Energy Efficiency Equity Segment Definitions and Eligibility Background for Discussion

Updated 8/18/21

*For EMWG Member consideration in advance of 8/18/21 meeting*

# Background

*Impetus for this memo*: The CAEECC Facilitation Team and Co-Chairs recognized the need to provide the Equity Metrics Working Group (EMWG) with key definitions included in D.21-05-031 so that all members would be working from the same definitions when considering Equity Objectives and associated key Metrics. In addition, since “underserved” was not defined in the above decision, this memo puts forward options for consideration at the 8/18/21 EMWG meeting. The key purpose of discussing these definitions (hard-to-reach, disadvantaged communities, underserved) is to understand who the target population is (and who is eligible) for programs within the newly created Equity segment.

*Equity Segment Definition*: CPUC Decision 21-05-031[[1]](#footnote-1) defines the Equity segment as “programs with a primary purpose of providing energy efficiency to **hard-to-reach or underserved customers and disadvantaged communities** in advancement of the Commission’s Environmental and Social Justice (ESJ) Action Plan. Improving access to energy efficiency for ESJ communities, as defined in the ESJ Action Plan, may provide corollary benefits such as increased comfort and safety, improved air quality, and more affordable utility bills, consistent with Goals 1, 2, and 5 in the ESJ Action Plan”.[[2]](#footnote-2) Note that the Equity category is distinct from Energy Savings Assistance (ESA) programs so as to avoid overlap for program offerings that low-income populations (as defined by ESA) could receive at no cost through existing channels.[[3]](#footnote-3)

*Context*: The Commission has previously defined hard-to-reach (details below) and outlined the definition of disadvantaged community in D.18-05-041.[[4]](#footnote-4) However, “underserved” has not been defined by the CPUC.

The CAEECC Underserved Working Group (UWG) scope was broadly written to include the possibility, but not requirement, of recommending a definition of “underserved”, depending on what the first phase of the effort revealed. Due to data limitations and subsequent mixed analytical findings, the WG decided not to continue with another phase of the work and therefore did not propose a definition. Thus, the Equity Metrics Working Group will need to consider options to define “underserved” with respect to identifying objectives and metrics for the equity segment of the forthcoming energy efficiency portfolios.

*Organization*: This memo contains four sections:

1. CPUC hard-to-reach (HTR) Definition
2. Disadvantaged community (DAC) Definition
3. Proposals for Defining “Underserved”
4. Background for Eligibility Discussion

# CPUC Hard-to-Reach (HTR) Definition

**D.18-05-041 defines HTR in Section 2.5.2, p.41 as follows:**

“Specific criteria were developed by staff to be used in classifying a customer as hard-to-reach. Two criteria are considered sufficient if one of the criteria met is the geographic criteria defined below. There are common as well as separate criteria when defining hard-to-reach for residential versus small business customers. The barriers common to both include:

* + Those customers who do not have easy access to program information or generally do not participate in energy efficiency programs due to a combination of language, business size, geographic, and lease (split incentive) barriers. These barriers to consider include:
    - Language*–* Primary language spoken is other than English, and/or
    - Geographic*–*Businesses or homes in areas other than the United States Office of Management and Budget Combined Statistical Areas of the San Francisco Bay Area, the Greater Los Angeles Area and the Greater Sacramento Area or the Office of Management and Budget metropolitan statistical areas of San Diego County.
  + For small business added criteria to the above to consider:
    - Business Size*–*Less than ten employees and/or classified as Very Small (Customers whose annual electric demand is less than 20kW, or whose annual gas consumption is less than 10,000 therm, or both), and/or
    - Leased or Rented Facilities*–*Investments in improvements to a facility rented or leased by a participating business customer
  + For residential added criteria to the above to consider:
    - Income*–* Those customers who qualify for the California Alternative Rates for Energy (CARE) or the Family Electric Rate Assistance Program (FERA), and/or
    - Housing Type *–* Multi-family and Mobile Home Tenants (rent and lease)”

The Commission also approved one modification to the definition above, which is to include CalEPA’s definition of disadvantaged communities in the geographic criteria listed above:

“In response to comments on the proposed decision, we acknowledge the hard-to-reach definition in Resolution G-3497 may be overly narrow, although we maintain that the definition in the Policy Manual is overly broad. MCE offers a specific modification to Resolution G-3497, which is to include disadvantaged communities (as designated by CalEPA) in the geographic criteria for hard-to-reach customers. Given the overlap in socioeconomic characteristics of both classifications and their closely related policy objectives, we find it reasonable to adopt MCE’s recommended modification.”[[5]](#footnote-5)

# Disadvantaged Communities (DAC) Definition

**D.18-05-041 defines DAC in section 2.5.1, p.39 as follows:**

“Pursuant to Section 39711 of the Health and Safety Code, the California Environmental Protection Agency (CalEPA) developed a means for identifying disadvantaged communities, which may include, but are not limited to:

(1) Areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation.

(2) Areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment.

