

**M e m o r a n d u m**

**Date:** May 9, 2008

**To:** The Commission  
(Meeting of May 15, 2008)

**From:** Pamela Loomis, Deputy Director  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **AB 2309 (DeSaulnier) – Residential energy efficiency audit.  
As amended April 1, 2008**

**LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: OPPOSE**

**SUMMARY OF BILL:**

The bill would make Legislative declarations and findings that: (1) to achieve the goals of the Global Warming Solutions Act of 2006, every opportunity for greenhouse gas emissions must be explored; (2) California's aggressive energy efficiency requirements for new construction have made new homes the most efficient in the world with a carbon footprint significantly below 1990 emissions levels; (3) there exist significant opportunities for cost-effective energy efficiency improvements from the more than 12 million existing residential structures in California; and (4) modest investments in energy savings and climate friendly improvement from existing homes can contribute significantly towards meeting the goals of the Global Warming Solutions Act of 2006.

This bill would adopt Public Utilities Code § 2790.1, which would require the California Public Utilities Commission (“CPUC” or “Commission”) to authorize each electric corporation<sup>1</sup> subject to its jurisdiction to provide owner-requested energy efficiency audits for owner-occupied residential buildings constructed prior to January 1, 2006. The CPUC would be required to authorize a reasonable number of residential energy audits during each calendar year. In addition, the CPUC, in consultation with the California Energy Commission (CEC), would be directed to prioritize energy efficiency measures, giving the highest priority to measures that produce the most energy savings for the least amount of money. The bill would provide that on completion of an owner-

---

<sup>1</sup> “Electrical corporation” includes every corporation or person owning, controlling, operating, or managing any electric plant for compensation within this state, except where electricity is generated on or distributed by the producer through private property solely for its own use or the use of its tenants and not for sale or transmission to others. Public Utilities Code § 218(a).

occupied residential energy efficiency audit, the electric corporation must make recommendations to the owner regarding cost-effective measures that may be taken to increase the residential building's energy efficiency and conservation activities.

The bill would require the CPUC to provide annual reports to the Legislature and the CEC detailing the number of owner-occupied residential buildings that took advantage of the audit program, the amount of energy savings that would result from all recommendations of the audits being implemented, and an estimate of the net energy savings results of the residential energy efficiency audits.

### **SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:**

- The Commission agrees that home energy audits are an important tool for achieving energy savings, greenhouse gas reduction and reduced customer energy costs. However, the CPUC opposes this bill on the basis that it is unnecessary because it would require actions that are already being taken by the CPUC and the investor owned utilities.<sup>2</sup> The CPUC oversees the IOUs' administration of energy efficiency portfolios, and authorizes the utilities to implement programs to obtain all cost-effective energy efficiency within their service territories. Home audits are currently included in each utility's portfolio of programs.<sup>3</sup> In addition, the bill would require that on completion of an owner-occupied residential energy efficiency audit, the utility must make recommendations to the owner regarding cost-effective measures that may be taken to increase the residential building's energy efficiency and conservation activities. This is already being done.
- The bill would require the CPUC to give "priority" to energy efficiency measures that produce the most energy savings for the least amount of money. However, this requirement would be impossible to meet. The CPUC does not "prioritize" energy efficiency measures but rather, in collaboration with the CEC, maintains a database of measures, cost and energy savings (Database for Energy Efficient Resources (DEER)).<sup>4</sup> "Prioritization" of energy efficiency measures occurs on a site-specific basis, depending on which measures are appropriate. To the extent this provision refers to home audits, it does not correlate to the manner in which the programs are implemented. In home audits, homeowners are presented with a range of actions that can be taken as well as information on available rebates, and it is the utility customer who decides which actions to take or measures to install. Thus, prioritizing is done by the homeowner.

---

<sup>2</sup> "Investor-owned utilities" or "IOUs" refer to Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company SoCalGas).

<sup>3</sup> Home audits are included in the following utility programs for the 2006-2008 program period: PGE 2010; SDG&E 3014; SCE 2503; and SoCalGas 3509. Descriptions of the programs are available at [http://www.californiaenergyefficiency.com/calenergy\\_old/2006\\_08\\_programs.html](http://www.californiaenergyefficiency.com/calenergy_old/2006_08_programs.html).

