

Decision 16-04-040 April 21, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

And Related Matters.

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

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

**DECISION ADOPTING MEASURES IN RESPONSE TO THE ALISO CANYON
NATURAL GAS LEAK EMERGENCY**

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DECISION ADOPTING MEASURES IN RESPONSE TO THE ALISO CANYON NATURAL GAS LEAK EMERGENCY

Summary

This decision directs Southern California Gas Company (SoCalGas) and Southern California Edison Company (SCE) to take immediate steps to enhance, their Energy Savings Assistance Program efforts in low-income communities affected by the Aliso Canyon Gas Storage Facility natural gas leak. The Commission directs SoCalGas and SCE to suspend the “three measure rule” and “go back rule” and serve a previously served household when that will allow the companies to target significant savings, of at least 10 percent on average for SoCalGas, and 4 percent on average for SCE. We direct the utilities to intensify existing programmatic efforts in the geographic regions most impacted by the natural gas leak, to suspend certain administrative rules to facilitate near-term electric and natural gas savings and to utilize underspent and unspent funds already collected from ratepayers in for the emergency response effort to the Aliso Canyon Gas Storage Facility natural gas leak.

1. Background

On November 18, 2014 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), the four large Investor-Owned Utilities (IOUs), submitted their applications for the 2015-2017 California Alternate Rates for Energy (CARE) and Energy Savings Assistance (ESA) Programs.

The ESA program was originally offered as an assistance program directly from a few IOUs in the 1980s, and then was adopted by the legislature in 1990. The IOUs were directed by the Commission to implement the ESA Program to

ensure state-wide energy savings while also improving low-income customers' quality of life. Qualified customers consist of those living in residential single-family households, multi-family households and mobile homes with incomes at or below 200 percent of the Federal Poverty Guideline.

Current implementation of the ESA program works to achieve both of these objectives by providing no-cost home weatherization services and energy efficiency measures to help low-income households: (1) conserve energy; (2) reduce energy costs; and (3) improve health, comfort and safety. The program also provides information and education to promote a more energy efficient culture in low-income communities.

On October 25, 2015, SoCalGas notified the Commission of a natural gas leak at the Aliso Canyon storage facility located in Northern Los Angeles County. SoCalGas owns and operates the facility at Aliso Canyon. The leak was within one of the wells at the Aliso Canyon site. The leak was sealed on February 17, 2016. However reliability concerns remain about the sufficiency of natural gas resources in the area served by Aliso Canyon.

On January 6, 2016, Governor Brown proclaimed a state of emergency at Aliso Canyon. The proclamation directs all agencies of state government to "ensure a continuous and thorough response to this incident" and further directs the Commission to "take all actions necessary to maximize daily withdrawals of natural gas from the Aliso Canyon Storage Facility for use or storage elsewhere." The proclamation also directs the Commission to "take all actions necessary to ensure the continued reliability of natural gas and electricity supplies in the coming months during the moratorium on gas injections into the Aliso Canyon Storage Facility."

On March 14, 2016, in response to the Aliso Canyon leak and the Governor's Emergency Proclamation, Commissioner Catherine Sandoval, the assigned Commissioner in the instant proceeding, issued an Assigned Commissioner's Ruling (ACR). In the ACR Commissioner Sandoval noted that the safety and ratemaking issues, and broader implications of the natural gas leak at Aliso Canyon including how to maintain system reliability and ameliorate greenhouse gas emissions would be addressed in other proceedings.¹ Commissioner Sandoval went on to note that certain actions may be appropriate within the ESA Program dockets to mitigate the impact of reliability issues arising from Aliso Canyon to energy customers, particularly low-income energy customers eligible for ESA Program measures. The ACR indicated that several offerings within the ESA portfolio may reduce the demand for natural gas in the geographic regions most impacted by the leak at Aliso Canyon, amongst others issues.²

The ACR required SoCalGas and SCE to:

- Immediately intensify all efforts within its existing ESA Program authority to assist ESA Program-eligible low-income customers affected by the Aliso Canyon incident;
- Prioritize near-term natural gas savings, including measures that save natural gas by saving water;
- Immediately intensify all efforts within their existing ESA Program authority to assist ESA Program-eligible low-income customers affected by the Aliso Canyon incident. SCE shall prioritize near-term electric savings, especially peak savings and

¹ Sandoval Aliso Canyon ACR at 2.

² *Id.*

- other measures that will minimize the use of natural-gas fired electric generation in areas affected by the Aliso Canyon incident;
- Target their intensified efforts to geographic regions most impacted by emergency at Aliso Canyon and to immediately consult with Commission Energy Division staff to identify these regions;
 - Track and report on a monthly basis all of their intensified efforts related to the emergency response. This tracking should include energy savings, geographic region, building type and expenditures; and
 - Use existing fund shifting rules to maximize the use of underspent and unspent funds to supplement their intensified efforts in response to the Aliso Canyon emergency³

In addition to requiring SoCalGas and SCE to take immediate action the ACR requested that Parties to the instant proceeding comment on the proposed suspension of administrative remedies such as the “three measure minimum” and the “go-back rule” as potential solutions to facilitate deeper energy savings in the geographic regions impacted by this emergency.

The 3 Measure Minimum, (3MM) allows the IOUs to treat a qualifying dwelling for at least three measures⁴ or less than three if the total energy savings achieved yield(s) energy savings of at least either 125 kilowatt-hours (kWh) annually or 25 therms annually. With certain exceptions, the Commission has

³ Sandoval ACR at 11-12.

