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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Approval of its California Alternate Rates for Energy (CARE), Energy Savings Assistance, and Cool Center Program and Budget for 2012-2014.	A. 11-05-017 (Filed May 16, 2011)

RESPONSE OF THE NATURAL RESOURCES DEFENSE COUNCIL (NRDC) TO SOUTHERN CALIFORNIA EDISON COMPANY'S APPLICATION FOR APPROVAL OF THEIR 2012-2014 ENERGY SAVINGS ASSISTANCE AND CALIFORNIA ALTERNATE RATES FOR ENERGY PROGRAMS AND BUDGET

June 20, 2011

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I. INTRODUCTION AND SUMMARY

Pursuant to Rules 1.9, 1.10, and 2.6(a) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) respectfully submits this response to the Utilities' 2012-2014 low income energy assistance applications and budgets (Utility Applications), dated May 15, 2011. NRDC is a non-profit membership organization with 124,000 members in California and a longstanding interest in minimizing the societal costs of the reliable energy services that Californians demand.

NRDC strongly supports the purposes and objectives of the Energy Savings Assistance Program (ESA Program). Improving energy efficiency lowers energy bills, enhances comfort and safety, reduces pollution, and stimulates local economies. The benefits of increased efficiency may be greatest in California's low income communities, where poorly weatherized homes, high unemployment rates, and proximity to fossil-fuel fired power plants are too often the norm. Helping low income households become more energy efficient through the ESA Program can provide long-term, sustainable bill relief while increasing the health and comfort of low income homes. To capture these benefits, NRDC is committed to advancing the twin goals of the ESA Program set out by the Commission in D.07-12-051 and reinforced in California's Long Term Energy Efficiency Strategic Plan (Strategic Plan) – to enable all willing and eligible customer the opportunity to participate in the program by 2020 and to provide a reliable and durable energy resource for our state.[1]

NRDC further appreciates the burden of high energy bills on California's low income customers, and supports the Commission's continued oversight of the California Alternate Rates for Energy (CARE) program. As CARE participation rates reach historic levels, we see more opportunities to leverage participation in the ESA Program. We therefore urge the Commission to further explore means of integrating the ESA and CARE programs to ensure CARE customers receive the additional bill reduction benefits that improved energy efficiency through the ESA Program delivers.

Our comments focus on the ESA Program. We request that the Commission provide the Utilities more direction in furtherance of the resource objective of the ESA Program. While the Commission has provided quantitative home targets for each utility to reach in furtherance of the Program's participation goals, the Utilities have little guidance and no incentive under the current Program to maximize energy savings. Without additional guidance, we are concerned the complementary goals envisioned by the Commission to expand both the reach and depth of the ESA Program will increasingly come into conflict.

Furthermore, NRDC agrees with the categorization of these applications as ratesetting, recommends the Commission use the proposed utility schedule as a starting point to develop the schedule for the application proceedings, and does not object to the use of hearings, if the Commission deems that to be necessary. Furthermore, NRDC does not oppose the Commission consideration of the issues raised by the utilities, although as noted in detail below, we do not necessarily agree with utility proposals as currently stated.

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[1] CPUC, D.07-12-051 in R.07-01-042, "Decision Providing Direction for Low-Income Energy Efficiency Policy Objectives, Program Goals, Strategic Planning and the 2009-2011 Program Portfolio and Addressing Renter Access and Assembly Bill 2140 Implementation, " (Dec. 2007), at 3, available at: http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/77082.pdf; CPUC, "California Long Term Energy Efficiency Strategic Plan," at 25 (Sept. 2008), available at: http://www.cpuc.ca.gov/NR/rdonlyres/D4321448-208C-48F9-9F62-1BBB14A8D717/0/EEStrategicPlan.pdf and Jan. 2011 update, at 23, available at: http://www.cpuc.ca.gov/NR/rdonlyres/A54B59C2-D571-440D-9477-3363726F573A/0/CAEnergyEfficiencyStrategicPlan_Jan2011.pdf.

II. GENERAL POLICY RECOMMENDATIONS

A. NRDC generally supports the Utility Applications and offers recommendations to further advance the key objectives of the ESA Program.

