

Date of Hearing: April 12, 2023

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Eduardo Garcia, Chair

AB 691 (Ting) – As Introduced February 13, 2023

SUBJECT: Public Utilities Commission: energy efficiency programs: report

SUMMARY: Changes a California Public Utilities Commission (CPUC) reporting requirement related to duplicative energy efficiency programs across state agencies, as specified, from biennial to annual.

EXISTING LAW:

- 1) Requires the CPUC to report biennially on its efforts to identify ratepayer-funded energy efficiency programs that are similar to programs administered by the California Energy Commission (CEC), the California Air Resources Board (CARB), and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) in its annual report on ratepayer costs, and to require revisions of ratepayer funded programs as necessary. (Public Utilities Code § 913.9)
- 2) Requires the CPUC to publish the costs to ratepayers of all utility programs and activities currently recovered in retail rates for electrical corporations with at least 1 million retail customers and gas corporations with at least 500,000 retail customers. These are known as the “AB 67 Reports.” (Public Utilities Code § 913)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for its review.

BACKGROUND:

Energy Efficiency at the CPUC – California has led the nation in energy efficiency programs since the 1970s. Due to the state’s efficiency programs, per capita energy use has remained flat, while the rest of the US has increased by about 33%. In its 2022 Annual Report, the CPUC noted the energy efficiency savings from the electric sector programs for the first three quarters of the year amounted to 2,827 gigawatt hours; while the gas sector programs resulted in 60 million therms.¹ In 2022, these programs cost approximately \$590 million across the three largest investor-owned utilities (IOUs).²

¹ CPUC, *2022 Annual Report*; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/reports/annual-reports/ar2022_web_013123.pdf

² Pg. 40, CPUC, *2022 California Electric and Gas Utility Costs Report: AB 67 Annual Report to the Governor and Legislature*, April 2023. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2023/2022-ab-67-report.pdf>

Energy efficiency is at the top of the “loading order,” and California’s utilities are required to first meet their energy needs through cost-effective energy efficiency measures before renewable and conventional generation. The state’s IOUs and, to a lesser extent, the publicly owned utilities, administer hundreds of energy efficiency programs that provide financial incentives and rebates. The CPUC regulates ratepayer-funded energy efficiency programs. The programs span a variety of sectors encompassing residential homes and commercial buildings, large and small appliances, lighting and HVAC, industrial manufacturers, and agriculture. Within those sectors, efficiency programs may use any number of different tools: financial incentives and rebates, research and development for energy efficiency technologies, financing mechanisms, codes and standards development, education and public outreach, marketing, and others. The CPUC works with the IOUs, other program administrators, and vendors to develop programs and measures to reduce energy consumption using ratepayer funds.³

Energy Efficiency at Other Agencies – Energy efficiency efforts are not unique to the CPUC or electric utilities. Many other state and federal agencies administer energy efficiency efforts, some include:

- The “Clean Energy Upgrade Financing” program required by ABx1 14 (Skinner, 2011) to finance energy efficiency retrofits with loans administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) within the State Treasurer’s Office.
- Federal funding for free weatherization services for low-income residents administered by the California Department of Community Services and Development (CDCS).
- The “School Energy Efficiency Stimulus program” at the CEC established by AB 841 (Ting, Chapter 372, Statutes of 2020) to fund critical school improvements, support efforts to reopen schools consistent with COVID-19 guidance, and provide jobs.

COMMENTS:

- 1) *Author’s Statement.* According to the author, “As Californians deal with increasingly high utility bills, it is crucial that the State take a second look at the way that we expend ratepayer money. AB 691 requires the California Public Utilities Commission to identify and report the ratepayer-funded energy efficiency programs that duplicate programs administered by state agencies every year instead of every two years. By requiring annual reporting, the state can ensure public transparency in the way we utilize ratepayer dollars and assess which programs are unnecessary and should be discontinued.”
- 2) *Reversing Course.* The CPUC is mandated to report biennially on its efforts to “identify ratepayer-funded energy efficiency programs” that duplicate programs at the CEC,

³ CPUC, *Regulating Energy Efficiency: A Primer on the CPUC’s Energy Efficiency Programs*, February 2016; Microsoft Word - Regulating Energy Efficiency_DRAFT_v001.docx (ca.gov)

CARB, and CAEATFA.⁴ Such a report is meant to be included in the CPUC's annual report to the Legislature. The purpose of such effort is to address the potential for agencies to silo efforts. Having the CPUC identify, and then modify ratepayer funded programs, to ensure CPUC efforts are complimentary, not duplicative, to other agency programs can ideally lead to efficient use of both ratepayer and taxpayer dollars.

