## AMENDED IN SENATE MAY 6, 2025 AMENDED IN SENATE APRIL 2, 2025

## **SENATE BILL**

No. 647

## **Introduced by Senator Hurtado**

February 20, 2025

An act to amend Sections 381.5, 382, 382.1, and 2790 Section 382.1 of, and to add Sections 383 and 2790.1 to, and repeal Section 383 of, the Public Utilities Code, relating to energy.

## LEGISLATIVE COUNSEL'S DIGEST

SB 647, as amended, Hurtado. Low-income energy assistance programs: equitable building decarbonization program. Low-Income Oversight Board: membership: assessment: energy efficiency incentives.

Existing law vests the Public Utilities Commission (PUC) with regulatory authority over public utilities, including electrical corporations and gas corporations. Under existing law, the PUC supervises certain rate assistance and energy efficiency programs administered by electrical corporations and gas corporations, or administered by third-party administrators on their behalf. Existing law states the intent of the Legislature to protect and strengthen the current network of community service providers by, among other things, directing that any evaluation of the effectiveness of the low-income energy efficiency programs be based not solely on cost criteria, but also on the degree to which the provision of services allows maximum program accessibility to quality programs to low-income communities by entities that have demonstrated performance in effectively delivering services to the communities.

This bill would instead state that it is intent of the Legislature to protect and strengthen the current network of community-based

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organizations by directing that any evaluation of the effectiveness of the low-income energy efficiency programs be based not solely on cost criteria, but also on specified factors, including, among other things, whether the program combines energy upgrades, electrification, and health improvements or coordinates with other initiatives, the delivery of measurable cost reductions, improved health and safety outcomes, and equitable access for underserved communities, and the degree to which the provision of services allows maximum program accessibility to quality programs to low-income communities by entities that have demonstrated performance in effectively delivering services to the communities, as specified.

Existing law requires the PUC to ensure that all eligible low-income electricity and gas customers are given the opportunity to participate in low-income energy efficiency programs, including the Energy Savings Assistance Program, that are designed to provide long-term reductions in energy consumption at the dwelling unit, including customers occupying apartments or similar multiunit residential structures, as specified. Existing law requires *that* these programs be designed to provide long-term reductions in energy consumption at the dwelling unit, as specified.

This bill would instead require the PUC to ensure that all eligible low-to-moderate income electricity and gas customers are given the opportunity to participate in low-to-moderate income energy efficiency programs and would also require the above-mentioned programs to increase the health and safety of individuals. The bill would require the PUC to ensure that these programs prioritize advanced upgrades including heat pumps, efficient heating, ventilation, and air-conditioning systems, and deep weatherization measures to achieve increased savings on energy costs per household.

Existing law establishes an 11-member Low-Income Oversight Board to advise the PUC on low-income electric, gas, and water customer issues, as specified.

This bill would instead require the board to advise the PUC on low-to-moderate income electric, gas, and water customer issues and would add to the Low-Income Oversight Board a member to be selected by the Executive Director of the State Energy Resources Conservation and Development Commission (Energy Commission) and a member to be selected by the Executive Director of the State Air Resources Board. The bill would require the Low-Income Oversight Board, on or before January 1, 2027, to conduct an assessment of state and

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ratepayer-funded energy-efficiency incentives provided to low-income residents and to low-to-moderate income residents, as defined, which would include, among other things, recommendations for options to address the energy assistance needs of low-to-moderate income California households with household incomes that exceed the thresholds for existing low-income programs, as provided. The bill would require the Low-Income Oversight Board to publish its final assessment on its internet website on or before July 1, 2027.

Existing law requires the Energy Commission to establish the Equitable Building Decarbonization Program, which includes a direct install program for installation of energy-efficient electric appliances, energy efficiency measures, demand flexibility measures, wiring and panel upgrades, building infrastructure upgrades, efficient air-conditioning systems, ceiling fans, and other measures for low-to-moderate income households, and a statewide incentive program for low-carbon building technologies, as specified.

This bill would require the Low-Income Oversight Board, in conjunction with the PUC and the Energy Commission, to integrate, to the extent feasible, the administration of the Energy Savings Assistance Program and the Equitable Building Decarbonization Program in order to, among other things, align program rules and objectives to climinate redundancies and simplify participation for eligible households.