NRDC applauds the Utilities' tremendous efforts in expanding the reach of the ESA Program. Since 2002, the Utilities report that the ESA program has served about 1.8 million low-income households in California, or roughly one third of all eligible participants.[2] Last year alone, the Utilities treated more than 380,000 homes – or more than double the number of homes treated in 2007.[3] The Utility Applications for the 2012-2014 cycle chart a course that will keep the ESA Program on track to meet the ambitious penetration targets set out in the Strategic Plan. SCE proposes to reach 220,000 homes,[4] SDG&E 60,000 homes,[5] SCG 329,604 homes,[6] and PG&E 375,000 homes[7] – or, collectively, just under one million homes by 2014, which includes any shortfall from the 2009-2011 programs.[8]

We also support the Utilities' request for additional ESA Program funding in areas that will deliver more benefits to customers. For example, SCG proposes a budget roughly 23% greater than the previous cycle ($266.21 million compared to $204.70 million), but the added expenditures are earmarked predominantly for efficiency measures.[9] While the Utility budget requests may prove sufficient to keep the ESA Program on course to meet the penetration targets established by the Commission, the Commission should consider whether additional funding may be needed to deliver more benefits to participating customers.

The Utility Applications also provide for significant energy savings. Over the course of the 2012-2014 cycle, the combined program portfolios aim to capture 289 GWh, 14.8 million

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[2] Data compiled from the Utilities' ESA Program monthly progress reports, available on the Low Income Oversight Board (LIOB) website at www.liob.org.

[3] Id.

[4] See "Application of Southern California Edison Company (U 338-E) for Approval of its 2012-2014 California Alternate Rates for Energy (CARE) and Energy Savings Assistance Programs and Budgets" (hereafter "SCE Application") at 10.

[5] See "Application of San Diego Gas & Electric Company (U 902 M) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2012-2014" (hereafter "SDG&E Application") at 7.

[6] See "Application of Southern California Gas Company (U 904 G) for Approval of Low- Income Assistance Programs and Budgets for Program Years 2012-2014" (hereafter "SCG Application") at 7.

[7] See "Application of Pacific Gas and Electric Company for Approval of the 2012-2014 Energy Savings Assistance and California Alternate Rates for Energy Programs and Budget" (hereafter "PG&E Application") at 2.

[8] For example, SCG estimates that a total of 28,857 homes will not be treated during the 2009-2011 program cycle, but will include those homes in the goal for PY 2012. See SCG Application at 8, n.9.

[9] SCG, "Prepared Direct Testimony of Delia Meraz on Behalf of Southern California Gas Company's Energy Savings Assistance Program Plans and Budgets for Program Years 2012, 2013 and 2014" (hereafter "SCG Testimony"), p.DM-75 (largest budget increases are in the efficiency categories of appliances, domestic hot water, and enclosure).

therms, and reduce demand by over 70 MW[10] – equivalent to avoiding the annual CO_2 emissions from over 27,000 cars.[11] While these portfolios provide for significant energy savings, NRDC offers the following policy recommendations to ensure the ESA Program is maximizing opportunities to lower utility bills and enhance the comfort and safety of low income customers' homes.

B. NRDC recommends that the Commission provide direction to ensure the Utilities' outreach targets do not undermine opportunities to increase benefits for participating customers.

The Commission charted a new direction for the ESA Program in D.07-12-051, noting a "change of emphasis" was needed to make the Program consistent with California's loading order that prioritizes energy efficiency as our first procurement resource.[12] The Commission recognized low income energy efficiency not only as a means of mitigating bill impacts on low income customers, but also as an energy resource – that is, it should save energy, limit the need for new supply side resources, and help curb greenhouse gas emissions. By focusing more on energy savings, the Commission hoped to increase participation in the program, lower energy bills, and provide more opportunities for low income customers to enhance their quality of life. Accordingly, the Commission clarified that "*the key policy objective* for LIEE programs, like that of our non-LIEE energy efficiency programs, is to provide cost-effective energy savings that serve as an energy resource and to promote environmental benefits" (emphasis added).[13]

Although we urge the Commission to elevate the focus of the ESA Program as providing a durable energy resource, we do not mean to suggest that energy savings are the only appropriate metric by which to gauge the success of the Program. In targeting California's most vulnerable households, the ESA Program provides critical health, comfort, and safety benefits that are not reflected in energy savings. The Program attempts to account for Non Energy Benefits (NEBs) in assessing the cost-effectiveness of individual measures, but it likely

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[10] Data compiled from Utility Applications Attachment A-2, "Energy Savings Assistance Program Planning Assumptions."
[11] Calculation using estimates from the California Air Resources Board. See CARB, Climate Change Scoping Plan Appendices, Vol 2: Analysis and Documentation, p. I-23 (December 2008), available at: http://www.arb.ca.gov/cc/scopingplan/document/appendices_volume2.pdf; and CARB, Conversion of 1MMTCO2 to Familiar Equivalents, October 2007, available at: http://www.arb.ca.gov/cc/factsheets/1mmtconversion.pdf.
[12] D.07-12-051 at 3.
13 Id. at 25.

