

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Southern California Edison Company (U338E) for Approval of its Energy Savings Assistance and California Alternate Rate for Energy Programs and Budgets for Program Years 2015-2017.

Application 14-11-007  
(Filed November 18, 2014)

And Related Matters.

Application 14-11-009  
Application 14-11-010  
Application 14-11-011

**REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES  
ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER  
SANDOVAL ON LARGE INVESTOR-OWNED UTILITIES' 2015-2017  
CALIFORNIA ALTERNATIVE RATES FOR ENERGY (CARE) AND  
ENERGY SAVINGS ASSISTANCE (ESA) PROGRAM APPLICATIONS**

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## I. INTRODUCTION

Pursuant to Rule 14.3(d) of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") submits the following reply comments on the Alternate Propose Decision of Commissioner Sandoval ("APD") on the Large Investor-Owned Utilities' ("IOUs") 2015-2017 California Alternative Rates for Energy ("CARE") and Energy Savings Assistance ("ESA") Program Applications. Where our reply comments are same for the APD and the Proposed Decision of ALJ Colbert ("PD"), we present those reply comments here and in our separately filed reply comments on the PD.

In the discussion below, ORA makes the following recommendations:

- The Commission should adopt ESA energy savings targets that are more aggressive than past program performance;
- Parties' contentions that cost-effectiveness must be balanced against non-energy benefits do not recognize that the adjusted Energy Savings Assistance Cost Effectiveness Test ("ESACET") already includes non-energy benefits such as health, safety, and comfort;
- ESA funding for common area measures in privately owned and non-deed restricted multifamily buildings should be conditional on program rules to ensure that the benefits accrue primarily to low income tenants;
- Evaporative coolers cost-effectively deliver energy and bill savings in some climate zones and should be retained in IOU ESA portfolios;
- The program cycle should extend to 2019 in order to balance the risk of bridge funding against the risk of program inflexibility.

## II. DISCUSSION

### A. **The Commission should adopt ESA energy savings targets that are more aggressive than past program performance**

The Commission should adopt reasonable interim energy savings targets, and update those goals once the 2017 Potentials and Goals Study results are published. ORA joins NRDC in recognition that the APD's goals do not provide the IOUs with sufficient

impetus to drive down energy consumption.<sup>1</sup> In setting energy savings targets lower than what Utilities expected to achieve in their original applications, the APD creates the risk that low-income customers will not realize the energy savings benefits of the ESA program. For example, low energy savings goals may motivate broad but shallow coverage in order to quickly attain the 2020 homes treated goals. Elimination of the Three Measure Minimum in favor of minimal energy savings targets again makes low income customers vulnerable to the risk this rule was intended to address.<sup>2</sup>

The proposal presented by NRDC to set interim energy savings targets for the ESA program at 15 percent greater than IOU 2014 reported savings or 2016-2017 proposed savings, whichever is greater, is reasonable. The Commission should adopt NRDC's proposal in the final decision.

**B. Parties' contentions that cost-effectiveness must be balanced against non-energy benefits ignore the record that the adjusted ESACET already includes non-energy benefits such as health, safety, and comfort**

In joint opening comments, Proteus and La Cooperativa Campesina assert that there is a trade-off between cost-effectiveness and the health, comfort and safety of disadvantaged communities.<sup>3</sup> If the chosen cost-effectiveness test only incorporated energy savings, this might be true. However, the adjusted ESACET proposed by the Cost Effectiveness Working Group ("CEWG") and reported in each of the IOU's 2015-2017 applications fully incorporates the health, comfort and safety benefits of various ESA measures. Therefore, no such trade-off exists in the adjusted ESACET. A portfolio with a higher adjusted ESACET is likely to provide more health, comfort and safety benefits given the same sized budget.

A further misconception is that currently the ESACET does not properly account for non-energy benefits and therefore is not ready to be adopted yet. Today, the adjusted

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<sup>1</sup> NRDC Opening Comments at p. 5.

<sup>2</sup> See PD page 42-44.

<sup>3</sup> Proteus and La Cooperativa Campesina Opening Comments at p. 10.

