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**SENATE COMMITTEE ON ENERGY, UTILITIES AND  
COMMUNICATIONS**

**Senator Ben Hueso, Chair  
2019 - 2020 Regular**

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<b>Bill No:</b>	SB 766	<b>Hearing Date:</b>	4/30/2019
<b>Author:</b>	Stern		
<b>Version:</b>	4/22/2019 As Amended		
<b>Urgency:</b>	No	<b>Fiscal:</b>	No
<b>Consultant:</b>	Nidia Bautista		

**SUBJECT:** Public utilities: weatherization

**DIGEST:** This bill would expand the list of eligible weatherization measures to include water efficiency measures that result in energy savings, and energy management technologies for publicly owned utilities (POUs), consistent with the existing authorized measures for investor-owned utilities (IOUs).

**ANALYSIS:**

Existing law:

- 1) Establishes the California Public Utilities Commission (CPUC) has regulatory authority over public utilities, including electrical corporations and gas corporations, while local publicly owned electric and gas utilities are under the direction of their governing boards. (California Constitution, Article XII)
- 2) Requires an electrical or gas corporation to perform home weatherization services for low-income customers if the CPUC determines that a significant need for those services exists in the corporation's service territory. Defines weatherization for these purposes as including specified measures and requires the CPUC to direct any electrical or gas corporation to provide as many of the specified measures as are feasible for each eligible low-income dwelling unit. (Public Utilities Code §2790)
- 3) Requires every local publicly owned electric and gas utility that provides the energy for space heating for low-income customers to also provide home weatherization services for those customers if a significant need for those services exists in the utility's service territory, in consideration of both the cost-effectiveness of the services and the public policy of reducing financial hardships facing low-income households. Defines weatherization for these purposes as including specified measures. (Public Utilities Code §9500)

- 4) Requires the CPUC to require an electrical or gas corporation to develop a program to provide incentives to a residential or small or medium business customer to acquire energy management technology, as defined, for use in the customer's home or place of business. Requires the IOUs to develop a plan to educate customers and to annually report to the CPUC on the customers savings from the program. (Public Utilities Code §717)
- 5) Establishes the Low-Income Oversight Board (LIOB) and requires the LIOB to advise the CPUC on low-income electric, gas, and water customer issues and to serve as a liaison for the CPUC to low-income ratepayers. Requires the LIOB to advise the CPUC regarding several of the CPUC's duties, including assisting in the development and analysis of any assessments of low-income customer need. (Public Utilities Code §382.1)
- 6) Establishes the California Alternative Rates for Energy (CARE) program for assistance to low-income electric and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels to ensure low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures. Requires the CARE discount for electrical corporations with 100,000 or more customer accounts in California is not less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers and requires the entire discount to be provided in the form of a reduction in the overall bill for the eligible CARE customer. (Public Utilities Code §739.1)

This bill:

- 1) Requires the CPUC to direct electrical or gas IOUs to provide specified weatherization measures that are cost-effective for each eligible low-income dwelling unit and adds to the measures water conservation measures that result in energy savings.
- 2) Requires POUs to provide specified weatherization measures as are cost-effective, adds water conservation measures that result in energy savings, and adds energy management technology to the list of specified measures.

## **Background**

*Weatherization.* Established under SB 845 (Rosenthal, Chapter, 462, Statutes of 1989), IOUs and POUs provided incentives and programs to help their customers improve the energy efficiency of their home. IOUs and POUs are required by the statute to help low-income households to receive financial assistance to implement

weatherization measures, such as attic insulation, energy efficient refrigerators, energy efficient furnaces, weather-stripping, and other measures. The IOUs programs are approved by the CPUC under the Energy Savings Assistance Program (ESA) and provide these weatherization services at no cost to customers who qualify for the CARE income guidelines. In addition to the reduction of energy use and bills, the program provides health, comfort and safety benefits to households. Although historically focused on single-family homes, in recent years, the CPUC made changes to open ESA to common areas in subsidized multi-family housing where at least 65 percent of the residents would qualify for CARE. In total, the IOUs annual budget for energy efficiency programs, including ESA are roughly one billion dollars. POU's develop their own programs to serve the low-income customers in each of their service territories. Per the statute, the POU's are not required to implement the same programs as the IOUs.

*CARE.* Existing law requires the CPUC to establish the CARE program, which provides assistance to low-income electric and gas IOU customers with annual household incomes less than 200 percent of federal poverty guideline levels. The cost of this program is spread across multiple classes of customers. AB 327 (Perea, Chapter 611, Statutes of 2013) restructured the rate design for residential electric customers, including directing the CPUC to establish rates for the CARE program customers of the large IOUs. The set rates must effectively give a discount between 30 percent and 35 percent to eligible customers of electrical corporations with 100,000 or more customer accounts. Electrical corporations with fewer than 100,000 customer accounts offer a 20 percent discount.