undervalues their importance (and NEBs are not included in the TRC calculations).[14] While repairing a low income customer's furnace might lead to a slight increase in energy usage, for example, we fully support the Commission's inclusion of such "add back" measures to advance the equitable objectives of the Program.[15]

1. *The Commission should align the Utilities' incentives with the ESA Program's key objectives*

We are concerned the current ESA Program has lost sight of the direction provided by the Commission in D.07-12-051 and reaffirmed in the Strategic Plan. While the Utilities have ramped up their outreach efforts in furtherance of the programmatic initiative to reach all willing and eligible customers by 2020, the focus on treating ever more homes has come at the expense of delivering meaningful energy savings. Unlike the outreach goal, where the Commission provides a quantitative home target for each utility to meet through a multistep methodology, little guidance has been offered with respect to energy savings. As regulated entities, it is not surprising that the Utilities have focused their efforts on achieving the homes target goals, as that represents their only clear marker for success. With a growing low income population, however, we urge the Commission to provide guidance in this proceeding that will enable the Utilities to maintain aggressive outreach efforts while providing enduring benefits to participating customers.

2. *The ESA Program is currently underperforming in delivering durable energy savings*

There is a clear and growing disparity between the strategies the Utilities are employing to reach their homes treated targets and those that are designed to maximize energy savings. For context, SCE, SDG&E and SCG project their ESA Programs will produce fewer benefits for every dollar invested in 2012-2014 than in 2009-2011.[16] While PG&E projects a modest

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[14] Several reviews of low income energy efficiency programs suggest that the range of NEBs that accompany efficiency measures can be even more valuable to low income households than bill savings. See, e.g., Marilyn Brown et al., "Weatherization Works: Final Report of the National Weatherization Evaluation," Oak Ridge National Laboratory (Sept. 1996), available at: http://weatherization.ornl.gov/pdfs/ORNL_CON-395.pdf; Jennifer Thorne Amman, "Valuation of Non-Energy Benefits to Determine Cost-Effectiveness of Whole House Retrofits Programs: A Literature Review," American Council for an Energy-Efficient Economy (May 2006), available at: http://www.aceee.org/sites/default/files/publications/researchreports/a061.pdf (presenting studies that find NEBs are worth anywhere between 50 to 300% of annual household energy bill savings).

[15] CPUC, D.08-11-031 in A.08-05-022 et al., "Decision on Large Investor-Owned Utilities' 2009-11 Low Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) Applications," (Nov. 2008) at 51-54, available at: http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/93648.pdf.

[16] SDG&E Testimony, Attachment A-5; SCE Testimony, Attachment A-5; SCG Testimony, Attachment A-5.

increase,[17] the cost-effectiveness results reported by the Utilities suggest the ESA Program overall is underperforming.

Figure 1: Utility TRC projections[18]

	2012-2014 Avg. TRC	2009-2011 Avg. TRC
PG&E	0.50	0.42
SDG&E	0.46	0.51
SCE	0.53	0.57
SCG	0.23	0.35

We recognize that the Utilities attribute much of the falloff in cost-effectiveness to the lower energy savings estimates provided in the 2009 draft Impact Evaluation (in particular SCG, which projects the most significant decline in cost-effectiveness).[19] We do not discount those concerns, and encourage the Commission to resolve any outstanding questions related to the 2009 Impact Evaluation before approving the Utilities' Applications.

But it is clear that lower saving estimates for the 2012-2014 Program are not the root cause of why the Program is underachieving in terms of providing a reliable energy resource. Even as the program dramatically increased participation levels over the last cycle, energy savings have remained relatively constant.[20] The predominant strategy highlighted by the Utilities for how they intend to maximize energy savings centers on increasing collaboration and leveraging of *other* programs and services.[21] While we support the Utilities for continuing to explore and take advantage of leveraging opportunities, and agree that more effective coordination is critical to advance the objectives of the ESA Program, the Commission envisioned the ESA Program *itself* providing meaningful and durable energy savings to participating customers.

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[17] PG&E Testimony, Attachment A-5.

[18] SDG&E Testimony, Attachment A-5; SCE Testimony, Attachment A-5; SCG Testimony, Attachment A-5; PG&E Testimony, Attachment A-5.

[19] SCG Testimony at DM-64-65.

[20] For instance, the Program in 2009 treated just over 250,000 homes, saving 63 GWh, reducing demand by nearly 14 MW, and saving 3.5 million therms. See note 2 supra. Compared to 2006, even though the number of homes treated jumped over 30% (from just under 170,000), therm savings lagged slightly behind (a 26% increase) and electric energy savings increased only marginally (5% increase in kWh saved and a 1% increase in demand reduced). See D.07-12-051, at 9-10 (energy savings for 2006 Program of 13.8 MW, 60 million kWh, and 2.57 million therms).