ESACET assigns a value to non-energy benefits (“NEBs”) that is equal to energy savings. ORA agrees with the recommendation in the CEWG February 2013 White Paper to “update the inputs for certain specific NEBs and develop a NEB adder to estimate the value of the remaining NEBs and update the spreadsheet model to facilitate estimating NEBs.”<sup>4</sup> Improving on and refining metrics is an ongoing practice for most programs regulated by the Commission. ORA fully agrees that the CEWG should continue to work on recommendations for improving the adjusted ESACET, including recommendations for improving the measurement of NEBs. However, future metric refinements should not delay adoption of the adjusted ESACET in this instant proceeding.

**C. ESA funding for common area measures in privately owned and non-deed restricted multifamily buildings should be conditional on program rules to ensure that the benefits accrue primarily to low income tenants**

A number of parties raise concerns in opening comments about the possibility that ESA funding for common area measures will primarily accrue to building owners rather than to low income tenants and may even harm low income tenants.<sup>5</sup> This is particularly the case in privately-owned and non-deed restricted multifamily buildings where there is a distinct possibility that owners may raise rents as the property value rises in response to capital improvements.

In order to ensure that the benefits of ESA common area measures accrue primarily to low income tenants, it is prudent to restrict the provision of common area measures to deed-restricted properties – where rents are restricted and tied to tenant incomes. The record on how to ensure that benefits flow to tenants in non-deed restricted properties is thin and may be insufficient for the Commission to promulgate rules at this time. If the Commission does allow ESA funding for common area measure in non-deed

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<sup>4</sup> APD Appendix B at p. 1.

<sup>5</sup> TURN Opening APD Comments at p. 11; CHPC/NCLC Opening Comments at p. 13, ORA Opening APD Comments at pp. 11-12.

restricted buildings, at a minimum it should accept the recommendation of California Housing Partnership/National Consumer Law Center (“CHPC/NCLC”) and TURN to require legally-binding commitments by property owners to not raise rents for an extended period in response to improvements funded by ratepayers in order to protect against a perverse harm to the very low income tenants the program is designed to aid.

**D. Evaporative coolers cost-effectively deliver energy and bill savings in some climate zones and should be retained in IOU ESA portfolios**

In opening comments, SCE argues that offering evaporative coolers as a replacement for inefficient air conditioners (“A/C”) is a cost-effective means of reducing energy consumption and achieving substantial bill savings for low income customers in select climate zones. SCE further notes that the APD’s direction to install central A/C units will likely result in increased energy consumption and increased customer bills, contrary to ESA’s mandate to reduce the energy burdens faced by low income customers.<sup>6</sup> TURN agrees and notes that there is insufficient evidence in the record to support replacement of evaporative coolers with central A/C units, but ample evidence in the record to retain evaporative coolers as an authorized measure.<sup>7</sup> The East Los Angeles Community Union (“TELACU”) et al. supports the continued availability of evaporative coolers as well.<sup>8</sup>

ORA agrees with SCE, TURN and TELACU et al. and recommends that the final decision not include replacement of evaporative coolers with central A/C units and instead retain evaporative coolers as an authorized measure.

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<sup>6</sup> SCE Opening APD Comments at pp. 6-7.

<sup>7</sup> TURN Opening APD Comments at p. 8.

<sup>8</sup> TELACU et al Opening Comments at p. 6.

**E. The program cycle should extend to 2019 in order to balance the risk of bridge funding against the risk of program inflexibility**

TURN provides a compelling analysis in opening comments of the relative merits and risks associated with a program cycle ending in 2018 as in the PD or in 2020 as in the APD.<sup>2</sup> TURN ultimately recommends that the program cycle should run through 2019 in order to balance the risk of IOUs filing another round of applications within months and perhaps needing bridge funding for 2019 against the risk of program inflexibility should the cycle run through 2020. ORA agrees with TURN's analysis. The Commission should extend the program cycle through 2019 in the final decision.

**III. CONCLUSION**

For the foregoing reasons, ORA respectfully recommends that the Commission adopt the modifications described above.

Respectfully submitted,

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<sup>2</sup> TURN Opening PD Comments at pp. 2-3.