SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Josh Becker, Chair
2025 - 2026 Regular

Bill No:	SB 647	**Hearing Date:**	4/29/2025
Author:	Hurtado		
Version:	4/2/2025 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Sarah Smith		

SUBJECT: Low-income energy assistance programs: equitable building decarbonization program

DIGEST: This bill makes various modifications to the Energy Savings Assistance Program (ESAP) and the Equitable Building Decarbonization (EBD) program, including, but not limited to, consolidating the programs, expanding eligibility for the programs to moderate income households, and requiring the implementation of a specified third-party administrator system for the programs. This bill also expands the membership of the Low-Income Oversight Board (LIOB) to include representatives from the California Energy Commission (CEC) and the California Air Resources Board (CARB) and requires the LIOB to take certain steps to modify the administration of the ESAP and EBD program.

ANALYSIS:

Existing law:

1) Establishes ESAP, which is overseen by the California Public Utilities Commission (CPUC), to provide ratepayer-funded upgrades to low-income households, including low-income residents in multi-family housing. Under existing law, these upgrades may include improved insulation, weatherization services, low-flow shower heads, building envelope repairs and caulking, and installation of energy-efficient refrigerators and furnaces. Existing law specifies that low-income households eligible for ESAP are those households whose incomes are at or below 250% of the federal poverty level (FPL). Existing law prohibits the CPUC from increasing the authorized budgets of ESAP based on increased income thresholds. (Public Utilities Code §§382 and 2790)

2) Establishes the EBD program, which is overseen by the CEC, to provide incentives for specified energy efficiency, demand response, and building decarbonization measures. Existing law authorizes the CEC to establish

regional third-party administrators for the EBD program. Under existing law, the EBD program includes the following three main subprograms:

a) Statewide Direct Install program: provides no-cost energy efficiency and electrification retrofits for low-income households in California.
b) Statewide Incentive program: provides financing mechanisms to reduce the cost of loans for home energy retrofits that improve energy efficiency and reduce greenhouse gas (GHG) emissions.
c) Tribal Direct Install program: provides direct install incentives specifically for residential buildings owned or management by a California Native American tribe, tribal organization, or tribal member. (Public Resources Code §25665 et. seq.)

3) Existing law restricts eligibility for EBD direct install incentives to "low-to-moderate income" households and defines "low-to-moderate income" households whose income does not exceed 120% of area median income (AMI), adjusted for family size as specified by the United States Department of Housing and Urban Development (HUD). (Health and Safety Code §50093 and Public Resources Code §§25665 and 25665.3)

4) Establishes the LIOB to advise the CPUC regarding low-income electric, gas and water customer issues. Existing law specifies the board's duties, including, but not limited to encouraging collaboration between state and utility programs for low-income electricity and gas customers. Existing law specifies the membership of the LIOB, which includes 11 members. (Public Utilities Code §382.1)

This bill:

1) Expands income eligibility for ESAP from low-income households to low-to-moderate income, conforming income eligibility for ESAP to income eligibility for the EBD direct install program.

2) Expands the purpose of the ESAP program from improving buildings' energy consumption to also include increasing health and safety of individuals. This bill also requires the CPUC to prioritize the use of ESAP for more advanced building upgrades, as specified.

3) Expands the membership of the LIOB from 11 to 13 members by adding representatives from the CEC and CARB. This bill specifies that these representatives must be a Commissioner or a commissioner's designee and a CARB board member or a board members' designee.

4) Requires the LIOB to work with the CEC to integrate ESAP's administration into the EBD program. This bill requires the LIOB to undertake specific tasks to integrate ESAP into the EBD program, including, but not limited to aligning program rules between ESAP and the EBD program, aligning state decarbonization and equity goals by creating unified program standards, and conducting regular reviews, audits, performance evaluations, and reports on the program activities.

5) Requires the CPUC to shift the administration of ESAP from utilities to a single third-party administrator framework established by this bill. This bill establishes criteria for this third-party administrator, including requiring the ESAP third party administrator to hold a small business or disabled veteran business enterprise certification with the Department of General Services (DGS). This bill also establishes criteria for contractors that the third-party administrator may work with. Under this bill, any business or nonprofit subcontracting with the ESAP third-party administrator must also hold a small business or disabled veteran business enterprise certification with DGS. This bill specifies the duties of a third-party administrator's subcontractor.