[21] See, e.g., SDGE testimony 1 at p.16.

3. *The ESA Program's current focus on homes treated is undermining opportunities to maximize benefits for participating customers*

The ESA Program's increasing focus on homes treated is apparent throughout the Utilities' Applications. Contrary to the Commission's guidance in D.07-12-051 discussed above, for example, PG&E notes in its application that the "most significant" objective established by the Commission for the ESA Program is to offer all interested low income households an opportunity to participate by 2020; the directive for the Program to provide an energy resource is noted as an additional priority.[22] The Utilities' proposal to revise the methodology for estimating the eligible population of low income customers (discussed in more detail below) is also designed with the homes treated targets in mind.[23] By deeming more customers "unwilling or unable" to participate in the Program, the Utilities hope to lower the overall pool of customers they need to treat before 2020. Yet all of the attention given to translating the Commission's directive to expand participation into specific home targets seems at odds with the fundamental objectives of the ESA Program. The ESA Program will not cease in 2020, nor will it have satisfied its ongoing purpose of providing bill relief and increasing the comfort and safety of California's low income households.

The impact of the Program's near-singular focus on reaching a set number of new customers is apparent even at the level of individual efficiency measures offered by the Utilities. For example, SCE proposes to retire evaporative cooler and central AC maintenance as available measures under the 2012-2014 Program without any indication that those measures fell short of the Program's cost-effectiveness threshold.[24] Rather, SCE explains that the measures will be retired "in order to focus delivery of program services to customers who have not received services through the Energy Savings Assistance Program to continue progress toward achieving the Commission's Programmatic Initiative."[25] In other words, because the measures require contractors to return to customers who have already participated in the ESA Program, they do not facilitate achievement of SCE's new homes target. The proposal to retire evaporative cooler maintenance also comes on the heels of the draft 2009 Impact Evaluation that, while discounting savings from nearly every other measure, found that evaporative coolers exhibited significant

[22] PG&E Application at 7.
[23] See note 51, infra.
[24] SCE Testimony at 12-13.
[25] Id. at 13 (in reference to evaporative coolers).

savings (nearly twice as much as estimated in the 2005 evaluation).[26] The Impact Evaluation also found that many customers require additional education regarding how to use evaporative coolers properly, a need that could be served by keeping evaporative cooler maintenance as an eligible measure.

C. NRDC recommends that the Commission reexamine the process for introducing and removing ESA Program measures and the cost-effectiveness framework governing ESA Program measures.

We urge the Commission to set a schedule for this proceeding that allows the Commission, Utilities, and stakeholders an opportunity to take a harder look at how measures are evaluated, introduced and removed from the ESA Program and the cost-effectiveness framework applied to the Pogram.

In D.08-11-031, the Commission set out the current three-step methodology to determine whether the Utilities may offer an efficiency measure under the ESA program.[27] First, for both new and existing measures, the Utilities may offer any measure that has both a Modified Participant Cost (PC_m) and Utility Cost Test (UCT) benefit-cost ratio greater than or equal to 0.25 (subject to additional limitations on housing type and climate zone).[28] Second, the Utilities may continue to offer *existing* program measures with a benefit-cost ratio above 0.25 under either test (i.e., if the measure passes one test but fails the other, it may remain in the program). In the final step, the Commission permits the Utilities to offer certain existing measures that fall below the 0.25 threshold under both tests on equity grounds, but with certain limitations (known as "add-back" measures).

Currently, new measures are proposed by the Utilities at quarterly public meetings for stakeholder input. For the 2012-2014 ESA Program, the Utilities presented more than 20 measures that were under review for inclusion in the Program.[29] Yet in their applications, the

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[26]ECONorthwest, "Impact Evaluation of the 2009 California Low Income Energy Efficiency Program, Draft Report," at ES-7 (March 2011). We share some of the concerns raised by parties regarding the findings of the Impact Evaluation and cite it here only by way of contrast to the heavily discounted savings attributed to other program measures.
[27] D.08-11-031 at 222.
[28] The UCT and PC_m tests both include non-energy nenefits (NEBs) per the Commission's directive in D.01-12-020. See CPUC, D.01-12-020, "Low Income Energy Efficiency Standardization Project (Phase 3), Calculations for Bill Savings and Reporting Requirements Manual (Phase 2), Including Cost-Effectiveness Testing of Low-Income Programs," available at: http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/11809.pdf.
[29] CARE-ESA Program Quarterly Public Meeting Notes (July 1, 2010).

