*Overarching Approach*

As part of setting clear objectives and metrics, it is first important to ensure that members of the Equity Metrics Working Group (EMWG) agree on the fundamental focus of the Equity Segment. From this shared understanding, we can draft proposed objectives and metrics.

The objective and metrics that NRDC drafted below stem from the intention to serve hard-to-reach and/or underserved customers and disadvantaged communities to advance the state’s equity goals, which include strategies such as removing barriers to program participation, reducing energy burden, and other approaches to specifically reach these communities often left behind. The state’s equity goals have been articulated in Senate Bill (SB) 350[[1]](#footnote-2) and the Low-Income Barriers Study,[[2]](#footnote-3) as well as the CPUC’s Environmental and Social Justice (ESJ) Action Plan.[[3]](#footnote-4) In addition, NRDC’s proposed objective and metrics align with the state’s climate goals to reduce harmful climate emissions, such as articulated in Senate Bill 32[[4]](#footnote-5) to reduce greenhouse gas (GHG) emissions and Executive Order B-55-18 to achieve carbon neutrality.[[5]](#footnote-6)

*Guiding Principles*

The Market Segment Working Group drafted a set of overarching principles that are important to consider when developing objectives and metrics. The draft proposal for overarching principles is provided in Attachment A. An updated version of the principles will be discussed at the 9/14 Equity Metrics Working Group meeting.

One recommendation from a member was to include a process by which PAs could add/refine metrics over time. For example, we could integrate a review to assess relevance of metrics over time as part of the CAEECC meetings that will be used to assess progress of portfolio implementation.

*Program Best Practices*

In order to successfully design equitable programs to achieve the proposed objective below, NRDC recommends that the EMWG align on general program best practices that would inform the program design for the suite of Equity Segment programs overseen by the PAs. A number of these best practices were derived from the original proposals for various objectives and/or metrics. Progress toward the following items would be reported on in the forthcoming program implementation plans (IPs) and/or via annual reporting to enable Energy Division and stakeholders to track progress, but would not have numeric targets:

1. **Engage communities** and community-based organizations to identify prioritized needs and to inform program design.
2. **Prioritize customers and communities** in greatest need (e.g., economic hardship/energy burden, heat-wave impact, pandemic impact, etc.), which should be identified in collaboration with community partners. Such prioritization should not exclude customers or communities that are generally eligible to participate in Equity Segment programs but may not meet the criteria to be included in the prioritization categories.
3. **Support concurrent equity efforts**, such as those that align with related Social Determinants of Health (e.g., physical environment).
4. **Advance climate resiliency** (e.g., keeping indoors cool during heatwaves and ensuring tight building shell to protect from wildfire smoke and flooding).
5. **Align with local grid reliability needs** (e.g., focus efforts that reduce energy usage at critical times and locations).

Note: There were also comments from the workshop that programs should:

1. Help people manage their energy better; understand their energy bill
2. Address potential piecemeal offerings to ensure comprehensiveness/stack incentives & programs
3. Consider issues like: lack access to capital, digital divide, etc.
4. Explore innovative outreach strategies
5. Focus on a community-wide solution

There were also notes that program participants should do a customer satisfaction survey along with other methods to ensure accountability/transparency.

In addition, a number of folks raised the need to rely on community-based organizations (CBOs) and also ensure program delivery, while focused on the customers, should leverage trusted entities to increase likelihood of participation. Another idea was to set targets & incentives for suppliers that motivates them to serve those most in need.

*Outline of Definitions & Proposal to Define “Underserved”*

While there are specific definitions for Hard-to-Reach[[6]](#footnote-7) and Disadvantaged Communities,[[7]](#footnote-8) there continues to be the question of how to define “underserved.”

Note: From the workshop, we need to define was ‘served’ looks like before we can figure out who is underserved.

