy efficiency programs, including customers occupying apartments or multiunit residential structures. The commission and utilities shall make all reasonable efforts to coordinate programs with other energy conservation and efficiency programs and to obtain additional federal funding to support actions undertaken pursuant to this subdivision. ***These programs shall be designed to provide long-term reductions in energy consumption at the dwelling unit based on an audit*** or assessment of the dwelling unit, and may include improved insulation, energy efficiency appliances, measures that utilize solar energy, and other improvements to the physical structure." (emphasis added).

[ii] KEMA, "Final Report on Phase II Low Income Needs Assessment," Sept. 7, 2007.

[iii] See California Public Utilities Commission Evaluated and Verified Energy Efficiency Savings Reports and Utility annual and monthly Energy Savings Assistance Filings. See also Utility Applications: Applications (A.) of Southern California Edison Company (SCE) A. 14-11-007, San Diego Gas & Electric Company (SDG&E) A. 14-11-009, Pacific Gas and Electric Company (PG&E) A. 14-11-010, and Southern California Gas Company (SCG) A. 14-11-011 (collectively, Utility Applications), filed on November 18, 2014.

[iv] D-14-08-030 (OP 41) "Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company, in the 2015-2017 applications for the Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets, ***shall propose new, cost-effective measures for the multifamily sector, including common area measures and central heating, cooling, and hot water systems***." (emphasis added).

[v] Evergreen Economics, "PY 2011 Energy Savings Assistance Program Impact Evaluation Final Report," p. 40 (August 30, 2013).