The bill would require the Energy Savings Assistance Program to serve households of low-to-moderate income instead of low-income households. The bill would require the PUC to require an electrical or gas corporation to appoint a program administrator, with specified qualifications, for purposes of the Energy Savings Assistance Program, as provided. The bill would require that the program administrator have certain priorities, including, among other things, reducing utility costs for customers with low-to-moderate income through energy-efficient appliances and weatherization improvements.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the PUC is a crime.

Because certain provisions of this bill would be part of the act and a violation of a PUC action implementing the bill's requirements would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

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This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes-no.

The people of the State of California do enact as follows:

SECTION 1. Section 381.5 of the Public Utilities Code is amended to read:

- 381.5. It is the intent of the Legislature to protect and strengthen the current network of community-based organizations by doing both of the following:
- (a) Directing that any evaluation of the effectiveness of the low-income energy efficiency programs shall be based not solely on cost criteria, but also on all of the following factors:
  - (1) The clarity of the objectives.
- (2) The delivery of measurable cost reductions, improved health and safety outcomes, and equitable access for underserved communities.
- (3) Whether the program combines energy upgrades, electrification, and health improvements or coordinates with other initiatives.
  - (4) The strength of stakeholder engagement.
- (5) Whether the outreach of the program is effective, the enrollment simple, how the program eliminates barriers, and how the program uses data to target underserved populations.
- (6) The clarity of the metrics used by the program, including whether the program tracks and shares meaningful outcomes, including energy savings, health improvement outcomes, or cost reductions.
- (7) The quality of workforce development, including whether the program creates local jobs or results in investments in a trained, diverse workforce.
- (8) The degree to which the provision of services allows maximum program accessibility to quality programs to low-income communities by entities that have demonstrated performance in effectively delivering services to the communities.
- (b) Ensuring that high quality, low-income energy efficiency programs are delivered to the maximum number of eligible participants at a reasonable cost.

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SEC. 2. Section 382 of the Public Utilities Code is amended to read:

- 382. (a) Programs provided to customers of low-to-moderate income, including, but not limited to, targeted energy-efficiency services and the California Alternate Rates for Energy program, shall be funded at not less than 1996 authorized levels based on an assessment of customer need.
- (b) In order to meet legitimate needs of electric and gas eustomers who are unable to pay their electric and gas bills and who satisfy eligibility criteria for assistance, recognizing that electricity is a basic necessity, and that all residents of the state should be able to afford essential electricity and gas supplies, the commission shall ensure that ratepayers of low-to-moderate income are not jeopardized or overburdened by monthly energy expenditures. Energy expenditure may be reduced through the establishment of different rates for ratepayers of low-to-moderate income, different levels of rate assistance, and energy efficiency programs.
- (c) Nothing in this section shall be construed to prohibit electric and gas providers from offering any special rate or program for ratepayers of low-to-moderate income that is not specifically required in this section.
- (d) Beginning in 2002, an assessment of the needs of electricity and gas ratepayers of low-to-moderate income shall be conducted periodically by the commission with the assistance of the Low-Income Oversight Board. A periodic assessment shall be made not less often than every third year. The assessment shall evaluate program implementation for households of low-to-moderate income and the effectiveness of weatherization services and energy efficiency measures in households of low-to-moderate income. The assessment shall consider whether existing programs adequately address low-to-moderate income electricity and gas customers' energy expenditures, hardship, language needs, and economic burdens.
- (e) (1) The commission shall ensure that all eligible electricity and gas customers of low-to-moderate income are given the opportunity to participate in energy efficiency programs for households of low-to-moderate income, including customers occupying apartments or similar multiunit residential structures. The commission, electrical corporations, and gas corporations

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shall make all reasonable efforts to coordinate ratepayer-funded
 programs with other energy conservation and efficiency programs
 and to obtain additional federal funding to support actions
 undertaken pursuant to this subdivision.