One option discussed at the 8/18/21 EMWG meeting is to use the CPUC’s Environmental and Social Justice Action Plan definition.[[8]](#footnote-9) The ESJ Action plan identified ESJ communities as underserved and would include the following:

1. Predominantly communities of color or low-income.
2. Underrepresented in the policy setting or decision-making process.
3. Subject to a disproportionate impact from one or more environmental hazards.
4. Likely to experience disparate implementation of environmental regulations and socio-economic investments in their communities.[[9]](#footnote-10)

This would include, but not be limited to:

1. Disadvantage Communities located in the top 25% of communities identified by Cal EPA’s CalEnviroScreen.[[10]](#footnote-11)
2. All Tribal lands.
3. Low-income households.[[11]](#footnote-12)
4. Low-income census tracts.[[12]](#footnote-13)

However, even with the addition of the ESJ definition, members and stakeholders continue to be concerned that certain communities or individuals will be left out (e.g., renters, housing type, Black customers/workers, undocumented customers/workers, non-English speakers, isolated/remote communities, seniors, public agencies/facilities, those with barriers to employment, etc.). In addition, other members referenced the need to define various customer types, such as socially disadvantaged farmers (e.g., via AB 1348[[13]](#footnote-14)) and small business (e.g., via the Department of General Services Certification Programs[[14]](#footnote-15)).

Participants in the 8/31 equity workshop also highlighted that some customers will be left behind not because they don’t fit into one of the defined categories, but rather because of ongoing systemic racism that continues to influence where funding is invested and how programs are designed. Others highlighted that some groups that have been marginalized, left out, or otherwise negatively impacted by government programs in the past may lack trust in government programs and therefore continue to be left out. Another reason that customers who are eligible may still be left out is because people’s homes need additional repairs prior to being able to participate in energy efficiency or electrification programs (e.g., upgrading electrical panels, fixing holes in the wall, etc.) Finally, one participant highlighted that the number of people who choose to decline to participate in the ESA program would also be left behind if there were no alternative approaches that may be more appealing. These factors will need to be considered in program design and highlight the importance of community engagement to ensure programs are meeting the needs of communities.

NRDC proposes that “underserved” be defined in line with the ESJ Action Plan. This definition includes what NRDC would consider middle income (i.e., customers that fall below 80% of Area of Median Income[[15]](#footnote-16)). However, since there are extensive nuances and a great need to reach a wide variety of customers, we also propose that if PAs identify additional potential customers, participants, or communities that do not fall under these three definitions (e.g., a school in a location that does not meet any definition but the students who attend would meet eligibility requirements), they could then propose inclusion of additional groups in their February program application filings with an associated rationale for the Commission to decide. There should also be a process by which additional customers could be identified for services over the portfolio period to ensure there is flexibility for PAs and implementers to serve different types of customers that may not have been identified at the time of the February 2022 filing.

*Proposed Objective and Metrics*

We provide the original Commission language that informed the development of the following objective. The Equity Segment would be comprised of:

*“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*.”[[16]](#footnote-17)

Based on the context provided above, and in consultation with a variety of members plus consideration of the 8/31 equity workshop brainstorming session, NRDC proposes the following objective and number of metrics.

