BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
08-05-13
04:59 PM

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budgets (U39M).	Application 12-07-001 (Filed July 2, 2012)
And Consolidated Matters.	Application 12-07-002 Application 12-07-003 Application 12-07-004

COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON PROPOSED DECISION IMPLEMENTING 2013-2014 ENERGY EFFICIENCY FINANCING PILOT PROGRAMS

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August 5, 2013

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Southern California Gas Company ("SCG" or "SoCalGas") and San Diego Gas & Electric ("SDG&E"), together as "Joint Utilities," pursuant to Rule 14.3, hereby provide Comments to the Proposed Decision Implementing Energy Efficiency Financing Pilot Programs (hereafter, referred to as the "PD"). Comments on the PD, issued on June 25, were due 20 days following issuance, or July 15, 2013. SCG requested extensions of the 15 page limitation and the due date due to extraordinary obligations assigned uniquely to SCG by the PD. The extensions were granted by Administrative Law Judge Darling on July 8 and July 11, respectively, accommodating submission of up to 25 pages by August 5, 2013. These comments are thus submitted timely.

Joint Utilities express appreciation to ALJ Darling and California Public Utilities Commission ("CPUC", or "Commission") Staff for their attention to the numerous issues associated with the design and implementation of the 2013 – 2014 Financing Programs. Joint Utilities are supportive of many elements of the PD, including the identification of the California Alternative Energy & Alternative Transportation Financing Authority ("CAEATFA") as an Energy Efficiency Financing[1] Entity ("EEFE") to act as an administrative facilitator through which energy users, financial institutions, energy efficiency ("EE") providers and Investor Owned

[1] Joint Utilities note that the EEFE does not itself provide "financing" for investments as part of its role, and urges the Commission to modify the name to avoid confusion. Joint Utilities recommend "California Hub for Energy Efficiency Financing," or "CHEEF."

Utilities ("IOUs") can participate in a standardized "open market" that facilitates EE financing in California. However, Joint Utilities also believe it is imperative the PD be modified to correct certain factual, legal and technical errors; certain changes are critical to accommodate the administrative formation, rolling out, and market uptake of programs during the 2013 – 2014 program cycle.

The PD must be modified to ensure the role and responsibilities of the EEFE are of the appropriate scope and tailored to its function as facilitator of financing activities between customers and financial institutions ("FIs"). While the Joint Utilities are supportive of many elements of the contemplated program framework and roles outlined for stakeholders, Joint Utilities also strongly recommend the Commission remove the "start-up EEFE" function. In consultation with CAEATFA, SoCalGas is prepared to perform certain functions (as discussed below) in support of "start-up" activities to facilitate initiation of programs, but Joint Utilities request this task be framed in a manner that avoids the potential complexities of transitioning EEFE responsibilities, as well as ensuring that SoCalGas is not put in a position to be subject to lending laws (with attendant cost implications and liabilities). Also, closely connected to these issues, Joint Utilities propose a schedule that is feasible for the contemplated activities. Joint Utilities respectfully note the schedule outlined in the PD must be modified to allow for the proper time frames of certain activities, and provide redline changes to relevant Findings of Facts, Conclusions of Law and Ordering Paragraphs, per Attachment 3. Joint Utilities, in consultation with finance consultant, Harcourt, Brown and Carey ("HBC") and CAEATFA, have developed an alternative schedule as discussed below and provided in Attachment 2, which will be the subject of the public workshop scheduled for August 16, 2013 by ALJ Darling.[2]

Joint Utilities' comments are structured as follows. Sections 1 and 2 address CAEATFA's role as the EEFE and issues associated with the contemplated "start-up" EEFE. Section 3 summarizes Joint Utilities' alternative program deployment schedule. Sections 4 through 9 address all other issues, including those pertaining to adopted program design, data collection and budget considerations, and expedited deployment for selected programs, among others. Joint Utilities also provide materials in Attachments 1 - 6, including comments from CAEATFA (as supplied by that organization to Joint Utilities for consideration by the Commission), a revised

[2] Ruling by ALJ Darling regarding delay in comment schedule and workshop to discuss SoCalGas proposed implementation schedule (per consultation with CAEATFA), rendered by email dated July 11, 2013.

schedule for program deployment, and redline changes to the PD Findings of Fact, Conclusions of Law, and Ordering Paragraphs consistent with the recommendations in these comments, among others as referenced throughout these comments.

Joint Utilities note the PD represents a substantial effort to establish transformative new programs and resolve the complex issues associated with a ground breaking effort with the goal of "getting it right the first time." In support of furthering the effort to meet that goal, Joint Utilities submit that the adjustments recommended in these comments, again in consultation with the finance consultant and CAEATFA, are essential to getting the framework properly situated for a first-time successful program launch. Brief explanations and proposals to rectify these issues are submitted herein, and Joint Utilities implore the Commission to give them consideration to avoid taking steps Joint Utilities believe will work against the Commission's goals for its finance pilots.

1. The Commission Should Clarify the Roles of CAEATFA as the EEFE

The PD generally supports the HBC recommendation to create a finance "hub" and in doing so, creates a new entity, the "Energy Efficiency Finance Entity" or "EEFE" and identifies CAEATFA as the EEFE. However, in doing so the PD modifies certain elements of HBC's proposal along with certain of the recommended elements, attributes and activities of the HBC hub. The PD also tasked SoCalGas with the potential responsibility to act as a "start-up EEFE" in the event CAEATFA was delayed in, or prevented from, performing the responsibilities of EEFE. In conducting discussions with CAEATFA in preparation for its potential role as interim or start-up EEFE, SoCalGas has been informed and believes that CAEATFA cannot perform certain functions and activities contemplated for the EEFE, but can perform others. (See Attachment 1, CAEATFA's Comments on the Proposed Decision.) Key facts learned in SoCalGas' dialogue with CAEATFA include:

1. CAEATFA has the requisite statutory authority to perform the role of EEFE as the Commission describes in the PD.
2. CAEATFA is willing to perform the tasks of the EEFE described in the PD.
3. CAEATFA is not jurisdictional to the Commission and cannot be ordered by the Commission to do the above.
4. CAEATFA can lawfully enter into an "inter-agency" agreement with the Commission to effectuate the ability of CAEATFA to perform as EEFE.

5. CAEATFA can enter into a binding contract with a private entity, specifically the IOUs, to receive funds to perform as the EEFE pursuant to the contemplated inter-agency agreement.
6. SoCalGas and the other IOUs can lawfully transfer funds ordered by the Commission to CAEATFA to carry out the purposes of the Commission's decision under the terms of the inter-agency agreement.
7. CAEATFA must secure through the joint legislative budget committee an authorization to spend the funds it will receive from the IOUs per the orders of the Commission consistent with the terms of the inter-agency agreement, which is understood to be a relatively short and ministerial process.
8. CAEATFA cannot accept the assignment and be bound by the terms of executed agreements created by one or more private third parties.
9. CAEATFA can perform only certain, limited marketing and contracting activities the PD contemplates the EEFE will conduct.
10. CAEATFA is not now and will not become a party to this proceeding.

Taking into consideration the above, Joint Utilities recommend in the balance of these comments and attachments several changes to the PD that will aid in better defining the roles and activities of CAEATFA and the IOUs to more effectively and efficiently launch and conduct the Commission's finance Pilots. These recommendations also include changes to the PD's contemplated timeline to implement the On-Bill Repayment ("OBR") Pilots, as detailed in a comprehensive schedule of events attached hereto as Attachment 2.

2. SoCalGas' Role as the "start-up" EEFE is Unclear and the Commission is urged to Adopt SoCalGas' Proposal

The PD expresses concern that CAEATFA may not be fully able to act as the EEFE to implement the OBR Pilots in a timely manner and provides that SoCalGas act as a "start-up EEFE" in the time between finalization of the Commission's financing programs decision and the point at which CAEATFA can act as EEFE, or in the alternative be prepared to act as the EEFE if CAEATFA cannot act as the EEFE. SoCalGas understands this role to be one in which the start-up EEFE, among other things, would actively pursue the negotiation and execution of necessary and reasonable contracts and commitments for CAEATFA in advance of its ability to act as the EEFE; the idea being to allow the Pilots to begin as soon as possible after CAEATFA's ability to

act as EEFE. SoCalGas recommends the role of start-up EEFE and all associated tasks be eliminated from the Commission's OBR decision as the resources to be devoted thereto are likely to be wasted, since CAEATFA cannot accept assignments of obligations created by contract between one or more third parties. The benefits of a start-up EEFE devoting resources to doing those things required in the PD to the extent they contemplate, or require developing executed agreements or legal opinions concerning any aspects of such executed agreements, are a waste of such resources.

SoCalGas instead recommends a viable alternative, noting it can provide interim assistance to CAEATFA – to work with and aid in developing documents as directed by CAEAFTA. The Joint Utilities recommend the Commission direct SoCalGas to provide such support to the extent CAEATFA requests it, consistent with the terms of the final decision until such time as CAEATFA can act as the EEFE. SoCalGas believes it has the requisite authority pursuant to the EE funding decision to provide such assistance to CAEATFA, but does request that funding be set aside to ensure adequate support for such activities (as also discussed below in Section 6).

Finally, as mentioned above, the PD provides that, as an alternative, if CAEATFA cannot act as the EEFE that SoCalGas shall perform that function. SoCalGas submits that if CAEATFA cannot act as the EEFE, the Commission should reopen the record in the proceeding to determine which entity can best serve as the EEFE. The PD as written expressly only contemplates CAEATFA as the EEFE. There is not sufficient basis in the record to establish whether SoCalGas has the requisite ability to effectively assume the role as contemplated by the PD of CAEAFTA, which is a state government entity. Further, it is not clear from the record whether and to what extent SoCalGas as the EEFE would be subject to the consumer lending and other federal and state financial statutes, rules and regulations, and whether or how long it would take for SoCalGas to comply with such laws to properly act as the EEFE. SoCalGas submits that it would be more efficient and timely, that in the unlikely event CAEATFA cannot act as the EEFE, the Commission should reopen this proceeding to determine *ab initio*, the proper party to act as EEFE.

Attachment 3 provides redlines to relevant Finding of Facts ("FOFs"), Conclusions of Law ("COLs") and Ordering Paragraphs ("OPs") to represent the changes noted above.

3. The Commission should adopt an aggressive but realistic schedule that is developed and vetted by stakeholders

As noted in earlier sections, there is new information to consider in how CAEATFA becomes engaged in the EEFE role. Key items are that CAEATFA as a state agency: (1) must receive certain approvals to act in this role; (2) must follow certain contracting rules that dictate how Requests for Proposals ("RFPs"), among other things, are done; and (3) cannot "assume" the obligations of a contract created by a private party. There are also a number of other suggested changes and clarifications that all have an impact on the roll-out schedule for the pilots, and taken together, result in a substantially modified schedule from the one directed by the PD. SCG has worked closely with CAEATFA, the Commission's Energy Division ("ED"), the other IOUs and the HBC team to develop the revised schedule shown in Attachment 2. This schedule will be the basis of the discussion to be held at the August 16th workshop, as required by ALJ Darling's ruling of July 11, 2013. As presented, the schedule represents the necessary sequencing of tasks for each pilot and the establishment of the EEFE, and is based on estimates of the time expected to develop, implement and/or approve each step. While these estimates may be debated, as some are much longer than the PD requires or suggests, it is also important to note that in some cases, the time proposed is actually less than the PD required (e.g., the IOUs expect to be able to create the EEMS lists and have them posted in 45 days instead of the PD's current requirement of 90 days)[3].

Joint Utilities note the following favorable assumptions in the composition of the schedule, and believe that timing differences would emerge should more time be needed for these activities. These assumptions include:

- There are no delays with CAEATFA obtaining necessary approvals.
- The CPUC-CAEATFA interagency agreement is approved without delay.
- There is no need for a "start-up" EEFE.
- There is no need for the legal review step to support OBR transferability by consent.
- The approval of the many Advice Letters to be filed will occur within the minimum allowable timeframes for each type of Advice Letter.

[3] Proposed Decision of ALJ Darling re: Decision Implementing 2013 – 2014 Energy Efficiency Financing Pilot Programs, (hereafter the "PD"), at Ordering Paragraph 7.

- There are no substantive changes in program design associated with approvals of any Advice Letters.
- The final decision authorizes certain programmatic changes as described in these comments.

An example assumption worth highlighting is where the PD directs the IOUs to issue an Advice Letter concerning the updated costs for creating the billing and collections capabilities to support OBR within 90 days of the final decision. The PD itself notes that the data exchange between the Master Servicer and IOU system will require input of the Master Servicer,[4] which must first be contracted by the EEFE. However, as discussed earlier, the EEFE is not expected to sign a contract with the Master Servicer until at least until 180 days after the final decision. Consequently, the IT billing systems cost estimates Advice Letter cannot be filed until sometime afterwards (estimated at 30 days).

Highlights of the proposed schedule include the itemized list below. Note that proposed revised dates for events of significance for FOFs, COLs, and OPs are provided in Attachment 3.

- CAEATFA is fully operational to act as the EEFE at the end of November.
- The "pre-release" pilots (EFLIC and MMMF) are operational December 2013.
- Trust Accounts are established February 2014.
- Credit enhancement functionality is ready February 2014.
- The Master Servicer begins operations at the end of March 2014.
- OBR is on the street July 2014.

Joint Utilities note the conclusions, the supporting steps and their sequencing will be the subject of the August 16th workshop. The revised schedule as presented attempts to provide as much granularity as possible to inform this conversation, certain steps may have been missed, or there may be ways not currently considered to shorten certain steps. Joint Utilities strongly recommend adopting the revised schedule as amended by input from the August 16th workshop.

4. Joint Utilities support the Finance Pilot Program's innovative strategies for lowering the barriers to energy efficiency retrofits and financing in under-served market sectors, but a number of changes must be made to the pilots.

The PD approves six of the nine pilot programs proposed by HBC in its October, 2012

[4] See PD at p. 60.

report.[5] Joint Utilities continue to support the high-level direction of the authorized pilots, but address certain elements the PD should be clarified or modified to optimize and ensure consistency with Commission intent. Joint Utilities also recommend additions to program elements approved by the PD to align with original pilot proposal intent.

Pilot Program Goals: Joint Utilities agree with the fundamental goals outlined in the PD for pilot programs of creating "innovative financing programs to ensure the financing instruments are available to all users, particularly underserved segments of energy users."[6] Joint Utilities recommend the term "underserved" be clearly defined for purposes of OBR due to its common use in regulatory proceedings and other settings to reference customers in the low income community. Joint Utilities offer a definition as being "potential customers of EE services that would strongly consider and are likely to undertake projects coupled with finance programs, but would not participate absent development of the pilot programs authorized by the PD" (see Attachment 3 for proposed redline changes to FOF 5).

Qualifying Measures: The PD establishes, consistent with earlier decisions regarding the 2013 – 2014 EE program cycle, that customers are not limited to Eligible EE Measures ("EEMS") for OBR or other types of pilot activity, where the funding for the loans themselves come from sources other than ratepayers.[7] The PD notes customers may be more likely to pursue EE projects when undertaking other improvement activities, and sets a threshold of 30% of the loan total that may be applied towards non-EEMS.

With respect to EEMS, the PD provides that customers need not obtain an incentive or rebate to qualify for the loan. The PD should clarify that in such instances, the EEMS amounts shall not be counted towards the 30% non-EEMS limitation. Joint Utilities will consider, in association with the prescribed later effort to determine finance program-related savings, the approach to quantify savings for such instances.

Single-Family Direct Loan Program: The PD adopts elements of the HBC recommendation for this segment. Pilots that were not selected include the Warehouse for EE Loans ("WHEEL") which contained the indirect component of the Single-Family ("SF") program, and the Middle Income program (thus presumably leading to the modified program name of

[5] HBC's report recommended four Single Family pilots (WHEEL, Local Lending, EFLIC and Middle Income), one Multi-Family pilot (Affordable Housing), and four Non-Residential pilots (Small Business Lease, Small Business OBR, Large OBR and the Insurance sub-pilot). The PD denies or is silent on WHEEL, Middle Income and Insurance.
[6] See PD at p. 8.
[7] See PD at p. 20.

"Single Family Direct Loan Program"). Joint Utilities submit the elimination of those programs has a negative consequential impact by leaving a gap in program offerings, and also with respect to the associated collection and evaluation of pilot program data going towards the effectiveness of and demand for these offerings. Joint Utilities recommend that the Commission consider undertaking a modified SF pilot, or add an "experimental design" component to the pilots to make use of this unique opportunity to scope and evaluate market uptake comprehensively from the time of inception for this sector. The modification to the SF program should also include a "dealer loan" (or what is also known as "indirect lending") element to engage the huge market potential that could be seen from the contractors. Joint Utilities are unclear if this was an intended exclusion of the recommended HBC proposal, but strongly urge the Commission to include it in the single-family pilot. Accordingly, the name of the pilot would need to be changed from "Single Family Direct Loan Pilot" program to simply "Single Family Lending Pilot" program. These changes can be made within the existing budget allocations for Single Family, and are represented in the modified budget (see Attachment 5), FOF 17 and COL 13.

Energy Financing Line-Item Charge ("EFLIC"): Joint Utilities agree with Pacific Gas and Electric Company's comments regarding the EFLIC program offering.

Master Metered Multi-Family Program: The PD would approve a Master Metered Multi-Family (MMMF) pilot that is very similar to that which is recommended by HBC. Joint Utilities agree that service disconnection cannot be included as an element of OBR for this market segment. In other words, service will not be affected by non-payment of the OBR fees. While a FI will be covered for partial or untimely payments (under the Debt Service Reserve Fund, or "DSRF" credit enhancement), there is still the potential situation of the payment being short on the energy portion, and the DSRF does not cover the energy charges. In those situations, Joint Utilities urge the Commission to acknowledge that the IOUs existing shut-off and collection rules still apply to the energy charges. In the event this is not clarified, customers unable to fulfill loan obligations would be given a perverse incentive of not paying utility bills but still receiving service, which is clearly not an intended consequence of the OBR program.

On Bill Financing ("OBF"): Ordering Paragraph 9 of the PD directs the IOUs to modify their OBF programs (within sixty days after a final decision) so that single end use lighting measures shall comprise no more than 20% of total project costs for business customers, excluding institutional customers. Joint Utilities strongly recommend that the Commission not require this

program change during the pilot period, or at least until such time that OBR is operational. Joint Utilities support this change to OBF; as the PD notes,[8] Joint Utilities concur with HBC's recommendation that non-compliant lighting-focused projects be redirected to the leveraged private finance with OBR and/or small business leasing programs. However, implementing this change prior to providing customers a viable option would potentially have a significant impact on customers, contractors and other market participants who may already have these types of projects in the pipeline and would be left stranded with no financing alternatives, such as OBR and/or small business leasing. This would lead to potential abandonment of EE projects and make it difficult to entice these participants to reconsider future EE installations, especially those intended to be benefited by OBR. Therefore, Joint Utilities strongly recommend that the non-compliant lighting program change be implemented in the next portfolio cycle, after there is sufficient experience with OBF in conjunction with the pilots. Alternatively, the PD should at least be revised to delay changes to take place no earlier than 60 days after the OBR program is available for customer participation.

OBR: The PD would approve OBR for all non-residential customers, implementing a CE for "Small Business" customers, along with provisions for partial payment and disconnect. The PD would deny the credit enhancement feature for medium and large non-residential customers. While Joint Utilities remain concerned that this may negatively impact "deal flow" for OBR, the PD's recommended definition of "small business"[9] will likely minimize this impact.

Joint Utilities support the PD conclusion that charging fees for use of the EEFE in the pilot period is premature.[10] That said, Joint Utilities suggest that the EEFE be charged with creating a plan for such fees after receiving the necessary approvals to act as the EEFE. The timing of this plan should be addressed in the inter-agency agreement between the EEFE and the CPUC. See Attachment 3, proposed FOF 22 [equivalent to PD FOF 21]).

Insurance pilot: The PD is silent on the HBC recommendation to include an insurance – based Measurement and Verification ("M&V") product to support the non-residential pilots. The assumption is that it is not being approved, but there is nothing in the PD that would argue against including it. Joint Utilities believe that this is still an important option to offer customers, and since it does not require a funding subsidy, it also has no substantive impact on the cost of the

[8] See PD at p. 33.
[9] See PD at p. 43.
[10] See PD at p. 37.

overall pilot program. The details of how this would work are found on pages 69-70 of the October HBC Report.