<b>CARE Income Guidelines</b> (effective through May 31, 2020)	
<b>Household Size</b>	<b>Income Eligibility Upper Limit</b>
1-2	\$33,820
3	\$42,660
4	\$51,500
5	\$60,340
6	\$69,180
7	\$78,020
8	\$86,860
Each additional person	\$8,840

*Energy Management Technologies (EMT).* AB 793 (Quirk, Chapter 589, Statutes of 2015) expanded the eligible measures within the ESA program to include EMT, which referred to a broad range of products, services, or software that allows a customer to better understand and manage energy use in their home or business. Smart thermostats are one example of an EMT. In general, EMTs have the ability to allow a customer to read his or her energy usage in real time or close to real time through communication with a home or business' smart meter. At the time of the

bill's proposal, the proponents contended that such technologies have the potential to allow customers to better understand and manage their energy usage. The proponents also noted the limited adoption, at the time, of the EMTs by residential and business customers.

*AB 793 implementation.* Since the passage of the AB 793, the CPUC has authorized the IOUs to include the EMTs among the eligible weatherization measures. The CPUC adopted a resolution in June 2016 to allow for these measures to be included within the ESA program. IOUs were required to file Advice Letters with the CPUC to implement the measures, conduct education/outreach, and required to provide annual reports on the actual energy savings. As of the writing of this analysis, it is unclear what the performance of the IOUs EMT measures has been. As the bill moves forward, the legislature may wish to assess whether the inclusion of EMTs is useful at this time given the lack of information about their performance.

*Water-energy nexus.* Additionally, the CPUC has engaged in a several years' effort to address the water-energy nexus, and the need to address the opportunity for energy savings through water conservation. According to the CPUC:

“One of the state's largest end uses of electricity is in the treatment, heating, and conveyance of water in California. This is known to many as the “Water/Energy Nexus.” The IOUs currently offer many incentive programs in the areas of energy efficiency, demand response, and distributed generation related to the water/energy nexus. The CPUC authorized a series of pilot programs exploring whether energy savings may be realized through water conservation measures. Implicit in this approach is the concept that saving water saves energy. The Energy Division is currently analyzing whether an increase in energy efficiency portfolio emphasis on measures that maximize energy savings in the water sector – such as through leak loss detection and enhancement of water systems efficiency – may be warranted. The Energy Division is also currently considering how cost effectiveness should be analyzed for water/energy nexus programs.”

As an example, San Diego Gas and Electric (SDG&E) includes various energy efficiency activities and results affecting water use, activities authorized as part of the water-energy nexus, and other programs that impact water use across the energy efficiency portfolio, as well as energy and water savings, and spending resulting from these activities. However, outside of the pilot projects, and within ESA, the only eligible measure that provides water savings and energy savings seems to be limited to low-flow showerheads.

*SB 766.* This bill would expand the list of specified weatherization measures for IOUs and POUs to include water-efficiency measures that result in energy savings. Such a proposal seems largely consistent with the existing efforts to address the water-energy nexus, including the CPUC's current efforts for IOUs. However, it is unclear whether the outcome of the pilot projects warrants the expansion of the measures to include water saving measures. In the case of many POUs, the local city likely administers both the electric utility and water utility, and is likely to already include some of these water-efficiency measures. Nonetheless, the explicit inclusion in the statute of authorizing water efficiency measures that provide energy savings may provide clarity as to the eligibility of such measures. This bill would also expand the POUs list of measures to include EMTs, as is already included in the case of IOUs. Such an effort seems reasonable. However, in consideration of the nascent development of EMTs, continued monitoring by POUs (and of the CPUC and IOUs) of the evolution and development of the technologies and their performance is warranted to ensure customers and ratepayers receive their expected return on their investment. SB 766 also explicitly states the requirement that all measures are cost-effective, an already existing requirement of the weatherization measures. Although redundant, the explicit mention of the need to ensure all measures are cost-effective seems beneficial to protect ratepayers.

### **Prior/Related Legislation**

AB 793 (Quirk, Chapter 589, Statutes of 2015) furthers the adoption of "energy management technology" – meaning a product, service, or software that allows a customer to better understand and manage energy use in the customer's home or business – through mandatory education efforts, monetary awards and inclusion of such technology in home weatherization programs for low-income electric or gas utility customers.

AB 802 (Williams, Chapter 590, Statutes of 2015) required the CPUC to authorize electrical and gas IOUs to provide incentives and assistance for measures to conform a building to energy efficiency standards for existing buildings and to allow IOUs to recover in rates the reasonable costs of those incentives and assistance.

SB 350 (De León, Chapter 547, Statutes of 2015) enacted the "Clean Energy and Pollution Reduction Act of 2015," which establishes targets to increase retail sales of renewable electricity to 50 percent by 2030 and double the energy efficiency savings in electricity and natural gas end uses by 2030.

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

**SUPPORT:**

None received.

**OPPOSITION:**

None received.

**ARGUMENTS IN SUPPORT:** According to the author:

“Beyond the simply aligning the IOU and POU programs, this bill is all about providing more options, more tools, that the state’s utilities can leverage on behalf of our most economically vulnerable populations. By opening up the POU weatherization programs to include energy management technologies, these households will have the newfound ability to understand their energy usage habits, thereby empowering them to take action.

The new water savings provisions provide the opportunity to kill two birds with one stone: saving water and reducing the energy needed to get that water flowing. Despite the recent rains, our state still needs to focus on finding new ways to save water. This measure will add another option to work toward that goal, while also reducing the amount of electricity associated with bringing that water to the customer. These twin goals provide savings on the various utility bills of everyone in the state.”

**ARGUMENTS IN OPPOSITION:** None received.

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