|  |  |
| --- | --- |
| ***Focus of Programs and Benefits***  | **Hard-to-reach, disadvantaged, and/or underserved individuals/workers, households, businesses, and communities.** |
| ***Proposed Objective (to be measured at the segment level)*** | **Improve access to energy efficiency programs that drive/yield/provide energy, climate, and non-energy benefits as well as provide for economic growth opportunities.** **Alternative: Improve access to energy efficiency programs that drive/yield/provide energy, climate, environmental, and non-energy benefits, provide for economic growth opportunities, and actively engage relevant community-based organizations.****Note on “Economic Opportunities”:**Note: economic growth opportunities could be (a) programs that are specifically designed to advance opportunities for disadvantaged/BIPOC workers or similar organizations/companies OR (b) integrated within programs that fit squarely in this segment (e.g., program design included targeted hire provision).The EMWG will need to grapple with (1) whether programs that support the market AND are targeted specifically to this population, should be in equity or market support segment and (2) whether programs should focus solely on the customer/participant/community or also on those that provide services (e.g., workers and organizations/companies). However, there is still room for programs that fit squarely in the equity segment to be designed such that they support economic opportunities and therefore NRDC proposes to include this generic language in the objective.Member Comment: Include economic opportunity, but perhaps with more targeted language (this needs a follow-up discussion) |
| ***Example Outcomes*** | \*Reminder that not all programs need to ensure all outcomes are met. We would also not expect that all programs would have energy benefits. Some may have zero or negative savings\*1. Lower energy used and/or more efficient use of energy to provide services (e.g., heating, cooling, cooking, etc.).
2. Reduced greenhouse gas emissions and/or criteria air pollutant emissions.
3. Greater comfort (e.g., reduced noise or drafts).
4. Improved health/safety (e.g., safe appliances, reduced mold/improved ventilation, improved lighting, better indoor and local outdoor air quality, safer internal temperatures, etc.).
5. Lower costs (e.g., lower energy bills).
6. Increased job/career opportunities for BIPOC[[17]](#footnote-18) and/or disadvantaged workers[[18]](#footnote-19) as well as organizations that are BIPOC or women-owned, or other disadvantaged business enterprises (DBE) or workers.
 |
| ***Example Activities*** | 1. Targeted marketing and outreach campaigns to educate and facilitate enrollment into a "resource acquisition" program within DACs
2. No cost installation of EE measures at a HTR small business
3. Education of young students in HTR households about benefits of reducing energy at home
4. Park lighting retrofit in a DAC community
5. Equity program to educate or support equity-priority communities so that they understand their bill; understand what they can do in their home or business to save energy; and/or know how to take advantage of program opportunities so that they can participate in traditional RA offerings
6. Equity program to build partnerships with housing authorities or CBOs to reach out and serve equity-priority communities. Or build partnerships with DAC communities to increase energy efficiency in a community
7. Equity program that provides access to capital specifically (and only) for equity priority communities
8. Equity program to fund projects such as an energy efficient cooling center in an equity-priority community
 |
| The following metrics apply to all sectors (e.g., residential, commercial, agriculture, industrial) unless otherwise noted. In addition, metrics should:1. Be measurable (i.e., there is an agreed-upon methodology, the data is available, and/or a data collection/methodology plan could be developed in a timely manner).
2. Directly assess progress toward the related objective
3. Be unique to the equity segment
4. Align with the Market Support and Resource Acquisition segments, if similar and if appropriate

Additional CPUC Metric-Setting Principles to be considered when identifying metrics.1. Be used and useful by program administrators to manage their portfolio
2. Be timely
3. Rely on data used in program implementation
4. Be simple to understand and clear of any subjectivity
5. Be output-based
6. Have a readily interpretable meaning, with context added, if needed
7. Not be a replacement for evaluation, measurement, and verification (EM&V)
8. Have longevity

*Source: 2017 ALJ Ruling Seeking Comments on Business Plan Metrics, page 3, posted to CAEECC meeting page* |
| ***Metrics***Do we want to categorize/group the metrics?Member Comment: We would like to see groupings – specifically for non-energy benefits…but also to make sure we aren’t asking for multiple measurements of the SAME thing unless two measurements together are needed to understand the value (e.g., numbers touched and increase in awareness). If it’s too difficult, not required. | 1. Energy Burden or Energy Poverty
	1. Expected bill savings [*Note: intent is to ensure relevant programs are designed for deep energy savings to help the participant directly save money. Calcs would be prospective and compared to baseline conditions to focus upgrades on the most impactful measures/strategies]*
	2. Affordability ratio[[19]](#footnote-20)
 |
| 1. Percent of equity segment customers served/total # customers by target participant (e.g., res, small/medium business, etc.)
 |
| 1. # of Disadvantaged Workers employed
 |
| 1. # of BIPOC/diverse/women-owner/DBE organizations contracted with to provide energy efficiency services
 |
| 1. Health
2. Indoor air quality
3. Outdoor air quality (e.g., reduction in emissions from gas combustion appliances that vent to nearby outdoor air)
4. Reduction in mold
 |
| 1. Comfort
2. Reduced drafts
3. Quieter interior
4. Managed interior temperature (e.g., cool during heatwave, warm during cold spell)
 |
| 1. Safety
 |
| Other metrics? * 1. community engagement metric (depending on earlier discussion)
	2. mental health
	3. number of shutoffs
 |
| ***Indicators****Items to track but not to identify numeric metrics and targets at this time.* | 1. Benefits per $, in terms of a) energy savings, and b) GHG reductions.
2. Benefits per dollar spent in terms of GHG emission reductions – “climate benefits”
3. Put some/all of the best practices here? (e.g., community engagement, SDOH)
 |

