



**FILED**

08-05-13  
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Application of Pacific Gas & Electric  
Company for Approval of 2013-2014  
Energy Efficiency Programs and Budgets  
(U39M).

Application 12-07-001  
(Filed July 2, 2012)

And Related Matters.

Application 12-07-002  
Application 12-07-003  
Application 12-07-004

**OPENING COMMENTS BY THE DIVISION OF RATEPAYER ADVOCATES  
ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE (ALJ)  
MELANIE M. DARLING – DECISION IMPLEMENTATING 2013-3014  
ENERGY EFFICIENCY PILOT PROGRAMS.**

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August 5, 2013

75471527

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## I. INTRODUCTION

The Division of Ratepayer Advocates (DRA) respectfully submits the following Opening Comments in response to the *Proposed Decision of Administrative Law Judge (ALJ) Melanie M. Darling – Decision Implementing the 2013-2014 Energy Efficiency Financing Pilot Programs*, dated June 25, 2013 (Proposed Decision or PD).<sup>1</sup> The PD authorizes up to \$57.9 million to launch the implementation of energy efficiency (EE) financing pilot programs,<sup>2</sup> a reduction from the \$75.2 million the Commission preliminarily approved for innovate EE financing pilot programs in Decision (D.)12-11-015.<sup>3</sup> The breakdown of the authorized budget is as follows:

	<b>Authorized Budget for EE Finance Pilots (in millions)</b>	<b>HBC Budget Proposal (in millions)</b>
EEFE <sup>4</sup>	\$ 5	\$5
Single Family	\$26	\$26
Multifamily	\$2.9	\$2.9
Small Business OBR w/CE & OBR Lease w/CE	\$14	\$14
Medium and Large business	\$0	\$7
Marketing	\$10	<\$20
<b>Total</b>	<b>\$57.9</b>	<b>\$64.9</b>

This budget approves the Energy Efficiency Financing Entity (EEFE or Hub), Single Family, Multifamily, and Small business budgets as proposed. It eliminates the

<sup>1</sup> *Proposed Decision of Administrative Law Judge (ALJ) Melanie M. Darling, Decision Implementing 2013-2014 Energy Efficiency Financing Pilots*, A.12-07-001, dated June 25, 2013 (referred to below as “Proposed Decision” or “PD”).

<sup>2</sup> PD, at p. 2.

<sup>3</sup> *Decision Approving 2013-2014 Energy Efficiency Program and Budgets*, November 8, 2012, at p. 67.

<sup>4</sup> PD, at p. 3 (defining EEFE as the “Energy Efficiency Financing Entity” previous referred to as the “Hub.”).

budget for large commercial businesses and reduces the marketing budget by half. Additionally, \$8 million is authorized for Information Technology (IT) upgrades related to on-bill repayment (OBR). DRA generally supports these budget allocations and provides further comments below regarding the content of the pilot, as described in the PD.

## II. DISCUSSION

### A. DRA Supports the PD's Conclusion to Forgo HBC's WHEEL Proposal.

DRA supports the PD's conclusion to forgo one of the two major pilots proposed by Harcourt, Brown and Carey (HBC), the "Dealer" Loan Program using the Warehouse for Energy Efficiency Loans (WHEEL). In comments, DRA, the Local Government Sustainable Energy Coalition (LGSEC) and Pacific Gas & Electric Company (PG&E) explained the disadvantages of implementing the WHEEL. In short, these parties explained that the program limitations and ratepayer costs associated with the WHEEL could be significant and thereby outweigh the potential benefits.<sup>5</sup> For example, the requirement for standardized loan products prevents geographic tailoring of EE programs and associated loan offerings.<sup>6</sup> Further, under the WHEEL proposal, origination costs and servicing fees would likely be higher, and interest rates *are* higher in the initial stages of financing. These higher costs outweigh the potential benefits of ratepayer funded credit enhancements, give the market an unfavorable initial impression of EE financing, and skew debt repayment obligations in favor of investors at the expense of ratepayers.<sup>7</sup> Moreover, the WHEEL proposal involves securitization of EE loans<sup>8</sup> that would enable

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<sup>5</sup> PG&E Opening Comments, A.12-07-001, December 14, 2012, at p. 4; LGSEC Opening Comments, A.12-07-001, December 14, 2012, at pp. 3-5, *Opening Comments of the Division of Ratepayer Advocates to Administrative Law Judge's Ruling Requesting Supplemental Information and Comments on Expert Consultant Financing Pilot Proposals*, A.12-07-001, December 14, 2012, at pp. 4-5 (referred to below as "DRA Opening Comments").