<sup>4</sup> The Database for Energy Efficient Resources (DEER) is in the process of being updated for release in 2008. The 2004-05 DEER database is available at <http://eega.cpuc.ca.gov/deer/>.

## SUMMARY OF SUGGESTED AMENDMENTS:

- Although the recommendation to the Commission to oppose AB 2309, if the bill continues through the legislative process the Commission should request the following amendments:
  - The bill directs the CPUC to give “priority” to energy efficiency measures that produce the most energy savings for the least amount of money. However, the CPUC does not “prioritize” measures. Appropriate energy efficiency measures are determined on a site-specific basis, and utility customers make the final decision on which actions to take or measures to install. For this reason, the CPUC recommends that this requirement be deleted.
  - The bill would require the CPUC to report to the Legislature and to the CEC annually on energy savings related to audits of owner-occupied residential buildings. Because the CPUC and CEC collaborate on energy efficiency policy, jointly maintain the DEER database of energy efficiency measures, and the CEC has access to all reported data from utilities,<sup>5</sup> this reporting requirement appears to be superfluous as to the CEC. The Commission recommends that the CEC reporting requirement either be deleted or amended to require reports “as necessary.”

## DIVISION ANALYSIS (Energy Division):

- The bill would require the CPUC to provide annual reports to the Legislature and to the CEC that detail the number of owner-occupied residential buildings that took advantage of the home audit program, the amount of energy savings that would result from all recommendations of the audits being implemented, and an estimate of the net energy savings results of the residential energy efficiency audits.
- Energy efficiency is California's highest priority resource for meeting the state's growing energy needs in a clean, low cost manner and for fighting global warming. Providing home audits at the request of customers, as the utilities do now, promotes the CPUC's express goal of achieving all cost-efficient energy efficiency savings.
- The bill would have few impacts on the CPUC because it directs the Commission to take actions that are already being taken. The bill imposes a minimal reporting requirement that could be met by requiring utilities to report annually on estimated savings from owner-occupied home energy audits. To meet this requirement, the utility audits would have to identify owner-occupied residential buildings as well as the date of construction.

---

<sup>5</sup> The Energy Efficiency Groupware Application (EEGA) is available to the public and includes monthly, quarterly and annual reports from the IOUs on energy efficiency program achievements. <http://eega2006.cpuc.ca.gov/>.

- The bill would direct the CPUC to “prioritize” energy efficiency measures. However, because there are thousands of energy efficiency measures, and appropriate measures are determined on a site-specific basis, this prioritization would be impossible to undertake.

## **PROGRAM BACKGROUND:**

- California’s investor-owned utilities play a key role as administrators of ratepayer-funded energy efficiency programs overseen by the CPUC. Utility portfolios are implemented on a three-year cycle. For the 2006-2008 program period, all four investor owned utilities have implemented a Home Energy Efficiency Survey (HEES) program.<sup>6</sup> The HEES programs offer mail-in, telephone and web-based surveys to all residential customers and in home energy surveys to targeted customers. The programs are provided in different languages, including Spanish, Chinese, Vietnamese and Korean. For this program cycle, SoCalGas combined efforts with SCE to develop one product to service shared-territory customers. On completion of an audit, the utility recommends energy efficiency options, including rebates and incentive programs.
- Utilities report on program achievements, including HEES programs, on a monthly, quarterly and annual basis.<sup>7</sup> For the fourth quarter of 2007, PG&E reported the completion of 13,774 home energy audits; SCE reported completion of 5303 online surveys, 141 telephone surveys, and 614 in-home surveys; and SDG&E completed 42 mail-in audits and 353 online audits.
- For the 2009-2011 program period,<sup>8</sup> PG&E is proposing to offer integrated demand side management online audit programs to optimize energy consumption. The audit reports will identify no-cost, low cost and capital-intensive actions that will lead customers to invest in energy efficiency, demand response and distributed generation options. In addition to integrated audits, SCE is proposing a Comprehensive Home Performance Program that will deliver improvement packages tailored to the needs of individual homeowners (the “whole house” approach). SDG&E is also proposing to offer a “whole house” approach, as well as to implement enhancements for online audit tools to leverage the Smart Meter Initiative.<sup>9</sup>

---

<sup>6</sup> PGE 2010; SDG&E 3014; SCE 2503; and SoCalGas 3509. Descriptions of the programs are available at [http://www.californiaenergyefficiency.com/calenergy\\_old/2006\\_08\\_programs.html](http://www.californiaenergyefficiency.com/calenergy_old/2006_08_programs.html).