- (2) The programs described in paragraph (1) shall be designed to do both of the following:
- (A) Provide long-term reductions in energy consumption at the dwelling unit, based on an audit or assessment of the dwelling unit, that may include improved insulation, energy efficient appliances, measures that utilize solar energy, and other improvements to the physical structure.
  - (B) Increase the health and safety of individuals.
- (3) The commission shall ensure that the programs described in paragraph (1) prioritize advanced upgrades, including heat pumps, efficient heating, ventilation, and air-conditioning systems, and deep weatherization measures to achieve increased savings on energy costs per household.
- (f) The commission shall allocate funds necessary to meet the low-to-moderate income objectives in this section.
- (g) For purposes of this section, "low-to-moderate income" has the same meaning as defined in Section 25665 of the Public Resources Code.

SEC. 3.

- SECTION 1. Section 382.1 of the Public Utilities Code is amended to read:
- 382.1. (a) There is hereby established a Low-Income Oversight Board that shall advise the commission on low-to-moderate income low-income electric, gas, and water customer issues and shall serve as a liaison for the commission to—low-to-moderate income low-income ratepayers and representatives. The Low-Income Oversight Board shall replace the Low-Income Advisory Board in existence on January 1, 2000. The Low-Income Oversight Board shall do all of the following to advise the commission regarding the commission's duties:
- (1) Monitor and evaluate implementation of all programs provided to low-to-moderate income low-income electricity, gas, and water customers.
- (2) Assist in the development and analysis of any assessments of low-to-moderate income low-income customer need.

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(3) Encourage collaboration between state and utility programs for low-to-moderate income low-income electricity and gas customers to maximize the leverage of state and federal energy efficiency funds to both lower the bills and increase the comfort of low-to-moderate income low-income customers.

- (4) Provide reports to the Legislature, as requested, summarizing the assessment of need, audits, and analysis of program implementation.
- (5) Assist in streamlining the application and enrollment process of programs for low-to-moderate income low-income electricity and gas customers with general low-to-moderate income low-income programs, including, but not limited to, the Universal Lifeline Telephone Service (ULTS) program and, including compliance with Section 739.1.
- (6) Encourage the usage of the network of community-based organizations community service providers in accordance with Section 381.5.
- (b) The Low-Income Oversight Board shall comprise 13 members to be selected as follows:
- (1) Five members selected by the commission who have expertise in the low-income community and who are not affiliated with any state agency or utility group. These members shall be selected in a manner to ensure an equitable geographic distribution.
  - (2) One member selected by the Governor.
- (3) One member selected by the commission who is a commissioner or commissioner designee.
- (4) One member selected by the Department of Community Services and Development.
- (5) One member selected by the commission who is a representative of private weatherization contractors.
- (6) One member selected by the commission who is a representative of an electrical or gas corporation.
- (7) One member selected by the commission who is a representative of a water corporation.
- (8) One member selected by the *Executive Director of the* Energy—Commission who is a commissioner or commissioner designee. *Commission*.
- 38 (9) One member selected by the *Executive Director of the* State 39 Air Resources Board who is a board member or a board member 40 designee. *Board*.

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(c) The Low-Income Oversight Board shall alternate meeting locations between northern, central, and southern California.

- (d) The Low-Income Oversight Board may establish a technical advisory committee consisting of low-income service providers, utility representatives, consumer organizations, and commission staff, to assist the board and may request utility representatives and commission staff to assist the technical advisory committee.
- (e) The commission shall do all of the following in conjunction with the board:
- (1) Work with the board, interested parties, and community-based organizations to increase participation in programs for low-to-moderate income low-income customers.
  - (2) Provide technical support to the board.
- (3) Ensure that the energy burden of low-to-moderate income low-income electricity and gas customers is reduced.
- (4) Provide formal notice of board meetings in the commission's daily calendar.
- (f) (1) Members of the board and members of the technical advisory committee shall be eligible for compensation in accordance with state guidelines for necessary travel.
- (2) Members of the board and members of the technical advisory committee who are not salaried state service employees shall be eligible for reasonable compensation for attendance at board meetings.
- (3) All reasonable costs incurred by the board in carrying out its duties pursuant to subdivision (a), including staffing, travel, and administrative costs, shall be reimbursed through the public utilities reimbursement account and shall be part of the budget of the commission and the commission shall consult with the board in the preparation of that portion of the commission's annual proposed budget.
- (g) For purposes of this section, "low-to-moderate income" has the same meaning as defined in Section 25665 of the Public Resources Code.
  - SEC. 4.
- 36 SEC. 2. Section 383 is added to the Public Utilities Code, to 37 read:
- 38 383. The (a) On or before January 1, 2027, the Low-Income Oversight—Board, working in conjunction with the commission 40 and the Energy Commission, shall integrate the administration of