⁴ Energy Efficiency measures available through the ESA Program may include but are not limited to: attic insulation, caulking, weather-stripping, low flow showerhead, water-heater blanket, door and building envelope repairs that reduce air infiltration. "Weatherization" may also include other building conservation, measures, energy management technology, energy-efficient appliances, and energy education programs determined by the Commission to be feasible, taking into consideration for all measures both the cost-effectiveness of the measures as a whole and the policy of reducing energy-related hardships facing low-income households.

limited households from participating in the ESA Program if they have been treated since 2002. This rule, called the “ Go Back Rule” was designed to promote equity (e.g., treatment of households previously not provided ESA Program measures), considering the utilities’ constrained budgets.

The ACR asked Parties to comment on the following questions:

1. Are there other natural gas efficiency measures within the ESAP [Energy Savings Assistance Program] which SoCalGas should prioritize to reduce natural gas demand in low-income households and eligible buildings?
2. Are there other electric efficiency measures within the ESAP portfolio which SCE should prioritize to reduce electric demand in low-income households and eligible buildings?
3. Should the Commission suspend the “three measure minimum” and/or the “go back rule” in the Aliso Canyon impacted areas identified in this ruling? If yes, should the suspension last for the full remainder of the 2015-2017 program cycle or is some other period of time more appropriate?
4. Are there additional administrative rules which should be suspended not yet mentioned, and for what period of time should they be suspended?
5. Are there any additional steps within the scope of these dockets that should be implemented to maximize the emergency response efforts in the areas affected by Aliso Canyon?
6. Should we set specific “intensified” savings targets for SCE and SoCalGas to achieve in response to this emergency? If yes, what should the targets be for the program cycle?
7. Are there specific actions in the scope of these proceedings we should take to ensure that high energy using households eligible for ESA are targeted and served?

8. What provisions of existing Commission decisions governing the ESA program require suspension or revision in order to effectuate the changes a party recommends in response to this ruling?⁵

Parties were required to contain their responses to the Aliso Canyon emergency response efforts. Comments were to be filed and served no later than 10 days from the date of mailing of the ACR. Comments were filed on April 23 and 24, 2016

2. Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin

In response to the Aliso Canyon leak four California Energy Agencies came together to assess possible impacts to electrical service during the summer months recognizing that the current situation at Aliso Canyon threatens energy reliability. The California Energy Commission (Energy Commission), California Public Utilities Commission (CPUC), California Independent System Operator (CAISO) and the Los Angeles Department of Water and Power (LADWP) collaborated to develop a technical assessment of energy impacts stemming from the current gas supply limitations of Aliso Canyon.⁶ On April 5, 2016 these entities jointly issued the *Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin* (Aliso Canyon Action Plan or Action Plan).⁷

The Executive Summary states that several actions are underway to respond to the major natural gas leak that occurred at the Aliso Canyon Gas Storage Facility and that there is a moratorium that prohibits the operator of the

⁵ Sandoval ACR at 10.

⁶ Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin, Executive Summary at 3.

⁷ *Id.*

facility, SoCalGas, from injecting natural gas into the underground reservoir until a comprehensive safety review of the facility is completed. The Action Plan provides that this safety review requires that all 114 wells in the facility are either thoroughly tested for safe operation or removed from operation and isolated from the underground reservoir. The Action Plan goes on to note that the implementation of these safety measures means that the Aliso Canyon facility is not operating as it normally does to provide gas for the energy demands in the Greater Los Angeles area. The Action Plan emphasizes that only 15 billion cubic feet of natural gas remain in the Aliso Canyon underground reservoir (which is less than one-fifth of the capacity of the facility) for use to maintain electrical and gas service in the region.⁸

Technical staff from the CPUC, Energy Commission, CAISO and LADWP joined with staff from SoCalGas in a Technical Assessment Group to conduct an engineering analysis that details the potential energy impacts of the limited current operations at the Aliso Canyon storage facility in the coming summer months. The Technical Assessment Group determined that Aliso Canyon plays an essential role in maintaining both natural gas and electric reliability in the greater Los Angeles area and that the limited current operations of the facility create a distinct possibility of electricity service interruptions this summer. The Action Plan states that the Technical Assessment Group's engineering analysis applied complex industry standard hydraulic modeling to simulate operations on the SoCalGas system. The hydraulic modeling suggests that without any gas supply from Aliso Canyon, there are 14 days this coming summer during which

⁸ Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin, Executive Summary at 3.

gas curtailments could be high enough to cause electricity service interruptions to millions of utility customers. The analysis states that factors leading to gas curtailments even on days with only moderately high demand, include differences between gas scheduled and received into the SoCalGas system (receipts) versus actual customer demand (sendouts), gas storage and pipeline maintenance work planned for this summer, and unplanned outages.⁹

The Technical Assessment Group confirms that using the 15 billion cubic feet of gas currently stored at Aliso Canyon as directed by the CPUC and taking several other actions outlined in the Action Plan can reduce, although not eliminate, the possibility of these electric interruptions. The Action Plan notes that, using most or all the gas remaining in Aliso Canyon during this summer would result in greater risk of shortages next winter if normal operations of the facility are not restored in time to store new gas there for winter use.¹⁰ The Action Plan proposes implementation of 18 specific measures to reduce the possibility of electrical service interruptions this summer. These measures will reduce, but not eliminate, the risk of gas curtailments large enough to cause electricity interruptions. The measures fall into five major categories: 1) efficient use of Aliso Canyon; 2) noncore gas tariff changes; 3) greater operational coordination; 4) LADWP-specific measures, and 5) measures aimed at reducing natural gas and electricity consumption.¹¹ Under measures aimed at reducing natural gas and electricity consumption the Action Plan states that gas and

⁹ *Id.*

¹⁰ Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin, Executive Summary at 3-4.