Utilities propose adding only six new measures to the Program.[30] PG&E proposes adding three new measures (thermostatic low flow showerheads, SmartAC fan delay relays, and microwaves – piloted in the last cycle);[31] SCE proposes one new measure (power saving surge protectors);[32] SDG&E proposes one new measure (Smart Strips);[33] and SCG proposes one new measure (thermostatic shower valves).[34] It is also unclear how many proposed new measures the Utilities ultimately screened for their cost-effectiveness. PG&E presents six measures it evaluated; three of which passed and three of which failed.[35] But it is unclear how many measures the other utilities evaluated for potential inclusion in the Program. NRDC supports the inclusion of these measures, but recommends that the Utilities provide further information as to why the other measures were not further reviewed or included in the current applications.

More troubling, the Utilities propose to retire more measures than they will add for the 2012-2014 ESA Program. PG&E proposes to retire three measures (duct test and seal, central AC, and room AC);[36] SCE proposes to retire two measures (evaporative cooler and central AC maintenance);[37] SDG&E proposes to retire three measures (central AC, duct test and seal, and evaporative cooler covers);[38] and SCG proposes to retire two measures (tankless water heaters and duct test and seal).[39] With the Program already underachieving in providing energy savings, this is a step in the wrong direction. We urge the Commission to revisit the methodology for how measures are introduced, retired, and evaluated for their cost-effectiveness before approving the Utilities' Applications as proposed.

D. NRDC recommends the Commission should reexamine how the ESA Program serves customers in multifamily housing.

Customers in multifamily housing are not receiving a proportionate share of benefits from the ESA Program. While an estimated 43% of California's low income population resides

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[30] In addition to offering pre-1999 refrigerators.
[31] PG&E Testimony at 1-5.
[32] SCE Testimony at 11-12. SCE is also replacing two-speed pool pumps with variable-speed pool pumps.
[33] SDG&E Application at SW-5.
[34] SCG Testimony at DM-7.
[35] PG&E Testimony at 1-80.
[36] Id. at 1-81.
[37] SCE Testimony at 76-77.
[38] SDG&E Testimony at SW-61.
[39] SCG Testimony at DM-7.

in multifamily housing,[40] only 24% of the homes treated by the ESA Program from 2007-2010 were multifamily dwellings.[41] Moreover, as is readily apparent from reviewing the list of available measures by housing type in the Statewide LIEE Policy and Procedures Manual (Table 5.1), more measures are available to single-family customers than their multifamily counterparts.[42] It is therefore not surprising that the Utilities' annual reports document that the Program is achieving more energy savings per single-family treated home than per multifamily treated home (particularly in gas savings).[43] The Utilities' Applications suggest this discrepancy could become even worse during 2012-2014. As SCG notes, the most significant impacts of the retirement of measures from the 2012-2014 ESA Program will fall on the multifamily sector.[44] At a minimum, we urge the Commission to ensure measures currently available to multifamily customers are not eliminated in the 2012-2014 Program.

The Utilities acknowledge the challenges posed in reaching multifamily customers in various degrees in their applications, and propose to leverage existing demand-side management (DSM) programs to better serve multi-family customers. PG&E and SCE in particular draw attention to a proposal to integrate the ESA Program with the Energy Upgrade California (EUCA) Program.[45] Under the Utilities' proposal, the ESA Program would continue to pay for prescriptive measures currently available under the program to income-qualified households in a multifamily building, while EUCA would fund rebates for central system measures, common areas measures, and measures serving non-income qualified households. While we commend the Utilities for devoting attention to the specific needs of the low income multifamily housing sector, it is unclear whether the proposed leveraging strategy with EUCA and other DSM programs will be sufficient to overcome the barriers facing multifamily customers.

To build on this proposal, we strongly recommend the Commission schedule a hearing or workshop to assess how the ESA Program can better serve multifamily customers in 2012-2014. There is still time to explore new approaches in advance of the following program cycle. In

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[40] KEMA, "Final Report on Phase 2 Low Income Needs Assessment," (Sept. 2007), available at: http://docs.cpuc.ca.gov/published/Graphics/73106.PDF.
[41] See note 2, supra.
[42] CPUC, "Statewide Low Income Energy Efficiency Program Policy and Procedures Manual," Table 5.1 (Aug. 2010), available at: http://docs.cpuc.ca.gov/efile/RULINGS/122845.pdf.
[43] The Utilities' ESA Program Annual Reports are available on the LIOB website at www.liob.org.
[44] SCG Testimony at DM-43; see also PG&E Testimony at 1-79 (noting if the Commission removes both the Air Sealing and Envelope and Water Conservation measures, "the ESA Program will be essentially unavailable to PG&E's low-income customers in multi-family housing dwellings.").
[45] PG&E Testimony at 1-30-32; SCE Testimony at 58-60.

designing any new approach to reach multifamily customers, however, the Commission should ensure all stakeholders have an opportunity to provide input through a clear and transparent process.