Small Business Lease: The authorized Small Business Lease program approves the majority of HBC's recommendations for this pilot. Joint Utilities recommend modifications below to ensure the EEFE has the necessary flexibility to administer this program.

The PD does not address the HBC recommendation to include an "off-bill" component to the program. Joint Utilities urge the Commission clearly allow for such a design. Not only can this element be implemented much sooner than the OBR-only element, but it is anticipated this will be of more interest to lease companies than the on-bill option. Having both options available will ensure deal flow, ample testing opportunity, and will result in a better pilot test.

The PD would also require that at least two lease entities be hired to facilitate credit enhancements applicable to an OBR-required program, and would limit this pilot to OBR. Joint Utilities request that the Commission modify the requirement to engage "at least two" lease finance entities to say "no more than four." This is consistent with the HBC recommendation, and will allow for flexibility in the case only one such entity wishes to participate. See Attachment 3, proposed revisions to OP 11.

Joint Utilities also recommend the PD allow additional flexibility with respect to the selection of the lease originators. Specifically, the RFP for the lease pilot on page 45 says:

> In order to launch this pilot, the EEFE shall conduct an RFP to competitively select at least two lease originators to participate in the pilot program. The criteria for RFP respondents shall include interest in the pilot program, experience operating lease programs focused on EE, maximum interest rates to be charged expressed as a spread over prime or a well-known index or rate, maximum origination and servicing fees expressed as a spread over cost of funds, contractor management capabilities, years in business/net worth, willingness to explore alternative underwriting standards (e.g., that incorporate utility bill payment history) and such other criteria identified in the Report as the EEFE finds useful.

Joint Utilities are concerned because maximum interest rates to be charged expressed as a spread over prime or a well-known index or rate, maximum origination and servicing fees expressed as a spread over cost of funds will be a problem because lease companies won't bid on this basis. Rates will be based on credit. Maximum rates are unlikely to provide the desired insight – they are likely to significantly different from typical rates. Furthermore, criteria looking at lease programs experienced focused on EE will probably unnecessarily eliminate some lease companies, given that specialization at this point is likely uncommon. Joint Utilities recommend

the PD change the selection criteria to guidance to "consider the following" elements outlined, rather than make them requirements.

Other OBR Issues:

Partial Payment:

Joint Utilities note that the description of how a "waterfall" partial payment mechanism works is incorrect.[11] Joint Utilities are pleased that the PD leverages as much of the existing utility billing infrastructure as possible, by allowing for existing partial payment approaches to be utilized. This will allow for a shorter IT development timeframe, and save costs at the same time. However, the PD should be edited to provide for a more accurate definition of how the "waterfall" approach to partial payment is described. Specifically, after the first partial payment, the waterfall would always first pay any arrears — that approach doesn't necessarily mean it "alternates" between the utility or the lender, as the example is currently suggests. It should simply say "i.e. the bill following any arrears would be paid prior to the next current due charges."

Disconnection:

The PD states that OBR with disconnection exposes "the customer to collections procedures and/or ultimate *notice of* disconnection" (emphasis added).[12] To most accurately reflect non-payment consequences, the PD should be modified to say the customer may face "actual" disconnection.

Tenant Agreement:

Joint Utilities note that the requirement that all tenants agree with OBR before the owner can move forward[13] is appropriate, but it also has resource implications to support verification of compliance. Joint Utilities do not believe the cost for this requirement was addressed in HBC's report and recommended budget. Consequently, Joint Utilities request that the Commission direct the IOUs to clarify any associated budget consideration in the OBR Program Implementation Plan ("PIP"), with a preference to address any deficiency through existing funding reallocations, to account for this necessary effort. See Attachment 3, proposed

[11] See PD at pp. 48 – 49.
[12] See PD at p. 49.
[13] See PD at p. 38.

revisions to OP 10.b. Joint Utilities do not expect this will require additional funds, just a reallocation of the funds, as noted in Section 6. .

Billing of Multi-IOU OBR loans:

Another significant issue is how to manage the billing of projects that have cross utility reach. Specifically, some projects will have both gas and electric EEMS, and the customer will be located in a service territory covered by different gas and electric utilities. Joint Utilities do not suggest consideration for splitting the charges between different IOU bills – that is clearly an inefficient approach. Consequently, Joint Utilities recommend the loan be placed on whichever utility bill has the larger loan component (i.e. if the project is 80% gas and 20% electric, it should go on the gas providers bill, and vice-versa).

OBR Tariff

Joint Utilities agree that an OBR tariff is necessary for several elements of the authorized program. First, the tariff needs to describe that service disconnection is allowed in certain cases, and how that will be implemented; second, it needs to describe all the forms and procedures around implementation of "consent" transferability; third, it needs to describe any other conditions of service under OBR. The PD offers some guidelines in Appendix C to assist in this effort. Joint Utilities suggest that it be clearer if the Appendix were removed entirely, but alternatively, if Appendix C remains, the final decision must state very clearly that the Appendix is only illustrative.

Joint Utilities also recommend for Section 5.2.2.1., the title be modified to indicate that the IOUs and EEFE "create" or "develop" rather than "negotiate" the tariff. Joint Utilities suggest other references to the term negotiate should likewise be modified to reflect the collaborative development between the IOUs and EEFE.

Other Program Issues:

Joint Utilities appreciate that the Commission is acknowledging the issues with making finance programs a stand-alone resource program category by allowing for more time to better define how best to make that change from current practice.

Joint Utilities remain concerned that issues associated with lending practices and payment will result in additional contacts from customers, including to their Call Centers. Joint Utilities have not yet performed an estimate on the impact with respect to level of service, or attendant

costs from increased call volume. Joint Utilities believe it prudent the Commission allow such ancillary impacts associated with OBR and the financing pilots be addressed in the Advice Letter implementing the pilot programs and containing the detailed PIP, describing the recommended treatment to avoid cross-subsidization across service functions. The Commission should make available utilization of the authorized finance budget to address such circumstances with proper showing.

5. Database of Energy-Finance programs

The PD reinforces earlier Commission requirements to develop an energy-financing database,[14] and adds some new requirements.[15] Existing requirements tasked the IOUs with developing the database and HBC with managing a working group effort.[16] Initial efforts concerning these tasks resulted in a draft list of data elements for the pilots (shown in Attachment 4). One issue that has delayed the completion of that effort is the ongoing and growing debate concerning the protection of private/confidential customer data, and how to consider such requirements in connection with the Commission requirements for development the energy-finance database, where much of the data is considered private/confidential. The Commission itself noted in D.12-05-015 that database development should commence "once confidentiality protocols are worked out."[17] This is in direct conflict with the OP 12 of the PD, which directs the IOUs, financial entities and EEFE to "collect, organize, and make public the information identified in Appendix D."[18] Joint Utilities believe the PD must be modified to indicate that information should be held and then made subject to the requirements of the pending resolution of R.08-12-009, Phase III (regarding the Energy Data Center). Specifically, OP 12 should be extended to indicate the information should be made public subject to the privacy considerations as ordered in R.08-12-009, Phase III.

With respect to the data elements the PD orders collected in Appendix D, Joint Utilities request this list be modified to clarify the data *may* include the fifteen items. Certain information may not be collected as part of energy delivery or energy efficiency program services; in particular, items such as "actual" bill savings and "other ancillary benefits such as avoided costs, improved air quality…etc." are not currently collected for any IOU program. Additionally, where

[14] See D.12-05-015, Section 5.3.3.5., pp. 133 – 135.
[15] See PD at Appendix D.
[16] See D.12-05-015, Section 5.3.3.5., p. 135.
[17] See D.12-05-015, Section 5.3.3.5., pp. 134.
[18] See PD at pp. 84-85.

certain elements may be collected as part of an existing program, it is unclear if obstacles exist that may impede obtaining this data for those projects that do not participate in an IOU program.

The PD notes agreement with the Natural Resources Defense ("NRDC") and Division of Ratepayer Advocates ("DRA") position to "direct the IOUs to implement all financing pilots with the requisite disclosures and permissions that can be expected to permit the resulting loan information and participant energy usage information to be available for Commission research activities related to efficiency, in a manner consistent with all applicable privacy requirements."[19] The PD does not further elaborate what this means, but Joint Utilities are concerned that this may inhibit program participation. It is unclear what, if any, additional disclosures are ordered beyond the (earlier) disclosure requirement for the potential next tenant of an OBR site. Additionally, while utilities typically require customers to allow data collection on project performance, that requirement has not extended to the collection of other Personally Identifiable Information ("PII") data to participate in EE programs. The PD acknowledges the ongoing Data and Privacy Working Group efforts in R.08-12-009, Phase III; Joint Utilities suggest completion of their mandate before deciding the best course of action.

6. Budget

Joint Utilities have reviewed budgetary accommodations as provided by the PD. It should first be noted that Ordering Paragraph 1 requires *each* IOU to promptly release to the EEFE up to the full $57.9 million in total program funding. The direction needs to be modified so it is clear that each utility should remit its *portion* of the program budget, as no utility has the funding available to cover the amounts as currently worded (see Attachment 3, proposed redline changes to OP 1).

Joint Utilities urge the Commission to allow for the entire $75.2 million authorized for statewide finance pilot programs to remain available for the pilots.[20] While it is arguable that it will be difficult to spend the entire budget within the timeframe left for the current funding cycle, allowing for the entire budget to remain available will allow for flexibility to respond to the unknown challenges concurrent with any pilot effort. Additionally, the IOUs have not yet forecasted costs associated with the specific administration and implementation tasks that they are tasked with in the pilots (these would be included in the program PIP to be filed 90 days after the

[19] See PD at pp. 54 – 55.
[20] D.12-11-015, Table 7 at pp. 66 – 67 (rounded values).

final decision). Specifically, SCG is concerned that it have sufficient resources to cover the tasks it would be managing to support CEATAFA, for both the initial development of the EEFE and any on-going support (e.g., consulting resources, tenant agreement compliance, call center impacts, filing advice letters, managing reporting, etc.).

Concomitant with the PD, the IOUs are ordered to file a Tier 2 Advice Letter within 90 days supporting an updated estimate of the Information Technology ("IT") changes necessary to implement OBR and other features of the authorized pilots, and establish a funding ceiling of $8 million for this activity. As noted earlier, Joint Utilities urge the Commission to modify the timeline for submitting this information. The EEFE will need to first be formally retained, and then must retain the Master Servicer, and the IT requirements and solutions should unfold thereafter from collaboration with the IOUs. Sequencing a 60 day interval to follow retention of those integral partners is necessary to allow for their proper involvement. Joint Utilities fear a 90-day window from the time of a final decision will create uncertainty around the available time to focus on IT systems with the EEFE and Master Servicer, and potentially lead to a rushed and sub-optimal development of requirements.

Joint Utilities also ask that the PD not presuppose an appropriate level of funding for IT requirements, and recommends removal of reference to the $8 million funding cap. Joint Utilities believe the parties will work collaboratively to determine the prudent IT investments and present those to the Commission in its Advice Letter filing, and asks that the detail provided in that submission be used as the basis for a disposition regarding the proper spending level. At this stage in the process, parties cannot be certain of the spending requirements, and Joint Utilities believe flexibility in the final decision is advisable, without impinging on the Commission's discretion to review the funding level by the Advice Letter filing. That said, Joint Utilities posit that eliminating the filing of this Advice Letter represents an opportunity to speed up the schedule; the attached redline mark-up of the PD's OPs represents this requested change (and it is also highlighted in the schedule). See Attachment 3, proposed change in redline to OP 17.

Lastly, the PD orders that certain funds authorized at an earlier time to the SoCalREN and BayREN for their financing programs that will not be associated with finance pilots be refunded to ratepayers within 60 days of a final decision. SCG first notes that OP 21 should be modified to account for SCG's share of the SoCalREN multi-family finance proposal that the PD denies. The PD orders SCE to refund its share, and SCG's associated budget ($225,000) should also be

included in that order for a total refund of $1.500 million. SCG also asks rather than refunding such funds that the utilities are receiving from customers on behalf of the RENs within 60 days, that the Commission identify such amounts as overcollections in the associated regulatory accounts, to be refunded at the next time the account balances are disposed of for ratemaking purposes. The IOUs would be able to return the funds collected during 2013 in their customary rate updates for January 2014. SCG also recommends the Commission authorize revision of the Public Purpose Surcharge rate change for 2014 to exclude this component of funding, so collection of revenues is not continued on a forward going basis. These changes would have the benefit of avoiding the cost and potential customer confusion associated with non-regulatory scheduled rate changes.

Joint Utilities provide a table in Attachment 5 that shows the updated budget for financing program pilots by program. SCG proposes revision as needed associated with the administration / implementation tasks described above in the Advice Letter / program PIPs.

7. Credit Enhancements, Trust Accounts, etc.

Section 3 of the PD describes the various credit enhancements and the accounting the Commission wishes to implement to ensure that the integrity of ratepayer funds. Joint Utilities support that goal, and are supportive of the flexibility the PD would provide the EEFE to determine specific pilot program terms around the high-level guidance provided by the PD. There is additional relevant language/guidance on page 10 of the PD. Joint Utilities note that the descriptions of the trust accounts in Section 3.2 are confusing and inaccurate, and could lead to significant problems down the road. Accordingly, Joint Utilities offer suggested redline edits in Attachment 6, which were coordinated with HBC. Joint Utilities urge the Commission to accept the redline proposal for Section 3.2, and clarify several other related items.

On page 10 (and elsewhere), the PD notes the use of a "national bank." That term has very specific meaning in the financial professional field, and will significantly limit how a trustee is engaged. There is no reason we are aware of as to why we would need such a limitation, therefore we suggest simply saying "bank." See Attachment 3, proposed changes in redline to COL 10.

At page 10, the PD is not clear what the IOU role is to "closely monitor" with the EEFE all CE account transfers, and how the IOUs are funded to do it. A suggested clarifying edit would read: "…EEFE, *with the assistance* of the IOUs shall closely monitor all transfers…"

Also, it is unclear why the PD directs the EEFE to manage the *investment* of the funds, particularly in the manner suggested.[21] While it is certainly important to ensure that ratepayer funds are utilized and "invested" as best as possible, there has been no discussion on how trust accounts should be handled in this regard. Joint Utilities suggest that this requirement be deleted as part of the pilot effort to avoid any unintended consequences on the EEFE or IOUs.

Lastly, Joint Utilities note that any credit enhancement must be applied IOU-specifically to avoid cross-utility subsidy. This can be handled within the Trust accounts and can be reported accordingly.

8. Staggered Program Deployment

Joint Utilities believe it is advantageous to roll out the financing programs as expeditiously as possible, but in a prudent manner that allows time for the proper development and protections to avoid long term issues. Specifically, we note that the two elements of the pilots that will require the most time are:

a. Implementation of full-scale automated billing system changes for IOUs;

b. Award of a Master Servicer contract and roll-out of all protocols for implementation of the Master Servicer functions.

The pilots that require large-scale on-bill repayment functionality must wait until both of these two elements are in place. This includes all of the on-bill repayment pilots for the small and large commercial sector. Pilots that either do not involve the utility bill or do not involve large volumes of transactions may be able to roll out at a faster pace.

That said, Joint Utilities still support the submittal of the program PIPs 90 days after the final decision is issued. Importantly, when the programs are considered as noted above, the actual roll-out of certain programs can actually be done sooner than the PD would imply. Even better, there is the possibility to roll-out two "early versions" of certain pilots even sooner. Joint Utilities suggest that such consideration would also allow the pilot effort to start gaining experience more quickly.

This proposed roll-out of early release and fast start programs does not mean that pilots can start tomorrow, but it avoids the two most time-consuming steps to full roll-out of OBR (on-bill IT changes, the Master Servicer contract, and in the case of the "early release" pilots, even the credit enhancement functionality). The two "early release" pilots are associated with EFLIC and the

[21] See PD at p. 16.

Master Meter Multi-Family programs, and these can begin fairly quickly after being approved in the final decision. The pilots associated with credit enhancements and no OBR could soon follow. Anything related to using the utility bill will come last, as IT functionality and the hiring of the Master Servicer are critical and will not occur until later. The steps that must take place for these "fast-track" pilots to roll out include:

1. Final CPUC ruling.
2. Interagency agreement with CPUC/CAEATFA.
3. Agreement between IOUs and CAEATFA regarding credit enhancement management. This agreement would defer until later any agreement regarding the Master Servicer, billing and cash transfers, data sharing and other elements.
4. Contracts with trustee banks to manage credit enhancements.
5. Establishment of protocols to manage credit enhancements.
6. Establishment of protocols for data collections and customer permissions.

The following section lays out the pilots that may be rolled out sooner than others.

"Early Release" Pilots

The two pilots that can be released relatively early are EFLIC and a manual version of the MMMF pilot. Joint Utilities support PG&E's proposal to conduct the early release version of EFLIC (please see PG&E Opening Comments for details). SCG proposes to implement a manual version of the MMMF pilot (it may be possible that the other IOUs are also capable of such an early release). The early release MMMF program is proposed as follows:

The "full" MMMF program involves an on-bill repayment element and a credit enhancement feature. SCG proposes to take advantage of on-going discussions in this segment. Since the volume of transactions is so small (estimated 22 projects for the full pilot) that it is likely manageable to run the program manually. This approach would require that the final decision authorize the early release version to be implemented without the credit enhancement feature and without the financial institution guidelines that would otherwise be in-place. While there may some concern that not all early comers will be allowed to participate, it would only be for a relatively short timeframe and Joint Utilities do not believe it disadvantages any participants. Also, SoCalGas posits that while the FI guidelines would be deferred, the fact that these lenders are already certified as "Community Development Financial Institutions by the US Department of

Treasury should be sufficient. Lastly, SCG would work with CAEATFA to develop a transition strategy to move these pilots to the full program when it is made available.

Accordingly, SCG proposes to work with one or two customer projects to conduct early implementation and test the functionality of what would eventually become OBR with CE for this pilot.

"Fast Track" Release Pilots

Those pilots that require credit enhancements, but not on-bill functionality, are the next possible programs that could be arranged to roll-out. The Single Family pilot and a modified-proposed version of the Non-Residential Lease programs meet these criteria. Joint Utilities propose that PIPs be submitted for these two programs within 60 days of the final decision, ahead of the on-bill programs (which would be submitted at 90 days after the final decision).

Single Family Financing:

The single family financing programs rely on a credit enhancement in the form of a loss reserve structure and do not involve the utility bill. The key elements required for the Single Family Financing include:

a. Administration of a loss reserve.

b. Data collection.

Each of these elements could be put in place using CAEATFA to establish the infrastructure to manage credit enhancement funds. CAEATFA could also establish protocols for data collection. Specifically, this would involve the following steps:

1. CAEATFA and CPUC, as well as CAEATFA and IOU(s) conclude interagency agreements/contracts.
2. CAEATFA establishes trustee agreements with trustee banks.
3. CAEATFA establishes credit enhancement management protocols and procedures (i.e. loss coverage amount, definition of default, etc.).
4. CAEATFA establishes protocols for customer data collection, including any customer data release forms to be used. Such agreements defer any sharing of customer data collection until such time as a Master Servicer is in place, which can manage personally identifiable information appropriately.
5. CAEATFA establishes protocols for qualifying financial institutions and begins acceptance of financial institutions in to the program.

6. Trustee banks, under authorization from CAEATFA, receive funds from utilities to be used as a credit enhancement, per rules established with CAEATFA.
7. Qualified financial institutions begin lending to eligible customers, with loss reserve structure as laid out in the PD, Section 3.2.

Off-Bill Commercial Lease:

Although the PD did not specifically authorize an off-bill commercial lease pilot, such a pilot could be rolled out on a much faster timeline than would apply to an on-bill commercial lease program. The commercial lease roll-out would be very similar to that described above for the single family program, and is also contingent upon CAEATFA establishing the credit enhancement functionality. Specifically:

1. CAEATFA and CPUC, as well as CAEATFA and IOU(s) conclude on interagency agreements/contracts.
2. CAEATFA establishes trustee agreements with trustee banks to manage credit enhancements.
3. CAEATFA establishes credit enhancement management protocols and procedures (i.e. type of credit enhancement, loss coverage amount, definition of default, etc.).
4. CAEATFA establishes protocols for customer data collection, including any customer data release forms to be used. Such agreements defer any sharing of customer data collection until such time as a Master Servicer is in place, which can manage personally identifiable information appropriately.
5. CAEATFA establishes protocols for qualifying financial institutions and for operation of the lease program RFP.
6. Trustee banks, under authorization from CAEATFA, receive funds from utilities to be used as a credit enhancement, per rules established with CAEATFA.
7. Qualified financial institutions begin making leases to eligible customers, with loss reserve structure as laid out in the PD, Section 3.2. All customer repayments for these leases come in the traditional manner -- meaning that they do not occur through the utility bill mechanism.