¹¹ *Id.* at 4.

electricity energy efficiency programs targeted at low-income customers should be expanded and specifically cites the ACR in the instant proceeding as an example. The Action Plan notes that the ACR contemplates several potential changes to the existing ESA program activities to increase energy savings in the impacted communities.¹²

3. Comments to ACR

Ten sets of comments to the ACR were filed. Comments were provided by Proteus, Inc (Proteus), TELACU, Maravilla Foundation, and ACCES (TELACU et al.), SCE, The Energy Efficiency Council (EEC), The California Solar Energy Industries Association (CALSEIA), The Utility Reform Network (TURN), The Office of Ratepayer Advocates (ORA), SoCalGas, The Natural Resources Defense Council (NRDC), the National Consumer Law Center (NCLC), and the California Housing Partnership (CHPC) (NRDC/NCLC/CHPC et al.), The Greenlining Institute (Greenlining) and Center for Accessible Technology (CforAT), and EnergySavvy.

In its comments to the ACR SoCalGas states that before considering new ESA Program measures and procedures, the Commission should move forward with a decision approving its (SoCalGas') proposed ESA program and budget for program years 2015-2017. SoCalGas notes that the application and supporting testimony have been pending for over a year; has been fully briefed and is ready for a proposed decision (PD). SoCalGas argues that the advantage of approving its application (and those of the other utilities) is that it will put the maximum

¹² *Id.* at 30.

number of conservation measures into effect and authorize full funding for the remainder of the program cycle across the service territory.¹³

SoCalGas argues that if it could know where, when and whether the Aliso Canyon shutdown will impact low-income customers – which it cannot – there might be some merit in the Ruling’s solicitation of ideas for expediting, intensifying and facilitating conservation efforts in those areas alone with further deferral of action on the applications as a whole. SoCalGas asserts that it cannot target a defined subset of low-income customers specifically at risk because of Aliso Canyon and thus any special measures adopted in advance of the overall (CARE/ESA) program will have to be applicable and available to all qualified customers. SoCalGas asserts that the measures, proposed in the ACR are the same and thus no more valuable to its low-income customers than those proposed in the pending application, Application (A.) 14-11-011. Therefore, SoCalGas urges the Commission to approve A.14-11-011 so that it can begin to apply the proposed ESA Program measures that will aid in alleviating any possible impact caused by the Aliso Canyon shutdown.¹⁴

SCE states that it has identified the following ESA measures (without climate zone restrictions) that have the greatest potential to reduce electric demand in low-income households and eligible buildings:

- Light-emitting diodes (LED) A-lamps
- LED reflector downlights
- Thermostat-controlled shower valve
- Efficient Fan Control.

¹³ SoCalGas response to Sandoval ACR at 3.

¹⁴ SoCalGas response to Sandoval ACR at 4.

SCE contends that Tier II Advanced Power Strips should be prioritized with the other ESA Measures listed above as effective measures that can reduce electric demand in low-income household. In addition to the above-listed measures, SCE proposes the following program changes be ordered as part of an interim ruling:

- Remove co-pay for existing measures (e.g. refrigerator, central air conditioner, and heat pump) that are owned by property owners in a renter-occupied unit;
- Replace refrigerators that are at least 15 years old. SCE currently replaces refrigerators manufactured prior to 1999; and
- Approve installation of a second refrigerator when a customer has two inefficient refrigerators and one larger refrigerator cannot meet the family's needs.

Consistent with the proposal in its pending Application, SCE recommends that the 3MM Rule and “go back rule” be permanently suspended as a requirement for the ESA Program.¹⁵ SCE proposes two additional administrative rules be suspended at least for the duration of the Aliso Canyon State of Emergency or until a final decision on SCE’s 2015-2017 Application addresses the issues, whichever comes first; SCE proposes a redesign of the multi-family ESA Program sector. SCE states that the intent of the redesign is to increase participation by tenants and property owners. Key to this redesign is SCE’s recommendation to collect property owners’ documentation indicating that at least 80 percent of the dwellings meet ESA program income guidelines in lieu of collecting documentation from individual tenants. SCE proposes that when the existing 80 percent multi-family income verification policy is met, weatherization

¹⁵ SCE Comment to Sandoval ACR.

for unoccupied and other non-qualified multifamily dwellings can be installed for the 80 percent of low-income customers that are eligible. In addition when the 80 percent rule is met, SCE proposes to replace electric measures, such as refrigerators and room air conditioners that are owned by the property owners. SCE recommends that this aspect of the Multi-family Redesign Proposal be approved on a system-wide basis to expedite services in multi-family properties. In addition SCE recommends that measures such as room air conditioners would be installed in Climate Zones 10, 13, 14, and 15 as part of a system-wide rollout.¹⁶

In order to facilitate the Commission's discretion and authority to expeditiously respond to the emergency, the second administrative rule SCE proposes to suspend is the rule on fund shifting. SCE requests that the Commission explicitly waive the fund-shifting requirements of Decision (D.) 12-08-044, Ordering Paragraph (OP) 135. SCE notes that the directive in OP 135 directs a utility to file a motion demonstrating good cause to fund-shift and requires subsequent approval by the Administrative Law Judge before fund-shifting is permitted.

SCE contends that intensified saving targets related to this emergency should not be established. Instead, SCE reiterates that the removal of the 3MM and "go back rules" on a system wide basis is an efficient means of providing customers with all feasible energy saving measures without the limitation of having to meet a minimum measure requirement or a previous participation threshold.¹⁷

¹⁶ SCE comments to Sandoval ACR at 7.