III. SPECIFIC PORTFOLIO RECOMMENDATIONS

A. NRDC supports the new measures proposed by the Utilities and opposes retiring any existing ESA Program measure absent further review.

While we reiterate our request that the Commission take a harder look at the broader issues surrounding measure inclusion and cost-effectiveness, NRDC supports all of the new measures offered by the Utilities (discussed above). In particular, we strongly support SCE's and SDGE's proposals to add power saving surge protectors/Smart Strips to the eligible list of measures. As SCE documents, the "vampire load" resulting from appliances drawing energy while in "standby" or "off" mode is a growing source of energy usage in the home.[46] NRDC recently conducted a study that found that cable and satellite set-top boxes in the U.S. alone consume an estimated $2 billion per year of electricity when they are turned "off."[47] Surge protectors that can automatically eliminate vampire load offer a cheap and effective means of reducing energy consumption. Given the results presented by SCE and SDG&E, we ask that PG&E consider integrating a similar measure and provide an explanation for why power saving surge protectors were not evaluated for inclusion in their ESA Program. Short of compelling evidence to the contrary, we recommend that the Commission direct each electric utility to include power saving surge protectors in their list of measures.

The Utilities also report that other existing measures failed the cost-effectiveness evaluation, including envelope and air sealing measures, but seek permission from the Commission to maintain those measures as "add back" measures.[48] We support all of the Utilities' requested exceptions to maintain existing measures in the Program, which provide important benefits to customers. We also support the Utilities' request for authority to add new measures midstream through the advice letter process (discussed in more detail below). If a new measure proves cost-effective, the Utilities should not need to wait for the next budget application process to deliver the added value to customers.

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[46] SCE Testimony at 10-11.
[47] NRDC, "Better Viewing, Lower Energy Bills, and Less Pollution: Improving the Efficiency of Television Set-Top Boxes," (June 2011), available at: http://www.nrdc.org/energy/files/settopboxes.pdf.
[48] Id. at DM-9-10.

Absent the opportunity for further review at a hearing or workshop, we oppose the retirement of any existing measure from the ESA Program (discussed above). We ask that the review also include the findings and methodology of the Impact Evaluation, of which several outstanding questions remain.

B. NRDC supports the Utilities' efforts to streamline program delivery and encourage all of the Utilities to transition to 'paperless' customer enrollment.

NRDC supports the Utilities' continued efforts to improve and streamline program delivery. The Process Evaluation recognized that the ESA Program administered by each utility has grown into a mature program with established and effective protocols at each stage of operation.[49] To further improve enrollment and assessment, the Process Evaluation recommended the Utilities continue the shift from paper to online enrollment to save time and resources, eliminate redundant paperwork, and enable contractors in real-time to verify a customer's eligibility and past participation status by accessing the utility database. We therefore SCE's proposal to expand the use of tablet PCs to all contractors and to the inspection process moving forward,[50] and we encourage all of the Utilities to move to a paperless enrollment process.

C. NRDC opposes the Utilities' proposed modification to the eligible ESA Program methodology and urges the Commission instead to focus on addressing ongoing barriers to participation.

The Utilities request that the Commission revise the methodology for determining the eligible population of low income customers for purposes of calculating their respective homes targets.[51] Specifically, the Utilities request that the Commission raise the estimate of customers deemed unwilling to participate from 5% to 15%. The Commission first employed the 5% unwillingness factor for the 2009-2011 ESA Program following the results of the 2007 KEMA

[49] Research Into Action Inc., "Final Report: Low Income Energy Efficiency Program 2009-2010 Process Evaluation," at p.II (June 2011).
[50] SCE Testimony at 9-10.
[51] See SDG&E, "Prepared Direct Testimony of Sandra Williams on Behalf of San Diego Gas & Electric Company's Energy Savings Assistance Program Plans and Budgets for Program Years 2012, 2013 and 2014," (hereafter "SDG&E Testimony"), at SW-12-13; PG&E, "Testimony in Support of Application for the 2012, 2013, and 2014 Energy Savings Assistance Program and the California Alternate Rates for Energy Program" (hereafter "PG&E Testimony"), at p.1-15-16; SCE, "Testimony of Southern California Edison Company in Support of its Application for Approval of its California Alternate Rates for Energy (CARE), Energy Savings Assistance, and Cool Center Programs and Budgets for 2012-2014" (hereafter "SCE Testimony"), at p.21-24; SCG Testimony atDM-14-15.