<sup>7</sup> Utility reports are available at <http://eega2006.cpuc.ca.gov/Default.aspx>.

<sup>8</sup> Overviews of the utilities’ proposed 2009-2011 energy efficiency portfolios are available at <http://www.californiaenergyefficiency.com/index.shtml>.

<sup>9</sup> For information on the smart meter program, *see* [http://www.sdge.com/smartmeter/project\\_info.shtml](http://www.sdge.com/smartmeter/project_info.shtml).

## LEGISLATIVE HISTORY:

AB 2678 (Nunez), currently on the Assembly Appropriations Suspense File, would add Public Resources Code section 25943, requiring the California Energy Commission, by July 1, 2010, to establish an ongoing proceeding to develop requirements for time-of-sale energy efficiency audits for residential and commercial buildings. The bill would specify factors for the Energy Commission to consider in determining the requirements for such audits, including (1) the ability to finance and identified energy efficiency improvements as part of a mortgage or sales agreement; (2) the availability of applicable government run and nongovernmental assistance and loan programs as well as rebates; and (3) the expected value of establishing these requirements, including all of the following: (A) reductions in greenhouse gas emissions; (B) reductions in annual and peak energy demands; and (C) reduction in customer utility bills.

The Assembly Committee on Natural Resources bill analysis notes that “state energy policy prioritizes energy efficiency to reduce energy usage.”<sup>10</sup> It is true that energy efficiency is given first priority in the loading order for meeting energy needs. Public Utilities Code Section 454.5(6)(9)(c), the Energy Action Plan<sup>11</sup> and Commission decisions have established a policy to procure all cost-effective conservation and energy efficiency resources before adding generation resources. However, this does not support a requirement that the CPUC and CEC prioritize energy efficiency measures. The DEER database contains thousands of energy efficiency measures, and which measures are appropriate is determined on a per-site basis.

Currently, home audits are part of the utilities’ outreach and educational programs, to which no energy savings are attributed. Audits direct the homeowner to rebate programs and other incentives offered by the utilities’ energy efficiency programs. Energy savings from measures installed as a result of the audits are reported by the utilities as savings in the utility program that offered the rebate or other incentive.

The CPUC formerly was required to report annually to the Legislature on accomplishments of the energy efficiency and conservation programs it oversees.<sup>12</sup> However, as of 2007, the CPUC is required to report utility energy efficiency program achievements on a three-year basis.<sup>13</sup>

## FISCAL IMPACT:

Additional CPUC staff effort would be required to produce reports annually for the Legislature and the CEC on the investor-owned utilities’ home audit energy efficiency

<sup>10</sup> [http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab\\_2301-2350/ab\\_2309\\_cfa\\_20080416\\_164259\\_asm\\_comm.html](http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_2301-2350/ab_2309_cfa_20080416_164259_asm_comm.html).

<sup>11</sup> See [http://www.energy.ca.gov/energy\\_action\\_plan/2005-09-21\\_EAP2\\_FINAL.PDF](http://www.energy.ca.gov/energy_action_plan/2005-09-21_EAP2_FINAL.PDF).

<sup>12</sup> [http://www.lao.ca.gov/1999/99-00\\_supp\\_rpt\\_lang.html](http://www.lao.ca.gov/1999/99-00_supp_rpt_lang.html).

<sup>13</sup> See Public Utilities Code § 384.2 (“The commission shall submit a report to the Legislature by July 15, 2009, and triennially thereafter, on the energy efficiency and conservation programs it oversees. The report shall include information regarding authorized utility budgets and expenditures and projected and actual energy savings over the program cycle”).

program. The proposed appropriation would be approximately \$100,000 to comply with the requirements of the bill.

**STATUS:**

AB 2309 passed out of the Assembly Appropriations Committee on May 7, 2008 (vote: 13-2) and referred to the Assembly Floor.

**SUPPORT/OPPOSITION:**

Support: California Building Industry Association (sponsor)  
California Association of Realtors

Opposition: None on file.