8. When the on-bill and master servicer structure becomes available at a later date, the lessors may begin to receive payment, at their option, through the utility bill.

9. Conclusion

Joint Utilities respectfully ask the Commission to consider and adopt the proposed changes in Attachment 3 to Findings of Facts, Conclusions of Law, and Ordering Paragraphs. The revisions, as noted above, will accommodate a more clear relationship between the EEFE and IOUs, allow for a feasible implementation schedule including a more expeditious deployment of certain programs, further enhance the framework and flexibility of the selected pilots, and continue to support the Commission's goals for these programs.

DATED at Los Angeles, California, on this 5th day of August, 2013.

Respectfully submitted,

By: /s/ Steven D. Patrick
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Attachment 1: CAEATFA Comments on the Proposed Decision

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Energy Commission

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Public Utilities Commission

EXECUTIVE DIRECTOR
Saúl Acosta Gómez

August 2, 2013

Ms. Melanie M. Darling
Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

RE: Proposed Decision Implementing 2013-2014 Energy Efficiency Pilot Programs

Dear ALJ Darling:

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) welcomes the opportunity to inform the California Public Utilities Commission (CPUC or "the Commission") and interested parties of CAEATFA's abilities to serve as the Energy Efficiency Financing Entity (EEFE), as established in the Proposed Decision Implementing 2013-2014 Energy Efficiency Pilot Programs (PD). We also have taken the opportunity to 1) explain the procedures required of CAEATFA before it can assume the EEFE role, if such a recommendation is made by the CPUC; 2) explain how CAEATFA's public procurement and rulemaking procedures will impact the program implementation timeline; 3) explain the limitations of our authority and expertise as they relate to certain non-core functions; 4) seek clarification on a few issues discussed in the PD; and 5) provide comments on certain proposed approaches or orders based on CAEATFA's experiences.

First, CAEATFA can affirm that its operating statutes, Division 16 (commencing with Section 26000) of the Public Resources Code, allow it to fulfill the core functions of the EEFE as described in Appendix G of the PD. In addition, CAEATFA has real-world experience in contracting for services, recruiting financial institutions (FIs), educating contractors, and establishing program rules for credit enhancement (CE) programs by way of recently implementing a loan loss reserve program for residential energy

retrofit loans[1]. CAEATFA also counts on the expertise and experiences of the State Treasurer's Office (particularly the Cash Management, Investments and Public Finance Divisions) and its sister financing authorities, which manage programs that require functions similar to those being required of the EEFE.

Procedures and Timelines Required before CAEATFA Assumes EEFE Role

CAEATFA would like to take this opportunity to inform CPUC commissioners and staff, as well as interested parties, of the procedures and their associated timelines required of CAEATFA before it can assume the responsibilities of the EEFE.

1. Secure Budgetary Authority

After a Final Decision ("the Decision") has been approved by the Commission, CAEATFA will seek the budgetary authority to properly fulfill the functions of the EEFE. CAEATFA will submit a budget revision request to the Department of Finance, which will include CAEATFA's request to approve the staff positions needed to administer the pilots, as well as the ability to utilize ratepayer funds to cover the costs associated with the various contracts the EEFE would manage, as laid out in the PD (trustee, master servicer, etc.), and other administrative costs. After review by the Department of Finance, the budget revision request will be submitted to the Joint Legislative Budget Committee (JLBC). The JLBC will have up to 30 days to reject the request. If the JLBC does not take such action, the request is deemed approved and CAEATFA will be allowed to act on its request. We expect this procedure to conclude no later than 1.5 months after the Decision date. Note that the budget revision request will only apply to Fiscal Year 2013-2014. CAEATFA will submit a budget change proposal for Fiscal Year 2014-2015 in order to receive the budgetary authority for that fiscal year's needs.

2. Negotiate and Secure Approval for an Interagency Agreement with the CPUC[2]

After the Decision has been approved by the Commission, CAEATFA and the CPUC would negotiate an interagency agreement (IA) that would specify the terms, conditions and commitments expected by the agencies from one another throughout the duration of CAEATFA serving as the EEFE. This IA is essential as both agencies must be in full agreement of the EEFE's rights and responsibilities in the case CAEATFA serves in this role. In addition, an IA would need to specify the manner by which CAEATFA would receive input from the CPUC and other interested parties on program implementation if other than through the open meeting rules

[1] See California Code of Regulations, Title 4, Sections 10050, *et seq.* implementing Article 3 (commencing with Section 26070) of Chapter 4 of Division 16 of the Public Resources Code.
[2] The Interagency Agreement provides a vehicle for CAEATFA and the Commission to mutually agree to terms, conditions function and activities contemplated by the PD. Mutual agreement is required since as a state agency, CAEATFA is beyond the jurisdictional reach of the Commission.

that currently govern CAEATFA. The Advice Letter process does appears not to be an appropriate mechanism given CAEATFA is an independent public agency governed by its own board. A negotiated IA would need to be presented before the CAEATFA board for consideration and approval at a publicly-noticed meeting. We expect this procedure to be concluded soon after budgetary authority has been secured.

3. Negotiate and Secure Approvals for Contracts with Investor-owned Utilities

After the Decision has been approved by the Commission, CAEATFA and the investor-owned utilities (IOUs) would negotiate a contract that would specify the flow of funds with respect to deposits to trust accounts for the purposes of implementing the pilots consisting of CEs and for covering the EEFE's administrative costs. A negotiated contract would need to be presented before the CAEATFA board for consideration and approval at a publicly-noticed meeting. The contract would also be submitted for review and approval to the Department of General Services (DGS). Approval by DGS is expected approximately 30 days after submittal. Therefore, we expect this procedure to be concluded no more than 3 months after the date the Decision is approved by the Commission. It will be at this time that CAEATFA can assume the role and responsibilities of the EEFE.

CAEATFA's Public Procurement and Rulemaking Procedures

In fulfilling the functions of the EEFE, CAEATFA will be required to follow the public procurement and rulemaking procedures as prescribed in Chapter 2 (commencing with Section 10290) of Part 2 of Division 2 of the Public Contracts Code and Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, respectively, when contracting for the various EEFE-managed services described in the PD and when finalizing the rules for each pilot program. Adherence to these procedures will impact the PD's timelines for contracting services and for launching each pilot program.

1. Request for Proposals

The PD currently orders the "start-up EEFE" to contract a master servicer and any technical consultants in the event there is a delay in CAEATFA securing the abovementioned approvals to assume the EEFE role. CPUC staff should be aware that if an entity other than CAEATFA issues a Request for Proposal (RFP) and/or contracts for any of the EEFE-managed services, CAEATFA would not be able to assume any of those contracts, as it would be considered a circumvention of the procedures as prescribed in Chapter 2 (commencing with Section 10290) of Part 2 of Division 2 of the Public Contracts Code.

CPUC staff should also be aware of the approvals and associated timelines required in contracting for services per the above-referenced sections of the Public Contracts Code. First, CAEATFA will issue an RFP that will allow at least 10 days for potential service providers to

respond with a complete bid. After bid evaluation and selection, the contract would need to be presented before the CAEATFA board for consideration and approval at a publicly-noticed meeting. The contract would then be submitted for review and approval by DGS. Approval by DGS would be expected approximately 30 days after submittal.

2. Rulemaking

Each pilot program will require rules that govern its management and participant engagement. Such rules appear to be components of the Program Implementation Plan process described in the PD. It is also important to factor into the rulemaking process CAEATFA's obligation to adhere to the Administrative Procedure Act, which will require approval of all program rules by the CAEATFA board at a public hearing, as well as review and approval by the Office of Administrative Law (OAL).

By way of Section 26009 of the Public Resources Code, CAEATFA has the authority to utilize the emergency rulemaking process to establish the pilot program rules. This public and streamlined rulemaking process will allow for such rules to be approved by the CAEATFA board and made effective as quickly as 15 days after noticing the proposed emergency regulations. Emergency regulations can be in effect for as long as 180 days. During that 180 days, CAEATFA must complete a regular rulemaking process (which consists of more public hearings/workshops and lengthier comment periods compared to emergency rulemaking) and file a Certificate of Completion with OAL.

Limits on CAEATFA's Authority/Ability to Fulfill Certain Non-Core EEFE Functions

CAEATFA also wants to take this opportunity to identify certain non-core EEFE functions it cannot or should not fulfill either due to statutory limitations or because they do not match with CAEATFA's core competencies.

1. Marketing

The PD currently orders the EEFE to develop, propose and execute a marketing plan for the pilot projects. It is CAEATFA's opinion that it does not have the statutory authority to fulfill such functions and, therefore, recommends those functions be assigned to a party not associated with the EEFE. However, CAEATFA does possess the authority and the ability to conduct education and outreach efforts targeted at FIs and contractors, so it would be appropriate for CAEATFA to assist in developing and executing those specific efforts.

2. Energy Audits and Technical Assistance

The PD currently orders the EEFE to manage $2.9 million for energy audits and technical assistance for participants in the Master-Metered Multifamily with On-Bill Repayment program.

CAEATFA has no experience in this area and understands that the IOUs already provide such services and resources to their customers under different programs. If that is the case, CAEATFA recommends these functions not be fulfilled by the EEFE. However, the EEFE should be informed of the usage of the funds so they can be properly logged and linked to a project that moves beyond the energy audit to participating in an on-bill repayment program administered by the EEFE.

3. Contractor Minimum Qualifications

The PD currently requires the EEFE to adopt minimum standards for qualified contractors eligible to participate in the pilot programs. CAEATFA does not have experience in establishing minimum qualifications for contractors. In its existing programs, CAEATFA has relied on the quality assurance standards of existing utility rebate programs to inform the standards for its current loan loss reserve program. CAEATFA suggests utilizing the same approach to developing the contractor minimum qualifications ordered in the PD. Throughout the implementation process, CAEATFA (as EEFE) can work with the CPUC and interested parties to ensure the established minimum qualifications are valid when the approved project was being performed. However, CAEATFA has no statutory authority to regulate any contractors.

4. Dispute Resolution

In the PD, the EEFE is tasked with investigating disputes presented by customers participating in an on-bill repayment arrangement when the dispute cannot be resolved directly with the customer's utility or lender/lessor. CAEATFA recommends that it be clear that the EEFE should only attempt to investigate and resolve issues arising within the data and funds flow between the participating FI, the master servicer, and the utility and those arising from actions by the trustee, such as clerical mistakes related to the billing of loan or lease payments or payment of funds into or out of loan loss reserve accounts. In no way should the EEFE be responsible for resolving issues that are fundamentally contract disputes between borrowers and lenders.

Clarifications Sought by CAEATFA

In the PD, the EEFE is ordered to negotiate Lender Service Agreements (LSAs) with FIs. CAEATFA is seeking clarification that the terms and conditions specified in the LSAs are not "negotiated" individually but "developed" or "established" by way of a public rulemaking process that would include FIs and other interested parties, and that one end result of such a process would be a standard LSA for each pilot program.

This approach has allowed CAEATFA to enroll FIs in its existing Clean Energy Upgrade Financing Program in a simple and expedited fashion. It has avoided the potential for "never-ending negotiations" where each new lender agreement generates requests from lenders already participating to renegotiate their deal. It allows CAEATFA to enroll lenders without a time-consuming RFP process. It also

minimizes the "command and control" kind of regulation that typically inhibits lender participation. The requirements for participation in CAEATFA's Clean Energy Upgrade Financing Program can be found at California Code of Regulations, Title 4, Section 10053. In essence, the regulations allow applicants to apply based on programs shaped by competition in the marketplace.

CAEATFA believes this approach is consistent with the PD:

> "There was broad agreement that the Commission should not specify exact terms of financial products in order for the FI's to access CE funds. 'As long as FI's adhere to general credit enhancement terms defined under the pilots, specifics should be limited in nature.' Instead, parties (e.g., PG&E, Global Green, DRA, CHF) agreed that the EEFE should have flexibility within Commission guidelines, to avoid onerous restrictions that could limit new products and deal flow." Proposed Decision at 14, footnotes omitted.

Additionally, CAEATFA requests clarification and provides the following comments regarding Appendix E of the PD. First, clarification is needed where the PD speaks to memorialization of the "negotiations" in an LSA. CAEATFA proposes that the details be memorialized in regulations promulgated in compliance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The actual LSA would commit the lender to compliance with the provisions of the program regulations.

CAEATFA also suggests the Decision clarify the intent of the third paragraph on page one of Appendix E. The language speaks to termination of LSAs as follows:

> "The LSA's should provide for and outline the process by which the Commission or IOU's can suspend or terminate a financial institutions' (sic) participation in the pilot and its access to credit enhancement funds."

This raises uncertainty on two fronts. First, CAEATFA anticipates that the LSA will be by and between CAEATFA and the FI. Accordingly, it would be unusual to provide for termination of the agreement by entities not a party to the agreements (i.e., the Commission and the IOUs). CAEATFA would suggest that provisions in the IA and the agreements between CAEATFA and the IOUs should contain terms and conditions upon which CAEATFA would terminate or suspend an FI's participation upon request from the Commission or the IOUs.

Second, the Decision should make clear that any suspension or termination notwithstanding, loans enrolled into the CE pilot prior to suspension or termination of the FI's participation remain covered by the CE to avoid creating uncertainty that may inhibit participation.

In setting forth minimum standards for FI participation, the PD states that the following conditions be met at a minimum:

- Possess all required state and federal licenses;

- Be in good standing with its regulators; and
- Possess a minimum credit rating.

Experience gained by CAEATFA in establishing the existing Clean Energy Upgrade Program suggests that the credit rating requirement may be unnecessarily limiting in that many smaller FIs, although financially sound, do not have published credit ratings. Further CAEATFA was informed during the public process leading to the adoption of its regulations that these FIs are generally unwilling to undertake the expense associated with obtaining a credit rating for no purpose other than participation in an energy efficiency loan CE program.

The list of minimum requirements goes on to require FIs to comply with IOU requirements for a number of things. Given that FIs will be entering into LSAs with CAEATFA as the EEFE, CAEATFA believes it would be better to require FIs to simply comply with the LSA and take the necessary steps to ensure that the LSA contains all that the Commission is seeking.

Further, CAEATFA suggests some clarification be given regarding:

- program status reporting,
- management and transfer of CEs,
- review and approval of marketing collateral and
- length of time to execute agreements.

CAEATFA would anticipate that any reports required of FIs would come to CAEATFA (as EEFE) pursuant to the terms of the LSA. Does the PD contemplate individual reporting requirements imposed by each IOU?

Management and transfer of CEs appear in most places in the PD to be the purview of the EEFE through its trustee or master servicer. Does the inclusion here anticipate some direct relationship between the IOU and the FI outside of the EEFE?

Will CAEATFA as EEFE need to receive some approval from IOUs regarding "marketing collateral" prior to entering an LSA? CAEATFA would again suggest the requirement be made a part of the LSA process rather than being left to the individual IOUs to avoid creating multiple requirements for FIs wishing to operate in the service territories of more than one IOU. Similar concerns are raised regarding the notion of individual IOU requirements regarding time to execute agreements.

Comments on Certain Proposals Based on CAEATFA's Experiences

Lastly, CAEATFA wants to take this opportunity to provide comment on certain proposals and tasks the EEFE would be responsible for. These comments are based on CAEATFA's program implementation experiences.

1. Direction to Retain Legal Counsel

At page 40 of the PD the EEFE is directed to retain the services of legal counsel:

> "As an initial matter, the EEFE shall retain the services of an attorney(s) with an expertise in bankruptcy, California property, secured transactions and any other relevant law. The attorney(s) will identify risks with the goal of maximum enforcement of the OBR program, in the event of bankruptcy, non-judicial foreclosure, or other events of a property owner, landlord, or tenant obligated under the OBR program."

CAEATFA has the ability to request permission from the California Attorney General to contract for services with private counsel. Assuming permission was given, CAEATFA would then utilize a competitive procurement process to select the appropriate attorney(s). CAEATFA notes however that this does not seem to be an appropriate task for the EEFE. Counsel retained by the EEFE will not be the IOU's, FI's or CPUC's attorney. Accordingly, some if not most of those parties will be hesitant to rely on the EEFE attorney's work product.

Given the broad scope of the topics to be covered by the opinion, and the vast number of variables involved in the factual scenarios involved in the analysis, CAEATFA believes any legal opinion would necessarily contain so many disclaimers and caveats as to be of very little practical value.

Further, experience with other programs has demonstrated to CAEATFA that whatever the EEFE's lawyers may say, the FIs are going to conduct their own analysis of the perceived risks associated with loans under the pilot programs. If the Commission believes it needs legal advice to craft the OBR tariff in such a way as to maximize the chances of an OBR obligation surviving a bankruptcy, CAEATFA suggests a better approach would be for the Commission itself to seek legal advice or to direct the IOUs to include the requested legal opinions in their respective OBR tariff filings.

2. EEFE Program Implementation Plan

In Appendix F, CAEATFA notes that it is expected that the EEFE Program Implementation Plan will include a provision that will reconcile utility disconnection procedures with those of the FIs. This appears inconsistent with the statement at page 42:

- Therefore, we find the OBR program shall include non-residential shut-off in conformity with Commission-approved shut off protocols in place at each utility.

It appears to CAEATFA this would be more consistently stated as a plan to bring FI procedures into conformity with the approved practices of the IOUs. If that is correct, CAEATFA would simply note that efforts to impose changes on FI collection procedures are likely to be met with resistance.

Further, Appendix F appears to contain the PD's first reference to "service level agreements." CAEATFA would ask that the term be elaborated on so that the time and level of effort required for the execution of these agreements can be fairly estimated.

3. Contractor Minimum Qualifications

In reviewing Appendix I generally, CAEATFA suggests that while some of the items enumerated may be significantly inhibiting to contractor participation, all of these are best left to the IOUs to be handled in a manner consistent with existing programs and to allow the pilots to avail themselves of a pre-existing, qualified pool of contractors.

Conclusion

CAEATFA greatly appreciates the Commission's consideration of CAEATFA as the EEFE and the opportunity to offer the foregoing comments. CAEATFA looks forward to working with the Commission, the IOUs, and all interested parties in working to make the pilot programs a successful reality.

If you have any questions or need additional information, please do not hesitate to contact me at saul.gomez@treasurer.ca.gov or 916-653-3303.