¹⁷ *Id.*

In its comments ORA states that it is concerned that changing ESA rules only in the areas affected by the Aliso Canyon gas leak may carry the risk that such changes will complicate ESA program implementation state-wide, leading to confusion and potentially slowing down ESA program implementation in the Aliso Canyon area. ORA notes that a well-developed record exists on the rule changes being contemplated. ORA argues that to the extent that these changes would make ESA more effective state-wide, these rule changes should be implemented for all of California while prioritizing the roll-out of the new ESA rules in the Aliso Canyon area first. ORA contends that the Commission can accomplish this goal most expeditiously by issuing a decision on ESA rule changes alone, with a decision on the remainder of the PY2015-2018 applications issues to follow thereafter.¹⁸

ORA goes on to say that if any enhanced ESA program measures are to be implemented in the areas affected by the current moratorium on gas injections into Aliso Canyon they should focus on what will have the greatest impact on reducing peak load and can be implemented quickly and widely in order to maximize the effectiveness in staving off curtailment of gas and/or electricity services. To that end ORA recommends that the Commission quickly convene a working group to determine the most appropriate ESA measures to prioritize.¹⁹

ORA recommends that measures that deliver the most significant gas reductions -- particularly gas production during peak generation hours -- should be prioritized. ORA points out that SoCalGas' 2015-2017 ESA application contemplates five types of measures: appliances, domestic hot water, enclosure,

¹⁸ ORA Comments to Sandoval ACR at 4.

¹⁹ *Id.* at 3.

heating, ventilation and air conditioning (HVAC), and maintenance. SoCalGas estimated that the large majority of gas savings come from just three water measures:

- New Tub (2,135,197 Therms annually);
- Thermostatic Shower Valves (1,593,114 Therms annually),
- Faucet Aerators (749,572 Therms annually).

ORA states that these three measures can be implemented quickly and widely and cost just \$2-3 per Therm saved.²⁰

Finally ORA notes that the “go back rule” and the “three measure minimum” are both well developed and that in testimony and briefs, ORA recommended that a portfolio-wide cost effectiveness threshold of 1.0 measured using a modified ESA cost-effectiveness test would provide a better and more flexible mode of accountability than the “go back rule” or “three measure minimum. However ORA states that in the absence of rules adopting cost effectiveness criteria, these rules act as a form of accountability ensuring that funds are being spent effectively and that they should not be suspended without the adoption of the 1.0 cost-effectiveness recommended by ORA.²¹

In its comments TURN states that the ability of ESA Program to relieve reliability implications of Aliso Canyon is highly questionable and thus urges the Commission to issue the long-pending decision on the 2015-2017 ESA Program program cycle rather than contemplate the program changes identified in the *Aliso Canyon Ruling* for only a subset of ESA Program-eligible households.

TURN argues that the record in this proceeding contains numerous, important

²⁰ *Id.* at 5

²¹ ORA Comments to Sandoval ACR at 7.

recommendations for increasing energy savings and customer benefits from the ESA Program, including changes to the administrative rules cited in the Aliso Canyon ACR and the addition of new measures that save electricity, natural gas, and in some cases, also water, among other program improvements. TURN contends that issuing a limited decision focused only on program enhancements for customers in Aliso Canyon-impacted regions would be inefficient and is unnecessary, as the Commission can and should act promptly to improve the program as a whole.²² TURN also urges the Commission to clarify that SoCalGas will be held responsible for costs stemming from Aliso Canyon, including incremental expenditures that the Commission finds necessary to relieve the reliability risks caused by gas supply shortages.²³

In their jointly filed comments Greenlining and CforAT also contend that the most important step the Commission can take in response to the Aliso Canyon leak is to move swiftly to issue a final decision on the 2015-2017 CARE and ESA programs and budgets that are currently under review. They note that many of the program modifications identified in the ACR are already under consideration, with a substantial record, in the overall proceeding. Greenlining and CforAT argue that in addressing the program changes under consideration in the broader docket, the Commission can assist vulnerable customers in the impact area of the Aliso Canyon leak. Finally they note that following the adoption of general (CARE/ESA) program modifications, if additional steps are needed, the Commission can then immediately open a

²² TURN Comments to Sandoval ACR at 2.

²³ *Id.*

second phase of this proceeding to focus specifically on the needs of SoCalGas and SCE customers related to the Aliso Canyon leak.²⁴

In their comments to the ACR NRDC, NCLC, and CHPC offer the following recommendations:

- SoCalGas and SCE should prioritize numerous natural gas and electric efficiency measures within and beyond the ESAP portfolio to reduce demand.
- The Commission should immediately host a stakeholder meeting to consider and assess high-impact gas, electric, and water savings measures.
- There should be suspension of the “three measure minimum” and “go back” rules in order to capture, when available, significant savings per household.
- That the Commission suspend several administrative rules to accelerate and deepen savings available to eligible single and multifamily buildings, including:
 - o expedite enrollment by allowing owners of multifamily affordable properties to submit income affidavits
 - o Reduce barriers to combining and integrating ESAP incentives with incentives provided by other energy efficiency programs
 - o Enable use of American Society of Heating, Refrigeration and Air-Conditioning Engineers level 1 or 2 audits
 - o Eliminate the “all feasible measures” program requirement
 - o Eliminate caps on measure offerings per household
 - o Allow flexibility in household treated goals
 - o Require replacement for refrigerators that are 5-8 years old (instead of 15-16 years old) on a rolling cycle

²⁴ Greenlining and CforAT joint Comments on Sandoval ACR at 1-2.

- That the Commission require savings reported in SCE and SCG's monthly filings to increase each month as compared to the prior month.
- That the Commission require SCE and SoCalGas to achieve a minimum average energy savings increase of 10 percent in the affected region as compared to pre-emergency savings for the duration of the emergency time period.
- That the Commission require the utilities to provide a rank ordering of the most energy-intensive single and multifamily properties and target high energy using households first.
- That the Commission should waive or suspend existing ESAP rules that prevent delivery of whole-building services.
- That the Commission require additional reporting requirements to capture savings by measure in multifamily and single-family households.²⁵

CALSEIA states that given the scale of the crisis caused by the leak at Aliso Canyon, the state should leverage all existing programs to reduce natural gas use, especially those that assist low-income residents and disadvantaged communities and suggests that any materials and outreach should make it clear that the California Solar Initiative Thermal program is also available to area residents.²⁶

In its comments EnergySavvy states that measuring savings from large quantities of small energy efficiency projects in a timely manner has traditionally been a difficult and time consuming endeavor. This delay in measurement may hinder program administrators from knowing if savings are actually being realized as a result of ESA projects. It argues that a faster savings measurement

²⁵ NRDC, NCLC, and CHPC Comments to Sandoval ACR at 1-2.

