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Appendix A

Cal. P.U.C. and Dept. of Community Services and Development
Memorandum of Understanding (March 17, 2009)

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE CALIFORNIA PUBLIC UTILITIES COMMISSION
AND
THE DEPARTMENT OF COMMUNITY SERVICES
AND DEVELOPMENT**

This Memorandum of Understanding, entered into on March 17, 2009 (the "MOU") reflects the intention of the California Public Utilities Commission ("CPUC") and the State of California Department of Community Services and Development ("CSD") to leverage and coordinate existing programs for low-income energy efficiency and utility assistance, to maximize the energy efficiency and health and safety of low-income households, and reduce the energy burden of economically vulnerable Californians, consistent with the mutual understandings articulated in this joint statement.

1. The CPUC's Low Income Energy Efficiency Plan

- A. The CPUC's primary goal is for California's energy to be adequate, affordable, technologically advanced, and environmentally sound. The CPUC holds cost effective energy efficiency as the resource of first choice for meeting California's energy needs, because it is the least cost, most reliable, and most environmentally sensitive resource, and minimizes contribution to climate change.
- B. The CPUC has established a policy framework focused on motivating California Investor Owned Utilities (IOUs)¹ to develop and continuously expand low income energy efficiency programs on behalf of their low income customers. With the recent adoption of the California Long-Term Energy Efficiency Strategic Plan (*Plan*) (in decision D.08-09-040) and the California Investor Owned Utilities' 2009-2011 Low Income Energy Efficiency (LIEE) portfolios (in decision D.08-11-031), the CPUC has commenced development of the next generation of energy efficiency efforts statewide.
- C. The LIEE portfolios consist of two programs, the CARE program and the LIEE program. The CARE program provides a 20 percent discount on monthly bills for qualified low- or fixed-income households and housing facilities. The LIEE program provides energy efficient appliances and weatherization measures at no cost to eligible low-income California households within the service territories of the IOUs in order to reduce their energy costs. LIEE also provides energy education during a home energy audit. Services available through the LIEE program include energy efficient lighting, attic insulation, energy efficient refrigerators and other appliances, energy efficient furnaces, weather-stripping, caulking, low flow showerheads, water heater blankets, and door and building envelope repairs, which reduce air infiltration.

¹ Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Gas Company, and Southern California Edison.

- D. In addition to promoting an improved quality of life for eligible low-income households, the LIEE program serves as a resource program designed to save energy, limit the need for new power plants, and curb greenhouse gas emissions. The California IOUs administer the LIEE program in their respective service territories, and work with other agencies, community based organizations (CBOs) and private contractors to promote the program and provide services. The CPUC works with the IOUs to ensure that the LIEE program results in installation of energy efficient measures that achieve the maximum available energy savings. The Low Income Oversight Board (LIOB) representing the various stakeholders advises the CPUC on issues relating to LIEE and acts as a liaison between the CPUC and the stakeholders represented.
- E. As set forth in the *Plan*, the long-term vision for the LIEE program is to have 100% of all eligible and willing low-income customers of the IOUs receive all cost effective Low Income Energy Efficiency measures by 2020. The *Plan* lays out two goals in achieving the LIEE vision:
 - a. By 2020, all eligible customers will be given the opportunity to participate in the LIEE program.
 - b. The LIEE programs will be an energy resource by delivering increasingly cost-effective and longer-term savings.
- F. To achieve the policy goals and targeted outcomes of the *Plan*, the CPUC seeks increased collaboration and partnerships between itself and the IOUs, and other federal, state and local agencies and community based organizations providing services to the low-income community, to leverage and coordinate existing programs, services, tools and funding.
- G. For its LIEE program, the CPUC defines leveraging as an IOU's effort to coordinate its LIEE programs with programs outside the IOU that serve low income customers, including programs offered by the public, private, non-profit or for-profit, local, state, and federal government sectors that result in energy efficiency measure installations in low income households.
- H. The California Department of Community Services and Development (CSD) is one such agency whose collaboration with the CPUC is essential to the vision of the *Plan*.

2. CSD's Weatherization Programs

- A. The mission of CSD is to administer and enhance energy and community service programs that result in an improved quality of life for the low-income population of California. For forty years, CSD has fostered strong partnerships with local community organizations to provide high impact programs and leverage strategic resources resulting in ever-increasing hope, dignity and quality of life for California's low-income residents.