1. <https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160SB350> [↑](#footnote-ref-2)
2. <https://www.energyefficiencyforall.org/resources/low-income-barriers-study-part-a/> [↑](#footnote-ref-3)
3. [ESJ Action Plan](https://4930400d-24b5-474c-9a16-0109dd2d06d3.filesusr.com/ugd/849f65_81888b42d3294013be6b8fcb9ac74847.pdf) and overview here: <https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan> [↑](#footnote-ref-4)
4. <https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB32> [↑](#footnote-ref-5)
5. <https://www.ca.gov/archive/gov39/wp-content/uploads/2018/09/9.10.18-Executive-Order.pdf> [↑](#footnote-ref-6)
6. D.18-05-041 Section 2.5.2, p.4.1 [↑](#footnote-ref-7)
7. SB 350, as referenced in D.18-05-041 Section 2.5.1, p.39. [↑](#footnote-ref-8)
8. [ESJ Action Plan](https://4930400d-24b5-474c-9a16-0109dd2d06d3.filesusr.com/ugd/849f65_81888b42d3294013be6b8fcb9ac74847.pdf), p.9. [↑](#footnote-ref-9)
9. Government Code section 65040.12.e: <https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=65040.12>. “For purposes of this section, “environmental justice” means the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies. (2) “Environmental justice” includes, but is not limited to, all of the following: (A) The availability of a healthy environment for all people. (B) The deterrence, reduction, and elimination of pollution burdens for populations and communities experiencing the adverse effects of that pollution, so that the effects of the pollution are not disproportionately borne by those populations and communities. (C) Governmental entities engaging and providing technical assistance to populations and communities most impacted by pollution to promote their meaningful participation in all phases of the environmental and land use decisionmaking process. (D) At a minimum, the meaningful consideration of recommendations from populations and communities most impacted by pollution into environmental and land use decisions. [↑](#footnote-ref-10)
10. https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-3.0. [↑](#footnote-ref-11)
11. Household incomes below 80 percent of the area median income.Note: (ESAP) defines low-income, which is capped at 200% Federal Poverty Level (FPL). [↑](#footnote-ref-12)
12. Census tracts with household incomes less than 80 percent area or state median income. [↑](#footnote-ref-13)
13. Farmers or ranchers who are members of a “socially disadvantaged group,” which means a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups include all of the following: African Americans, Native Indians, Alaskan Natives, Hispanics, Asian Americans, Native Hawaiians and Pacific Islanders. <https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1348> [↑](#footnote-ref-14)
14. California Department of General Services definition of “small business” uses the following criteria (1) Be independently owned and operated; (2) Not dominant in field of operation; (3) Principal office located in California; (4) Owners (officers, if a corporation) domiciled in California; and (5) Including affiliates, be either: (i) A business with 100 or fewer employees; (ii) An average annual gross receipts of $15 million or less, over the last three tax years; (iii) A manufacturer with 100 or fewer employees; or (iv) A microbusiness. A small business will automatically be designated as a microbusiness, if gross annual receipts are less than $3,500,000 or the small business is a manufacturer with 25 or fewer employees. [↑](#footnote-ref-15)
15. <https://www.huduser.gov/portal/datasets/il.html> [↑](#footnote-ref-16)
16. D.21-05-031, p14. [↑](#footnote-ref-17)
17. Black, Indigenous, and people of color. [↑](#footnote-ref-18)
18. D.19-08-006, Attachment B, p.6:“Disadvantaged Worker” means a worker that meets at least one of the following criteria: lives in a household where total income is below 50 percent of Area Median Income; is a recipient of public assistance; lacks a high school diploma or GED; has previous history of incarceration lasting one year or more following a conviction under the criminal justice system; is a custodial single parent; is chronically unemployed; has been aged out or emancipated from the foster care system; has limited English proficiency; or lives in a high unemployment ZIP code that is in the top 25 percent of only the unemployment indicator of the CalEnviroScreen Tool. [↑](#footnote-ref-19)
19. D.20-07-032, p.15; <https://docs.cpuc.ca.gov/DecisionsSearchForm.aspx> [↑](#footnote-ref-20)