Sincerely,

Saúl Acosta Gómez
Executive Director

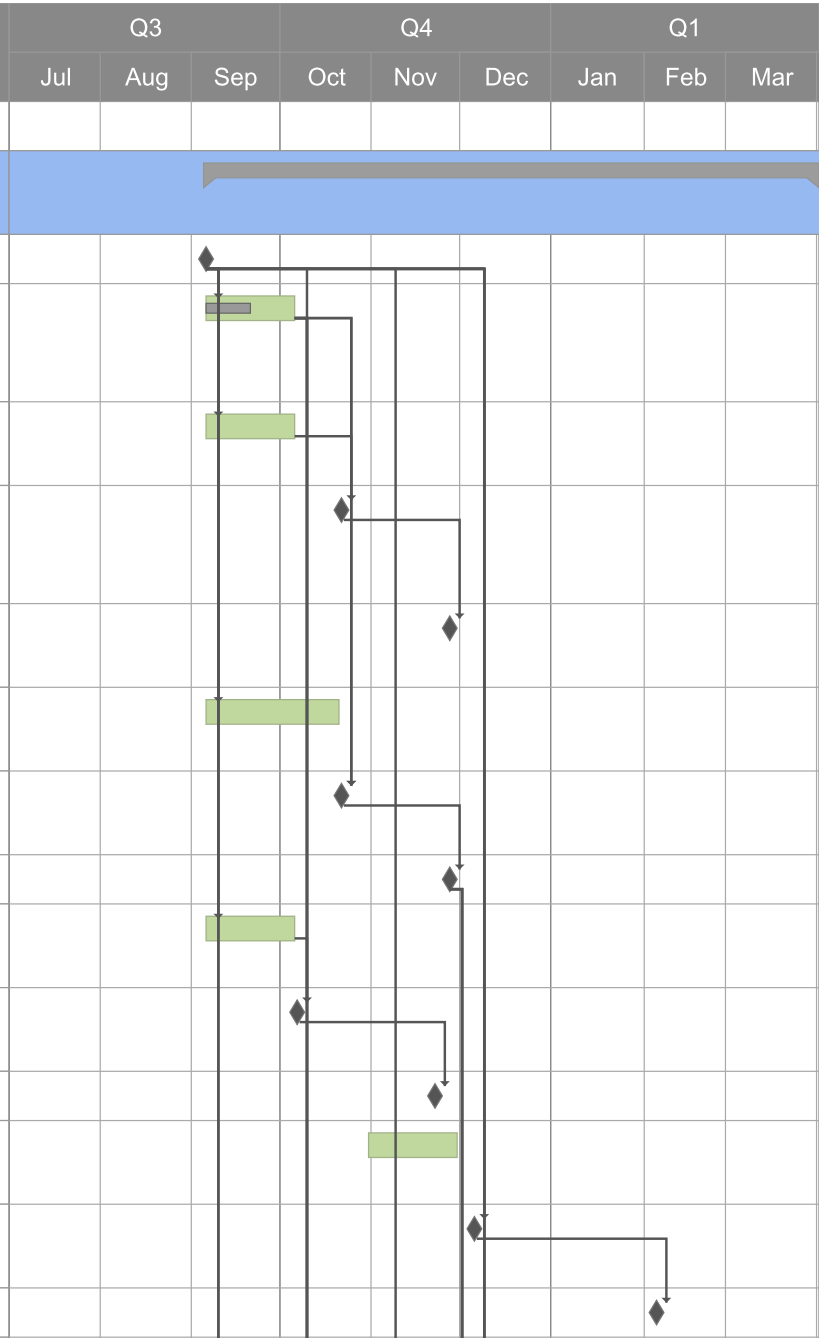
Cc: Jeanne Clinton, California Public Utilities Commission
Jean Lamming, California Public Utilities Commission
Frank Spasaro, Southern California Gas Company

Attachment 2: Proposed Revised Implementation Schedule

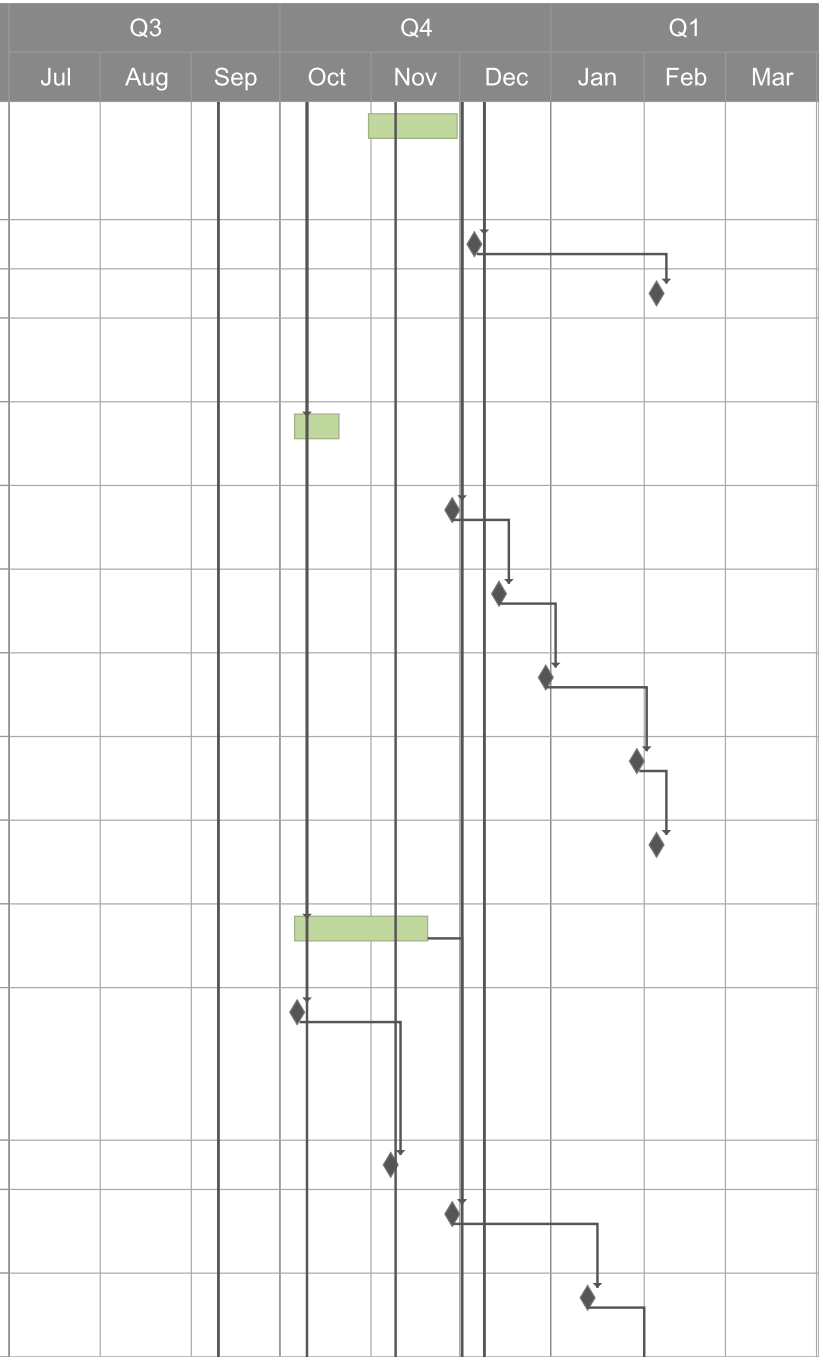
Finance Pilots Overall

	Task Name	Comments	2013				2014			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1										
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.								
51	Pre-Development PIlots	Pilots that can be front loaded to maximum extent with all initial setup done by IOUs with financing partners; later transition to EEFE expected.								
83	Fast Track Pilots	Pilots that can be expedited because of low transaction volume and/or no need for on-bill functionality.								
105	Regular Track	Pilots that have both higher expected volume and on-bill functionality required.								

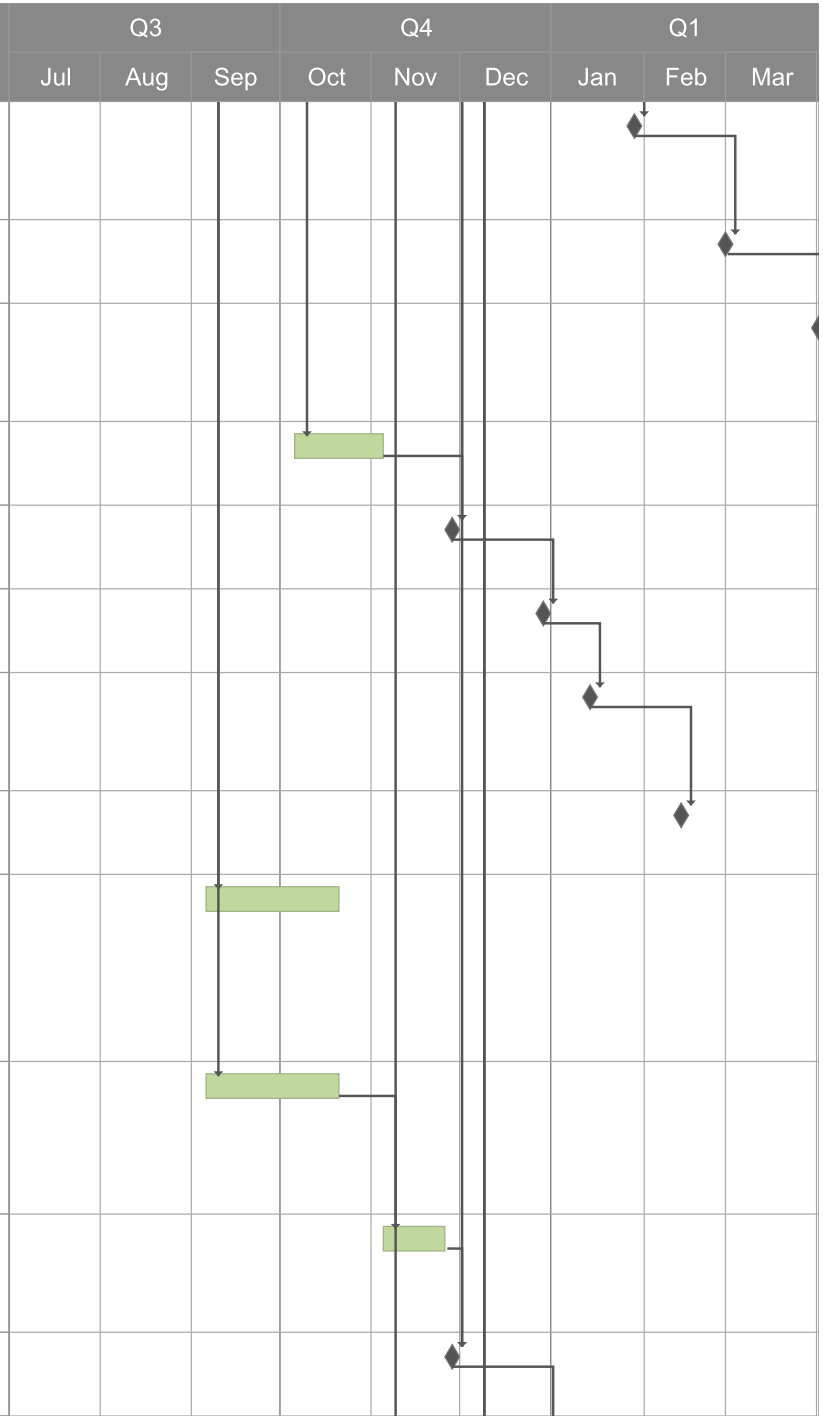
	Task Name	Comments
1		
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.
3	CPUC Final Decision	
4	CAEATFA Requests/Receives Budget Authority	
5	CAEATFA/IOUs negotiate contract	
6	CAEATFA Board Approves Contract with IOUs	
7	DGS Approves contract between CAEATFA/IOUs	
8	CAEATFA & CPUC negotiate/finalize IAA	
9	CAEATFA Board Approves IAA	
10	DGS Approves IAA	
11	SCG Develops Startup PIP	Proposal is to eliminate.
12	Interim EEFE Submits Startup PIP to CPUC	
13	PIP Approved by CPUC	
14	CAEATFA Develops EEFE PIP	
15	CAEATFA Submits PIP to CPUC	OP 3B requests this within D+30
16	PIP Approved by CPUC	



	Task Name	Comments
17	IOUs in Consultation with EEFE Develop Program PIP	
18	PIP Submitted to CPUC	
19	PIP Approved by CPUC	
20	Technical Services RFP Developed	
21	CAEATFA/SCG Develop Trustee RFP	
22	CAEATFA Releases Trustee RFP	
23	CAEATFA selects Trustee RFP	
24	CAEATFA Board approves Trustee award	
25	DGS approves Trustee contract	
26	CAEATFA establishes accounts at Trustee bank	
27	CAEATFA/SCG Develop Master Servicer RFP	PD orders this task begin within 10 days of decision
28	EEFE submits Master Servicer & Technical Services RFP to CPUC through AL Tier 1	Recommend that this step be eliminated. OP 3A orders this be done within D+30
29	AL approved by CPUC	
30	CAEATFA Releases Master Servicer RFP	
31	CAEATFA Awards Master Servicer RFP	

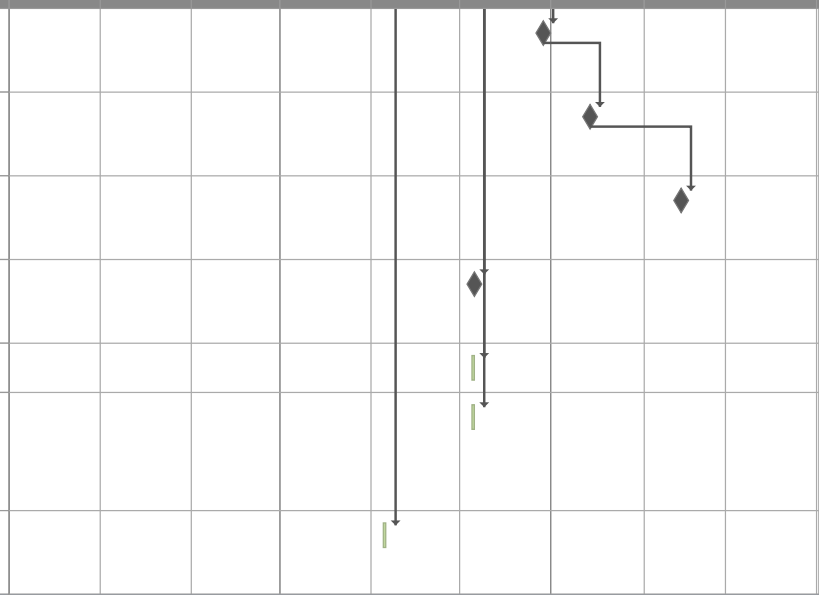


	Task Name	Comments
32	CAEATFA Board approves Master Servicer award	
33	DGS approves Master Servicer contract	
34	Master Servicer begins basic operations -- trustee, data fiunctions	Estimated 30 days required to get Master Servicer to basic operation.
35	CAEATFA/SCG Develop Lease Pilot RFP	How much of this could start a month earlier?
36	CAEATFA Releases Lease Pilot RFP	
37	CAEATFA Awards Lease Pilot RFP	
38	CAEATFA Board approves Lease Pilot award	
39	DGS approves Lease Pilot contract	
40	CAEATFA/IOUs/CPUC establish data collection requirements for all sectors (which data to be collected)	
41	CAEATFA/IOUs/CPUC establish data permissions w/public input	to discuss
42	CAEATFA (wSCG input) develops data manager RFP	
43	CAEATFA Releases Data Mgr RFP	

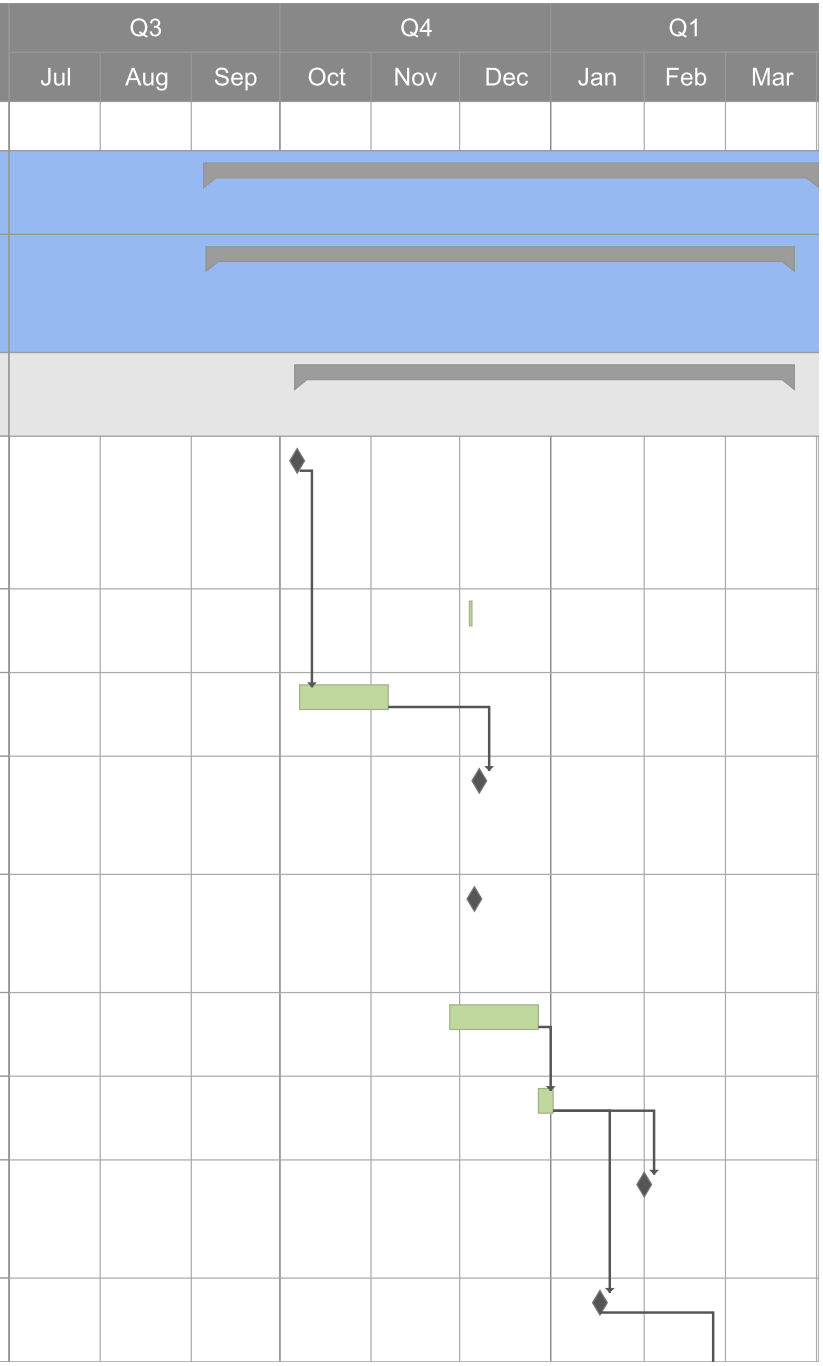


2013 2014

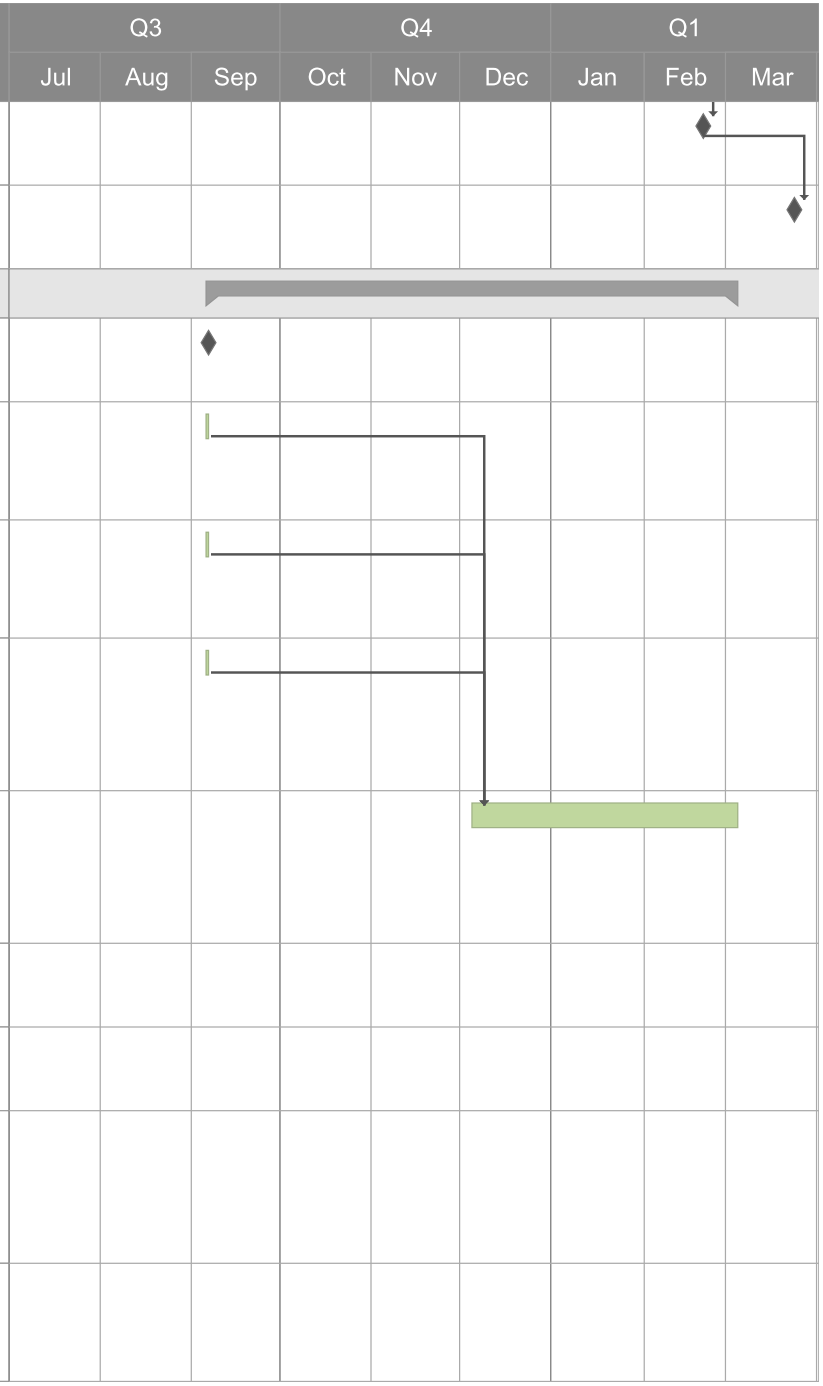
	Task Name	Comments
44	CAEATFA Awards Data Mgr RFP	
45	CAEATFA Board approves Data Mgr award	
46	DGS approves Data Mgr contract	
47	Post Eligible Measures List	
48	Submit ME&O plan	
49	IOUs submit Incremental energy savings evaluation plan	Due Dec 1, 2013
50	EEFE files quarterly report	Due Oct 31, 2013
51	**Pre-Development PIlots**	Pilots that can be front loaded to maximum extent with all initial setup done by IOUs with financing partners; later transition to EEFE expected.
83	**Fast Track Pilots**	Pilots that can be expedited because of low transaction volume and/or no need for on-bill functionality.
105	**Regular Track**	Pilots that have both higher expected volume and on-bill functionality required.



