BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2012-2014	A. 11-05-020 (Filed May 16, 2011)

REPLY OF THE DONALD VIAL CENTER ON EMPLOYMENT IN THE GREEN ECONOMY TO THE JOINT PROTEST OF THE EAST LOS ANGELES COMMUNITY UNION (TELACU), THE MARAVILLA FOUNDATION, AND THE ASSOCIATION OF CALIFORNIA COMMUNITY AND ENERGY SERVICES (ACCES) REGARDING THE APPLICATIONS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M), SAN DIEGO GAS & ELECTRIC COMPANY (U 902E), SOUTHERN CALIFORNIA GAS COMPANY (U 904G) AND SOUTHERN CALIFORNIA EDISON COMPANY (U 388-E) FOR APPROVAL OF THEIR 2012–2014 ENERGY SAVINGS ASSISTANCE AND CALIFORNIA ALTERNATIVE RATES FOR ENERGY PROGRAMS AND BUDGETS.

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I. INTRODUCTION

The Donald Vial Center on Employment in the Green Economy (The Vial Center) respectfully submits this reply to the Joint CBOs' Protest of the Applications of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company (the IOUs) for Approval of their 2014–2014 Energy Savings Assistance Program (ESAP) and California Alternative Rates for Energy (CARE) Programs and Budgets, submitted on June 17, 2011. The Vial Center also submitted initial responses to the IOUs' applications for approval of their 2012-2014 energy savings assistance programs and budgets on June 17th, 2011.

The Vial Center carries out research on the emerging green economy and climate change policy in California, as these relate to the labor market, to workforce development, and to workforce policy. In March 2011 the Vial Center released the *California Workforce Education and Training Needs Assessment for Energy Efficiency, Distributed Generation, and Demand Response* (the Workforce Needs Assessment). The study was mandated in the California Long Term Energy Efficiency Strategic plan to provide recommendations to the CPUC and other agencies on the workforce strategies needed to achieve the state's ambitious energy efficiency goals. In March 2011, the Commission issued a "Guidance Document for CARE/ESAP Budget Applications PY 2012-2014," which directed the utilities to "Refer to the ... California Workforce Needs Assessment Report and recommendations" and to "Include any relevant recommendations resulting from the California Workforce Needs Assessment."

In the Protest of the Applications, the Joint CBOs assert that the Workforce Needs Assessment "makes fundamentally mistaken assessments of the PUC and federal low income programs and, therefore, makes fundamentally mistaken recommendations for restructuring and improving the programs" (Joint CBOs' Protest p. 11). They also assert that the report "has numerous errors and mischaracterizations of the ESAP workforce issues and must not be used as a Commission policy document until those mistakes are corrected in an evidentiary proceeding" (Joint CBOs' Protest p. 3). The Joint CBOs proceed to offer comments on various portions from the report, drawing heavily from the comments issued by Richard Heath & Associates (RHA), submitted as an attachment to the Joint CBOs' protest.

In what follows, we address the concerns raised by the Joint CBOs and RHA. We appreciate the greater detail supplied by a number of RHA's comments, and find that our assessment of the low income energy efficiency programs is not in contradiction with that of the Joint CBOs and RHA in most cases. We do not think that RHA and the Joint CBOs' comments undermine the findings and recommendations from the Workforce Needs Assessment, and we believe that this conclusion is based on a misinterpretation of selected portions of our report.

II. DISCUSSION

- **Distinguishing low-income from non low-income residential energy efficiency programs.**

  The Workforce Needs Assessment discusses the very different conditions under which the non-low income residential energy efficiency programs and the low-income energy efficiency programs, including ESAP, operate. As the report points out, ESAP exists in a market that is "entirely policy driven and is publicly funded from federal, state, and ratepayer sources," and uses "a 'direct install' approach that gives the utilities and state agencies substantial oversight and control over the work that is carried out, including the choice of contractors and training requirements" (p. 104). In contrast, the report notes, "customer incentive programs are market driven programs that primarily take the form of rebates that buy down the cost of energy efficiency retrofits [and in these] programs the consumer chooses and hires the contractor" (p. 105). The result of these distinct market conditions is that contractors in low-income weatherization programs "are more shielded from the wider residential construction market because they enter into long-term contracts with the IOUs or state agencies, so competitive pressures are determined by program budgets and bidding mechanisms" (p. 107). If the distinction was not made clear in some of the summary analysis for the report, we regret the misunderstanding. We would like to re-state that ESAP operates under a distinct regulatory structure that eliminates some of the competitive conditions that can undermine quality in the non-LI residential market.

- **Encouraging program re-structuring to support the "high road" in ESAP.**
  We share the concerns of RHA and the Joint CBOs about the "low road" bidding process and program funding deflation in ESAP, which demands more work for less funding and puts downward pressure on wages (RHA's letter, p. 11). We also heard from our interviewees for the Workforce Needs Assessment that the subcontracting arrangements that some ESAP contractors have developed in response to program incentives contribute to low wages and make it more difficult to leverage measures and funding streams in ESAP (p. 105, 107). Please refer to our initial response to the IOUs' applications for our recommendations on how to address these issues, which include:
    - Restructuring the ESA bidding process to avoid the detrimental aspects of low-cost bidding.
    - Ensuring transparency and accessibility of the bidding process to all eligible contractors.
    - Supporting contracting relationships that promote leveraging of funds and maximum energy savings per unit.
    - Using cost-effectiveness testing and program design that incentivizes deeper savings per unit.
    - Improving cost-effectiveness through aggregation and simplification of eligibility determination.

- **Supporting efforts to define skills and standards in low-income weatherization using a sector strategies approach.**

  We appreciate RHA's description of the challenges involved in building career pathways in the low income weatherization sector, and the additional detail they provide on ESAP training in particular. We recommend that the ESAP program work towards the goal of building career pathways in this industry using a sector strategies approach. The DOE skill standards have been developed with the hope of their adoption by all parts of the residential retrofit industry. These guidelines can play an important role in defining skills standards and industry recognized certifications across programs that will continue to have varying structures, as well as in the private retrofit market.

  We recommend a sector strategy approach to tackle the very difficult goal of improving career ladders for workers in the ESAP program. By definition, employer collaboration and input is critical to developing a sector strategy, since the premise of this approach is that investments in training should yield a return for both workers and for employers. By definition, ESAP contractors must be included in the design and implementation of an ESAP sector strategy.

III. CONCLUSION

The Vial Center appreciates the opportunity to reply to the comments of the Joint CBOs and RHA, and we look forward to further discussions with them about improving energy savings and workforce outcomes in ESAP.

Respectfully submitted,

/S/ Carol Zabin

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