²⁶ CALSEIA Comments to Sandoval ACR.

solution can provide the Commission and program administrators confidence that savings are being realized addressing reliability concerns in the targeted geographic areas. EnergySavvy contends that Automated Measurement and Verification Tools are capable of addressing this challenge and providing near real -- time measurement of energy savings for gas and electric savings.²⁷

In its comments Proteus recommends an enhanced energy efficient assessment process to allow for a whole-home approach that offers, when deemed feasible, the installation of all measures currently available in ESA Program²⁸ (both weatherization and appliances);

- Eliminate climate zone restrictions;
- Immediately introduce LEDs in place of Compact Fluorescent Lamps;
- Focus on demand reduction measures, such as HVAC;
- Allow the replacement of old unsafe/inefficient electric heaters;
- Allow the IOUs to return to homes previously enrolled/treated to offer measures not installed at the time of the original visit;
- Allow the replacement of Furnaces and Hot Water Heaters in eligible renter-occupied dwellings;
- Allow the insulation of attics when replacing a Central Air Conditioner;
- Revert back to replacing refrigerators after a set number of years (i.e. every 15-years) to account for average annual *degradation in efficiency* = 1.37 percent;
- Adopt the new measures proposed in the utilities' 2015-2017 program applications;

²⁷ EnergySavvy comments to Sandoval ACR.

²⁸ See footnote #4, supra.

- Implement the changes across the utilities entire service territory; and
- Use unspent funds to reduce/avoid rate impact for the cost to service additional homes / measures.²⁹

In their comments TELACU et al., recommend that:

- The Commission should confirm that health, safety, and comfort are the highest priority of the ESA program.
- Eliminate Go-Back restrictions.
- Eliminate the 3MM restrictions.
- The IOUs should intensify the installation not only of heating and cooling measures but of all ESAP measures.
- Furnaces and water heaters should be removed from the Home Repair category.
- Renters of all housing types should be eligible for furnace and water heater repair or replacement.
- ESAP contractors should install air infiltration measures to “seal the building envelope” or the installation of new efficient heating and cooling appliances will be undermined.
- Apply a prescriptive approach to duct repair and sealing.
- Income documentation requirements should be relaxed or eliminated.
- Climate zone restrictions should be eliminated for all measures.
- The Commission should approve an expedited process to allow the Mid-Cycle Working Group to make necessary modifications to the Policy and Procedures Manual and the Installation Standards Manual.

²⁹ Proteus Comments to Sandoval ACR at 9-10.

- Door-to-door, boots-on-the-ground outreach by contractors and Community Based Organizations (as opposed to general marketing and advertising) should be funded.
- The Commission should not set “intensified” savings targets.
- Program changes should apply, at a minimum, to the entire service territories of SoCalGas and SCE.³⁰

The EEC recommends that the Commission apply program level changes to *all* the IOU and small and multijurisdictional utilities ESA Programs throughout California for the remainder of the 2015-2017 cycle as well as:

- Suspend the 3MM/kWh/therm rule.
- Suspend the “go back rule.”
- Allow High Efficiency (HE) Washing Machines to be installed in homes with fewer than four persons living in the home.
- Modify the Property Owner Waiver and Self Certification guidelines to help facilitate enrollment.
- Allow furnace repair and replacement including HE furnaces, furnace clean & tune, duct sealing and water heater repair and replacement for renters in multifamily and single family homes.
- Remove the climate zone restrictions for installing HVAC and attic insulation measures.
- Create and fund neighborhood canvassing, (i.e. door-to-door), outreach campaigns.
- Apply a prescriptive approach to sealing duct systems and allow both SoCal Gas and SCE to count the energy savings appropriate to their supplied fuel.
- Add water saving measures such as toilets, toilet leak detection kits, toilet tank displacement bladders and thermostatic tub spouts.

³⁰ TELACU et al. comments to Sandoval ACR at 1-2.

- Add additional electric saving measures such as microwave ovens, interior hard wired lighting (SCE) and LED lamps and fixtures.
- Allow for the early replacement of old and inefficient heaters and water heaters that meet certain criteria outlined below
- Remove furnaces from the Statewide Policies & Procedures Home Repair category.
- Adjust both policies **and** budgets necessary for any Rapid Deployment effort.³¹

4. Discussion

Several of the comments to the ACR went beyond the scope and issues set forth in the ACR and/or were not directly on point. In their comments to the ACR SoCalGas, ORA, TURN, Greenlining and CforA&T all agree that the most important step the Commission can take in response to the Aliso Canyon leak is to move swiftly to issue a final decision on the 2015-2017 CARE and ESA programs and budgets that are currently under review. As noted by TURN, the ability of ESA Program to relieve reliability implications of Aliso Canyon is highly questionable. SoCalGas points out that the advantage of approving its application (and those of the other utilities) is that it will put the maximum number of conservation measures into effect and authorize full funding for the remainder of the program cycle across the service territory. Thus we will endeavor to issue a decision for the 2015-2017 CARE and ESA programs as expeditiously as possible. That being said, as stated in the ACR and the Aliso Canyon Action Plan there are measures that can and should be taken

³¹ EEC Comments to Sandoval ACR at 2-3.

immediately to reduce gas usage and electricity demand in the service territories of SoCalGas and SCE impacted by the Aliso Canyon Storage Facility Leak.