The CalEnviroScreen Tool utilizes a number of indicators to develop a composite “score,” which ranks a given census tract’s overall burden across the variety of indicators relative to all other census tracts’ scores. Indicators include both Pollution Burden indicators (exposure to ozone concentrations, particulate matter (PM) 2.5 concentrations, diesel PM emissions, drinking water contaminants, pesticide use, toxic releases from facilities, traffic density; and environmental effects of cleanup sites, groundwater threats, hazardous waste generators and facilities, impaired water bodies, and solid waste sites and facilities) and Population Characteristic indicators (higher pollution vulnerability due to asthma, cardiovascular disease, or low birth weight infants, educational attainment, housing burden, linguistic isolation, poverty, and unemployment).

CalEPA, pursuant to Health and Safety Code Section 39711, defines disadvantaged communities as those census tracts scoring in the top 25 percent of census tracts statewide on the set of 20 different indicators in CalEnviroScreen. As part of its definition of disadvantaged communities, CalEPA also finds that an additional 22 census tracts that score in the highest five percent of CalEnviroScreen’s Pollution Burden indicator, but that do not have an overall CalEnviroScreen score in the top 25 percent because of unreliable socioeconomic or health data, are also defined as disadvantaged communities.”

# Proposals for Defining Underserved

As noted above, while the term “underserved” has not yet been defined, it is included in the definition describing the newly created Equity segment. To address this gap, the following two options to define “underserved” are presented for the WG to consider. Additional options are welcomed to be raised for consideration at or before the 8/18 EMWG meeting.

**Initial Option 1: Use the definition of communities that are underserved from the CPUC Environmental and Social Justice Action Plan**.[[6]](#footnote-6) It is important to note that “low income” is defined for the Energy Savings Assistance Program (ESAP) as customers who are at or below 200% of the Federal Poverty Line. Since the equity segment is part of R.13-11-005 and therefore should not target ESAP-eligible customers, we must be explicit in how we are using the term “low income” for the purposes of this effort

**Revised Option:** The revised option is to use the term “low and moderate income households that are ineligible for ESAP”.

“**ESJ communities** are commonly identified as those where residents are:

* + predominantly communities of color or low-income
  + underrepresented in the policy setting or decision-making process;
  + subject to a disproportionate impact from one or more environmental hazards; and
  + likely to experience disparate implementation of environmental regulations and socio-economic investments in their communities.

They also include, but are not limited to:

* + Disadvantaged Communities located in the top 25% of communities identified by Cal EPA’s CalEnviroScreen; [as noted above: this is covered by DAC definition]
  + all Tribal lands;
  + *low-moderate income households that are ineligible for ESAP*;
  + low-income census tracts ”

*Option 1: Pros*

1. Using the ESJ Action Plan definition as amended covers additional customers that are not eligible for ESAP but are also not covered by the current DAC and HTR definitions as defined above.
2. This definition is based on a formal CPUC document.
3. Relying on this definition allows for consistency across proceedings.
4. The Program Administrators (PAs) would be using a consistent definition to segment their programs.
5. The definition is already established.

*Option 1: Cons*

**Option 2: Allow each PA to propose a definition of “underserved” in their February 2022 filing and let the Commission decide.**

*Option 2: Pros*

1. This allows for PA autonomy. This also allows for acknowledgment of the differences of this definition among the varied regions in the state, and allows the PAs to show how they intend to address the unique underserved communities within their territories.

*Option 2: Cons*

1. Having each PA propose its own definition could create confusion.
2. There could be inconsistency in how programs are categorized for the equity segment.
3. Could present challenges to Energy Division and stakeholders to compare inconsistent categories across the various PAs when assessing the energy efficiency portfolios.
4. Would likely require the PAs to recategorize their programs after the Commission rules on what should be the definition of ‘underserved.’

1. D.21-05-031 “EE Potential & Goals and Portfolio Approval & Oversight”. May 20, 2021. <https://www.caeecc.org/cpuc-documents> [↑](#footnote-ref-1)
2. Ibid. Page 14 [↑](#footnote-ref-2)
3. Ibid. Page 15, “We also clarify that the “equity” category is distinct from our separate low-income energy efficiency Energy Savings Assistance (ESA) programs, which have separate goals and regulatory treatment. While there is some overlap in customers within the target segments, the “equity” category is intended to be defined within the energy efficiency programs covered in this rulemaking that are not specifically targeting low-income populations with program offerings that low-income populations could receive at no cost from the ESA program.” Low-income customers are those that meet [CARE income guidelines](https://www.cpuc.ca.gov/lowincomerates/). For more background on ESA vs Equity segment eligibility, see the “Background for Eligibility Discussion” at the end of this document [↑](#footnote-ref-3)
4. D.18-05-041, Section 2.5.1, p.39. [↑](#footnote-ref-4)
5. D.18-05-041, p.48 [↑](#footnote-ref-5)
6. *CPUC Environmental and Social Justice Action Plan.* V1, February 21, 2019. Page 9. Available at <https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan> [↑](#footnote-ref-6)