Background

Bill seeks to align the administration of the ESAP and EBD programs. This bill requires the LIOB to undertake a number of duties to integrate ESAP's administration into the EBD program. While ESAP and the EBD program both provide incentives to make upgrades to buildings to improve buildings' emissions and energy profiles. The Legislature established these programs separately with different agency oversight and funding sources. These administrative differences reflect the differing goals and history of each program. While ESAP is one of the CPUC's oldest low-income energy assistance programs, the CEC only adopted program guidelines to implement the EBD program in 2023. Below is a description of each program and its administration:

- ESAP is overseen by the CPUC and funded by ratepayer monies. The large investor-owned utilities (IOUs) and small multi-jurisdictional utilities administer the program. ESAP incentives are only available within each utility's service territory, which reflects the need to effectively manage ratepayer costs for each utility.
- The EBD Program is overseen by the CEC and is funded through several different non-ratepayer sources, including General Fund moneys and Greenhouse Gas Reduction Fund (GGRF dollars). Since the program does not use ratepayer funds, EBD program incentives are available statewide.

Existing law also allowed the CEC to select regional third-party administrators for the program.

Differing funding sources and differing statutory frameworks limit the extent to which ESAP and EBD can be consolidated or co-administered. However, program administrators, the CEC, and the CPUC generally seek opportunities to help applicants leverage different funding sources to make deeper building decarbonization investments where moneys are available. This bill also requires ESAP to shift from a utility-administered program to a program administered by a third-party entity. This bill also establishes specific criteria for an ESAP third-party administrator and any subcontractor of that administrator. While the CEC is using regional third-party administrators for the EBD program, it is not clear that even those administrators selected by the CEC would meet this bill's criteria for serving as ESAP's third-party administrator.

Bill would substantially expand income eligibility for ESAP. This bill modifies the income eligibility for the ESAP program to match the income criteria used by the EBD program. This change to ESAP's income eligibility would substantially increase the scope of households eligible for funding through ESAP because the EBD program bases income eligibility on AMI calculations, which differs between counties. For example, the annual FPL income limit for a family of four is $78,000. However, under AMI in Sacramento County, the annual low-to-moderate income threshold for a family of four is between $94,300 and $136,700. To the extent that households with higher incomes are better positioned to apply for and receive ratepayer incentives, this bill may drive a proportionately higher amount of ratepayer incentives to households with moderate incomes. Additionally, due to AMI disparities between counties, this bill could drive ratepayer dollars to counties with higher AMIs. For example, Fresno County's low-to-moderate AMI income threshold for a family of four is between $70,300 and $105,500 while the same AMI threshold in San Francisco County is between $156,650 and $223,900. While this bill substantially expands the income eligibility for ESAP, this bill retains provisions in existing law that prohibit the CPUC from expanding the utilities' budgets for ESAP. While this limitation can prevent runaway ratepayer costs, it also may result in moderate income consumers crowding out low-income consumers from ESAP.

Need for amendments. As currently drafted, this bill's expansion of income eligibility for existing low-income energy assistance programs could limit the extent to which resources are targeted to low-income households. This bill's requirement to integrate ESAP and the EBD program administration appears infeasible since these programs have differing funding sources, statutory authorities and lead agencies. This bill requires LIOB to carryout specified duties to integrate ESAP into the EBD program; however, these duties appear inconsistent with the LIOB's role as an advisor and liaison to the CPUC. This bill also adds a CEC commissioner and a CARB board member or their designees to the LIOB. While representation from CEC and CARB on the LIOB could be beneficial, it is not clear that a commissioner or board member is needed to help coordinate energy efficiency programs. Additionally, this bill's third-party administrator framework appears to be overly proscriptive and would likely disqualify a number of otherwise qualified program administrators. *As a result, the author and committee may wish to amend this bill to do the following:*