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the Energy Savings Assistance Program established pursuant to Sections 382, 2790, and 2790.1, and the Equitable Building

- 3 Decarbonization Program established pursuant to Article 5
- 4 (commencing with Section 25665) of Chapter 7.6 of Division 15
- 5 of the Public Resources Code, to the extent feasible, in order to
- 6 do all of Board shall conduct an assessment of state and
- 7 ratepayer-funded energy efficiency incentives provided to
- 8 low-income residents and to low-to-moderate income residents.
  9 The assessment shall include at least all of the following:
  - The assessment shall include at least all of the following:

    (a) Align program rules and objectives to eliminate redundance.

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- (a) Align program rules and objectives to eliminate redundancies and simplify participation for eligible households.
- (b) Streamline administrative processes to reduce overhead, enabling more efficient allocation of resources toward direct services.
- (c) Enhance service delivery by offering comprehensive energy efficiency and decarbonization solutions tailored to the needs of households in disadvantaged communities.
- (d) Leverage economies of scale to improve cost-effectiveness and maximize the impact of funding for disadvantaged communities.
- (e) Leverage the regulatory expertise of the commission and the technical expertise of the Energy Commission to ensure effective implementation and oversight.
- (f) Be modeled after successful state-level collaborations that have demonstrated effective joint administration to meet energy efficiency and equity goals.
- (g) Align the state's decarbonization and equity goals by creating unified program standards for equitable access to energy efficiency measures.
- (h) Ensure funds are prioritized for direct community investments, reducing reliance on large administrative costs.
- (i) Include ideas and information from representatives of community-based organizations, small businesses, consumer advocacy groups, and energy policy experts.
- (j) Provide recommendations to the commission and the Energy Commission on program improvements, equity considerations, and community engagement strategies.
- (k) Conduct regular reviews, audits, and performance evaluations of the administration of the programs.

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(*l*) Provide annual public reports on outcomes, challenges, and areas for improvement.

- (1) An assessment of and recommendations regarding opportunities for and barriers to improving the stacking of energy efficiency and building decarbonization incentives aimed at low-income households and owners of multifamily residences that house low-income residents.
- (2) Recommendations for options to address the energy assistance needs of low-to-moderate income California households with household incomes that exceed the thresholds for existing low-income programs.
- (3) Opportunities for energy efficiency incentives to better support the growth of small and diverse businesses that perform energy upgrades financed by those incentives.
- (4) The potential rate impacts of recommendations included in the assessment, and recommendations on opportunities to mitigate or prevent those impacts.
- (b) On or before July 1, 2027, the board shall publish its final assessment, pursuant to this section, on its internet website.
- (c) For purposes of this section, "low-to-moderate income" has the same meaning as defined in Section 25665 of the Public Resources Code.
- (d) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.
- SEC. 5. Section 2790 of the Public Utilities Code is amended to read:
- 2790. (a) The commission shall require an electrical or gas corporation to perform home weatherization services for customers of low-to-moderate income if the commission determines that a significant need for those services exists in the corporation's service territory, taking into consideration both the cost-effectiveness of the services and the policy of reducing the hardships facing households of low-to-moderate income.
- (b) (1) For purposes of this section, "weatherization" may include, where feasible, any of the following measures for any dwelling unit:
- 37 (A) Attic insulation.
- 38 (B) Caulking.
- 39 (C) Weatherstripping.
- 40 (D) Low-flow showerhead.

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(E) Waterheater blanket.