This bill changes this reporting requirement from every two years to every year. The cadence of this report was last changed only a few years ago in SB 385 (Hueso, Chapter 425, Statutes of 2017) to make this report a biennial requirement. At the time, the CPUC had noted the annual requirement for these reports was excessive, and stated that only a small number of duplicative programs may exist, negating the need for such annual reports. The CPUC suggested moving the report to every two years instead of annually in order to better use CPUC resources. However in 2017, the original report mandated by the Legislature to be updated annually had yet to be delivered, even though the enacting statute was chaptered in 2014.⁵

Following the passage of SB 385 (Hueso, Chapter 425, Statutes of 2017), the CPUC included this report on energy-efficiency programs across state agencies in its 2018 *Energy Efficiency Portfolio Report*.⁶ This reporting effort listed examples of how the CPUC was coordinating with the CEC, CARB, and CAEATFA on various programs and their efforts to avoid duplication amongst the agencies. While the review of joint-agency collaboration is helpful, this report did not provide a comprehensive identification of various energy efficiency programs across state agencies nor share details of how CPUC programs were revised to avoid duplication, as called for under the statute. A review of the CPUC's AB 67⁷ reports since 2018,⁸ which were meant to be the home for the biennial updates to this report, do not clearly show any further review of state agency collaboration or identification of potentially duplicative energy efficiency programs. Therefore it may be prudent, as put forward by this measure, to return the reporting requirement back to an annual obligation, and for the Legislature to inquire more directly of the CPUC when to expect the comprehensive review required under statute.

3) *Prior Legislation.*

SB 385 (Hueso) provides technical clean-up of the Public Utilities Code, including changing the requirement to report the similarity between CPUC energy efficiency

⁴ Originally under AB 270 (Bradford, Chapter 610, Statutes of 2013) but moved to PUC § 913.9 under SB 697 (Hertzberg, Chapter 612, Statutes of 2015)

⁵ AB 270 (Bradford, Chapter 610, Statutes of 2013)

⁶ Pg. 108-109; CPUC, *Energy Efficiency Portfolio Report*, May 2018; https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/about_us/organization/divisions/office_of_governmental_affairs/legislation/2018/13-15-energy-efficiency-report-final.pdf

⁷ PUC § 913

⁸ All CPUC reports to the Legislature may be found on the Office of Governmental Affairs website, here: <https://www.cpuc.ca.gov/about-cpuc/divisions/office-of-governmental-affairs>

programs and other state agency programs from annual to biennial. Status: Chapter 425, Statutes of 2017.

SB 350 (De León) among its many provisions, includes a goal to double the energy efficiency savings in electricity and natural gas end uses by 2030. Status: Chapter 547, Statutes of 2015.

AB 270 (Bradford) requires the CPUC to report on its efforts to identify ratepayer-funded energy efficiency programs that are similar to programs administered by other state agencies. The CPUC is also required to make revisions to programs to ensure they are complimentary and not duplicative of other state efforts. Status: Chapter 610, Statutes of 2013.

AB 67 (Levine) includes a provision requiring the CPUC to report on the costs of programs and activities conducted by each electric and gas IOU, and identify each program mandated by statute or the CPUC and its annual cost to ratepayers, among other items. Status: Chapter 562, Statutes of 2005.

REGISTERED SUPPORT / OPPOSITION:**Support**

None on file.

Opposition

None on file.

Analysis Prepared by: Laura Shybut / U. & E. / (916) 319-2083