

Date of Hearing: June 16, 2021

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Chris Holden, Chair

SB 756 (Hueso) – As Introduced February 19, 2021

SENATE VOTE: 40-0

SUBJECT: Home weatherization for low-income customers

SUMMARY: Expands the definition of low-income customers eligible for the Energy Savings Assistance Program (ESAP) to at or below 250% of the federal poverty level, instead of the current 200%.

EXISTING LAW:

- 1) Requires electric and gas investor-owned utilities (IOUs) to provide weatherization assistance, and specifies that weatherization means attic insulation, caulking, weather-stripping, a low flow showerhead, water heater blanket, and door and building envelope repairs to reduce air infiltration for low-income customers. This program is known as the Energy Savings Assistance Program (ESAP). (Public Utilities Code § 2790 (a), (b))
- 2) Specifies that weatherization may also include other building conservation measures, energy-efficient appliances, and energy education programs determined by the California Public Utilities Commission (CPUC) to be feasible and considering the cost-effectiveness of the measures as a whole and the policy of reducing energy-related hardships facing low-income households. (Public Utilities Code § 2790 (c))
- 3) Establishes the California Alternate Rates for Energy (CARE) program, an assistance program for low-income residential customers of IOUs with annual household incomes no greater than 200% of federal poverty guidelines which reflects discounts based on level of need. CARE discounts cannot be less than 30% nor greater than 35% 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)
- 4) Establishes the Family Electric Rate Assistance (FERA) program, an assistance program for low-income residential customers of the state's three largest IOUs with households of three or more persons whose total annual household incomes fall between 200% and 250% of the federal poverty guideline levels. The FERA program offers an 18% line-item discount applied to an eligible customer's bill. (Public Utilities Code § 739.12)

FISCAL EFFECT: According to the Senate Committee on Appropriations, this measure does not significantly impact state costs.

BACKGROUND:

ESAP – The CPUC oversees an extensive portfolio of energy efficiency programs administered by the electric and gas IOUs as well as third parties. For low-income customers, ESAP is the oldest and most consistent budget to serve low-income customer needs. ESAP funds, at no cost

to qualifying participants, energy efficiency upgrades in eligible low-income residential homes and multifamily housing. Unlike the other energy efficiency programs, ESAP is not constrained by a cost-effective requirement, and instead considers both costs and benefits including improved health, safety, and comfort.¹ Services provided by ESAP include attic insulation, energy-efficient refrigerators, energy-efficient furnaces, weather-stripping, caulking, low-flow showerheads, water heater blankets, and door and building envelope repairs that reduce air infiltration.

ESAP additionally offers a “Common Area Measures” program for multifamily buildings. To qualify, the property must be deed-restricted and the owner must certify that at least 65 percent of the tenant households meet the ESAP income guidelines. Energy efficiency services provided differ by the utility and target the communal areas of the residential building or property. The ESAP CAM program can be combined with the ESAP in-unit program.

Both participating and non-participating IOU ratepayers fund ESAP via a surcharge on electric and gas utility bills. For each budget cycle, the CPUC approves the budgets and directs the IOUs’ administration of ESAP. In 2020, ESAP was authorized at close to \$600 million. While ESAP reached ~ 85-100% of the 2020 statutory goal of households,² the program currently has approximately \$567 million in unspent funds through December 2020.³

These millions in unspent funds, however, do not indicate a surplus. Rather, in recent decisions, the CPUC has dedicated the majority of unspent funds – approximately \$400 million – to act as “bridge funding” to continue the ESAP program goals without triggering additional rate increases in 2021.⁴ Additionally, per CPUC Resolution E-5074,⁵ a portion of the unspent ESAP balance is set aside as a “post-pandemic return to service credit” for ESAP contractors. According to the CPUC, these measures leave the remaining unspent balance at ~ \$87 million, which the IOUs have proposed to carry forward into the subsequent ESAP cycle to help offset future rate collection. This “second bridge” or rollover funding application was recently approved at the CPUC to avoid large accumulations of unspent funds. In the same decision, the CPUC also authorized \$2.2 billion in funding for the 2021-2026 ESAP cycle.⁶

Low-income customers – Currently, ESAP defines low-income customers as those whose income falls at or below 200 % of the federal poverty levels. The current ESAP definition is consistent with that used for the CARE rate assistance program, which provides a discount of 20-35% on utility bills, depending on the utility. The FERA rate assistance program increases eligibility to households between 200% and 250% of the federal poverty levels, and provides an 18% discount on utility bills. Table 1 below provides the 2021 federal income guidelines for California, which determine ESAP, CARE, and FERA eligibility:

¹ Pg. 31, CPUC *Statewide Energy Savings Assistance Program 2017-2020 Cycle Policy and Procedures Manual*; Version revised September 2019. <https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442457425>

² Goal of ~ 401,500 homes reached; see *CPUC 2020 Annual Report*, pg. 57.

³ Low Income Oversight Board Meeting “Joint IOU’s Unspent Funds for ESAP”; September 17, 2020. https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2020/12/Item-009c_IOU-Unspent-Funds-for-ESA-LIOB-200917.pdf

⁴ D. 20-08-033 *Decision on SDG&E Company’s PFM of Commission D. 19-06-022*; A. 14-11-007; Issued September 4, 2020.

