

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 22, 2020

Advice Letter 5438-G-A

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

**SUBJECT: Implementation of Split Incentives Agreement for the San Joaquin Valley
Disadvantaged Community Pilot Projects Pursuant to Decision 18-12-015.**

Dear Mr. van der Leeden:

Advice Letter 5438-G-A is approved as of April 16, 2020, per resolution E-5043 Ordering Paragraphs.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

March 18, 2019

Advice 3969-E
(Southern California Edison Company U 338-E)

Advice 4076-G/5497-E
(Pacific Gas and Electric Company –U 39 M)

Advice 5438
(Southern California Gas Company – U 904-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Implementation of Split Incentives Agreement for the San
Joaquin Valley Disadvantaged Community Pilot Projects
Pursuant to Decision 18-12-015

PURPOSE

Pursuant to California Public Utilities Commission (Commission or CPUC) Decision (D.) 18-12-015 (Decision), Southern California Edison Company (SCE) on behalf of Pacific Gas and Electric Company (PG&E), and Southern California Gas Company (SoCalGas), (collectively the Utilities) respectfully submits this Advice Letter (AL) to implement a Split Incentives (Tenant Protection) agreement for the Utilities' San Joaquin Valley Disadvantaged Community Pilot Projects (SJV Pilots).

BACKGROUND AND DISCUSSION

On December 19, 2018, the Commission issued Decision (D.)18-12-015 approving the SJV Pilots. The Decision approves \$56.4 million for pilot projects in 11 San Joaquin Valley communities¹. The Decision outlines approval for electrification and natural gas pilot projects and provisions for a Community Energy Navigator (CEN), Bill Protection elements, and Split Incentives agreement. One of the main objectives of the pilots, among other things, is for all households, including tenant-occupied households to achieve bill savings as a result of pilot participation and participants should not be adversely affected. To accomplish this, the Utilities are ordered in Ordering Paragraph

¹ D.18-12-015, p.66, Table 24

(OP) 15(e) of D.18-12-015 to file a Tier 2 Split Incentives Advice Letter within 45 days from the Split Incentives Workshop that describes and appends the Split-Incentives agreement that they will use in the pilot projects².

The Utilities convened a Split Incentives Workshop on January 30, 2019 to provide an opportunity to present proposals and solicit stakeholder feedback on various approaches to structuring an agreement between tenants who are pilot participants and owners so that tenants do not experience unintended harm (e.g. rent increases or eviction) due to pilot participation. Grid Alternatives presented a Split Incentives proposal and discussed use of affidavits in the Solar Multifamily Housing (SOMAH) Program whereby owners sign an affidavit agreeing to not increase rents or evict the tenant during a specified timeline.

A follow-up conference call to the January 30th Split Incentives Workshop was held on February 26, 2019 to discuss the content and structure of the Utilities' proposed Split Incentives Agreement between Owner and Tenant (Agreement), monitoring of said Agreement, and administrative activities related to the Agreement. The Utilities' proposal includes the use of a third party to administer its proposed Agreement as the Commission recognizes that the Utilities lack the authority to monitor and enforce such rental agreements and have allowed the Utilities to consider third party administration of these Agreements stemming from the pilot.³ The Agreement will specify tenant protections including owners' agreement that they will not increase rents beyond a specific percentage annually nor evict the tenant as a result of home improvements.

The Utilities' proposal reflects feedback from both the Split Incentives Workshop and follow-up conference call and considers third party administration of the Agreement. Third party administration of the proposed Agreement may reasonably be considered within the scope of work for the selection of a CEN at a minimal incremental cost to the total CEN budget as it aligns with one of the main duties of the CEN; to perform community outreach to support each stage of the pilot process.

Given the work to obtain relevant feedback on this important topic, the Utilities have not had the opportunity to finalize and attach a draft Agreement. The Utilities request additional time to finalize a draft Agreement and propose to amend this Advice Letter to include a draft Agreement within 45 days of this letter, or by May 2, 2019, re-opening the protest period.

UTILITIES' SPLIT INCENTIVES PROPOSAL

The Utilities' Split Incentive proposal includes an Agreement for tenant protections along with completion of other forms upon pilot enrollment. Administration of the Agreement,

² D.18-12-015, p. 166

³ *Ibid*, p. 86

monitoring, data collection, and reporting will be performed by a third party administrator, likely the CEN or its subcontractor, for cost effectiveness.

Split Incentive Affidavit - Agreement between Owner and Tenant

Residents who are prospective pilot participants and reside in tenant-occupied households and the owner of the property will sign the affidavit and enter into an Agreement upon pilot enrollment. This Agreement will document, among other specifics, the tenant's current rental rate, the date and amount of their most recent rental increase, the existence of any rental agreement currently in place between owner and tenant, as well as clearly establishing restrictions on rental increases and evictions for the five years following pilot implementation⁴.