<sup>6</sup> DRA Opening Comments, at p. 5.

<sup>7</sup> *Id.*

<sup>8</sup> Securitization is the creation of a financial instrument by pooling other financial assets and marketing  
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secondary capital market investment in these loans. The EE market has not matured to the point at which it would be prudent<sup>9</sup> to take on securitization risks, particularly when ratepayer funds are at stake. For all of these reasons, investing in the WHEEL would not be a reasonable use of ratepayer funds at this time.

**B. The PD Should Explicitly Require that Interest Rates and Other Loan Terms Be Negotiated Upfront Alongside Loan Loss Reserve Terms and That These Terms be Reviewed by Commission Staff through a Public Process.**

DRA agrees with the PD that the EEFE (or its designated negotiators) should be tasked with negotiating the terms and conditions of the financial products offered through the pilot programs with qualified financial institutions, in addition to being responsible for developing standard qualifications for lenders through Lender Service Agreements (LSAs).<sup>10</sup> Consistent with DRA’s comments, the PD recognizes<sup>11</sup> that one of the primary goals of the residential pilot programs is to “provide attractive rates and terms for consumers” via the use of limited ratepayer funded credit enhancements.<sup>12</sup> The PD states that the Loan Loss Reserve credit enhancements (LLR) for the Single Family Direct Loan program “should provide greater consumer access to enhanced loan terms.”<sup>13 14</sup> DRA is concerned, however, that the PD does not adequately ensure proper Commission oversight and stakeholder input regarding the loan terms for the credit enhancements that

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different tiers of the repackaged instrument to investors. The benefit of this process is that it promotes liquidity enabling the availability of greater investment dollars to EE loans.

<sup>2</sup> It may be prudent to open EE finance to secondary capital markets, as prescribed by WHEEL, once the demand for EE finances greatly exceeds the capability of local capital markets.

<sup>10</sup> PD, at pp. 9-10; *id.* at p. 14, Conclusion of Law No. 6.

<sup>11</sup> DRA Opening Comments, at pp.4-5.

<sup>12</sup> PD, at p.3.

<sup>13</sup> PD, at pp. 3, 21 (Section 4), 22 (Section 4.1), 74, Conclusion of Law No. 10.

<sup>14</sup> Some examples of attractive loan terms include: (1) EmPower Santa Barbara County’s use of a 5% loan loss reserve to obtain 5.9% interest rates for 15 years loans on whole house retrofits through the Energy Upgrade California program. (2) Umpqua Bank provides completely *unsubsidized* loans at 5.75% interest rate for unsecured loans up to \$20,000 with a 10-year term.

are ultimately agreed upon by the EEFE and the participating financial institutions (FIs). Appendix E of the PD, which sets the criteria for LSAs, states,

The EEFE has reasonable flexibility, subject to Commission oversight, to negotiate with FIs to achieve basic minimum standards for loan terms and underwriting criteria based on similar in-service residential programs, while maximizing the leverage of ratepayer monies.<sup>15</sup>

Significantly, however, the PD does not explain how these negotiated standards will be “subject to Commission oversight.” This is a critical omission that must be addressed. Appendix E requires only that FIs demonstrate through their LSAs “how credit enhancements will expand customer access or improve interest rates or terms.”<sup>16</sup> The approval of these LSAs would be under CAEATFA’s authority. With respect to CAEATFA, the PD requires that “[m]inimum LSA standards [set by CAEATFA] include requirements that protect the integrity of the CE funds, ensure that CE funds are expanding access to attractive capital, ensure service quality control, and ensure data sharing with the EEFE.”<sup>17</sup> Again, however, the PD fails to explain how the Commission will ensure that ratepayer funded CEs ultimately developed and implemented satisfy these requirements. The PD should explicitly explain how the Commission will ensure that FIs have sufficiently demonstrated that the credit enhancements meaningfully expand customer access by, among other things, resulting in interest rates or other loan terms that are more favorable to consumers.

DRA recommends that, at minimum, some basic LSAs should be negotiated before the statewide financing program is made available to customers and that the Commission and stakeholders should have an opportunity to review these agreements. Specifically, DRA recommends that the first few LSAs be submitted for Tier 2 Advice Letter review. As explained in more detail below, standards should be derived from the

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<sup>15</sup> PD, Appendix E, at p. 1.

<sup>16</sup> PD, Appendix E, at p. 2.

<sup>17</sup> PD, Appendix E, at p. 1.

LSAs that are approved via the referenced Tier 2 Advice Letter process that sufficiently identify model loan terms based on the credit enhancement level, *e.g.*, interest rates, length of loan, and credit thresholds. These model loan terms should be consolidated and made available on an Energy Upgrade California (EUC) or related customer-facing website before the statewide financing programs become available on the market.<sup>18</sup>

A simple modification to the PD would ensure that the Commission has an opportunity to review the initial LSAs, and specifically, the loans terms contained within those agreements, and that stakeholders also have an opportunity to provide input. The PD currently provides that credit enhancements will be reviewed by the Commission via Program Implementation Plans (PIPs), as described in Section 13. However, neither Section 13 nor Ordering Paragraph Number 3(d) references credit enhancements. Instead, these provisions state that PIPs must be submitted prior to the implementation of any new EE Finance pilot via a Tier 2 Advice Letter “setting forth the features and implementation steps for the pilot.”<sup>19</sup> DRA recommends that the PD and Ordering Paragraph Number 3(d) be modified to explicitly identify the “features” that must be reported in the Tier 2 Advice Letter.<sup>20</sup> More specifically, Ordering Paragraph Number 3(d) should require that the Tier 2 Advice Letter identify, among other pilot program features, initial negotiated credit enhancement terms and their associated interest rates and other loan terms, such as the duration, or term of the loans.<sup>21</sup> Further, as noted, Ordering Paragraph 3(d) should

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<sup>18</sup> As further described in Section E below, consolidation of loan terms into a single informational website for customers before statewide financing is offered on the market would allow customers to have consistent and direct access to information on finance offerings throughout the duration of the finance program. The website could be continually updated with any new finance offerings.

<sup>19</sup> PD, at p. 82, Ordering Paragraph 3(d).

<sup>20</sup> See Appendix A – Proposed Changes to Findings of Fact, Conclusions of Law, and Ordering Paragraphs of the Proposed Decision, attached hereto as Appendix A.

<sup>21</sup> See PD, at p. 74, Conclusion of Law No. 10 (stating, “[i]t is reasonable to authorize Single Family Direct Loan Program, including allocation of \$25 million to fund a Loan Loss Reserve, to improve residential customer access to local and regional financial products with enhanced terms”). However, it is only reasonable to authorize \$25 million to fund a Loan Loss Reserve if this allocation of ratepayer funds successfully achieves loan terms more favorable to consumers, such as lower interest rates and relaxed credit thresholds.

also require that standards be derived from LSAs that are approved via the referenced Tier 2 Advice Letter process that sufficiently identify model loan terms based on the credit enhancement level, *e.g.*, interest rates, length of loan, and credit thresholds. LSAs executed subsequent to the approval of the Tier 2 Advice Letter should meet or exceed such standards.

**C. The PD Misinterprets DRA’s Comments on Credit Enhancements.**

The PD states that DRA is among the parties who support the idea that “the EEFE should have flexibility within Commission guidelines, to avoid onerous restrictions that could limit new [financial] products and deal flow.”<sup>22</sup> Given that this statement is contained in the PD’s section on credit enhancements (Section 3.2), one of these restrictions presumably refers to the setting of LLR credit enhancement levels. Although the referenced statement appears to indicate that DRA supports flexibility with regard to setting credit enhancement levels, DRA specifically recommended that *interest rates and the term of the loans* be negotiable, *not* credit enhancement levels.<sup>23</sup> DRA’s opening comments assume the 10% LLR proposed in HBC’s report is a given in support of this recommendation.<sup>24</sup>

Significantly, the PD provides that credit enhancement levels will be set by the EEFE manager rather than by the Commission. This is problematic because the level at which ratepayer funded credit enhancements are set in relation to the interest rates and other loan terms achieved has significant implications for ratepayers. Credit enhancement levels should be set to achieve the maximum uptake of (ideally deep savings retrofit) energy efficiency projects via favorable interest rates and other loan terms. Previously,

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<sup>22</sup> PD, at p. 14.