- *Remove provisions of the bill requiring program consolidation, establishing a new third-party administrator framework and expanding income eligibility for existing low-income energy assistance programs.*
- *Modify the LIOB appointments to allow the executive directors of CARB and the CEC to designate staff to represent the CEC and CARB on the LIOB.*
- *Replace the duties assigned to the LIOB in this bill with requirements for the LIOB to do the following:*
    - *Assess and provide recommendations regarding opportunities and barriers to improving the stacking of energy efficiency incentives aimed at low-income households and owners of multi-family residences that serve low-income Californians.*
    - *Recommend options for addressing energy assistance needs of Californians whose incomes exceed thresholds for existing low-income programs but whose incomes are between 50% and 80% of their respective county's Area Median Income.*
    - *Identify opportunities for energy efficiency incentives to better support the growth of small and diverse businesses that perform energy upgrades financed by these incentives.*
    - *Identify the potential rate impacts of LIOB recommendations pursuant to this bill and recommend opportunities to mitigate or prevent those impacts.*

Prior/Related Legislation

AB 209 (Committee on Budget, Chapter 251, Statutes of 2022) allocated various funds to implement the 2022 Budget Act. The bill established various energy programs, including the EBD program at the CEC.

SB 756 (Hueso, Chapter 248, Statutes of 2021) increased the income eligibility threshold for ESAP from 200% of the FPL to 250% of the FPL and prohibited the CPUC from increasing the

SB 1403 (Hueso) of 2020, would have expanded ESAP income eligibility in a manner similar to this bill. The bill died in the Assembly.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

Energy Transition Collective (Sponsor)
Asian Business Association of Silicon Valley
Association of California Community and Energy Services, if amended
Bay Counties Construction & Maintenance
California Community Builders
California Solar & Storage Association, if amended
Chicana Latina Foundation
Climate Resilient Communities
Community Development INC
Community Housing Opportunities Corporation
CR Energy Solutions
DNA Contracting, LLC
Fresno Hmong Newyear
Highlands Diversified
Latinxs and the Environment
N'de Apache Nation Tribe
Proteus, Inc.
QUEST
Regenerate California Innovation, Inc.
Self-Help Enterprises
Solar-Oversight
Suscol Intertribal Council
TELACU, if amended
The Ortiz Group
The Two Hundred for Homeownership
West Coast Green Builders, LLC

OPPOSITION:

California Center for Sustainable Energy
Pacific Gas and Electric Company
San Diego Gas and Electric Company
Southern California Edison
Southern California Gas Company

ARGUMENTS IN SUPPORT: According to the author:

> The energy affordability crisis disproportionately impacts low and moderate-income households, particularly in the Central Valley, where extreme summer heat, aging housing stock, and rising utility costs create serious financial and public health challenges. Many families in the Central Valley and across the state live in homes with inadequate insulation, inefficient cooling systems, and outdated appliances that only increase their energy costs. SB 647 strengthens and modernizes California's low-income energy assistance programs by prioritizing health, safety, affordability, and equitable access so that more individuals can benefit from these programs and reduce their monthly bills. With this measure we are addressing structural barriers that prevent vulnerable households from accessing critical energy efficiency upgrades needed to lower utility costs, enhance indoor air quality, and create safer, more sustainable living conditions. SB 647 alleviates some of the financial burden on households most affected by California's energy affordability crisis.

ARGUMENTS IN OPPOSITION: The state's three largest IOUs and the Center for Sustainable Energy oppose this bill because they believe that this bill could lessen benefits targeted to low-income populations, exacerbate ratepayer cost-shifts, and unnecessarily complicate program administration, resulting delayed implementation of building decarbonization incentives. In opposition, the Center for Sustainable Energy states:

> CSE supports the braiding/stacking of decarbonization programs to benefit the most households as possible but opposes SB 647 because it would require the Low-Income Oversight Board to add complicated "Low-to-Moderate" modifications and merge two state energy agencies' programs, one funded by the general fund and the other funded via ratepayers, that have distinctive goals, administration structures, and expected outcomes…With these differences in mind, CSE would like to inform the committee that EBD RAs are currently working with the CEC and Southern California Edison (SCE) and Pacific Gas and Electric (PG&E) ESA programs to see how we can layer EBD funding with ESA funding to stretch both program dollars further for ratepayers and program participants under current equity-based eligibility thresholds. In other words, much of what this bill seeks to accomplish is already in the works.

-- END --