The actions order in Ruling Paragraphs 1-5 of the March 14, 2016 ACR should remain in place, with the exception that SoCalGas and SCE do not have to report to the Low Income Oversight Board (LIOB).³² In addition, we direct SoCalGas and SCE to intensify existing efforts in its ESA Program activities in the geographic areas most impacted by the anticipated natural gas shortage. This should include targeting multi-family buildings with over 80 percent ESA eligible units,³³ and households using over 300 percent of the average baseline for electricity usage.

³² Southern California Gas Company (SoCalGas) shall:

- 1) ... intensify all efforts within its existing Energy Savings Assistance Program (ESAP) authority to assist ESAP-eligible low-income customers affected by the Aliso Canyon incident. SoCalGas shall prioritize near-term natural gas savings, including measures that save natural gas by saving water.
- 2) ... intensify all efforts within its existing Energy Savings Assistance Program (ESAP) authority to assist ESAP-eligible low-income customers affected by the Aliso Canyon incident. SCE shall prioritize near-term electric savings, especially peak savings and other measures that will minimize the use of natural-gas fired electric generation in areas affected by the Aliso Canyon incident.
- 3) ... target their intensified efforts to geographic regions most impacted by emergency at Aliso Canyon. They shall immediately consult with Commission Energy Division staff to identify these regions.
- 4) ... track and report on a monthly basis all of its intensified efforts related to the emergency response. This tracking shall include energy savings, geographic region, building type and expenditures and serve monthly reports of this emergency response to the service.
- 5) ... use existing fund shifting rules to maximize the use of underspent and unspent funds to supplement its intensified efforts in response to the Aliso Canyon emergency.

³³ See D.14-08-030, Sec. 6.1.1.3, for discussion of 80 percent ESA eligibility in multi-family buildings (“a utility may treat the entire multifamily building, whether or not a particular unit

Footnote continued on next page

In their comments to the ACR, both SoCalGas and SCE requested that the Commission suspend the program rules service territory wide; arguing that they do not exactly know yet what specific areas are the most impacted by the leak. We disagree. While the geographic parameters of the state of emergency have not been perfectly defined, the impacts will be concentrated in the areas of the Los Angeles Basin, Ventura County, and Orange County which are supplied by Aliso Canyon. It is reasonable to limit the suspension of the rules and to concentrate the efforts accordingly. SoCalGas and SCE should use findings from the CPUC, Energy Commission, CAISO and LADWP-issued technical report (“Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin”) to determine with Commission Energy Division staff on the appropriate locations in which to target its intensified efforts.

SoCalGas and SCE should intensify all of their existing program offerings in responding to the emergency. These offerings should include replacement of water heaters, electric measures that correspond to high natural-gas electric generation such HVAC and other high impact measures. In multi-family buildings, intensification should include currently authorized common area measures, again with the goal of achieving significant energy savings.

As noted supra, on January 6, 2016, Governor Brown proclaimed a state of emergency at Aliso Canyon Facility and directed the Commission to take all actions necessary to ensure the continued reliability of natural gas and electricity

is occupied or income qualified, if at least 80% of the building’s units are income-qualified” Ordering Paragraph 40(2); “The Utilities shall propose an expedited enrollment process for the United States Department of Housing and Urban Development assisted multifamily housing wherein at least 80% of the tenants have incomes at or below 200% of federal poverty level (FPL), Ordering Paragraph 40(4)”.

supplies in the coming months during the moratorium on gas injections into the Aliso Canyon Storage Facility. In his Emergency Declaration concerning the ongoing California Drought the Governor directed Californians to reduce their water usage by 20 percent.³⁴ As was done in the Governor's Drought Emergency Declaration, adopting a specific savings percentage target/floor as opposed to an amorphous savings goal is reasonable in order to ensure that rate payer funds are being expended on measures and programs that will result in significant energy savings for ESA Program households in those geographic areas impacted by the Aliso Canyon gas leak. Therefore we will adopt, with modifications, several of the energy saving measure criteria recommended by NRDC/NCLC/CHPC et al. including an energy savings target of at least 10 percent in the affected region as compared to pre-emergency savings for the duration of the emergency time period, specifically:

- There should be suspension of the "three measure minimum" and "go back" rules in order to capture, when available, significant savings per household; the suspension is limited to the geographic area affected by the Aliso Canyon leak;
- SCE and SoCalGas should target a minimum average energy savings increase of 10 percent in the affected region as compared to pre-emergency savings for the duration of the emergency time period; and
- SCE and SoCalGas should create memorandum accounts to track costs associated with the emergency ESA Program activities.

The savings target for households treated pursuant to the suspension of the three measure minimum and go back rules is modified from parties' suggested 10 percent on average across all households, to 4 percent for electricity

³⁴ Governor Drought State of Emergency Declaration, OP 1.

and 3 percent for gas on average across all households. This is consistent with the average savings achieved from homes treated by SCE and SoCalGas, respectively, under the standard ESA Program rules.³⁵

Both SoCalGas and SCE will need to develop new techniques to push for deeper near-term energy savings in their ESA Program. In a non-emergency situation, the Commission has previously deemed certain programmatic restrictions to be reasonable given the circumstances and context of the ESA Program. However, because of the emergency situation, we suspend some of these program rules to ensure near-term, deep energy savings. We suspend these rules for the rest of the program cycle and limit the suspension to geographic region as discussed above. Suspending these rules will hopefully eliminate barriers to achieving near term efficiency savings in ESA Program-eligible buildings.

Both SoCalGas and SCE have authority to use unspent and underspent funds and the ability to shift those funds as needed within existing budget categories to achieve near term savings. SoCalGas estimates its unspent budget to be approximately \$158.6 million and SCE estimates it to be approximately \$89.7 million.³⁶ Overall, parties agreed that it was appropriate to use these existing funds as part of the intensification efforts. To avoid any potential confusion, Southern California Gas Company and Southern California Edison Company should utilize the existing fund-shifting rules, as set forth in OP 135 of

³⁵ PY2011 Energy Savings Assistance Program Impact Evaluation Final Report at 41. <http://www.energydataweb.com/cpucFiles/pdaDocs/973/2011%20ESA%20Impact%20Evaluation%20102913%20FINAL.pdf>.