⁵ <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M339/K499/339499544.PDF>

⁶ D. 21-06-015 in A. 19-11-003, issued June 7, 2021

Table 1: 2021 Federal Income Guidelines – California⁷		
Household Size	Income Eligibility Upper Limit	
	200%	250%
1	\$25,520	\$31,900
2	\$34,480	\$43,100
3	\$43,440	\$54,300
4	\$52,400	\$65,500
5	\$61,360	\$76,700
6	\$70,320	\$87,900
7	\$79,280	\$99,100
8	\$88,240	\$110,300
Each additional person	\$8,960	\$11,200

COMMENTS:

- 1) *Author’s Statement.* “SB 756 will help ensure more of California’s low-income families benefit from the energy savings and comfort and safety improvements provided by California’s Energy Savings Assistance (ESA) Program. By expanding the income eligibility to include more of California’s families who are struggling financially, specifically those whose income falls above 200 percent, but below 250 percent, of the federal poverty line, more households will receive the benefits of the ESA program, while also ensuring the hundreds of millions of dollars that currently go unspent will be utilized as budgeted. Ensuring more households receive the benefits of the ESA program investments will also benefit California’s workforce and economy, especially in some of the state’s most underserved communities and populations; all while helping the state achieve its climate goals.”

- 2) *The ESA “Surplus.”* The proponents of this bill, many of whom represent contractors working in communities to implement ESAP measures, have noted the difficulty in locating eligible customers under the current ESAP income definitions and guidelines. They point to the millions in unspent funds⁸ as evidence of ESAP not adequately meeting

⁷ Federal Poverty Level for 2021, as reported for Medi-Cal and Covered California eligibility; <https://www.coveredca.com/pdfs/FPL-chart.pdf>; accessed June 9, 2021.

⁸ Low Income Oversight Board Meeting “Joint IOU’s Unspent Funds for ESAP”; September 17, 2020. https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2020/12/Item-009c_IOU-Unspent-Funds-for-ESA-LIOB-200917.pdf

the needs of low-income customers. However, as noted above, those ESAP funds do not represent a current surplus, having largely been consigned to continue funding ESAP during 2021.

Additionally, ESAP authorized budgets are not always the best metric for customer needs. The IOUs request ESAP budgets based on household treatment goals and estimated costs of achieving certain energy savings targets; the CPUC authorizes the ESAP budgets based on the reasonableness of these estimates. However, the estimates do not always match reality. The IOUs have historically taken a conservative approach to budgeting, asking for more than they often end up needing. This does not necessarily indicate a failure in ESAP or a lack of program penetration. As the recent CPUC decision pointed out, *“we [the CPUC] find that the underspending [in ESAP] was not always a direct result of the IOUs treating fewer households than originally projected or not meeting the energy savings targets, as all the IOUs except for SoCalGas, generally met or exceeded their annual household treatment goals and energy savings targets while still underspending the authorized budget. This has led to a significant accrual of unspent funds accumulating since 2009 and suggests that the IOUs have generally taken a conservative approach to budgeting. We understand that it may be reasonable [for the IOUs] to do so to ensure that the program is adequately funded based on the treatment goals, and to anticipate any underestimation of measure and program costs, but such misalignment gives an inaccurate perception of the true program needs.”*⁹

As a result of this accumulated “surplus”, the CPUC recently decided to spend down the remaining funds to offset revenue collection during the pandemic, as well as redesign the program budgeting and expand ESAP customer targeting on a pilot basis. These measures were recently adopted at the CPUC,¹⁰ suggesting the customer eligibility expansion proposed under this bill may be premature given the ESAP programmatic changes currently underway.

- 3) *Impact on ratepayers.* The author and proponents of this bill have noted their desire to not increase costs on ratepayers as a result of the expansion in ESAP customer eligibility and to maintain the amounts most recently authorized for each of the utilities ESAP budgets. However, an expansion to a larger customer pool will likely result in needed increases to program budgets, especially given the recent CPUC realignment of ESAP funds, even if the customer expansion is relatively small.¹¹ *To ensure this bill does not lead to increases in ESAP budgets, and thus increases to customer rates, the committee may wish to consider an amendment prohibiting the CPUC from increasing the ESAP budgets when implementing this measure.*

To do so will address the desire of the author and sponsors of the bill to protect ratepayers, while enabling ESAP to benefit a larger pool of low-income customers through reductions in their energy bills, increasing the comfort of their home, and promoting energy efficiency with a lower carbon footprint.

⁹ Pg. 311, D. 21-06-015 in A. 19-11-003, issued June 7, 2021.

¹⁰ D. 21-06-015 in A. 19-11-003, issued June 7, 2021

¹¹ As a very rough estimate and proxy, about 1.5 million households may be eligible for CARE in PG&E’s service territory, while roughly 161,000 may be eligible under FERA. (Estimates based on numbers of households reported on pg. 19 and pg. 89 of D. 21-06-015 in A. 19-11-003, filed June 7, 2021.)

4) *Prior Legislation.*

SB 1403 (Hueso, 2020) would have expanded ESAP eligibility to persons and families under the income limit regulations established and published by the Department of Housing and Community Development. Status: Died – Assembly Utilities and Energy Committee.

SB 1135 (Bradford) codified the requirements of the FERA program for the state’s three largest electrical corporations and increased the program discount from 12 percent to 18 percent on a customer’s electric utility bill. Status: Chapter 413, Statutes of 2018.

REGISTERED SUPPORT / OPPOSITION:**Support**

Assert, INC.
California Community Builders
California Efficiency + Demand Management Council
California Housing Community Corporation
Center for Sustainable Energy
Chicana/latina Foundation
Dolores Huerta Foundation
El Concilio of San Mateo County
Energy Efficiency INC.
LA Cooperativa Campesina De California
One East Palo Alto
Proteus, INC.
Quality Conservation Services
Sempra Energy Utilities
Synergy Companies

Opposition

None on file.

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