**STAFF CONTACTS:**

Erin Grizard, Legislative Liaison  
Staff – Office of Governmental Affairs

[eeq@cpuc.ca.gov](mailto:eeq@cpuc.ca.gov)  
(916) 445-1430

**Date:** May 9, 2008

**BILL LANGUAGE:**

BILL NUMBER: AB 2309 AMENDED  
BILL TEXT

AMENDED IN ASSEMBLY APRIL 1, 2008

INTRODUCED BY Assembly Member DeSaulnier

FEBRUARY 21, 2008

An act to add Chapter 6.1 (commencing with Section 2790.1) to Part 2 of Division 1 of the Public Utilities Code, relating to energy conservation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2309, as amended, DeSaulnier. Energy ~~systems~~. conservation: residential energy efficiency audit.

Existing law requires the Public Utilities Commission (PUC) to permit electric and gas corporations to institute a home insulation assistance and financing program for its residential customers. The PUC is required to require electric and gas corporations to perform specified home weatherization services for low-income customers.

This bill would require the PUC to authorize an electric corporation to provide owner-requested energy efficiency audits for owner-occupied residential buildings built before January 1, 2006. The PUC would be required to authorize a reasonable number of residential energy audits during each calendar year. Upon the completion of the owner-occupied residential energy audit, the electric corporation would be required to make recommendations to the owner regarding cost-effective measures that the owner could take to increase the residential building's energy efficiency. The PUC, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), would be required to prioritize energy efficiency measures. The PUC would be required to provide an annual report to the Legislature and to the Energy Commission containing specified information.

~~The Warren Alquist State Energy Resources Conservation and Development Act authorizes the State Energy Resources Conservation and Development Commission (Energy Commission), for the purpose of reducing electrical and natural gas energy consumption, to develop and disseminate measures that would enhance energy efficiency for single family residential dwellings that were built prior to the development of the current energy efficiency standards.~~

~~This bill would state the intent of the Legislature to enact legislation to encourage the assessment and reduction of the carbon footprint of existing homes by applying feasible, cost effective measures in a manner beneficial to homeowners and the state.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~

yes . State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

*SECTION 1. The Legislature finds and declares all of the following:*

*(a) The Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code) requires the State Air Resources Board to design emissions reduction measures in a manner that minimizes costs and maximizes benefits for California's economy, maximizes additional environmental and economic cobenefits for California, and complements the state's efforts to improve air quality.*

*(b) To achieve the goals of the Global Warming Solutions Act of 2006, every opportunity for greenhouse gas emissions must be explored.*

*(c) California's aggressive energy efficiency requirements for new construction have made new homes the most efficient in the world with a carbon footprint significantly below 1990 emissions levels.*

*(d) There exist significant opportunities for cost-effective energy efficiency improvements from the more than 12 million existing residential structures.*

*(e) Modest investments in energy savings and climate friendly improvement from existing homes can contribute significantly towards meeting the goals of the Global Warming Solutions Act of 2006.*

*SEC. 2. Chapter 6.1 (commencing with Section 2790.1) is added to Part 2 of Division 1 of the Public Utilities Code , to read:*

*CHAPTER 6.1. RESIDENTIAL ENERGY EFFICIENCY AUDITS*

*2790.1. (a) By January 1, 2010, the commission shall authorize each electric corporation, as defined in Section 218, subject to its jurisdiction to provide owner-requested energy efficiency audits for owner-occupied residential buildings constructed prior to January 1, 2006. The commission shall authorize a reasonable number of residential energy audits during each calendar year.*

*(b) Consistent with Section 25402 of the Public Resources Code and in consultation with the State Energy Resources Conservation and Development Commission, the commission shall prioritize energy efficiency measures, giving the highest priority to measures that produce the most energy savings for the least amount of money.*

*(c) Upon completion of an owner-occupied residential energy efficiency audit, the electric corporation shall make recommendations to the owner regarding what cost-effective measures may be taken by the owner to increase the residential building's energy efficiency and conservation activities.*

*(d) The commission shall provide annual reports to the Legislature and the State Energy Resources Conservation and Development Commission that detail the number of owner-occupied residential buildings that took advantage of the audit program, the amount of energy savings that would result from all recommendations of the audits being implemented, and an estimate of the net energy savings results of the residential energy efficiency audits.*

~~*SECTION 1. It is the intent of the Legislature*~~

~~to enact legislation to encourage the assessment and reduction of the carbon footprint of existing homes by applying feasible, cost effective measures in a manner beneficial to homeowners and the state.~~