<sup>23</sup> DRA Opening Comments, at p. 6.

<sup>24</sup> *Id.*

DRA expressed a preference for credit enhancement levels set at a standard 5-10% of total loan volume in its objection to the high interest levels in the WHEEL proposal.<sup>25</sup>

Given the new direction in the PD, as detailed above in Section B, DRA recommends use of an Advice Letter process to provide for Commission oversight and stakeholder input regarding the ultimate credit enhancement levels and loan terms, including interest rates, before the pilot programs are implemented.

**D. The Commission Should Explicitly Require the EEFE to Include Customer Facing Products such as Websites and Informational Charts in the Marketing of the EE Financing Pilots.**

Although the PD appears to recognize the need for customer-facing EE finance informational products and requires reporting on such products, it does not specifically require that the EEFE, utilities, and/or associated consultants develop such products. Consolidated, clear, directly accessible information about EE loan offerings can attract potential customers to energy efficiency financing. Ensuring that this information is made available from the start of the program throughout its duration will encourage continuous demand for EE.

Currently, the PD states that a primary goal of the Single Family pilot is “to provide a reliable, one-stop mechanism which provides attractive rates and terms for consumers,” but does not describe what is meant by “one-stop mechanism.”<sup>26</sup> Ordering Paragraph Number 20 requires that the EEFE and energy investor owned utilities (IOUs) file a Second Quarter 2013 Report with details including “Customer facing products (such as websites/informational charts).”<sup>27</sup> Although the PD requires reporting on customer-facing products, it does not explicitly require the development of such products.

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<sup>25</sup> DRA Opening Comments, at p. 5.

<sup>26</sup> PD, at p. 21.

<sup>27</sup> See PD at pp. 65 (Section 13), 87-88, Ordering Paragraph No. 20. DRA previously recommended the “one-stop shop” and much of items included in the list provided in Ordering Paragraph No. 20. See *Opening Comments of the Division of Ratepayer Advocates to Administrative Law Judge’s Ruling Requesting Supplemental Information and Comments on Expert Consultant Financing Pilot Proposal*,

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To rectify this apparent oversight, DRA recommends the PD include an Ordering Paragraph that states “[t]he EEFE shall use the existing Energy Upgrade California (EUC) website or a related website as a template to develop a one-stop shop platform for energy efficiency financing.” Recognizing that this will be a program where multiple lenders participate and dozens of complex loan products will be offered, the EEFE should also be required to consolidate loan offerings in an easily browse-able chart format that minimizes confusion for customers. This customer facing website should be comparable or better in browse-ability, accessibility, and clarity to the websites of Clean Energy Works Oregon (CEWO), Mass Saves, and Keystone Help.<sup>28</sup> The website would provide customers with an unbiased and reliable source of information to aid them in properly evaluating whether an EE loan is right for them.<sup>29</sup>

**E. DRA Supports the PD’s Choice to Not Apply Ratepayer Funds to Credit Enhancements for Medium and Large Businesses.**

DRA supports the PD’s choice to not apply ratepayer funds to credit enhancements for medium and large businesses. As the PD notes, “there are limited funds available during the pilot period, and no clear evidence of need for CEs by medium and large businesses. The PD references NAESCO’s<sup>30</sup> and DRA’s shared concern that “this

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December 14, 2012 (DRA Opening Comments), at pp. 2-3.