	Task Name	Comments
1		
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.
51	Pre-Development PIlots	Pilots that can be front loaded to maximum extent with all initial setup done by IOUs with financing partners; later transition to EEFE expected.
52	Multi-Family	Manual only; Transition to Automated Billing
53	SCG/Lender CDFI lender sign contract for manual version of MF Pilot	Note that comments will indicate that this pilot use existing audit protocols
54	Develop/coordinate ME&O plan	
55	SCG Set up manual billing system	
56	First Loan Funds/Begin billing under manual system	
57	IOUs submit Advice Letter for Automated version of program.	
58	CAEATFA/SCG develop CE protocols	
59	CAEATFA develops emergency regs	
60	CAEATFA board approves emergency regs	
61	OAL approves emergency regs	



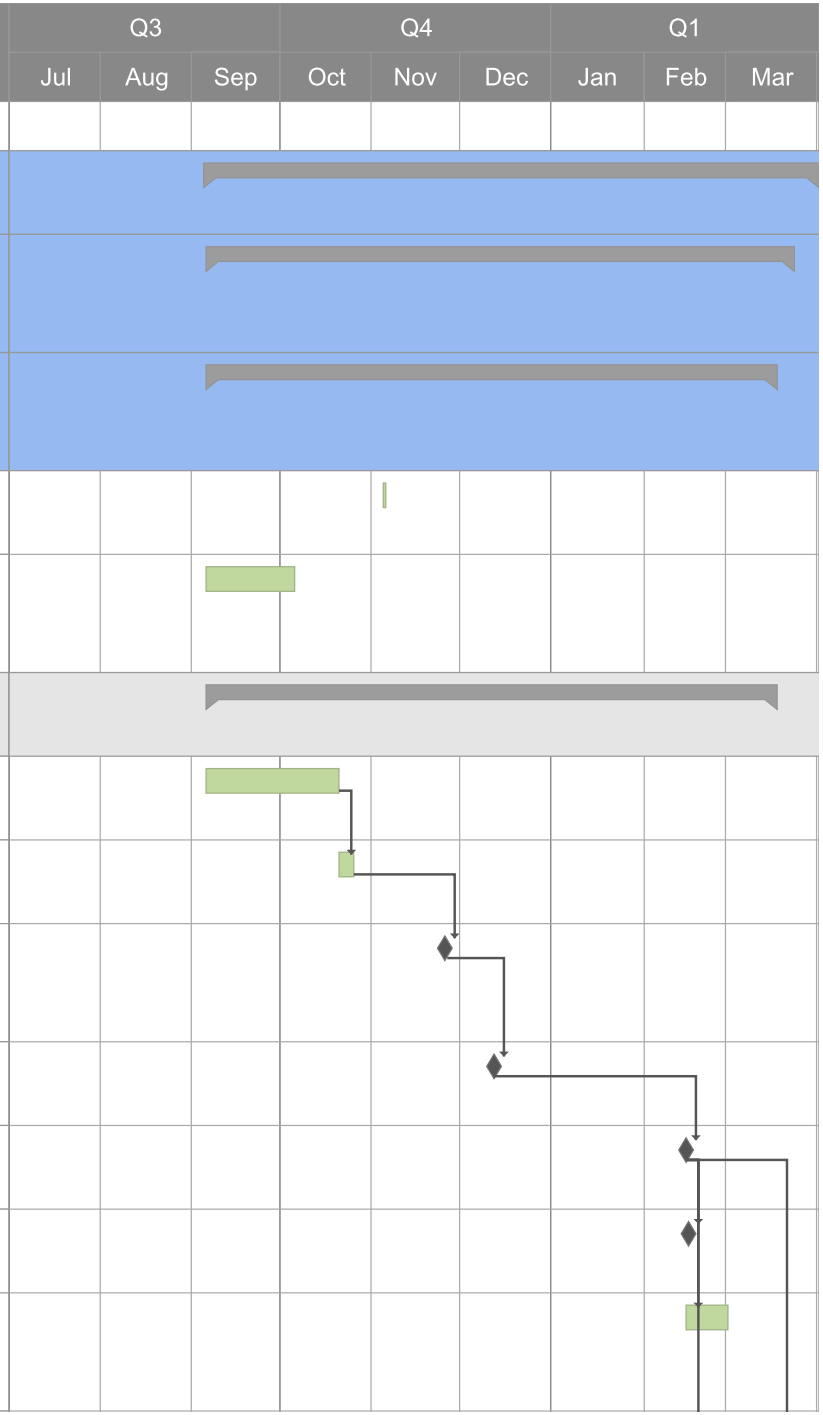
	Task Name	Comments
62	Funds transferred to Trustee	
63	Transfer manual pilot to EEFE/MS program	
64	Single Family EFLIC	
65	Decision authorizes pilot.	Note possible split of Mult-Family/EFLIC if they can be authorized without advice letter.
66	Residential Marketing - Integration with Statewide ME&O	
67	Residential Marketing - Harmonization with CAEATFA LLR	
68	Single Family Residential Marketing - Coordination with existing SF programs	
69	Single Family Residential Marketing - Development of ME&O Plan	
70	Draft EFLIC agreement	Completed by PG&E
71	Completion of agreement with CHF	
72	Draft customer agreement - wherein customer consents to EFLC	Complete
73	Finalize customer agreement - appendix to EFLIC agreement	



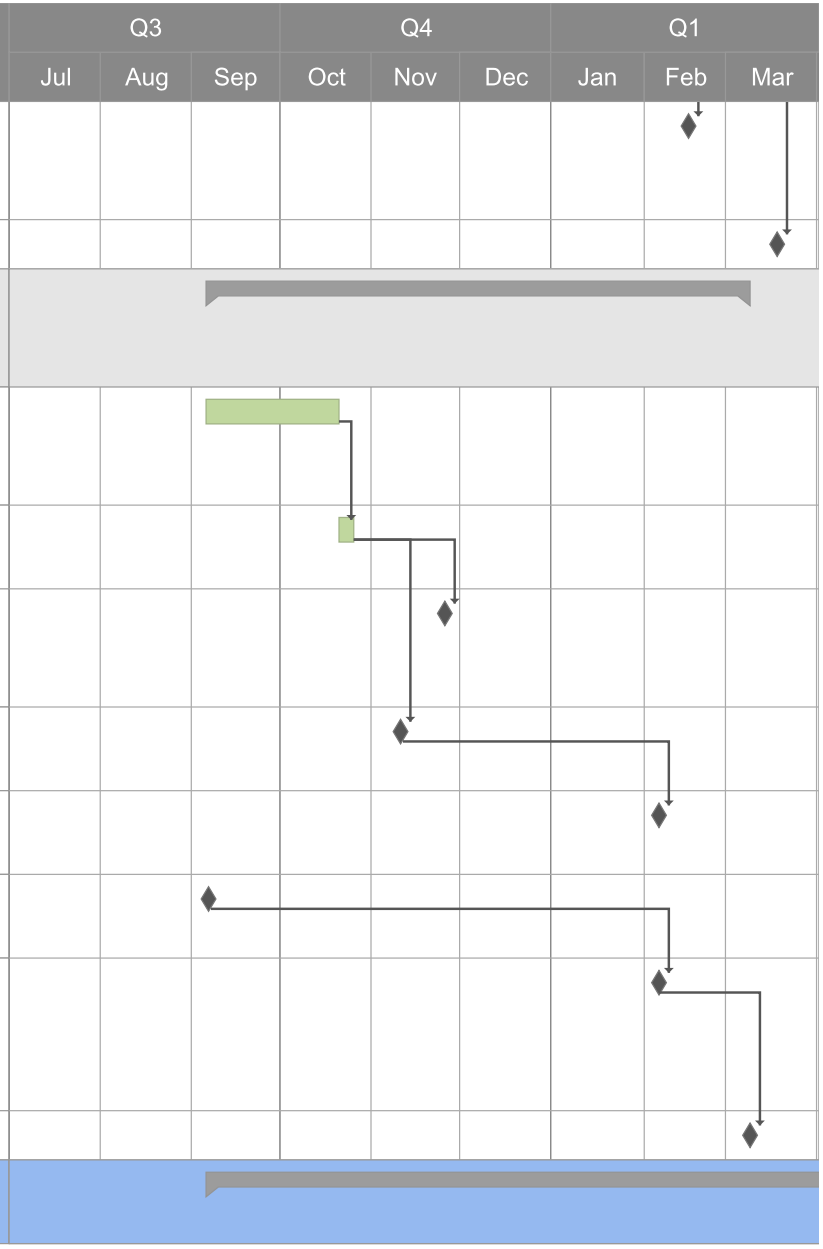
	Task Name	Comments	2013 Q3 Jul	Aug	Sep	Q4 Oct	Nov	Dec	2014 Q1 Jan	Feb	Mar
74	IT: CHF Test of interface with PG&E system	Complete			♦						
75	CHF evaluate technical capability on their end to create needed files										
76	Technical documentation										
77	Design and document line item billing process for financial institutions										
78	Design internal PG&E processes for EFLIC (customer service routing, discrepancy handling, etc) - agreement with CHF may need to include some elements of process design										
79	Deliver process training (PG&E to CHF)										
80	Customer Marketing/Recruitment										
81	Data Collection of FI and IOU data begins										
82	First Loan Funds							♦			
83	**Fast Track Pilots**	Pilots that can be expedited because of low transaction volume and/or no need for on-bill functionality.									

	Task Name	Comments	2013						2014		
			Q3			Q4			Q1		
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
105	Regular Track	Pilots that have both higher expected volume and on-bill functionality required.									

	Task Name	Comments
1		
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.
51	Pre-Development PIlots	Pilots that can be front loaded to maximum extent with all initial setup done by IOUs with financing partners; later transition to EEFE expected.
83	Fast Track Pilots	Pilots that can be expedited because of low transaction volume and/or no need for on-bill functionality.
84	Advice Letter Submitted for Fast Track Pilots	
85	Harmonization of offering with CAEATFA existing loan programs	
86	Non-OBR Lease Finance Pilot	Note: Not Approved in PD
87	CAEATFA/SCG develop CE prototols	
88	CAEATFA develops emergency regs	
89	CAEATFA board approves emergency regs	
90	OAL approves emergency regs	
91	CE funds for pilot transferred to trustee	
92	Program kick-off: RFP and provider selection	Comments indicate no more than 4 lease providers
93	FI/IOUs develop details of working relationship	Co-branding, education of IOU service reps, integration of lease & incentive programs

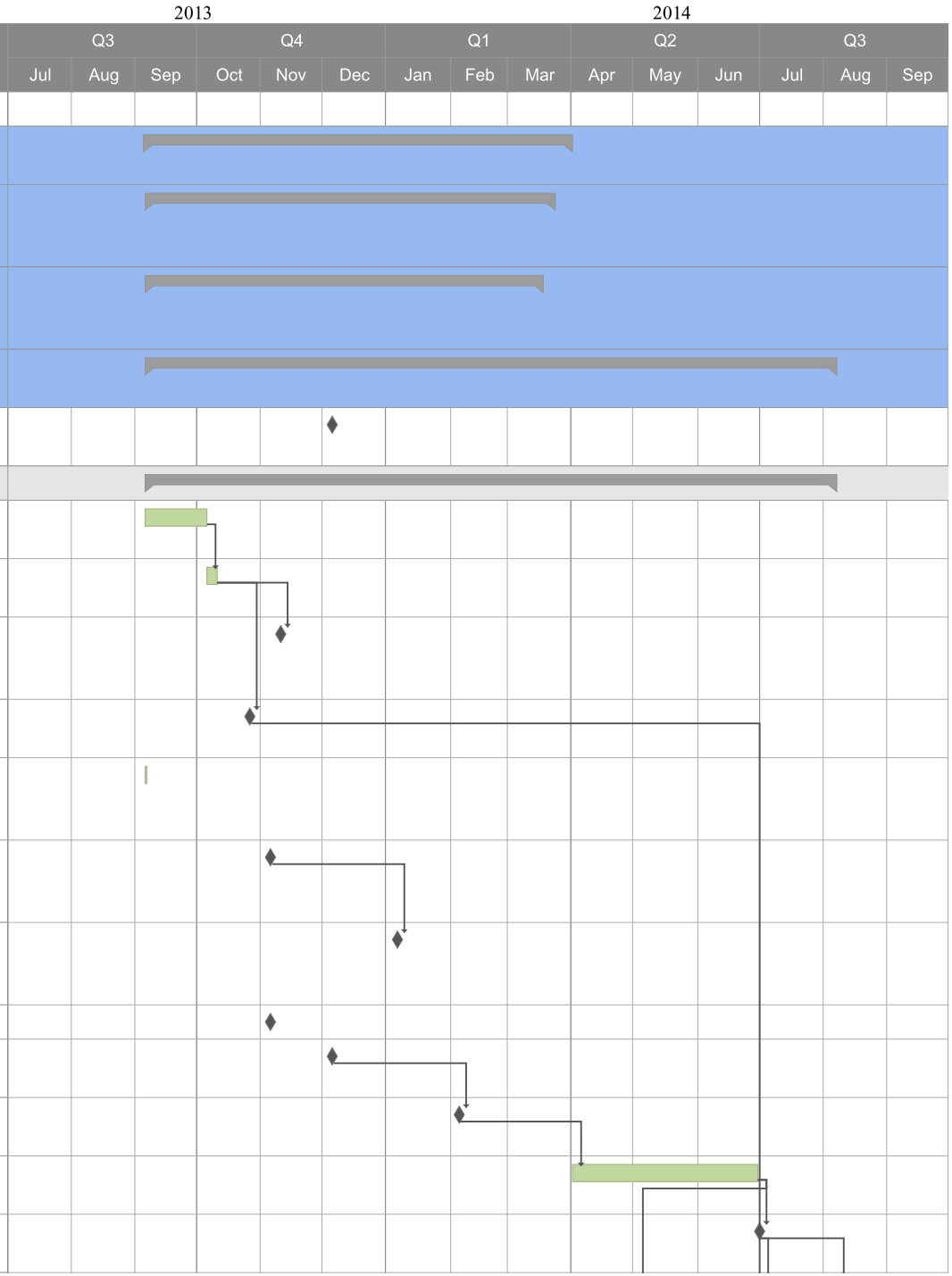


	Task Name	Comments
94	FIs & IOUs kick off marketing to contractors	
95	First project funds	
96	Single Family Financing (non-EFLIC)	
97	CAEATFA/SCG develop CE prototols & LSA standards	
98	CAEATFA develops emergency regs	
99	CAEATFA board approves emergency regs	
100	OAL approves emergency regs	
101	CE funds for pilot transferred to trustee	
102	Lender recruitment begins	
103	Lenders seek/receive internal board or mgt sign-off to offer loan product	Ongoing activity. Existing lenders may easily transition to the new program.
104	First Loan Funds	
105	Regular Track	Pilots that have both higher expected volume and on-bill functionality required.

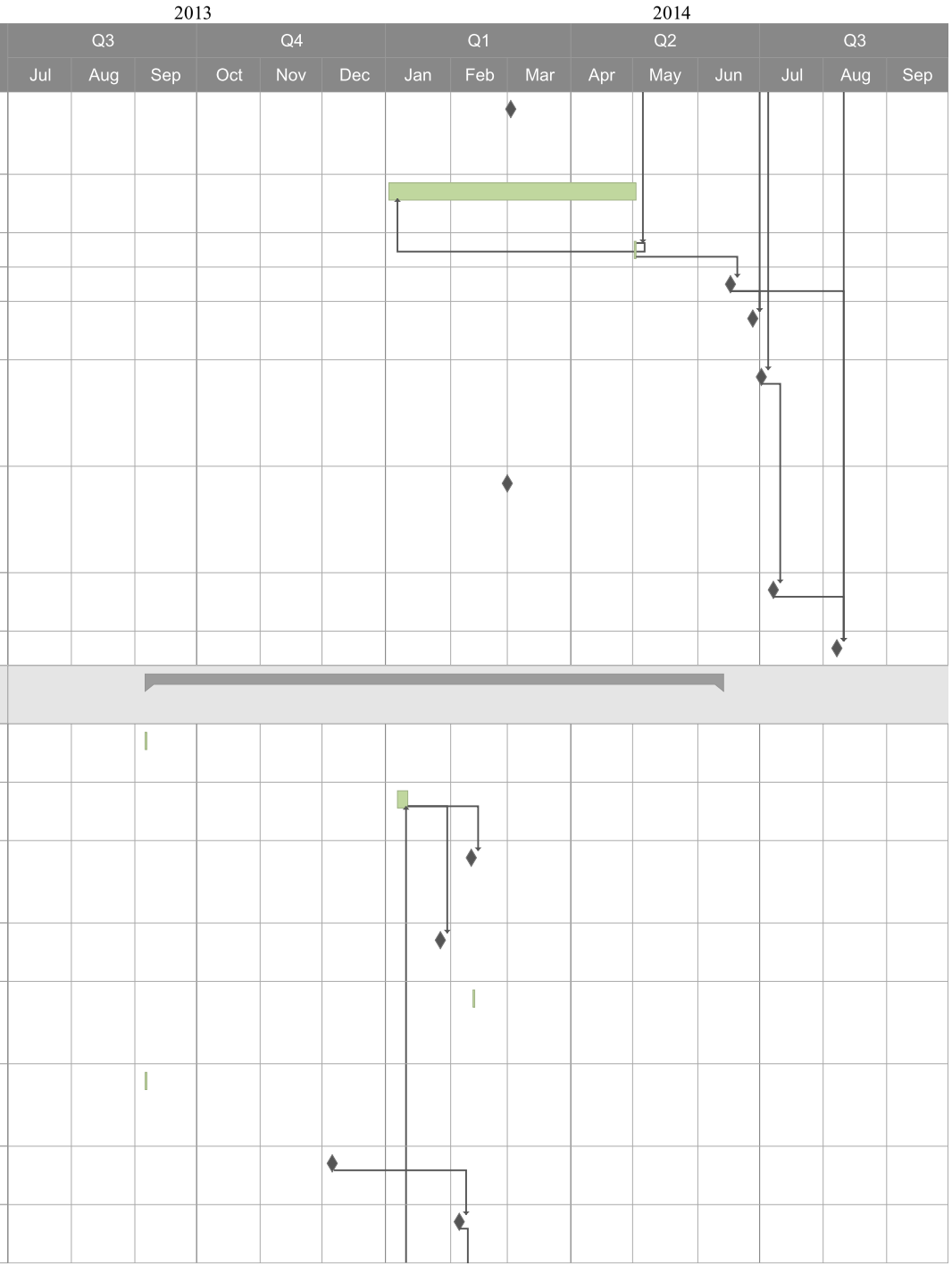


Finance Pilots Regular Track

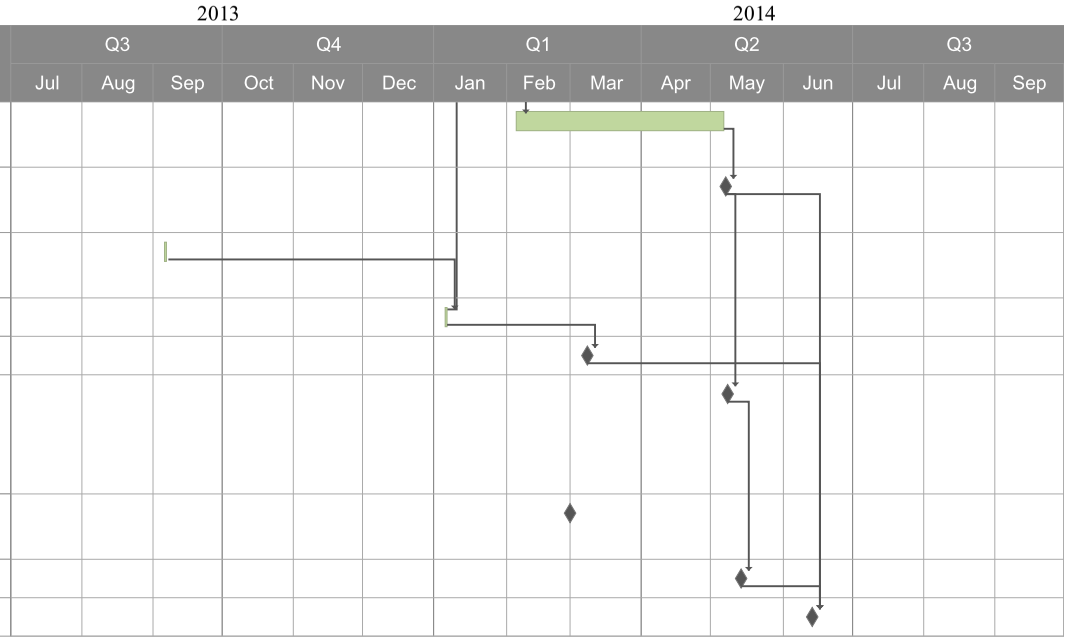
	Task Name	Comments
1		
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.
51	Pre-Development PIlots	Pilots that can be front loaded to maximum extent with all initial setup done by IOUs with financing partners; later transition to EEFE expected.
83	Fast Track Pilots	Pilots that can be expedited because of low transaction volume and/or no need for on-bill functionality.
105	Regular Track	Pilots that have both higher expected volume and on-bill functionality required.
106	Submit Advice Letter on Regular Track Pilots	
107	OBR Lease Pilot	
108	CAEATFA/SCG develop CE prototols	
109	CAEATFA develops emergency regs	
110	CAEATFA board approves emergency regs	
111	OAL approves emergency regs	
112	IOUs develop/coordinate ME&O plan	
113	Emerging Technologies Tier 2 AL	
114	CPUC approves Emerging Technologies AL	If 60 days becomes much longer, it will hold up overall implementation
115	Modify OBF Programs	Changes will be suggested in comments
116	IOUs submit IT estimates Tier 2 AL	
117	CPUC approves IT estimates	
118	IOUs conduct IT changes	
119	IOUs conclude IT changes	