³⁶ As presented to the Commission at the February 23, 2016 Low-Income Oversight Board meeting.

D.12-08-044. As the causes and fault of the Aliso Canyon Emergency are still unknown, memorandum accounts will allow the Commission to defer determination of responsibility for these costs until a future proceeding examines all expenditures associated with the Aliso Canyon leak.

In comments responding to the alternate proposed decision, Nest Labs (Nest) seeks to leverage the deployment of smart communicating thermostats. Nest asserts that ESA Program contractors visit low-income homes and may install smart-communicating thermostats. Nest suggests that we leverage the cost of this truck roll to the customer to encourage participation in demand response programs, such as SCE's Peak-Time-Rebate-Emerging Technology-Direct Load Control program. Nest indicates that it would be a missed opportunity not to use the customer visit to leverage demand response and other programs. We agree. We encourage both SCE and SoCalGas to leverage program offerings outside of the ESA Program portfolio that could also achieve energy savings (such as demand response or deployment of solar thermal water heaters).

As noted, *supra*, we also suspend the "3MM" rule and the "go back rule." It may be that customers that have received ESA program service since 2002 could benefit now from additional ESA measures that will achieve even deeper savings. Similarly, it may be that a single measure – rather than three measures – may significantly assist customers. For example, an efficient water heater is a single measure, but it may produce significant gas savings that merit its installation in the home of an ESA-eligible household. Again, as noted *supra*, in order to be implemented these rule suspensions should result in significant savings and the suspension is limited to the geographic area affected by the Aliso Canyon leak.

In order to ensure that these enhanced measures are being implemented and are effective, SCE and SoCalGas shall begin reporting on the results of their emergency response activities immediately on a monthly basis to the Commission's Energy Division. We direct SoCalGas and SCE to submit, within 30 days, a report to the Commission's Energy Division documenting the ESA participation rates with the estimated number of ESA eligible households specific to the geographic areas outlined by the CPUC, Energy Commission, CAISO and LADWP in the Aliso Canyon Action Plan

SoCalGas and SCE will use this data to establish a baseline against which increases in their respective projected ESA participation and savings levels in the impacted areas can be measured in order to target a minimum average energy savings increase of 10 percent in the affected region as compared to pre-emergency savings for the duration of the emergency time period supra. In addition, SCE should aim to increase the number of CARE customers enrolled in their Summer Discount Plan and Save Power Days programs by at least 10 percent. We extend this emergency authorization for the remainder of the current CARE/ESA portfolio cycle, which lasts until the end of 2017 unless modified in a subsequent Decision.

5. Reduction of Comment Period

Pursuant to Rule 14.6(a) of the Commission's Rules of Practice and Procedure, in an unforeseen emergency situation, the Commission may reduce or waive the period for public review comment period on the PD, draft resolutions, and their alternates. "Unforeseen emergency situation" means a matter that requires action or a decision more quickly than would be permitted if advanced publication were made on a regular Commission meeting agenda. The Commission finds that the possibility of electric generation in the Los Angeles

Basin relying on gas from Aliso Canyon could be curtailed on high peak demand for electricity this summer falls within the definition of “unforeseen emergency situation” contemplated by Rule 14.6(a). Therefore, the PD in this matter was mailed to the parties on April 12, 2016. Comments to the PD are due on April 15, 2016. Reply Comments to the PD are due on April 19, 2016. Comments were filed on April 15, 2015 by SoCalGas, SCE, SDG&E, PG&E, ORA, TURN, NRDC/NCLC/CHPC et al., TELACU et al., Proteus, Nest Labs Inc., Brightline Defense Project, and the Salvadoran American Leadership and Educational Fund. Reply comments were files on April 19 by SoCalGas, SCE, TURN, TELACU et al., Proteus, Greenlining and CforAT.

6. Comments to the PD

In response to the Comments and Reply Comments to the PD and on our own initiative we have revised the summary of PD, page 6 and pages 23-28 of the PD. Also, we have revised Finding of Fact 8 and Conclusions of Law 7, 8, 10, 12 and 13. In addition, we have revised Ordering Paragraphs 1, 4, 6 and 13, and added a new Ordering Paragraph 12. Finally, the Commission made certain revisions from the dais.

7. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and W. Anthony Colbert is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The IOUs were directed by the Commission to implement the ESA Program to ensure state-wide energy savings while also improving low-income customer’s quality of life.

2. Qualified customers consist of those living in residential single-family households, multi-family households and mobile homes with incomes at or below 200 percent of the Federal Poverty Guideline.

3. On October 25, 2015, SoCalGas notified the Commission of a natural gas leak at the Aliso Canyon storage facility owned and operated by SoCalGas.

4. On January 6, 2016, Governor Brown proclaimed a state of emergency at Aliso Canyon.

5. The proclamation directs all agencies of state government to “ensure a continuous and thorough response to this incident” and further directs the Commission to “take all actions necessary to maximize daily withdrawals of natural gas from the Aliso Canyon Storage Facility for use or storage elsewhere.

6. On March 14, 2016 in response to the Aliso Canyon leak and the Governor’s Emergency Proclamation, Commissioner Catherine Sandoval, issued an ACR indicating that several offerings within the ESA portfolio may reduce the demand for natural gas in the geographic regions most impacted by the leak at Aliso Canyon and required SoCalGas and SCE to take immediate action.

7. The 3MM allows the IOUs to treat a qualifying dwelling for at least three measures or less than three if the total energy savings achieved yield(s) energy savings of at least either 125 kWh annually or 25 therms annually.