- B. CSD administers federal programs to help low-income families achieve and maintain self-sufficiency, including the Low-Income Home Energy Assistance Program (LIHEAP) and the Department of Energy Weatherization Assistance Program (DOE WAP). The funding for those federal programs is distributed by established formulas to a network of forty-four local energy service providers (LSPs) throughout California, which provides cash assistance, weatherization services and minor home repair to low-income households statewide. The primary objectives of LIHEAP & DOE WAP are to reduce the energy burden and increase the health and safety of those households.
- C. The LIHEAP block grant, which in recent years has averaged approximately \$100 million per year for California, provides 1) cash assistance benefits to assist low-income families with payments on their utility bills for heating and cooling, 2) free weatherization services to reduce heating and cooling costs and improve the energy efficiency of homes, including attic insulation, weather stripping, minor housing repairs, and related energy conservation measures, and 3) energy crisis intervention assistance to resolve a crisis situation, such as a 24- or 48-hour disconnection notice from their utility companies, emergency heating and cooling repairs, or some other energy-related crisis. CSD also receives about \$6 million per year from DOE WAP for additional weatherization, and another \$3 million per year from the Department of Housing and Urban Development to reduce lead hazards in low-income homes with young children.
- D. Under CSD's federal grants, weatherization services are prioritized to low-income households that have the highest energy burden or vulnerable populations including children under age 19, persons with disabilities, and the elderly. In addition, homes that are weatherized must have all feasible health and safety measures installed to mitigate hazards generated by combustion appliances, to improve indoor air quality, and address knob-and-tube wiring.
- E. The federal law authorizing LIHEAP provides additional funding to California when the non-federal resources leveraged by the LSPs meet all of the following criteria:
 - a. Non-federal source,
 - b. Provided directly to the LSPs or qualifying households,
 - c. Measurable and quantifiable in dollars, and
 - d. Represent a net addition to the total home energy resources.

In addition, one of the following must be met:

- a. The LSP's LIHEAP program had an active and substantive role in developing and/or acquiring the non-federal resources or benefits from home energy vendors,
- b. The LSP appropriated or mandated the non-federal resources or benefits for distribution to low-income households, or

- c. The non-federal resources or benefits are provided to low-income households as a supplement or alternative to the LIHEAP program.
- F. In addition to activities strictly qualifying as "leveraging" under federal law, CSD urges the LSPs to coordinate with other low-income utility programs where possible, including the CARE program, the LIEE program and other opportunities with municipal utilities not regulated by the CPUC.
- G. As long as the federal and state policy objectives of LIHEAP & DOE WAP are met, LSPs are granted maximum flexibility in administering the allocation for their designated service area. LSPs rely on local demographics, climatic conditions, available fuel types, and other relevant factors to design and implement a priority plan and business model for delivering cash and weatherization services under LIHEAP & DOE WAP to low-income families in the community.
- H. CSD encourages the LSPs to leverage and coordinate the LIHEAP & DOE WAP resources with other non-federal programs to expand the effect of the federal dollars and maximize the number of low-income Californians receiving aid under the weatherization and utility assistance programs. About half of the LSPs are also funded by the federal Community Services Block Grant (CSBG), which places a high value on partnering with and mobilizing other public and private resources and services, with the ultimate goal of adding value beyond what each resource or service would provide to low-income families if delivered in isolation. To the networks of CSD, leveraging is a strategy pursued to expand the impact of existing resources, to maximize the benefits to low-income Californians.

3. Common Policy Goals of the CPUC and CSD

- A. The CPUC and CSD share a common vision for a sustained, aggressive commitment to energy efficiency for the low income population in California, to reduce the energy burden of individual households and create an energy resource statewide.
- B. Both the CPUC and CSD appreciate the renewed federal commitment to funding weatherization and energy efficiency programs for low-income Americans, and desire to be ready to demonstrate the expectations of accountability, transparency and outcomes.
- C. The CPUC and CSD recognize that there are business drivers that have created distinctions between the way that the CPUC's LIEE and CSD's weatherization programs are administered by the state and implemented at the local level. For instance, the CPUC and the IOUs are answerable to their investors and ratepayers, and have established cost-effectiveness as a strong basis for the structure of the LIEE program. In contrast, the LIHEAP & DOE WAP's requirement to ensure the health and safety of each weatherization recipient's home supports the installation of measures that may not be considered cost-effective by the CPUC's standards. In addition, the income

and home-ownership eligibility rules vary between the two programs, resulting in some inequity in how low-income Californians may benefit under one program or the other. Lastly, as a network, the LSPs cover the entire state of California whereas the IOUs are limited to those households within their service territories.

- D. Notwithstanding these differences to date, the CPUC and CSD envision the possibility of coordination at both the state and local levels that will result in measurable and more equitable energy efficiency and weatherization benefits for low-income Californians. The CPUC and CSD both desire to identify opportunities for coordination that embrace the mission and objectives of both the CPUC's energy efficiency and CSD's weatherization programs.
- E. On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act), a \$789 billion stimulus package composed of widespread public spending directives and select tax provisions. Many of the provisions in the Recovery Act are focused on energy efficiency and weatherization, through programs to be administered by a variety of entities including CSD. As a result, CSD and CPUC endeavor to coordinate efforts to maximize the benefits of the Recovery Act for California's low income energy customers and in support of the State Energy Plan. CSD and CPUC will strive to maximize opportunities for program and administrative coordination using many of the goals and objectives outlined here.