	Task Name	Comments
120	IOUs submit Advice Letters re Pilot - is this duplicateive of #8-10?	
121	Begin OBR Tariff Development	
122	OBR Tariff Filed	
123	OBR Tariff Approved	
124	Initial cash transfer to CE Holding Account	
125	All Master Servicer-IOU data & cash functionality ready for launch	Assumes it takes an additional 30 days to get cash/data transfer functions up, beyond just basic MS functionality
126	Lease company(ies) & IOUs kick off marketing to contractors	
127	Lease company pilot kick-off	Also dependent on award of lease pilot RFP, assumed here to be prior to this step
128	First lease funds	
129	OBR Non-Credit Enhanced Pilot	
130	CAETFA/SCG develop program protocols	
131	CAEATFA develops emergency regs	
132	CAEATFA board approves emergency regs	
133	OAL approves emergency regs	
134	Establish agreement between Master Servicer & IOUs	
135	IOUs develop/coordinate ME&O plan	
136	IOUs submit IT estimates Tier 2 AL	This needs to be linked to Master Servicer selection.
137	CPUC approves IT estimates	



	Task Name	Comments
138	IOUs conduct IT changes	
139	IOUs conclude IT changes	
140	Begin work on OBR Tariff	
141	OBR Tariff Filed	
142	OBR Tariff Approved	
143	All Master Servicer-IOU data & cash functionality ready for launch	Assumes it takes an additional 30 days to get cash/data transfer functions up, beyond just basic MS functionality
144	Kick off marketing to contractors	
145	Piot kick-off	
146	First financing funds	

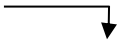


Defined Abbreviations:

AL- Advice Letter
CAEATFA- California Alternative Energy and Advanced Transportation Financing Authority
CDFI- Community Development Financial Institution
CE- Credit enhancement
CPUC- California Public Utilities Commission
DGS- (California) Department of General Services
EEFE- Energy Efficiency Financing Entity
EFLIC- Energy Financing Line Item Charge
FI- Financial institution
IAA- Inter-Agency Agreement
IOU- Investor Owned Utility
IT- Information Technology
LLR- Loan Loss Reserve
LSA- Lender Service Agreement
ME&O- Marketing, Education and Outreach
MF- Multifamily
MS- Master Servicer
OAL- (California) Office of Administrative Law
OBF- On Bill Financing
OBR- On Bill Repayment
PIP- Program Implementation Plan
SCG- Southern California Gas
SF- Single Family

Timeline Symbols:

Milestone


Task is dependent on a previous task

Duration of high-level project phase

Attachment 3: Proposed Changes in Redline to FOFs, COLs, and OPs

Findings of Fact

1. San Diego Gas & Electric Company and Southern California Gas Company (SDG&E/SoCalGas) hired an expert statewide financing consultant to develop new Energy Efficiency (EE) pilot programs.

2. Harcourt, Brown & Carey (HBC) was hired as the expert consultant; HBC's proposals for new EE pilot programs were presented in a public workshop on October 2, 2012, stakeholder comments were solicited, and a final report (Report) was filed and served in this proceeding on October 19, 2012.

3. Due to the timing of HBC's work and the Commission's adoption of D.12-11-015, the Commission deferred consideration of the HBC proposals and authorization of the new Energy Efficiency financing pilot programs.

4. In D.12-11-015, ~~-~~the Commission authorized $75.2 million for EE Financing pilot programs to be implemented in 2013-2014 (pilot period), including up to $20 million for marketing the pilot programs.

5. The Commission's overall EE financing goals include creation of innovative financing programs to ~~ensure~~ expand access to ~~that~~ financing instruments by energy ~~are available to all~~ users, particularly ~~underserved~~ segments of energy users underserved by EE financing.

6. A centralized entity is invaluable ~~essential~~ to development of Energy Efficiency financing pilot programs suitably attractive to private capital, in addition to providing financial controls and program administration. In this decision, the centralized entity is identified as the Energy Efficiency Financing Entity (EEFE).

7. California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA, part of the State Treasurer's Office (STO)) has experience managing an energy loan loss reserve program, ~~-~~and its parent STO has extensive financial expertise.

8. Statutory and budget authority for CAEATFA to assume the EEFE role is currently under discussion with the Department of Finance and in the Legislature.

9. In order to instigate the rapid development and implementation of the authorized programs, some ~~EEFE~~ EE financing functions should ~~must~~ be promptly performed.

~~10. An Investor-Owned Utility (IOU), such as Southern California Gas Company (SoCalGas) could perform certain "start-up EEFE fnctions.~~

~~11.~~10. The term "credit enhancement" (CE) covers a range of mechanisms that set aside ratepayer or other funds to support repayment of the EE Financing loans in case of default or nonpayment.

~~12.~~11. CE funds have been utilized in other EE programs to expand financing options particularly to support loans to borrowers not otherwise reached by existing financing.

~~13.~~12. The use of trust accounts created under the authority of the EEFE, subject to the bank's exercise of a Trustee's fiduciary duty, can help protect~~s~~ ratepayer credit enhancement funds from inappropriate withdrawal or misapplication.

~~14.~~13. A loan loss reserve (LLR) sets aside a certain amount of money (reserves) to cover potential losses in case of no repayment; no ratepayer funds are at risk until a loan is funded and the project is verified as complete.

~~15.~~14. A Debt Service Reserve Fund (DSRF), as authorized here, is solely to cover non-payment of monthly principal and interest payments to the FI; borrowers are required to repay missed principal and interest payments which are returned to the DSRF prior to resuming principal and interest payments to the FI; no ratepayer funds are at risk until a loan is funded and the project is verified as complete.

~~16.~~15. Eligible Energy Efficiency measures (EEEM) are measures that have been approved by the Commission for a Utility's EE rebate and incentive program for the current program cycle.

16. Utility customers are more likely to add EE projects while undertaking other improvement activities.

17. The Single Family ~~Direct Loan~~ Lending Program pilot program will advance the Commission's goals of leveraging private capital with ratepayer funds to expand access to EE financing in the Single Family residential sector.

18. The Energy Financing Line-Item Charge (EFLIC) pilot program will test the attractiveness of on-bill repayment and its impact on residential loan performance.

19. EE financing in multifamily rental properties poses special challenges due to complex ownership structures and different incentives between landlords and tenants.

20. The Master-Metered Multifamily Financing Program (MMMFP) targets master-metered multifamily housing and offers owners repayment on the master utility bill without the risk of service disconnection for a default of the EE loan payments.

21. There is significant value in testing On Bill Repayment without shut-off due to EE loan repayment default in the multifamily building environment.

22. Energy Audits for participating multi-family buildings with completed EE projects will improve understanding of building science and review contractor performance.

23. The Investor Owned Utilities (IOUs) currently offer On-Bill Financing (OBF) programs which provide no-interest loans to non-residential customers for comprehensive EE projects; OBF is funded 100% by ratepayers.

24. OBF funds have been concentrated to date in single end use lighting measures.

25. On-Bill Repayment (OBR) as a pilot feature/program allows a business customer to repay ~~a~~ certain third party EE loans or leases on the utility bill.

26. The primary purpose of the OBR pilots is to test whether OBR that combines traditional utility ~~consumption~~ services and EE loan repayments into a single bill payment, can overcome lending barriers in the single family residential, master-

metered multifamily, and/or non-residential sectors, and attract large pools of more attractive ~~accessible~~ private capital to EE markets.

~~27. Transferability of the underlying debt obligation with the customer's meter, upon change of building ownership and/or tenancy, is central to the appeal of OBR.~~

~~28.~~27. CEs, alone and in conjunction with OBR, ~~may~~ provide a ~~reasonable~~ mechanism to test expansion of EE capital into the small business sector.

~~29.~~28. CEs are necessary for a transitional period to educate financial institutions (FIs) about the value of OBR in improving investment performance.

~~30.~~29. The small size of the OBR projects makes them too sensitive to charge financial institutions fees to cover initial program implementation costs during 2013-2014; limited EE funds have already been authorized for this purpose.

~~31.~~30. Collection of salient data (subject to privacy considerations) about the potential value of OBR as an EE market incentive, is essential for education and marketing efforts, and to energize EE contractors.

~~32.~~31. The Small Business OBR with CE pilot program is targeted to small business customers.

~~33.~~32. The Small Business Sector OBR Lease Providers pilot program with CE is targeted to small business customers.

~~34.~~33. The On-Bill Repayment Pilot Program (for medium and large businesses) without Credit Enhancements provides an opportunity to evaluate OBR as a single feature.

~~35.~~34. The EEFE is designed to be an information technology (IT)-driven ~~platform~~ organization or "hub" to support the core processes and functions that track CEs and OBR, and to collect data so as to facilitate the confidential flow of funds, information and data, among IOUs, financial institutions (FIs~~)~~, the Commission and others.

37. The Master Servicer (MS) role for the EEFE is to serve as an EEFE agent to provide CE fund flow management, oversight, instructions, and reporting.

38. ~~Data c~~Collection of salient and available data, subject to privacy considerations, is essential to be able to test the value of various features of the authorized financing pilots.

39. The IOUs have not fully complied with a prior Commission order to propose a methodology to estimate incremental savings delivered by the statewide financing programs towards their energy savings goals.

40. Quality assurance and quality control are important program elements for FIs and customers ~~; data collection; required reporting~~ and will provide ~~most of the~~much useful information to assess whether program participants, or the energy improvement projects, are sufficiently performing their functions.

41. To implement ~~OBR~~EE finance pilots, the IOUs and EEFE (and/or the Master Servicer) will need to coordinate IT systems to allow for a smooth flow of data regarding the ~~OBR~~ authorized pilot programs.

42. It is necessary for the IOUs to undertake IT upgrades to implement the OBR and EFLIC features of the authorized pilot programs.

43. Generating demand through targeted marketing, education and outreach (ME&O) is an essential activity for the authorized financing programs to be successful.

44. Coordinating ongoing data collection (to the extent possible) on program participants, project characteristics, project outcomes, and repayment results is an essential function of the EEFE.

45. Commission oversight will be critical to protecting the integrity of customer information and ratepayer funds allocated to support EE financing programs, while maintaining adequate flexibility by the pilot administrators to work on these new and innovative pilot programs.

46. It would advance the Commission's Energy Efficiency financing goals for

BayREN to implement a multi-family financing program which would provide a capital contribution to the loan of up to $5,000 per unit for EE improvements because it is complementary to the multi-family financing pilot authorized in this decision.

Conclusions of Law

1. It is in the public interest to establish a process and mechanism to ensure the ~~successful outcome of~~ expansion of desirable EE financing instruments and market uptake of EE measures ~~up~~ through OBR and the financing pilot programs.

2. It is reasonable for California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA, part of the State Treasurer's Office (STO)), to assume the Energy Efficiency Financing Entity (EEFE) functions.

3. It is reasonable for CAEATFA to use ratepayer EE financing pilot funds allocated to the implementation of the EEFE, and for the staff and technical resources required for CAEATFA to perform the EEFE~~se~~ function~~s~~.

4. In order for CAEATFA to assume the EEFE function, the Commission must execute an interagency agreement between the Commission and CAEATFA to formalize the delegation of duties. It is reasonable for the interagency agreement to include elements that include but are not limited to many of those found in the correspondence of August 2, 2013 from CAEATFA to ALJ Darling.

5. It is reasonable for the IOUs to enter into an agreement with CAEATFA to provide funding consistent with this Decision and consistent with that the interagency agreement between the CPUC and the EEFE.

6. ~~5. If CAEATFA's authority to assume the EEFE role is delayed, it is reasonable for an Investor-Owned Utility (IOU) to act as "start-up" EEFE and to take immediate steps to begin implementation of the authorized pilot programs.~~ If CAEATFA cannot assume the EEFE role, it is reasonable to reopen the record in this proceeding to determine which entity can best serve as the EEFE.

7. It is advantageous to establish implementation of these Pilots, and related activities, in three general tranches, reflecting the speed at which they can be implemented. The first tranche ("Pre-Fast Track") are those that do not require credit enhancements, on-bill functionality, or a full functioning EEFE (examples include EFLIC, MMMFP). The second tranche ("Fast Track") are those that do not require on-bill functionality, or a full functioning EEFE (but do include CE, examples include the SFLP). The third tranche ("Regular Track") are those that require credit enhancements, full on-bill functionality, and/or a full functioning EEFE (examples include OBR for small business, leasing for small business, etc.).

~~6~~8. It is reasonable to utilize limited ratepayer funds for credit enhancements (CEs), including those negotiated by the EEFE for approved pilot programs, during the pilot period in order to test their effectiveness in stimulating broader access to higher quality EE financing.

~~#~~9. To help ensure that these pilots collect the type of data and information needed for the Commission, IOUs, FIs, and others to make informed decisions in the future, it is reasonable for the IOUs, working with Energy Division, to develop an experimental design plan to best test the efficacy of financing strategies in increasing customer energy efficiency adoption.

~~#~~10. It is reasonable for the ~~Investor-Owned Utilities~~IOUs to work with CAEATFA with the goal of harmonizing (to the extent possible in recognition of statutory, regulatory and service territory constraints) the implementation of the Single Family Lending Pilot Program and CAEATFA's ABX1 14 Clean Energy Upgrade Financing Program, including steps to ensure that ratepayers' funds are not used whenever other funds are available for a given purpose.

~~7~~10. It is reasonable for the EEFE to open trust accounts at an appropriate financial institution ~~national bank~~ in order to track, transfer, and protect the integrity of ratepayer funds allocated to CEs; for committed CE funds, no more than 90% may be invested at any given time~~, and may only be invested in limited-term fixed- income~~

~~securities.~~.

~~8~~11. Two types of CEs are ~~reasonable and~~ specifically authorized: Loan Loss Reserve (LLR) and Debt Service Reserve Fund (DSRF).

~~9~~12. It is reasonable to require that authorized EE pilot program financing qualifying for CEs and for OBR must apply a minimum of 70% of the funding to Eligible EE Measures (EEEMs). It is reasonable to limit the remaining maximum of 30% of funding only to measures that are related to the EE ~~other~~ improvements.

~~10~~13. It is reasonable to authorize the Single Family ~~Direct Loan~~ Lending Program, including allocation of $20~~5~~.0 million to fund a Loan Loss Reserve, to improve residential customer access to local and regional financial products with enhanced terms.

~~11~~14. There is currently no state law authorizing on-bill repayment for residential or non-residential customers.

~~12~~15. It is reasonable to authorize up to $1 million for the EFLIC sub-pilot program for implementation in a single IOU's territory in conjunction with the SF~~D~~LP~~, subject to the IOUs receiving an exemption from the Money Transmission Act from the Department of Financial Institutions~~.

~~13~~16. It is reasonable to authorize an MMMFP that includes OBR without shutoff, for master-metered affordable multifamily buildings, and provides: (1) that the OBR feature will be by agreement, supported by tariff; (2) Net Bill Neutrality is an objective, not a requirement; and (3) the use of a DSRF is the primary CE.

~~14~~17. It is reasonable to authorize a total of $2.9 million in ratepayer funds to implement the MMMFP and provide limited support for post-project technical assistance and Energy Audits.

~~15~~18. It is reasonable to modify at some time the OBF program so that single end use lighting measures shall comprise no more than 20% of total project costs for business customers, excluding institutional customers.

16. It is reasonable to authorize an OBR feature for ~~the non-residential~~ certain pilots authorized within this decision.

~~17~~19. Transferability of an On-Bill Repayment (OBR) obligation can be achieved through the use of consensual written agreements and a tariff. The required principles underlying the voluntary transferability of OBR process are (1) the maximum enforceability of the financing agreement and OBR tariff; (2) the enforceability of the written consent of the utility customer subject to the OBR provisions ~~to the maximum extent feasible~~; (3) the OBR program does not run afoul of federal bankruptcy law; ~~and~~ (4) ~~that~~ the OBR program does not run afoul of California property law; and (5) the OBR program complies with State and Federal debt collection and consumer finance laws.

~~18. It is reasonable for the EFEE to retain the services of an attorney(s) with expertise in bankruptcy, California property, secured transactions, and any other relevant law to prepare a memorandum or opinion letter setting forth the risks and recommendations to ensure the Commission's goals and requirements of the OBR program are achieved.~~

~~19~~20. It is reasonable that the OBR program shall include non-residential shutoff in conformity with Commission-approved shut off protocols in place (at the time) at each utility.

~~20~~21. It is reasonable to require further ~~Commission~~ review ~~of all aspects~~ of the pilot programs by the various implementers and participants prior to any future statewide rollout.

~~21~~22. It is reasonable for the IOUs to not charge fees to participating FIs for the OBR service related to financing approved during the pilot period. It is reasonable for the interagency agreement to include a provision for EEFE to make a recommendation regarding charging fees to participating FIs for the OBR service related to financing for potential implementation during any future statewide rollout.

~~22~~23. The United States Small Business Administration definitions of "small business" [13 C.F.R. 121} are a reasonable ~~definition~~ guideline to apply to the two authorized non-residential pilot programs targeting "small businesses."

~~23~~24. It is reasonable to authorize the Small Business Sector OBR pilot program with CE as described in Section 5.3, including a cap of $200,000 on CE value per loan.

~~24~~25. It reasonable to authorize a Small Business Sector ~~OBR~~ on and/or off bill Lease Providers pilot program with CE as described in Section 5.4.

~~25~~26. It is reasonable to allocate a total of $14.0 million from previously authorized funds to implement the two non-residential EE financing pilots targeted to small businesses: Small Business Sector OBR with CE and Small Business Sector ~~OBR~~ Lease Providers with CE.