Needs Assessment.[52] Based on customer response data obtained by SCE, SCG and SDG&E during 2009 and 2010, the Utilities project the actual number of customers unwilling or unable to participate in the program is closer to 20-24%.[53] To account for the impact that future marketing, education, and outreach (ME&O strategies) may have in raising customer interest in the Program, however, the Utilities propose the Commission use a 15% unwillingness factor.

As proposed, we oppose the Utilities' suggested modification. The Utilities' proposed methodology conflates customers who are *unwilling* to participate with customers the Utilities classify as *unable* to participate. For instance, the Utilities' count customers unable to provide proof of income or proof of home ownership as generally "unwilling or unable."[54] Yet the Commission's adoption of the 5% unwillingness factor in D.08-11-031 did not apply to customers considered unable to participate due to a participation barrier.[55] Any proposed modification to the 5% unwillingness factor should be based on evidence limited only to customers identified as unwilling or uninterested in the program. While we do not support the proposed modification, the Utilities' findings lead us to a different conclusion – namely, that income documentation remains a key barrier to participation in the ESA program. As we recommend below, rather than relieve the Utilities from an obligation to serve customers who cannot overcome this barrier, we encourage the Commission to authorize the Utilities to employ new strategies to reach customers identified as unlikely to participate in the program as currently structured.

D. NRDC requests the Commission and the Utilities explore new approaches to overcome barriers to improved energy savings and participation in hard to reach customer segments, including behavior-based home energy reports.

Without discounting the important comfort and safety objectives of the ESA Program, we urge the Commission to set a schedule in this proceeding that will allow parties to explore new approaches to achieve more energy savings from the ESA Program. Achieving deeper energy reductions will translate into greater bill savings for customers and advance the key objective of the ESA Program of providing a reliable energy resource. In particular, we encourage the Commission and the Utilities to assess new delivery approaches targeted at overcoming

[52] D.08-11-031 at 110.
[53] See note 51, supra.
[54] Id.
[55] D.08-11-031 at 110.

behavioral and education barriers. Studies analyzing various aspects of the ESA Program repeatedly identify behavioral and educational barriers as key obstacles to delivering increased energy savings from the Program. The High Usage Needs Assessment conducted for SCE, for example, found that unusually high energy usage in low income households is more a function of behavioral, knowledge or attitude-based factors than reliance on inefficient appliances.[56] Similarly, the draft Impact Evaluation points to personal, customer-specific energy education focused on behavioral change as one of the most significant sources of generating durable energy savings.[57] That view is echoed by the Utilities in their applications.[58]

To address these barriers, one approach we recommend the Commission explore is authorizing the Utilities to deliver behavior-based home energy reports through the ESA Program to eligible low income customers. Behavior-based home energy reports have a promising track record of success in delivering cost-effective energy savings to customers, including low income customers.[59] These results have also been consistent across climate zones and demographic segments, including renters and seniors.[60] Home energy reports can also advance other key objectives of the ESA Program, including expanding participation in hard to reach customer segments, improving customer education, and facilitating more effective integration with other DSM programs. Low income customers often face an array of programs that can be difficult to decipher; by communicating to customers where their energy use is coming from, energy reports can target other DSM opportunities to each customer's particular needs.

Rather than exclude additional customers from the eligible population, as proposed by the Utilities, we suggest the Commission authorize the Utilities to "treat" a subset of customers via a home energy report. Receiving a home energy report is well within the Commission's current definition of a treated home, which encompasses any "income-qualified home that has received any measure or service under the ESA Program, including energy education, CFLs,

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[56] Steven Westberg, "Draft Final Report: Low Income Energy Efficiency (LIEE) High Usage Needs Assessment for Southern California Edison 2009-2011," p.7-8 (June 2011).
[57] See note 26, supra.
[58] See, e.g., SDG&E Testimony at 20; PG&E Testimony at 1-19.
[59] Cooney, K. "Evaluation Report: OPOWER SMUD Pilot Year 2," Navigant Consulting (Feb. 2011); Agnew, K. "Puget Sound Energy's Home Energy Reports Program," KEMA (Oct. 2010).
[60] See Davis, M. "Behavior and Energy Savings: Evidence from a Series of Experimental Interventions," Environmental Defense Fund (May 2011).

weatherization and appliances.[61] Building on the Utilities' findings from the 2009-2011 cycle, the Utilities should identify those customers that are eligible but least likely to participate in the ESA Program (as currently delivered) and target this strategy to that customer group.