4. Framework for Potential Cooperative Agreements for Leveraging and Coordination between the CPUC and CSD

- A. The purpose of this MOU is to memorialize the commitment between the CPUC and CSD to work together diligently on the potential development of one or more cooperative agreements that promote leveraging and coordination at both the state and local levels. The cooperative agreements will be designed to maximize opportunities for program and administrative coordination between the cash assistance, energy efficiency and weatherization services offered by the IOUs and LSPs while honoring the policy distinctions between the programs and the independence of each of the business entities involved. The ultimate goal of the cooperative agreements will be to increase the number of low-income households in California that can benefit from the full panoply of energy efficiency and weatherization measures available under both programs, so that they can achieve maximum savings on their heating and cooling bills and increase the health and safety in their home.
- B. The cooperative agreements will strive to improve the ability of the CPUC and CSD to achieve or exceed their respective strategic plans for delivering energy programs to low income Californians by embracing the following measurable goals:

- a. Maximize coordination between the LIEE and LIHEAP & DOE WAP programs so eligible households receive all energy efficiency, weatherization and health and safety measures to which they are entitled.
 - b. Leverage state and federal low income energy efficiency dollars to maximize federal incentive monies.
 - c. Save administrative and other duplicative costs common to both programs.
 - d. Increase individual and statewide energy savings and benefits.
 - e. Reduce individual and statewide energy consumption and greenhouse gas emissions.
 - f. Expand the reach and scope of both programs so that additional customers are served and customers receive the maximum number of feasible energy efficiency and related health and safety measures in their homes.
- C. The CPUC and CSD will endeavor to achieve these goals by considering cooperative agreements, and facilitating collaboration between the IOUs and the LSPs, which may accomplish one or more of the following objectives:
- a. Agreement on a common definition of leveraging.
 - b. Education, information sharing and collaboration between the administrators and providers of both programs to facilitate awareness of opportunities for leveraging and coordination.
 - c. Minimize the differences between the LIEE and LIHEAP & DOE WAP programs in eligibility and allowable measures.
 - d. Coordination of outreach and related activities of each program to maximize the penetration and impact in low-income communities and among vulnerable populations.
 - e. Development of a universal eligibility and intake assessment form.
 - f. Coordination of scheduling and tracking the service delivery for each eligible household under both programs, to maximize administrative efficiency and reduce duplicative efforts.
 - g. Development of a database of information about scheduling and service delivery that both LIEE providers and LSPs can use to coordinate services to eligible homes where possible and coordinate funding streams to maximize the number of energy saving and health and safety measures installed in low income households.
 - h. Development of a referral and/or credit system between LIEE and LIHEAP & DOE WAP programs where customers of one program are referred to the other program under specific cooperative agreements between the LSPs and IOUs, should a service or measure not be provided in one program.
 - i. Align the program administration of the LIEE program among the various IOUs to expand opportunities for collaboration between LIEE providers and LSPs and facilitate the ability for more LSPs to become LIEE providers.

- j. Development and implementation of pilot projects for partnerships that can be replicated throughout the state, that demonstrate measurable outcomes such as:
 - i. Major appliance replacement programs.
 - ii. Whole neighborhood initiatives.
 - iii. Strategic leveraging of LIEE and LIHEAP & DOE WAP resources to install solar water heaters and photovoltaic electrical systems on low-income homes.
 - iv. Datalogging projects to measure energy consumption, renewable energy generation and carbon emissions.
 - v. Targeted outreach to vulnerable populations, including communities isolated by geography or language.

- D. The cooperative agreements will be developed in an incremental, collaborative process that includes the IOUs, the LSPs, the LIOB, all appropriate divisions within CSD and the CPUC, and, when appropriate, the Commissioners of the CPUC and the Director of CSD.

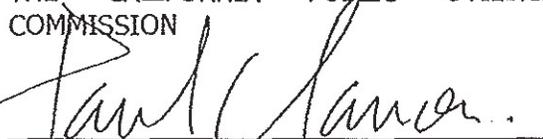
5. General

- A. This MOU is strictly for internal management use of the CPUC and CSD. It is not legally enforceable and shall not be construed to create any legal obligation on the part of either party. This MOU shall not be construed to provide a private right or cause of action for or by any person or entity.
- B. This MOU can be terminated by either party at any time by providing notice in writing to the other party.
- C. This MOU does not restrict either of the parties from participating in any activity with other public or private agencies, organizations or individuals.
- D. This MOU is neither a fiscal nor funds obligation document. Nothing in this MOU authorizes or is intended to obligate the parties to expend, exchange, or reimburse funds, services, or supplies, or transfer or receive anything of value.
- E. This MOU shall not be construed to impact procurement or financial assistance activities of either CSD or the State of California.
- F. All agreements herein are subject to, and will be carried out in compliance with, all applicable laws, regulations and other legal requirements.
- G. Each Party represents and warrants that it has the capacity and authority to enter into this MOU.

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT THE CALIFORNIA PUBLIC UTILITIES COMMISSION



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