~~26. There is insufficient evidence in the record to establish a need for credit enhancements to support Energy Efficiency financing for medium and large businesses.~~

27. The OBR Pilot Program without CEs, as described in section 5.5, is a reasonable means to test offering innovative EE financing products to ~~all~~ non-residential customers.

28. No ratepayer funds should be allocated to support credit enhancements for the OBR Pilot Program without CEs except for ratepayer funds that are supporting the EEFE, ME&O, IT upgrades, and other overarching implementation activities.

29. For non-residential OBR customers, IOUs shall apply their existing practices under OBF for application of partial payments and may follow Commission-approved disconnection procedures to obtain delinquent payments.

30. The EEFE has a duty to ratepayers to ensure the proper and approved uses of utility ratepayer funds, including the provision of a reliable and transparent conduit for transfer of ratepayer payments from the IOUs to the lenders, and maintenance of managed pooled credit enhancement funds through a trust or similar account.

31. It is reasonable for the EEFE to contract with a Master Servicer, as described in section 6.2, to perform the primary functions of fund management, financial product/ borrower data management, and OBR billing and collections procedures. It is reasonable for each IOU to enter into formal agreements with the Master Servicer selected by

the EEFE to establish procedures to conform to each IOU's billing system.

32. It is reasonable for the IOUs to immediately begin to develop information for an EE financing database which complements previously ordered data collection.

33. The required data should be collected in a careful and comprehensive manner to ensure the data are collected at the least cost and while heeding all privacy considerations.

34. It reasonable for the IOUs, in conjunction with Energy Division, to develop a methodology to estimate incremental savings delivered by the statewide financing programs towards their energy savings goals.

35. It is reasonable to require an estimate of the bill impacts of the proposed energy efficiency project to be presented by the contractor to the customer at the time they are making the commitment to the project to help insure an informed decision.

36. ~~It is reasonable for the EEFE to adopt minimum standards for qualified contractors eligible to participate in the EE financing pilot programs.~~ For purposes of the pilot programs, it is reasonable for the EEFE to ~~shall~~ ensure that contractors and FIs certify that they meet ~~the~~ minimum program qualifications ~~set forth in Appendix I, and any other qualifications EEFE finds reasonable and necessary~~.

37. It is reasonable for the EEFE to adopt minimum standards for qualified financial institutions eligible to participate in the EE financing pilot programs. For purposes of the pilot programs, the EEFE shall ensure that financial institutions meet the minimum qualifications set forth in Appendix E, and any other qualifications EEFE finds reasonable and necessary.

~~38. When CAEATFA assumes the EEFE role, it may apply its own regulations for participating contractors performing energy efficiency work.~~

~~39~~38. It is reasonable to ~~phase~~ phase-in the IT infrastructure with the launch of the various pilot programs.

~~40~~39. It is reasonable to require the IOUs to work closely with each other and

~~CAEATFA~~ the EEFE to ensure system compatibility and a smooth ~~transition~~ start up of~~to~~ CAEATFA~~'s assumption of~~ as the EEFE ~~role~~.

~~41~~40. It is reasonable to require the IOUs to develop an updated estimate of costs for the minimum IT system upgrades necessary to implement the authorized EE financing pilot programs.

~~42~~41. It is reasonable to initially allocate up to $10 million for the IOUs to conduct customized marketing, outreach, advertising, and promotion strategies. ~~by market sector, as follows:~~

- ~~Single family: $5 million~~
- ~~Multi-family master-metered: $500,000~~
- ~~Small business, including leasing: $3 million~~
- ~~OBR for all non-residential customers: ($1.0 - $1.5 million~~

~~43~~42. ~~With the exception of the OBF program change deadlines set forth in Section 4.1, t~~The Pilot Phase-In Timing and Deadlines, and best practices to launch programs, set forth in Attachment 2 of Southern California Gas Company's opening comments, are reasonable.

~~#~~43. It is reasonable for the IOUs, in coordination with CAEATFA and Energy Division staff, to hold a public workshop for stakeholders, FIs and other market actors, and the public regarding the implementation status and schedule of the pilots and the establishment of EEFE.

44. It is reasonable to authorize a process to resolve any problems and errors related to the managing of the flow of ratepayer funds through the EEFE.

45. It is reasonable for the Commission to maintain general oversight of the EEFE and the IOUs through periodic reports by these implementers on data collection and program performance, Advice Letters, and PIPs.

46. For all pilot programs, it is reasonable for the EEFE to have flexibility~~, subject to Commission oversight,~~ to negotiate and otherwise work with FIs to achieve ~~basic minimum standards for~~ desirable loan terms and underwriting criteria, while

maximizing the leverage of ratepayer monies.

47. Any other rebates and incentives for which the customer is eligible shall be applied by the Utility, but CEs will apply only to the portion of financing net of such rebates and incentives.

48. It is reasonable to authorize $2 million from reserved funding for BayREN to implement the Multi-Family Capital Advance Program.

49. It is reasonable to deny funding at this time for the BayREN Single Family LLR pilot ($3.825 million) and SoCalREN's proposed Multi-Family LLR pilot~~.~~ ($1.500~~275~~ million) and order~~s~~ the refund ~~of these funds~~ to ratepayers through regulatory account overcollections at the next time the account balances are disposed of for ratemaking purposes. It is also reasonable to adjust the Public Purpose Surcharge rate to exclude this component of funding, so collection of revenues is not continued on a forward going basis ~~within 60 days of the date of this decision.~~

ORDER

IT IS ORDERED that:

1. A total of $75.2~~57.9~~ million from authorized Energy Efficiency (EE) funds for Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") shall be used to establish and implement the Energy Efficiency financing pilot programs authorized in this decision.

a. ~~Each~~ The IOUs in aggregate shall budget for~~promptly release to the Energy Efficiency Financing Entity (EEFE)~~:

i. Up to $5 million from EE funds as necessary costs are documented and invoiced to fund the start-up function of the EEFE, including the Master Servicer functions;

ii. Up to $10 million from EE funds as necessary costs are documented and invoiced to fund marketing, education, and outreach plans targeted to the EE financing pilot programs authorized in this decision;

iii. Up to $22.9~~28.9~~ million from EE funds as are documented and invoiced for credit enhancements for residential pilot programs authorized in this decision;

iv. Up to $5 million from EE funds as necessary costs are documented and invoiced for experimental design for pilots; ~~and~~

v. Up to $1 million from EE funds as are documented and invoiced for implementation of the EFLIC pilot program;

~~i~~vi. Up to $14 million from EE funds as are documented and invoiced for credit enhancements for non-residential pilot programs authorized in this decision; and

vii. Up to $17.3 million is not allocated, but includes the utility information technology upgrades and remains subject to Commission disposition with respect to financing program pilots. ~~are reserved.~~

b. The above financial obligation shall be distributed among the IOUs based

upon the allocations for EE financing budgets found in the Decision (D.) 12-11-015, *Decision Approving 2013-2014 Energy Efficiency Programs And Budgets* in this proceeding.

2. Southern California Gas Company shall consult and coordinate with California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) in all significant aspects of ~~program implementation~~ pilot back-end infrastructure implementation until CAEATFA is authorized and capable of taking over the Energy Efficiency Financing Entity functions.

3. ~~If there is a delay in establishing the authority or agreement of~~ To help facilitate California Alternative Energy & Advanced Transportation Financing Authority ~~to~~ assuming~~e~~ the Energy Efficiency Financing Entity (EEFE) role, Southern California Gas Company shall ~~act as "start-up" EEFE and~~ take the following immediate steps until the time the CPUC and CAEATFA inter-agency agreement is in place ~~to begin implementation of the authorized pilot programs~~:

~~a. within ten (10) days of the date of this decision, begin development of a Request For Proposal (RFP) process to competitively select a Master Servicer and any necessary Technical Consultants , with a goal of reaching contracts within seventy-five (75) days.~~

~~i. within thirty (30) days of the date of this decision, the EEFE shall provide a copy of the Master Servicer and Technical Consultant, RFPs to the Energy Division by Tier 1 Advice Letter. The Director of the Energy Division, or his designee, shall be included on the review panel for the EEFE Master Servicer and may be included on other RFP review panels.~~

~~b. within thirty (30) days of the date of this decision, file by Tier 2 Advice Letter an Energy Efficiency Financing Entity (EEFE) Start-up Program Implementation Plan (PIP). The EEFE PIP shall include the features and steps set forth in Appendix F, and provide for the development of an interagency agreement between the Commission and CAEATFA to implement this decision.~~

~~i. If Southern California Gas Company must briefly act as EEFE, it shall consult with CAEATFA, other Investor-Owned Utilities, and Financial Institutions about the EEFE PIP to ensure that information~~

~~and other systems will be compatible, secure, and have the capacity for CAEATFA to assume EEFE functions in the future with minimum transition time and cost.~~

~~c~~e. within ninety (90) days of the date of this decision, on behalf of themselves, the other Investor-Owned Utilities, and CAEATFA develop and submit a marketing, education, and outreach (ME&O) plan, ~~in consultation with the Investor-Owned Utilities,~~ which may reallocate the $10 million authorized for these purposes across the pilots as warranted to best deploy and test the pilot financing mechanisms approved here.

i) The Investor-Owned Utilities~~EEFE~~ shall coordinate their ~~its~~ marketing with the statewide ME&O effort, under review in a separate proceeding, to ensure maximum outreach and to avoid duplication.

~~d~~a) in coordination with the other IOUs, to immediately begin implementation of the "Pre-Fast Track" Pilots as these are fully authorized by this Decision.

~~e~~b) for "Fast Track" Pilots, within sixty (60) days of the date of this decision and prior to implementation of any new EE Financing pilot program, shall, file Tier 2 Advice Letter developed in consultation with the other IOUs, setting forth the features and implementation steps for these pilots.

~~f~~c~~d~~) for "Regular Track" Pilots, within ninety (90) days of the date of this decision and prior to implementation of any new EE Financing pilot program, shall file by Tier 2 Advice Letter a PIP developed in consultation with the other IOUs, setting forth the features and implementation steps for these pilots.

~~g~~ed) take all reasonable steps to promptly develop Lender Service Agreements that reflect Financial Institutions requirements for pilot program participation, ~~as set forth in~~ using Appendix E as a guide;

~~4. The Executive Director of the Commission shall take all reasonable steps to assist in the development of an interagency agreement between theCommission and CAEATFA to implement this decision at the earliest possible opportunity.~~

4. Within ten (10) days of this decision, the IOUs shall begin a negotiation with CAEATFA for CAEATFA to provide services, for fair and reasonable fees, that are authorized by this decision with regard to CAEATFA serving as the EEFE, with a goal of reaching a contract within seventy-five (75) days.

5. The Executive Director of the Commission shall take all reasonable steps to

assist in the development of an interagency agreement between the Commission and California Alternative Energy & Advanced Transportation Financing Authority, including supporting the approval of the interagency agreement by the Commission, CAEATFA, Department of General Services and any other relevant executive branch and legislative bodies, to implement this decision at the earliest possible opportunity.

6. Within thirty (30) days of the date California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) is ~~legislatively~~ fully authorized to assume EEFE functions, the EEFE shall execute an interagency agreement between the Commission and CAEATFA, submit a copy by Tier 1 Advice Letter to the Energy Division, and serve it on the service list in this proceeding.

7. Within ~~ninety~~ forty-five (~~90~~45) days of the date of this decision, Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall each make publicly available a list of Eligible Energy Efficiency Measures, including on the utility's website, which are eligible to be included in the 70% minimum required EEEMs for each of the pilots.

8. Within ninety (90) days of the date of this decision the Investor-Owned Utilities shall work to encourage CAEATFA to harmonize, to the extent possible in recognition of statutory, regulatory and service territory constraints, the implementation of Single Family Lending Pilot Program and CAEATFA's ABX1 14 Clean Energy Upgrade Financing Program, including steps to ensure that ratepayers' funds are not used whenever other funds are available for a given purpose.

8. ~~The Energy Efficiency Financing Entity shall work with t~~The Investor-Owned Utilities, in consultation with the Energy Efficiency Financing Entity, shall ~~to~~ develop guidelines for Energy Audits for multifamily customers participating in the Master-Metered Multifamily Financing Program with completed Energy Efficiency (EE)

projects. The Energy Audits are to be funded from the $2.9 million allocated to the MMMFP from authorized EE finance program funds.

9. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") shall:

a. ~~No later than thirty (30) days after~~After the completion of the OBR program pilot period,~~is operational~~ modify their On-Bill Financing programs so that single end use lighting measures shall comprise no more than 20% of total financed project costs for business customers, excluding institutional customers.

b. No later than sixty (60) days after this decision is issued, ~~the IOUs shall~~ submit a joint Tier 2 Advice Letter which identifies new, emerging lighting equipment which may be excluded from the 20% calculation due to their technologically-higher efficiencies and frequently higher initial costs

10. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") and Energy Efficiency Financing Entity (EFEE) shall ~~negotiate~~, in consultation with participating financial institutions, ~~to~~ structure the On-Bill Repayment (OBR) program so that current property owners and landlords and current tenants shall provide written consent to abide by the terms and obligations of the OBR program.

~~a. The negotiations should be informed by the legal memorandum or opinion letter prepared by EFEE's legal contractor. The IOUs and EFEE shall structure the OBR program in such a way that, to the maximum extent feasible, the written consent of subsequent property owners and landlords and subsequent tenants subject to the OBR program is ensured.~~

~~b~~a. Upon agreement of provisions of the OBR tariff consistent with the requirements discussed in this decision, the IOUs shall file a Tier 2 Advice Letter submitting a proposed OBR tariff that reflects agreement with the EFEE. ~~The attorney(s) memorandum or opinion letter should be attached to the Advice Letter and inform the Commission in its review of the proposed OBR tariff.~~ (Potential elements of such a tariff are indicated for illustrative purposes in Appendix C, but that language is not mandatory.)

b. The IOUs may indicate in their Advice Letter for the OBR program funding deficiency associated with verification of compliance with the requirement

that tenants provide written consent to property owners and landlords.

11. Pursuant to the provisions of the eventually adopted Program Implementation Plan for the Small Business Sector On-Bill Repayment Lease Providers with Credit Enhancement pilot program, the Energy Efficiency Financing Entity shall conduct a Request For Proposal (RFP) with the goal of ~~to~~ competitively selecting ~~at least two~~ no more than four lease originators to participate in the pilot program. The minimum criteria for RFP respondents are set forth in Section 5.4.

12. As part of the authorized Energy Efficiency Financing pilot programs, Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall work with Financial Institutions and the Energy Efficiency Financing Entity to collect, organize, and make public (subject to privacy considerations) appropriate and useful information (such as that ~~the information~~ identified in Appendix D).

13. ~~.~~No later than December 1, 2013, Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") shall, each or jointly submit by Tier 2 Advice Letter their proposed methodology to estimate incremental savings delivered by the statewide financing programs towards their energy savings goals, and a proposal for evaluation, including what data the pilot programs would need to collect

14. The Energy Efficiency Financing Entity (EEFE) ~~shall~~ is requested to take all reasonable steps to ensure that Financial Institutions participating in the pilot programs meet the minimum qualifications set forth in Appendix E, and any other qualifications EEFE finds reasonable and necessary.

15. ~~The~~ Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company, in consultation with the Energy Efficiency Financing Entity (EEFE), shall take all

reasonable steps to ensure that contractors participating in the pilot programs meet the minimum qualifications set forth in Appendix I, and any other qualifications ~~EEFE~~ the IOUs find~~s~~ reasonable and necessary.

16. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall take all reasonable steps to incorporate necessary Information Technology (IT) changes for the Energy Efficiency financing pilots with other scheduled and funded IT projects in order to achieve available economies and efficiencies.

17. Within ~~ninety~~ thirty (30~~90~~) days of the date of being notified by the EEFE of data transmittal specifications, Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall each file a Tier 2 Advice Letter supporting an updated estimate of the Information Technology (IT) changes necessary to implement On-Bill Repayment and other features of the authorized pilots, and serve the revised estimate on the service list for this proceeding. The Advice Letter shall include information about economies achieved by integrating these upgrades with previously funded and scheduled IT capital projects.

~~a. Total allocations approved as a result of the Advice Letters may not exceed $8 million.~~

18. If any dispute arises as to the flow of information, Credit Enhancements, or debt service payments, Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") , the Energy Efficiency Financing Entity (EEFE), and the Financial Institutions (FI), shall promptly cooperate to investigate the dispute, in consultation with the Master Servicer (MS), and ensure that any problem discovered is corrected.

a. Customers with an On-Bill Repayment servicing dispute which they have been unable to first resolve directly with an IOU or FI, may contact the

EEFE to seek investigation and assistance. The EEFE shall acknowledge receipt of the complaint to the customer and the IOU or FI in writing within ten (10) business days. The EEFE shall promptly undertake an investigation, in consultation with the MS, to identify and correct any accounting errors discovered.

b. If the EEFE is unable to resolve the customer's complaint about a bill-related finance servicing dispute within thirty (30) days of receipt, then the customer may contact the Commission's Consumer Affairs Branch (CAB) for assistance through its existing dispute resolution process. The EEFE and Energy Division shall each provide CAB with an individual contact to provide technical assistance to CAB for resolving any dispute.

c. Disputes involving the conduct of any FI or contractor shall be referred to the appropriate regulatory agencies.

19. ~~Southern California Gas Company, as the start-up Energy Efficiency Financing Entity (EEFE) or on behalf of California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA), is responsible for ensuring that all reports, Advice Letters, and Program Implementation Plans (PIPs) required of the EEFE are properly submitted during the pilot period in accord with the requirements set forth in this decision.~~ If and when CAEATFA is the EEFE, Southern California Gas Company shall work with CAEATFA to help ensure all reports, Advice Letters, and Program Implementation Plans (PIPs) required of the EEFE are properly submitted.

20. Within 30 days of filing the Tier 2 Advice Letter and PIP for "Regular Track" Pilots, identified in Order 3, paragraph ~~f~~c above, Southern California Gas Company, in coordination with the other IOUs, CAEATFA and Energy Division staff shall hold a public workshop regarding the implementation status and schedule of the pilots and the establishment of EEFE.

20. Beginning October 31, 2013, the Energy Efficiency Financing Entity (EEFE), in conjunction with Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company, shall file and serve a Second Quarter 2013 Report, ~~and~~ quarterly reports,

and a Final Report thereafter through (and shortly after) the pilot period, by pilot program and on EEFE operational expenses.

a. The reports should notify the Commission of implementation progress, including any previously unidentified important program elements ~~details~~, and any problems or obstacles encountered in the implementation of the authorized programs. Information ~~Details~~ to be submitted ~~would~~ can include, but not be limited to:
   - The platform and space within which EEFE functions take place;
   - Accounts and account managers associated with EEFE;
   - Database permission (and levels therein) criteria and platforms;
   - Customer facing products (such as websites/informational charts);
   - ~~Transactions of various financial products administered by EEFE and certain a~~Aggregate profile information about borrowers, project purposes/scope, financed amounts, etc.; and
   - Overview of participating Financial Institutions.

21. Pacific Gas and Electric Company, ~~and~~ Southern California Edison Company and Southern California Gas Company shall refund a total of $5.325~~1~~ million --$3.825 million for BayREN' Single Family LLR pilot, ~~and~~ $1.275 million for SoCalREN's Multi-Family LLR pilot for SCE, and $0.225 million for SoCalREN's pilot for SCG ~~respectively~~----to ratepayers for funds collected during 2013 through the regulatory account update scheduled to modify amounts for amortization beginning 2014. In addition, utilities shall revise their Public Purpose Program Surcharge (PPPS) rate at the next scheduled time to exclude these components of funding, so collection of revenues for these specific programs are not continued on a going forward basis. It is anticipated this will be done for the January 2014 PPPS rate change. ~~within 60 days of the date of this decision~~

22. Applications 12-07-001, 12-07-002, 12-07-003 and 12-07-004 remain open. This order is effective today. Dated , at San Francisco, California.

Attachment 4: HBC Working Group Data

The Energy Finance Database

Design, Process and Deliverables (March 22, 2013)

Background

The Commission directed SoCalGas to use its "expert financing" consultant to convene an initial working group to address issues with data collection and dissemination. The working group was established and tasked accordingly. This document describes the recommendations of the working group for the development of an energy finance database.