<sup>28</sup> See e.g., Clean Energy Works Oregon Website, Rebates & Financing, *available at* <http://www.cleanenergyworksoregon.org/rebates-financing/>; Eligibility and Loan Options, 2013 Mass Save Heat Loan Program, Mass Save Home Energy Services Program Website, *available at* [http://www.masssave.com/~media/Files/Residential/Information%20and%20Edu%20Docs/Heat%20Loan%20Program%20Steps\\_Eligibility%20and%20Loan\\_Generic.pdf](http://www.masssave.com/~media/Files/Residential/Information%20and%20Edu%20Docs/Heat%20Loan%20Program%20Steps_Eligibility%20and%20Loan_Generic.pdf); Keystone HELP – Financing for Heating and Cooling, Keystone HELP Home Energy Loan Program Website, *available at* <http://www.keystonehelp.com/info/heatingandcooling>.

<sup>29</sup> See NRDC Comments, A.12-07-001, December 14, 2012, at p.5 (suggesting contractors “are often viewed as having a conflict in the loan sale process that creates risks for ... the customer – in many cases they have a strong personal interest in the loan applicant being approved.”). Unlike information provided by contractors, who may have a personal interest in the customer’s loan application being approved, a state sanctioned website would provide customers with greater confidence in the information disseminated.

<sup>30</sup> NAESCO is the National Association of Energy Service Companies.

sector does not need additional financial support, or is receiving too much of the pilot funding.”<sup>31</sup> This sector already receives the bulk of EE financing dollars (roughly 60% of about \$197 million),<sup>32</sup> despite contributing less than half of energy consumption.<sup>33</sup> Furthermore, the IOUs’ use of OBF funds in the past does not indicate a need for such high allocations.<sup>34</sup> DRA agrees with the PD that no additional dollars are needed or should be budgeted for the medium to large business sector.

**F. The PD Sufficiently Alleviates Risk to Multifamily Property Owners without the Debt Service Coverage Reserve.**

For the Master-Metered Multifamily Financing Program (MMMFP), the PD approves several, but not all, of the proposed features designed to protect multifamily property owners from risk. The PD approves funding for Energy Audits and post-project technical assistance,<sup>35</sup> as well as a no-shut off provision.<sup>36</sup> The PD approves a Debt Service Reserve Fund (DSRF) instead of a Debt Service Coverage Reserve (DSCR) for the Master-Metered Multifamily pilot.<sup>37</sup> As noted in the PD, DRA opposed DSCR as a functional bill neutrality guarantee.<sup>38</sup> As the PD explains, a DSRF “differs from the debt service coverage reserve proposed in the Report because the availability of CE funds is

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<sup>31</sup> PD, at p. 47.

<sup>32</sup> Decision Approving 2013-2014 Energy Efficiency Programs and Budgets, Table 7, at pp. 66-67.

<sup>33</sup> Energy consumption breakdowns by market segment available on the California Energy Commission website, consumption tables. See: <http://energyalmanac.ca.gov/electricity/index.html>.

<sup>34</sup> By the end of the 2010-2012 EE cycle, IOUs underutilized their total OBF budget by about a third of the total budget. Nevertheless, the IOUs were allocated *double* their 2010-2012 budget in the 2013-2014 cycle. The expectation is that IOUs will use *six* times the amount they were able to utilize in the 2010-2012 cycle over a shorter period of time (2013-2014). This seems fairly unlikely.

<sup>35</sup> PD, at p. 29; *id.* at p. 75, Conclusion of Law No. 14; *id.* at p. 83, Ordering Paragraph No. 8.

<sup>36</sup> *Id.* at p. 27.

<sup>37</sup> *Id.* at p. 75, Conclusion of Law No. 13; *id.* at p. 80, Ordering Paragraph No. 1(a)(iii) (stating that “[e]ach IOU shall promptly release to the Energy Efficiency Financing Entity (EEFE): Up to \$28.9 million from EE funds as are documented and invoiced for credit enhancements for residential pilot programs authorized in this decision . . .”).