8. The “go back rule” with certain exceptions has limits households from participating in the ESA Program more than once if the household has been treated since 2002.

9. On April 5, 2016 the CPUC, Energy Commission, CAISO and LADWP issued a technical assessment of energy impacts stemming from the current gas supply limitations of Aliso Canyon in a report titled *Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin*.

10. The Aliso Canyon Action Plan states that there are 14 days this coming summer during which gas curtailments could be high enough to cause electricity service interruptions to millions of utility customers. The Technical Assessment Group argues that using the 15 billion cubic feet of gas currently stored at Aliso Canyon as directed by the CPUC and taking several other actions outlined in the Action Plan can reduce, although not eliminate, the possibility of these electric interruptions.

11. The Action Plan states that gas and electricity energy efficiency programs targeted at low-income customers should be expanded.

Conclusions of Law

1. The Commission should endeavor to issue a decision for the 2015-2017 CARE and ESA programs as expeditiously as possible.

2. OPs 1-5 of the March 14, 2016 ACR should remain in effect.

3. SoCalGas and SCE should intensify existing efforts in its ESA Program activities in the geographic areas most impacted by the anticipated natural gas shortage.

4. SoCalGas should consult with Commission Energy Division staff on the appropriate locations in which to target its intensified efforts.

5. SoCalGas and SCE should coordinate with the Commission's Energy Division to refine the geographic regions most impacted by the Aliso Canyon leak using the data from the Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin.

6. SoCalGas and SCE should intensify all of their existing program offerings in responding to the emergency including replacement of water heaters, electric measures that correspond to high natural-gas electric generation such as HVAC and other high impact measures.

7. There should be suspension of the “3MM” and “go back” rules in order to capture, when available, significant savings of at least 3 percent on average for SoCalGas and 4 percent for SCE, across all households.

8. The suspension should be limited to the geographic area affected by the Aliso Canyon leak as identified in the Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin report.

9. SCE and SoCalGas should target a minimum average energy savings increase of 10 percent in the affected region as compared to pre-emergency savings for the duration of the emergency time period.

10. SCE and SoCalGas should provide the treatment of the most energy-intensive single- and multi-family properties and target high energy using households first.

11. SCE and SoCalGas should within 30 days submit to the California Public Utilities Commission’s Energy Division a report documenting the Energy Savings Assistance Program participation rates with the estimated number of Energy Savings Assistance Program eligible households specific to the geographic areas outlined in the Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin, documenting ESA participation rates with estimated eligible household figures.

12. Both SoCalGas and SCE should continue to have the authority to use unspent and underspent funds and ability to shift those funds as needed within existing budget categories to achieve near term savings and both utilities should create memorandum accounts to track costs associated with the emergency ESA Program activities.

13. SoCalGas and SCE should utilize the existing fund-shifting rules, as set forth in OP 135 of D.12-08-044.

14. SCE and SoCalGas should begin reporting on the results of their emergency response activities immediately on a monthly basis to the Energy Division.

ORDER

IT IS ORDERED that:

1. Ordering Paragraphs 1 through 5 of the March 14, 2016 Assigned Commissioner's Ruling remain in effect with the exception of the requirement that Southern California Gas Company and Southern California Edison Company report to the Low Income Oversight Board.

2. Southern California Gas Company and Southern California Edison Company shall intensify their Energy Savings Assistance Program efforts in response to the Aliso Canyon emergency.

3. Southern California Gas Company and Southern California Edison Company shall suspend the "three measure minimum" and the "go back rule" as part of its emergency response.

4. There must be significant savings per household of at least 3 percent on average across all households for homes treated by Southern California Gas Company and 4 percent on average across all households for homes treated by Southern California Edison Company pursuant to the suspension of the "three measure minimum" and the "go back rule."

5. Southern California Gas Company and Southern California Edison Company shall target a minimum average energy savings increase of 10 percent in the affected region as compared to pre-emergency savings for the duration of the emergency time period.

6. Southern California Gas Company and Southern California Edison Company shall within 30 days submit to the California Public Utilities Commission's Energy Division a report documenting the Energy Savings Assistance (ESA) Program participation rates with the estimated number of ESA Program eligible households specific to the geographic areas outlined in the Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin, documenting ESA participation rates with estimated eligible household figures.

7. Southern California Gas Company and Southern California Edison Company shall utilize existing fund-shifting rules, as set forth in Ordering Paragraph 135 of Decision 12-08-044 in order to maximize its emergency response efforts.

8. Southern California Gas Company and Southern California Edison Company shall coordinate with the Commission's Energy Division on establishing a geographic region for the emergency response. This area shall commence with the Los Angeles Basin, Ventura County, and Orange County and be updated as needed. This geographic region should also be established in consultation with the Los Angeles Department of Water and Power and with the California Independent System Operator.

9. The geographic region for the emergency response of Southern California Gas Company and Southern California Edison Company may be expanded or contracted at the request of any party via motion and comment in compliance with Rule 11.1 of the Commission's Rules of Practice and Procedure.

10. Southern California Gas Company and Southern California Edison Company shall track and report on its emergency response efforts immediately on a monthly basis to the Commission's Energy Division.

11. Southern California Gas Company and Southern California Edison Company shall establish a memorandum account to track all expenses related to this emergency response within this proceeding

12. This emergency authorization shall be in effect for the remainder of the current California Alternate Rates for Energy/Energy Savings Assistance portfolio cycle unless modified in a subsequent Decision.

13. The comment period for today's order is reduced pursuant to Rule 16.4(a) of the Commission's Rules of Practice and Procedure.

14. Applications (A.) 14-11-007, A.14-11-009, A.14-11-010, and A.14-11-011 remain open.

This order is effective today.

Dated April 21, 2016, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners