San Diego Gas & Electric Company
Southern California Edison Company
Southern California Company
Joint Response to DVC Recommendation on Prevailing Wage

Background

In May 2014, the Don Vial Center published a report[1] providing specific workforce recommendations for California utilities' energy efficiency programs. This report addresses the following recommendation:

> *Establish prevailing wage and targeted hire goal for all contractors and sub-contractors that have a direct contracting relationship with the IOUs.*[2]

In February 2015, the IOUs collectively filed an Advice Letter with a modified WE&T program PIP, in which they responded to DVC's recommendations.[3] For the prevailing wage recommendation, the modified PIP stated:

> *The IOUs will evaluate the impacts associated with implementing targeted hiring goals, prevailing wage and wage floors in the IOUs' Resource Programs. The analysis will include documentation and data illustrating how worker circumstances and program operations are impacted by targeted hiring goals and by prevailing wage, a living wage, or wage floor agreement. Perspectives from impacted stakeholders (e.g. program implementers, contracting agencies and other internal and external stakeholders) will be taken into account.*[4]

Purpose of this Report

This report comprises SDG&E's evaluation of the impacts of implementing the above recommendation.

Relevant Research

Below summarizes relevant research from several different sources.

In 2015, the Commission's consultant, Opinion Dynamics (ODC), published a report titled "Workforce Conditions Data Investigation" in which they evaluated the possibility of collecting wage and demographic data for IOU EE programs.[5] In this report, ODC cited numerous obstacles and impacts relevant to the collection and use of workforce data. Some of the relevant findings from this report include the following:

- "Electronic payroll tracking is the best method to acquire the demographic and wage information requested but investment is not justifiable for all energy efficiency programs" (page 3).
- Electronic payroll tracking "requires a long-term strategy and long-term commitment to provide the necessary resources and funding. We do not recommend that the CPUC require that

[1] Donald Vial Center on Employment in the Green Economy, Institute for Research on Labor and Employment, University of California, Berkeley; Workforce Issues and Energy Efficiency Programs A Plan for California's Utilities; May 2014.
[2] Ibid, page 12.
[3] Advice 3567-G/4592-E (PG&E); Advice 2705-E/2361-G (SDG&E); Advice 3179-E (SCE); Advice 4765-G (SCG).
[4] Ibid, Attachment 2, page 5.
[5] Opinion Dynamics, PY2013-2014 California Statewide Workforce Education and Training Program Workforce Conditions Data Investigation, December 2015. Available on http://CALMAC.org as Study ID CPU0133.01.

investment unless they have reason to believe there is a work quality or job quality issue for a specific program" (page 39).

- "Contractor interviews revealed that employers cannot provide valid demographic data for their workforce" (page 39).
- Contractors do not have the requested information for installers who are not their own employees (page 24).
- Contractors have concerns regarding the collection of sensitive wage and demographic information and require a clear explanation of why it is needed and how it would benefit the industry (page 25).
- Major concerns exist regarding the reliability of self-reported data and contractors' willingness to provide workforce data (page 26).
- Installers who work for multiple contractors may have multiple wage structures (page 25).
- "Piece-rate pay structures" are common in the industry, making a wage structure difficult to infer (page 25).
- Surveying contractors would entail response bias, data validity issues, self-selection bias, low response rates, high cost (page 37 to 38).
- Secondary wage data is readily available from government and industry databases. Sources for these are provided in the report (page 27 to 31).

As an alternative to direct detailed tracking of contractor wage practices, ODC recommended that future research could survey IOU program participants to "see how their employees' wages compare to average state or local wages."[6] The ODC study provided sources for federal and state wage data including the survey questions used to collect that data for this purpose.

Southern California Edison (SCE), in its testimony for the PY2015 to 2017 Energy Savings Assistance (ESA) Program Application, described research they conducted with contractors on the feasibility of implementing a prevailing wage requirement. Using information they requested from ESA contractors on incremental costs related to a prevailing wage initiative and various wage floors, SCE detailed some of the negative impacts reported by contractors. These included:

- Additional requirements related to reporting and tracking,
- Additional staff needed to handle paperwork,
- Increased installation costs in IOU programs,
- Substantial administrative effort and cost,
- Detailed time sheets required to be completed by field personnel which reduced productivity, and
- Increased cost for payroll services due to detailed time records needing to be recorded.

SCE concluded that "cost increases due to prevailing wages would be substantial," and wage floors would "negatively affect productivity."[7]

---

[6] Ibid, page 32.

[7] Southern California Edison, Energy Savings Assistance Program Plan and Budget Proposal for the 2015-2017 Program Cycle, SCE-02, November 2014, Page 133.

Southern California Gas company similarly researched and reported information gathered from their ESA contractors in their Low Income 2015 to 2017 Application Testimony. They reported "an estimated $80 million in increased costs associated with a prevailing wage initiative" over the three-year program cycle.[8] They further reported that contractors stated the additional costs could not be absorbed and would therefore need to be ratepayer funded.

Summary and Conclusion

In light of the above research, SDG&E believes that the impact to its energy efficiency programs from requiring wage requirements recommended by the DVC study referenced above would be severe. The impacts to SDG&E's programs would likely include reduced participation in programs and prohibitively high administrative costs leading to reduced cost effectiveness and increased burden on ratepayers with little, if any, benefit to customers.

[8] Application of Southern California Gas Company for Approval of Low-Income Assistance Programs and Budgets for Program Years 2015-2017, Prepared Direct Testimony of Mark Aguirre and Hugh Yao, November 2014, page 117.