<sup>38</sup> *Id.* at p. 29.

not linked to estimated energy savings. The DSRF, as authorized here, is solely to cover non-payment of monthly principal and interest payments.”<sup>39</sup>

In light of the other supports authorized for multifamily projects, the PD is correct to reject the Debt Service Coverage Reserve, which would shield Multifamily property owners from the responsibility to pay for the difference between projected and realized energy savings. As the PD notes, “residential usage is subject to many variables other than EE improvements.”<sup>40</sup> Instead, the PD allows funding for both Energy Audits of multifamily buildings, and limited support for on-going technical assistance to the building manager in an effort to maximize energy savings.<sup>41</sup> In particular, the no-cost Energy Audits should provide property owners with an adequate basis to decide whether to implement a project and the appropriate amount to finance. Nevertheless, the risk exists that forecasted savings may not materialize. Though the PD appropriately assigns this risk to the property owner, it also funds tools (the Energy Audit and technical assistance) to mitigate this risk for the property owner. If the PD had also allowed for coverage of bill repayment as contemplated by the DSCR, all risks (and costs) would have been borne by the ratepayers, and the pilot would not be scalable due to the heavy dependence on ratepayer funding. The PD appropriately balances the risk between property owners and ratepayers.

**G. The PD Should Specify How Many Subsidized Energy Audits Can Be Performed If the Audit Does Not Result in a Financed Energy Efficiency Upgrade**

The PD approves the Harcourt, Brown and Carey (HBC) recommendation to the IOUs to allocate a part of the total \$2.9 million for the MMMFP pilot to subsidize Energy Audits of multifamily properties.<sup>42</sup> Based on the HBC proposal, it appears that \$750,000

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<sup>39</sup> *Id.* at p. 18.

<sup>40</sup> *Id.* at p. 29.

<sup>41</sup> *Id.* at p. 31.

<sup>42</sup> *Id.* at p. 31, Conclusion of Law No. 14; *id.* at p. 84, Ordering Paragraph No. 12.

will fund 50 percent of the audits for a projected 50 potential projects, half of which are assumed to be completed through the financing pilot.<sup>43</sup> However, no mechanism is identified in the PD or the HBC recommendation that specifies how funding for audits will be preserved for those projects that actually receive financing for retrofits. In contrast, D.12-15-015 addresses this policy issue and resolves that subsidies for audits are allowed only when the audit results in a EUC project involving at least three Energy Efficiency measures.<sup>44</sup> If ratepayer funding is allocated for audits, there should be some limit on the number of audits that can be funded which do not convert into financed projects.

#### **H. The Commission Should Set Data Collection Deadlines.**

The PD sets forth clear and useful data collection requirements.<sup>45</sup> DRA supports the data collection requirements in the PD and encourages the ALJ and the Commission to identify deadlines by which these data collection requirements must be satisfied in the final decision. Although the PD alludes to prior Commission directives pertaining to the establishment of a database and data collection structure for EE financing data, *i.e.*, “[d]ata collection should be already underway based on prior Commission orders to the IOUs,”<sup>46</sup> to date no such database or data collection structure has been established, nor has EE financing data been provided to the Commission. The Commission should set a deadline for the establishment of the requisite database and data collection structure, and the receipt of appropriate EE financing data in advance of the multifamily workshop to be conducted at the end of 2013/beginning of 2014.<sup>47</sup> If the database, data collection

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<sup>43</sup> Harcourt Brown & Carey Report, October 19, 2012, at p. 57.

<sup>44</sup> PD, at pp. 27, 37; *id.* at p. 112, Finding of Fact No. 7; *id.* at p. 120, Conclusion of Law No. 22; *id.* at p. 137, Ordering Paragraph No. 14.

<sup>45</sup> *Id.* at p. 77, Conclusion of Law Nos. 32-33; *id.* at p. 79, Conclusion of Law No. 45; *id.* at p. 85, Ordering Paragraph No. 12; *id.* at Appendix D (detailing required Project and Participant Data).

<sup>46</sup> PD, at p. 56.

<sup>47</sup> D.12-11-015, at pp. 30, 38, 48, Ordering Paragraph No. 16.

structure, and relevant data are available prior to the workshop, the participants will be able to discuss the progress of the pilots in a broader and more meaningful context.

**I. The PD's Process for On Bill Repayment Tariff Development Should Provide a Mechanism for Stakeholder Input Prior to Filing of the Tier 2 Advice Letter.**

On Bill Repayment (OBR) is authorized for the non-residential pilot and also for one residential pilot, the Master-Metered Affordable Financing Pilot.<sup>48</sup> The PD outlines a particular process by which the IOUs and the EEFE must develop an OBR Tariff. The IOUs and EEFE are required to negotiate with Financial Institutions and hire an attorney to ensure that the transferability provisions of the OBR Tariff do not run afoul of property law.<sup>49</sup> Furthermore, the PD's Appendix C provides additional instructions to the IOUs and the EEFE as to how the OBR tariff should address transferability issues. The PD does not adequately specify what the OBR tariff should contain regarding loan features of interest to the customer, such as accelerated or late payments, or the customers' ability to negotiate changes to the terms of the loan. DRA outlined these items of interest in its Opening Comments of December 14, 2012.<sup>50</sup> While the PD does note the importance of these details for any future customer who may be asked to formally accept the terms of the loan, this is not the emphasis of the OBR tariff directives.<sup>51</sup> The purpose of an OBR tariff is partially to outline loan features and conditions of interest to customers. Therefore, DRA stresses the importance of stakeholder input into the development of the OBR tariff and urges the Commission to convene a stakeholder workshop prior to the filing of the OBR tariff.

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<sup>48</sup> PD, at p. 30.

<sup>49</sup> PD, pp. 38-45.

<sup>50</sup> DRA Opening Comments, December 14, 2012, at pp. 15-16.

<sup>51</sup> PD, Appendix C.

**J. The Role of the Interim EEFE Manager Should be Designed to Compliment and Not Conflict with or Duplicate Work that Must be Performed by CAEATFA as the official EE Manager.**

The PD designates Southern California Gas Company (SoCalGas) to be the “start-up” or interim EEFE manager until the California Alternative Energy & Alternative Transportation Financing Authority (CAEATFA) is legislatively authorized to assume the role of the official EEFE manager.<sup>52</sup> It appears that some of the responsibilities of the interim EEFE manager would require SoCalGas to perform functions that are duplicative of work that CAEATFA must necessarily perform as the official EEFE manager. For example, the PD states that SoCalGas, as the interim EEFE manager, should contract with a Master Servicer, if CAEATFA is not yet operating as the official EEFE manager.<sup>53</sup> However, CAEATFA would likely be required to conduct its own process to contract for the Master Servicer in compliance with State contracting requirements. Two separate contracting processes would be duplicative and inefficient. Thus, DRA recommends that the PD be modified to expressly define the role of the interim EE manager to compliment and not conflict with or duplicate work that must ultimately be performed by CAEATFA as the official EEFE manager.

In addition, DRA suggests that the August 16th Workshop will provide more information regarding the separate but related question of whether it is necessary for the Commission to rely on an interim EEFE manager in the first place.

**K. The PD Should Include IT Costs In The Total Authorized Amounts for the IOU Pilots.**

The PD permits up to \$8 million to be authorized for IT upgrades necessary to implement the Energy Financing Line Item Charge and the On Bill Repayment pilots.<sup>54</sup> While the exact amount is subject to the disposal of a Tier 2 Advice Letter, the \$8 million should nevertheless be

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<sup>52</sup> PD, at pp. 13, 51, 65; *id.* at Appendix G.

<sup>53</sup> PD, at p. 81, Ordering Paragraph 3(a).

<sup>54</sup> *Id.* at p. 61; *id.* at pp. 85-86, Ordering Paragraph No. 17.

reflected in the Decision in the total authorized budgets for the Investor Owned Utility financing pilots. Unless this amount is specifically directed in the Ordering Paragraph as is the rest of the pilot budget, future pilot tracking and reporting may similarly omit the IT costs and not fully reflect all pilot costs. Additionally, IT expenditures should be included in the required quarterly reporting on pilot progress as well.<sup>55</sup>

### III. CONCLUSION

While DRA generally supports the budget allocations for the EE Finance pilots, DRA's recommendations, as explained above, will further ratepayer protections, advance Commission objectives and improve the clarity of the Commission's direction.

Respectfully submitted,

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August 5, 2013

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<sup>55</sup> *Id.* at p. 87, Ordering Paragraph 20.