While contracting to deliver home energy reports will require additional expenditures, the cost per treated home will be significantly less than under the current ESA Program, and the Utilities are already piloting similar approaches in the 2010-2012 general energy efficiency portfolios. It is also clear the Utilities are facing increasing difficulty in keeping pace with the participation goals for the Program. SDG&E and SCG, for instance, are offering $50 grocery store gift cards to customers who keep their appointments, and request nearly $5 million from the Commission over 2012-2014 to implement the program.[62] While we commend SDG&E and SCG for proposing new approaches, the gift cards point to the challenge of opt-in programs like the ESA Program. We encourage the Utilities and the Commission to explore opt-out delivery approaches like home energy reports that do not require customers to be at home or maintain appointments, that have shown great potential to produce verified energy savings through increased education and behavioral awareness, and that can be delivered for well under $50/customer.

To explore this approach and other strategies, including more differentiation between customer classes by energy usage and climate zone, we urge the Commission to schedule a hearing or workshop in this proceeding that will consider how the ESA Program can more effectively tailor delivery strategies to fit the needs of each participating customer.

IV. RESPONSE TO UTILITY REQUESTS

A. NRDC supports PG&E's proposal to target high usage CARE customers for participation in the ESA program.

We support PG&E's proposal to address the burden that unreasonably high usage CARE customers are placing on the CARE program.[63] In particular, we support the concept of requiring high usage CARE customers to participate in the ESA Program, and encourage the Commission to extend the requirement to a broader category of CARE customers. As PG&E documents,

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[61] CPUC, D.02-12-019 "Interim Opinion: PY2003 Low Income Energy Efficiency Programs and Budgets," at 8, available at: http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/21623.pdf. Although, under this approach, the Commission may need to revisit the requirement that a "treated home" receive all feasible measures.
[62] See SCG Testimony at DM-5: SDG&E Testimony at SW-5.
[63] PG&E Application at 12-13.

roughly 1% of extreme usage CARE households – with usage in excess of 400% of baseline – receive roughly 10% of the entire CARE subsidy ($725 million in 2010).[64] The disproportionate share of the CARE subsidy enjoyed by a small group of customers with extreme usage patterns threatens to undermine the legitimacy of the CARE program. While it is critical that the Commission ensure legitimate high-use CARE households are not penalized by any modification to the program, the proposal presented by PG&E offers a viable way forward. If the Commission finds this recommendation reasonable, we recommend that all Utilities employ a similar approach.

Moreover, the proposal takes a productive step forward in advancing the Commission's objective to better integrate the CARE and ESA programs. To save all utility customers money, the Commission should explore additional strategies to ensure other high use CARE customers receive all available efficiency measures first. We encourage the Utilities to employ customer segmentation strategies that target CARE customers who have not participated in the ESA Program.

B. NRDC supports mid-cycle modifications that improve performance of the programs in a timely manner.

The Utilities request authority to modify ESA Program elements through the Tier 2 advice letter process in lieu of a petition for modification (PTM) of the Commission's decision approving their program budgets and applications.[65] We support the proposal insofar as it allows the Utilities to make midstream adjustments in a timely manner that improve the performance of the program. For example, we support the use of advice letters to introduce new measures to the Program should they prove cost-effective, to propose a pilot or new ME&O strategies, and to seek clarification on questions or concerns that arise following a new Commission directive (as occurred in the 2009-2011 cycle following modification of the 3 Measure Minimum Rule). We submit the proposal should not extend to fundamental structural changes to the operation of the ESA program, however, which should remain subject to a PTM.

[64] Id. at 5, 12-13.
[65] See PG&E Testimony at 1-3; SCE Testimony at 80-81; SDG&E Testimony at SW-64; and SCG Testimony at DM- 70-71.

C. NRDC supports the Utilities' request for study and pilot evaluation deadlines.

NRDC strongly supports the Utilities' request that any studies or pilot evaluations conducted during a program cycle be completed at least three months prior to the budget application deadline for the following cycle.[66] For studies to be of value to the Utilities and stakeholders, they must be done in time to allow the Utilities an opportunity to incorporate their results and inform the planning process for subsequent program years. We are also mindful of the strain put on staff given the current program cycle deadlines and support the Utilities' request to push back the next ESA Program budget application deadline from May to July.

V. CONCLUSION

NRDC appreciates the opportunity to respond to the Utilities' applications for approval of their 2012-2014 low income energy assistance programs and budgets and looks forward to participating in this proceeding. By ensuring that the Utilities administer the ESA Program in a manner that balances the need to reach new customers while maximizing benefits for participating customers, we can reduce the cost of energy for those who need it most, improve the comfort and safety of low income households, advance our climate objectives, and continue building a clean energy economy.

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Respectfully submitted,

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[66] See, e.g., SCG, "Prepared Direct Testimony of Gillian Wright on Behalf of Southern California Gas Company's Energy Savings Assistance Program and California Alternate Rates for Energy Program Plans and Budgets for Program Years 2012, 2013 and 2014," at GAW-15-16.