The Agreement will limit annual rental increases to no more than a specified percentage of the average annual current rental rate increase⁵ by pilot community. The Agreement will further state that an owner shall not evict tenants for the five-year monitoring period that the Agreement is in effect, except for just cause and for matters demonstrably unrelated to the SJV Pilot improvements performed. Legitimate causes for eviction includes - but are not limited to – the following:

1. Non-payment of rent
2. Lease violation
3. Property damage
4. Health and safety violation
5. Owner (or immediate family member) re-occupies unit

If an existing rental agreement is currently in place between the tenant and owner prior to participation in the SJV Pilot that addresses rental increases or evictions, the Agreement will not supersede the existing rental agreement. However, documentation of the existing rental agreement will be required.

The Agreement between the owner and tenant demonstrates that the owner agrees to and assures limited rent increases, if any, and would not evict as a result of pilot participation. The Agreement will identify that the Tenant is an intended third-party beneficiary of the SJV Pilot, in accordance with California Civil Code section 1559, which states, "A contract, made expressly for the benefit of a third person, may be enforced by him at any time before the parties thereto rescind it."

⁴ D.18-12-015 (p.86) "requires pilot administrators to seek assurances from property owners that they will not significantly increase rents or evict tenants as a result of home improvements for at least five years following completion of pilot appliance installations."

⁵ Utilities propose to use community-specific average annual increase as a limit. This community-specific average annual increase will be a task in the solicitation for the third party administrator.

Participation in any of the SJV Pilots is optional, therefore in the event an owner does not agree to sign the Agreement, their respective tenant would not qualify to participate in any of the SJV Pilots.

Administration of the Agreement

Signatories of the Agreement are the owner, tenant, and a third party likely the CEN or its subcontractor (otherwise referred to as “Agency” herein) as a party on behalf of the SJV Pilot Administrator (PA) and/or Utilities. All three parties (owner, tenant, and Agency) will receive a signed copy of the Agreement. The Agency will provide advice and information to the parties, as it relates to the terms agreed to in the Agreement, and support the execution of the Agreement. The Agency’s role is to conduct customer outreach and coordinate with residents and property owners of the SJV Pilot communities to support pilot implementation including any negotiations with the owner or provide guidance needed to support tenant’s enforcement of the Agreement. The Agency may be the selected CEN working on behalf of the PA to leverage their work in the communities to explain and educate both the tenants and owners on the requirements for pilot participation.

Monitoring Rent Increases

Monitoring activities will occur over the five-year monitoring period:

- Owners participating in the SJV Pilot will report current rental rates, including any rental increases, once every twelve months to the Agency. Provisions for the Agency’s monitoring activities will be provided in the executed contract between the Utility and the Agency.
- The Agency will also provide contact information and educate tenants on how to report rent increases or eviction proceedings to the Agency in between annual owner notifications during the five-year monitoring period.

The Agency will establish and document the pre-implementation rental amount for each dwelling during the pilot enrollment period and use this data to establish a market baseline rent for each dwelling. The Agency will also collect and document the existence of any pre-existing lease or rental agreement governing rent increases or eviction terms during the enrollment process. This is required to establish whether any rent increase may be allowed under pre-existing agreements unrelated to the SJV Pilot.

Monitoring Evictions

The Agency will monitor and record the number of evictions due to anticipated property sales or other reasons for the five-year monitoring period through correspondences with tenants and owners. During its annual owner notification, the Agency will document any planned property sales and any tenant changes through movement and/or evictions.

Enforcement

The Agency will be the administrator of the Agreement as witnessed by the Agency and signed by the owner and tenant. As stated in the monitoring section, the Agency will monitor rent increases and evictions and will investigate all concerns and complaints regarding rent increases and evictions initiated by tenants as it relates to SJV Pilot participation. The Agency will support the tenant to uphold and enforce the Agreement in an advisory role including, but not limited to:

- Recording tenant complaint and interviewing tenant;
- Conducting owner interviews;
- Arranging a negotiation session between the owner and tenant as necessary;
- Providing advice and information regarding escalation or judicial processes to enforce the Agreement.

Enforcement of the Agreement rests upon the tenant. Should there be any breach of the Agreement that cannot be resolved by the Agency as the administrator of the Agreement, the parties to the Agreement (tenant and owner) have the right to seek all available remedies in a court of law.

Data Collected

Data to be collected and maintained by the Agency throughout the five-year monitoring period includes, but is not limited to, the following:

Upon Enrollment:

- Current Rent
- Date and amount of last rental increase
- The existence of any pre-existing lease/rental agreements between current tenant and owner

Annually:

- Current Rent
- Property Improvements
- Major Repairs
- Tenant Moved
- Tenant Evicted for Cause (list reason, including property sale)
- Property Sold/Sale Planned

The rent increases and eviction information collected during the pilot phase will be anonymized and be subject to applicable data privacy rules and used to inform the economic feasibility and possible pilot scaling for Phase III of this Rulemaking.

The Agency will also be responsible for establishing a reasonable cost of living increase in the local area to help determine what would be an acceptable rent increase. This cost of living increase will then be compared with the limit on rental increases specified in the

Agreement and if necessary, the Agreement may be revised accordingly for new SJV Pilot participants.

The Agency will maintain the data in a cost-effective database⁶ to manage pilot participants and to support Agency reporting as required by its contract with the Utilities.

Reporting

The Agency will submit an annual report to the Utilities⁷. The report will include but may not be limited to the following:

- Number of issues related to rent increases identified throughout the year;
- Number of issues related to evictions initiated by tenants;
- Number of issues resolved via negotiation process;
- Number of issues requiring referral to the legal system for resolution;
- Number of owners who were invited to participate in the pilot;
- Number of owners who declined to participate in the pilot.

The Agency will closely monitor owner participation and any inquires or reluctance to participate in the SJV Pilot during the first twelve months of pilot implementation to determine if the tenant protection requirements as specified in the Agreement may be a deterrent to owner participation. This information may be used to augment the Agreement or inform future Split Incentive Agreement development.

Pilot Budget Impacts

Development of the Agreement to establish terms between tenant and owner to protect tenants can be accomplished within the Utilities' respective pilot budgets. However, as mentioned above, administration and monitoring of the Agreement and reporting can be cost effectively integrated into the scope of work for the CEN at a minimal or no incremental cost. The Utilities propose to incorporate the administration, monitoring, and reporting of the Agreement for the SJV Pilots for a period of five years in the scope of work for the CEN with the expectation that this is minimal incremental effort for the CEN and can be accomplished within the given CEN budget allocated in the Decision⁸.

⁶ The database can be in the form of Microsoft Access or Excel files as appropriate to minimize costs.

⁷ It is expected that the Agency will be under a contract with the Utilities to perform the specified work as defined in the contract. Should the Agency be the successful CEN, then the requirements for the Agency will be defined in the contract between the CEN and the Utilities.

⁸ D.18-12-005 requires a petition for modification to request additional budget to conduct the pilots, and the deadline to file a petition is one year. However, the activities for the Split Incentives initiative may be completed over a five-seven year or longer period. PG&E and SoCalGas request a process to request a budget increase to complete work contemplated in this advice letter if this need occurs after 2019.

PROPOSED TARIFF CHANGES

No cost information is required for this advice letter. This advice letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

TIER DESIGNATION

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.2, OP 15(e) of the Decision, this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

This advice letter will become effective on April 17, 2019, the 30th calendar day after the date submitted.

PROTESTS

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this advice letter, which is April 8, 2019. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: edtariffunit@cpuc.ca.gov

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission:

For SCE:
Gary A. Stern, PhD.
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Telephone (626) 302-9645
Facsimile: (626) 302-6396
E-mail: AdviceTariffManager@sce.com

Laura Genao
Managing Director, State Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com

For SoCalGas:

Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-Mail: ROrtiz@semprautilities.com

For PG&E:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, CA 94177
Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

In accordance with General Rule 4 of GO 96-B, SCE is serving copies of this advice letter to the interested parties shown on the attached service lists for GO 96-B and R.15-03-010. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-4039. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by submitting and keeping the advice letter at SCE's corporate headquarters. To view other SCE advice letters submitted with the Commission, log on to SCE's web site at <https://www.sce.com/wps/portal/home/regulatory/advice-letters>.

For questions, please contact Kathy Wong at (626) 302-2327 or by electronic email at Kathy.wong@sce.com.

Southern California Edison Company

/s/ Gary A. Stern, Ph.D.
Gary A. Stern, Ph.D.

GAS:kw:jm



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ENERGY Advice Letter Keywords

Affiliate	Direct Access	Preliminary Statement
Agreements	Disconnect Service	Procurement
Agriculture	ECAC / Energy Cost Adjustment	Qualifying Facility
Avoided Cost	EOR / Enhanced Oil Recovery	Rebates
Balancing Account	Energy Charge	Refunds
Baseline	Energy Efficiency	Reliability
Bilingual	Establish Service	Re-MAT/Bio-MAT
Billings	Expand Service Area	Revenue Allocation
Bioenergy	Forms	Rule 21
Brokerage Fees	Franchise Fee / User Tax	Rules
CARE	G.O. 131-D	Section 851
CPUC Reimbursement Fee	GRC / General Rate Case	Self Generation
Capacity	Hazardous Waste	Service Area Map
Cogeneration	Increase Rates	Service Outage
Compliance	Interruptible Service	Solar
Conditions of Service	Interutility Transportation	Standby Service
Connection	LIEE / Low-Income Energy Efficiency	Storage
Conservation	LIRA / Low-Income Ratepayer Assistance	Street Lights
Consolidate Tariffs	Late Payment Charge	Surcharges
Contracts	Line Extensions	Tariffs
Core	Memorandum Account	Taxes
Credit	Metered Energy Efficiency	Text Changes
Curtable Service	Metering	Transformer
Customer Charge	Mobile Home Parks	Transition Cost
Customer Owned Generation	Name Change	Transmission Lines
Decrease Rates	Non-Core	Transportation Electrification
Demand Charge	Non-firm Service Contracts	Transportation Rates
Demand Side Fund	Nuclear	Undergrounding
Demand Side Management	Oil Pipelines	Voltage Discount
Demand Side Response	PBR / Performance Based Ratemaking	Wind Power
Deposits	Portfolio	Withdrawal of Service
Depreciation	Power Lines	