- (F) Door and building envelope repairs that reduce air infiltration.
- (2) The commission shall direct an electrical or gas corporation to provide as many of these measures as are feasible for each eligible dwelling unit with a household of low-to-moderate income.
- (c) For purposes of this section, "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 households of low-to-moderate income.
- (d) Weatherization programs shall use the needs assessment pursuant to Section 382.1 to maximize efficiency of delivery.
- (e) The commission shall not increase the authorized budgets for the Energy Savings Assistance Program based on the expansion of income eligibility made under paragraph (1).
- (f) For purposes of this section, all of the following definitions apply:
- (1) "Energy management technology" may include a product, service, or software that allows a customer to better understand and manage electricity or gas use in the customer's home.
- (2) "Low-to-moderate income" has the same meaning as defined in Section 25665 of the Public Resources Code.
- (3) "Under-resourced community" has the same meaning as defined in Section 25665 of the Public Resources Code.
- SEC. 6. Section 2790.1 is added to the Public Utilities Code, to read:
- 2790.1. (a) The commission shall require an electrical or gas corporation to appoint a program administrator for the purposes of the Energy Savings Assistance Program established pursuant to Sections 382 and 2790.
- (b) The program administrator shall meet all of the following qualifications:
- (1) Be a state-based entity, with at least 51 percent of its operations and revenue generated within the state.
- (2) Not be a subsidiary, affiliate, or extension of a multinational corporation or financial institution, including a bank, investment firm, or publicly traded company.

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(3) Hold a small business or disabled veteran business enterprise certification as recognized by the Department of General Services, with a preference for business enterprises described in Article 5 (commencing with Section 8281) of Chapter 7 of Division 4.

- (4) Demonstrate at least five years of experience delivering services in under-resourced communities, with proven success in energy efficiency or decarbonization programs.
- (5) Commit to equitable workforce development, ensuring training and employment opportunities for individuals from under-resourced communities.
- (c) The program administrator shall contract with subcontractors that are nonprofit organizations or businesses that meet all of the following qualifications:
- (1) Be a state-based entity, with at least 51 percent of its operations and revenue generated within the state.
- (2) Not be a subsidiary, affiliate, or extension of a multinational corporation or financial institution, including a bank, investment firm, or publicly traded company.
- (3) Hold a small business or disabled veteran business enterprise certification as recognized by the Department of General Services, with a preference for business enterprises described in Article 5 (commencing with Section 8281) of Chapter 7 of Division 4, or be a nonprofit organization.
- (4) Demonstrate at least five years of experience delivering services in under-resourced communities, with proven success in energy efficiency or decarbonization programs.
- (5) Commit to equitable workforce development, ensuring training and employment opportunities for individuals from under-resourced communities.
- (d) The subcontractors shall perform functions, including, but not limited to, all of the following:
- (1) Design programs that are culturally relevant and meet specific community needs.
- (2) Conduct outreach to effectively engage residents and encourage participation.
  - (3) Implement services using local knowledge and resources.
- 37 (4) Provide feedback to continuously improve program 38 effectiveness.

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(5) Expand economic opportunities for businesses in under-resourced communities and ensure local hiring and opportunities.

- (e) The program administrator and subcontractors shall implement a workforce development component that includes all of the following:
- (1) Prioritizing the hiring of local workers, with a preference for local workers from under-resourced communities.
- (2) Partnering with local workforce boards, community colleges, and apprenticeship programs to create career pathways.
- (3) Establishing a job placement and retention program to connect trained individuals with permanent employment.
- (4) Providing grants and incentives to small businesses and local contractors that commit to hiring and training workers from under-resourced communities.
- (f) The program administrator shall prioritize all of the following:
- (1) Reducing utility costs for customers with low-to-moderate income through energy-efficient appliances and weatherization improvements at minimal or no cost.
- (2) Improving health outcomes by enhancing indoor air quality through cleaner technologies and better ventilation systems.
- (3) Defining affordability as reducing household energy expenses to a sustainable level relative to income, considering regional cost variations and family size.
- (4) Conducting periodic affordability assessments to ensure evolving household needs are met.
- (5) Including public reporting on affordability outcomes and independent audits to verify cost reductions.
- (g) For purposes of this section, both of the following definitions apply:
- (1) "Low-to-moderate income" has the same meaning as defined in Section 25665 of the Public Resources Code.
- (2) "Under-resourced community" has the same meaning as defined in Section 25665 of the Public Resources Code.
- SEC. 7. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty

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- for a crime or infraction, within the meaning of Section 17556 of
- the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California
- 4 Constitution.