The Purpose

The purpose of the energy finance database is to:

1. Provide customer-level, finance and energy performance data to attract investment in energy efficiency from a more diverse and larger group of investors than currently capitalize efficiency investments;
2. Reduce investor uncertainty as to credit, energy saving and asset (property) value performance, therefore reducing costs of capital and increasing supply of capital;
3. Provide sufficient, accessible data to determine if there is a correlation of loan performance to the use of funds, i.e., do loans for energy efficiency out-perform loans for other uses (e.g., non-energy home improvements, recreation vehicles, etc.) for similarly credit worthy borrowers.
4. Minimize the reporting burden on contractors and programs
5. Reduce the cost and effort associated with data analysis
6. Ease the difficulty of transferring data from one system to another.

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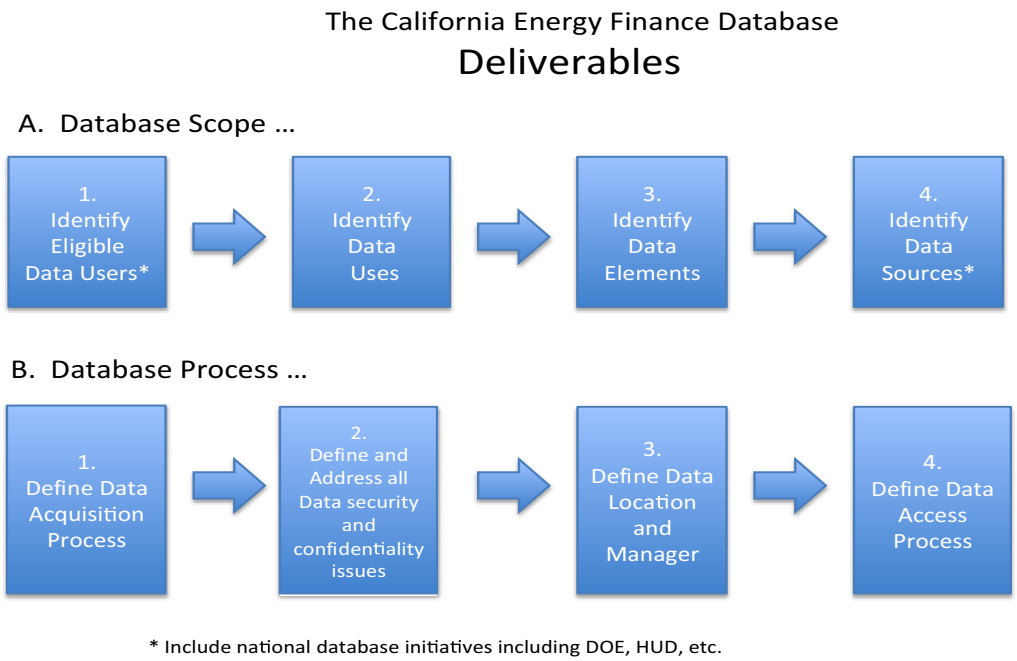
Section 1. Key Deliverables

The following diagram describes the major deliverables and orders them in the sequence in which they were developed.

Figure 1. Data Deliverables



Section 2. Deliverables Sub-Tasks

The tasks described below are the sub-category break-outs of the eight major tasks.

Note: All draft deliverables are or will be posted to the "CalEEFinance" web site for open review.

Deliverable	Actions	Status/Comments
A1. Identify Eligible Data Users	1. Reach out to an appropriate cross section of financial institutions 2. Reach out to an appropriate cross section of non-financial institutions 3. Develop draft data users list 4. Finalize data users list	Draft data users list complete.
A1a. Short report on overlapping data initiatives	1. Identify and profile data initiatives.	Research Underway

Deliverable	Actions	Status/Comments
A2. Data Use Cases	1. Identify individual use cases from each user and what data elements are required to satisfy each use case for both energy and financial and combined uses	Underway and in draft
A3. Data Elements	1. Extract data elements from uses 2. Propose method to build data file 3. Propose data format	Underway and in draft
A4. Data Sources	1. List financial data sources 2. List energy data sources 3. Determine how to merge the financial and energy data	In draft
B1. Data Acquisition	1. Describe how and how frequently each source will provide data 2. Confirm feasibility of providing such data, with each source 3. Explore alternative data acquisition possibilities if needed	In draft
B2. Data Location/Management	1. Identify business requirements for managing the data 2. Based on the business requirements, assess if there is existing entity(s) that could manage this database and pros/cons. 3. If not propose a process for obtaining this service 4. Coordinate with DOE and other national data efforts	

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Deliverable	Actions	Status/Comments
B3. Data Anonymization	1. Determine if some or all of the data collected by the data manager will be customer identifiable 2. Determine if data made available from the database must be anonymous and/or have other confidentiality requirements 3. Seek professional opinions on data regulations and security 4. Determine how to make data anonymous	See recommendation
B4. Data Access	1. Determine if there should be data access levels 2. Determine what would be appropriate levels 3. Determine what data would be made available to each level 4. Propose a data acquisition process	

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Section 3. Deliverables Schedule

Deliverable	Format	Deadline
A1. Eligible Data Users	Table	TBD
A2. Data Use Cases	Table	TBD
A3. Data Elements	Table	TBD
A4. Data Sources	Table	TBD
B1. Data Acquisition	Process specification	TBD
B2. Data Location/Management	Process specification	TBD
B3. Data Anonymization	Process specification	TBD
B4. Data Access	Process specification	TBD

Section 4. Data Users and Uses

There are five primary **User Types,** each with its own respective **Use** for data in these pilot programs.

User: Investors

Any individual organization that could place capital or inform the placement of capital behind financial products within the program.

- Capital Investors (including Institutional Investors)
- Originators and Servicers
- Depositories (Banks and Credit Unions)
- Foundation PRI & other "mission" related investors
- Insurance Companies
- Rating Agencies (S&P Moody's)
- Data Providers (Bloomberg)
- IOUs (when providing capital or credit enhancement funding)
- Property Performance Rating Systems & Appraisers

Investor Uses:

What is current financial picture of the building?
What is current FMV?
How much debt currently?
What are the buildings attributes?
What is the ownership profile of the building?
Who pays the utility bills?
What is credit rating of building owner?
If not owner occupied, what is the rental history credit profile of tenants?
What are proposed project details?
What measures are being addressed?
What are the projected/estimated energy savings from the proposed project? (converted to cash value)
How might weather or geographic region factor into this?
What is baseline energy usage of building?
What % of baseline is expected to be saved after project installation?
What is actual post-installation energy performance? (converted to cash)
Are there correlations between actual performance and different/certain combos of installed measures?
Do some Service or Product Providers have better performance compared to their peers on defined measures?
Does energy efficiency performance have a correlation w loan/financing repayment? (in OBR scenario)
In other words, do greater savings or more accurate energy savings (compared to forecasted) seem linked to likelihood of successful financing repayment?
Are there certain combinations of installed EE packages that are more predictable/reliable than others?

***Generally speaking, Investors will want any data that can help them understand and manage credit risk, asset risk and performance risk. Enabling analysis of how these three categories interact with OBR could be informative on how Investors might rely less on underwriting credit risk for EE and more on performance risk like currently happens in renewables like Solar.

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User: Policy Makers

Decision makers (at CPUC and IOUs) that authorize the use of sponsor funding from ratepayer and/or taxpayer dollars. This also includes the ecosystem of program evaluators and regulatory agencies that serve them along with stakeholder advocates that provide them input in the policy making process.

- CPUC
- Legislators
- Federal & State Agencies
- Environmental and Social Equity Advocates
- DRA (consumer protection)
- EM&V Contractors

Policy Maker Uses:

Does OBR financing result in greater energy efficiency adoption than rebate incentive only world? (Either expanded customer access/uptake or longer payback measures)
What is the incremental financing program cost per unit of energy efficiency gained?
What features of OBR have the most value and impact to Investors and therefore customers?
Can costs be segregated into high value and low value activities? Is so, what are the costs of the valuable features?
How is financing being offered with OBR and credit enhancement compared to without/before it?
Is it priced differently?
Are we seeing new Investors entering the market of EE financing because of OBR and credit enhancements?
Is there new financial product innovation happening because of OBR? Particularly around addressing the "split incentive" dynamic in rental markets.
If so, what is the innovation?
When can we take away the cash credit enhancements and just rely on OBR?
Is financing repayment performance of OBR portfolio in any way correlated with actual energy performance or predictability of energy efficiency performance?

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User: Program Managers

Decision makers that manage and/or fund budgets and key program design features in order to maximize program effectiveness for Policy Makers and Investors.

- Local Governments
- RENs
- IOUs and Public Utilities
- EM&V Contractors

Program Manager Uses:

How can we reduce the administrative costs for OBR?
How can we drive more customer demand?
How does OBR and credit enhancement mechanisms interact with my existing program structure w Investors?
How can we help contractors drive more demand?

How do we work w customer facing Investor reps to drive more customer demand? Who is the target customer that finds Service Provider and Investor value propositions strong and compelling?

User: Product & Service Providers

Service providers and corresponding supply/value chain associated with selling and installing EE packages.

- EEM Facilitators
- Engineering Firms
- Contractors (GCs, Home Performance and Trades)
- ESCos
- Manufacturers and Distributors

Product & Service Providers Uses:

How can I find more customers for my product or service?
How can I make it as convenient as possible for them to buy my product or service? How can I help them understand the opportunities for their building/asset?
What financing options are a good fit for my product or service?
What do I need to do in order to help my customer qualify for financing and utility incentives?

Asset Manager and/or Energy Customer

Primary beneficiary of EE

- Building Owners
- Building Managers
- Building Occupants

Asset Manager and/or Energy Customer Uses:

What is energy efficiency?
How does it benefit me?
Is it hard?
How do I know it's going to work?
How do I get it?
What have other people in my situation done with their building?

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Section 5. Privacy - Data Release (Energy User Consent Disclosures)

Participants in the financing program will be asked to sign a consent form allowing the release of their financial and installation data and authorizing the program to use the data in certain restricted methods. Participants will also be asked to sign the standard California utility "Customer Information Services Request" Form (CISR) to consent to the use of their energy consumption data. Please see examples of each document in the Appendix C.

Acquiring consent from residential customers is governed under the following structure and regulations:

Residential Programs			
Type of data	Financial	Installation	Consumption
Source of data	Loan Originator		Utility
Regulations governing data	Federal Trade Commission and Gramm Leach Bliley, the use of non-public information		Fair Information Practices Principles (FIPP) including North American Energy Standards Board (NAESB) REQ 22, CPUC 8380, D1107056, D1208045
Consent document	To be developed by originator (because the originator takes on the liability of non-compliance) See example attached		Customer Information Services Request (CISR) See attached CISR

Acquiring consent from commercial customers is governed under the following structure and regulations:

Commercial Programs			
Type of data	Financial	Installation	Consumption
Source of data	Loan Originator		Utility
Regulations governing data	Contract law		Fair Information Practices Principles (FIPP) including North American Energy Standards Board (NAESB) REQ 22, CPUC 8380, D1107056, D1208045
Consent document	To be developed by originator (because the originator takes on the liability of non-compliance)		Customer Information Services Request (CISR) See attached CISR

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Additional notes on customer consent and use of data:

1. The residential consent protocol is based on the disclosure of non-public personal information ("NPI") under the Federal Trade Commission and the Gramm Leach Bliley Act ("GLBA"), and is in compliance with applicable CA law governing privacy of personal information in finance transactions;
2. The residential financial data consent form is based on what we believe a compliance counsel (attorney) would recommend based upon understanding of program parameters, which will be subject to change;
3. Under California privacy laws, a person cannot be discriminated against or denied a loan/credit for refusal to consent to the release of personal information. However, the statute states, "Nothing in this section is intended to prohibit a financial institution from offering incentives or discounts to elicit a specific response to the [consent] notice." Consequently if an applicant rejects the CA program consent/disclosure, the lender need not deny the application, if the lender can approve the

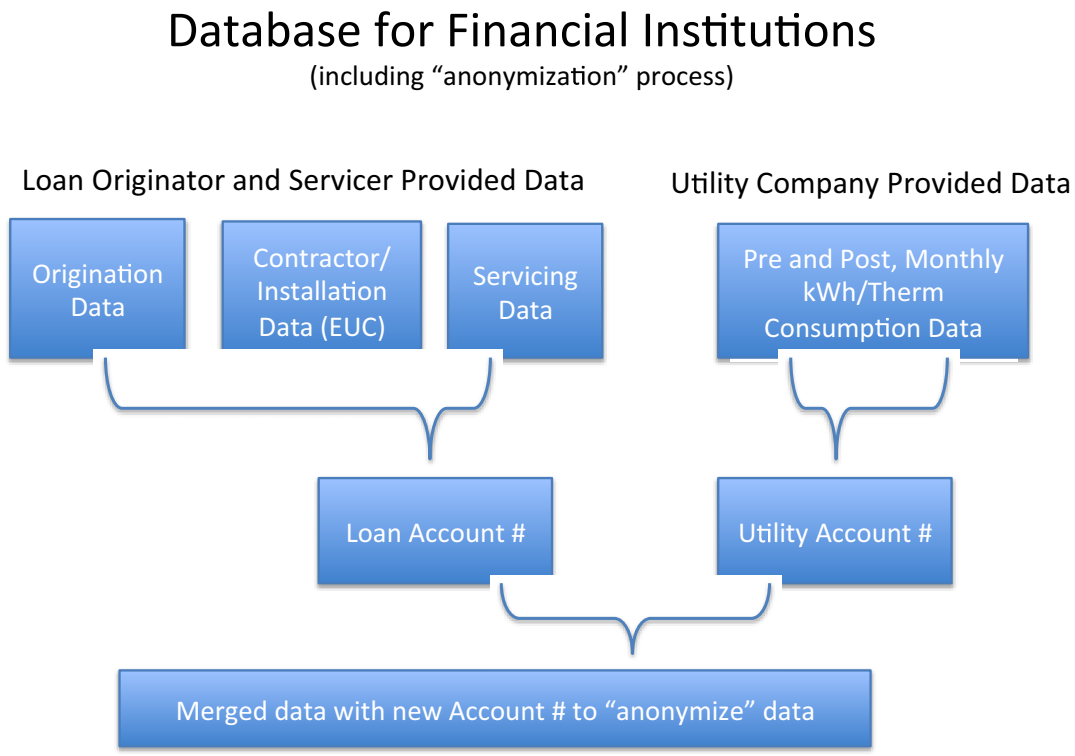
loan at a higher interest rate.

4. Unlike financial data, energy data is subject to CPUC rules governing utilities, so while it is possible that GLBA (historically a finance data regulation) may cover the release of energy data as well as financial but as California utilities already have a consent form and as the data must come from the utilities, we suggest deferring to their preferred consent protocol. In addition, there is a parallel data initiative underway referred to as "the Data Center" which anticipates greater use of customer data under smart metering technologies. The OBR program will monitor data consent protocols developed under that initiative and apply them to OBR if necessary or beneficial.

Section 6. Data Sources, Collection and "Anonymization" Process

We propose the following process for collecting and "anonymizing" the data: identifiable customer data will be acquired from the financial institution and the IOU and merged in the database. Once merged, a unique identifier will be applied and the personally identifiable information will be removed, thereby anonymizing the data. The following figure illustrates the process.

Figure 2. The Data Collection and Anonymization Process



Section 7. Integrating Data from the California OBR Program with National Data Collection Initiatives

There are numerous national initiatives (DOE, EPA, HUD, Fannie Mae, EDF, Home Performance, etc.) seeking to make energy efficiency project and financing performance data available to serve various use cases. The ability to access and integrate with these initiatives is an important aspect of the data initiative because the aggregation of California data with these efforts will produce a more robust and valuable data set for all parties.

However, a common concern expressed by the administrators of the national initiatives is that integrating data sets is difficult and often not beneficial, due to lack of "apples for apples" definitions of the individual data elements (there is no single common data dictionary), inconsistent data collection file structure, difficulties with data transfer and overall incompatibility of individual (relational) databases.

To avoid exacerbating this situation, California should attempt to employ a methodology that can interface with the greatest number of existing programs and attempt to support and lead the industry by using the most open and efficient data management technologies. There are three key elements to achieving this goal: 1) supporting and partnering with initiatives that are developing data element specifications, with the objective of adopting a standard data dictionary, 2. Relying on flexible, widely accepted existing data structures and 3. establishing an efficient data transfer protocol. The actual data analysis tool, in the past a relational database application, is less important than in the past as numerous analytics software tools are available that can merge and run queries against multiple data sets.

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Data Dictionary

The first step in making data useable across a wide range of users is to precisely define the meaning of each data element (does square footage mean gross or net? etc.). While California could build its own data dictionary, this data would likely not match definitions in other data sets. DOE is coordinating an Energy Performance Taxonomy project to promote industry-wide standardization and California should attempt to participate in this initiative.

Data Structure and Transfer

Prior to extensive use of the Internet, data was collected loaded into a structure, typically known as a relational database, to be analyzed and processed by the user. However as the Internet became the driving force in computing, and data transfer became simple and inexpensive and conventional "home grown" databases frequently could not communicate with each other, new methods were developed. Consequently, in the internet world, the "structure" is attached to the data and referred to as "structured information" a methodology for storing, organizing and transferring data.

While it is not the intent of this document to make technical recommendations at this point, interviews with various data managers indicated that the use of the conventional relational database has given way to a more flexible way of sharing and managing data, specifically the use of XML (eXtensible Markup Language). XML is a universal data format that allows computers to store and transfer data in a form that can be understood by any computer (and read by humans). XML contains the content and hierarchical structure but separates the business rules to provide maximum flexibility in how the data is used by individual organizations. It is defined in an international specification produced by the W3C (World Wide Web Consortium) whose mission is to provide

tools to optimize the use the Internet. XML's specifications and standards are open and without cost to users and emphasize simplicity, generality, and usability. It is widely used for data structures and numerous programming interfaces (APIs) have been developed to aid software developers with processing XML data.

Recommendation

We recommend that the California data dictionary, structure and transfer protocol be compatible with developments in the data management industry, that will reduce costs to providers and users and provider greater efficiency and flexibility to all parties.

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Section 8. Pre-Launch Program Requirements

Residential

Requirement	Proposed Approach	Comments
1. Define energy and financial data elements, dictionary and format	The financial and energy/installation data are done. We propose the IOUs provide 12 month pre- and continuous post-installation data	The installation data elements are the same as those used by the EUC program.
2. Identify data sources (data providers)	Include all originators and servicers that participate in a loan program and receive a credit enhancement. (WHEEL and Banks/CUs).	If data sources do not agree to provide data, they will not have access to credit enhancement.
3. Draft Consumer Consent Agreement (data release) and get IOU approval	FIs and IOUs will provide consent agreements and the data manager will perform a secondary review and approval of those agreements.	See appendix for examples of consent agreements.
4. Draft contract terms for signing with data sources	Include in data source contract.	
5. Sign contracts w data sources (including data elements, data dictionary, file format data transmittal protocol and consumer consent agreement)		To launch we need contractual commitment from data sources, not necessarily the ability to deliver data on day one.
6. Define data acquisition process	The contract will require the data source to acquire and store data continuously and begin providing data to the Hub upon request, and monthly thereafter on the 5th business day of each month.	Additional details to be provided in contract.
7. Define scope of work for data manager	Scope will define data collection, storage, processing, privacy protocols related to the distribution of data.	This may be deferred to second phase of launch.
8. Define core capabilities and competencies for data manager	Establish RFP elements such as experience, years in business, IT capabilities, net worth and other requirements.	
9. Implement procurement process and select data manager	Target existing database managers	

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Non-Residential

Requirement	Proposed Approach	Comments
1. Define energy and financial data elements, dictionary and format	The financial and energy/installation data are done. We propose the IOUs provide 12 month pre- and continuous post-installation data	The installation data elements are similar to those used by the EUC program but modified for non-residential properties.
2. Identify data sources (data providers)	Include all originators and servicers that participate in a loan program and receive a credit enhancement.	If data sources do not agree to provide data, they will not have access to credit enhancement.
3. Draft Consumer Consent Agreement (data release) and get IOU approval	FIs and IOUs will provide consent agreements and the data manager will perform a secondary review and approval of those agreements.	See appendix for examples of consent agreements. Note: consent for non-individual data is not governed by FTC regulations.
4. Draft contract terms for signing with data sources	Include in data source contract.	
5. Sign contracts w data sources (including data elements, data dictionary, file format data transmittal protocol and consumer consent agreement)		To launch we need contractual commitment from data sources, not necessarily the ability to deliver data on day one.
6. Define data acquisition process	The contract will require the data source to acquire and store data continuously and begin providing data to the Hub upon request, and monthly thereafter on the 5th business day of each month.	Additional details to be provided in contract.
7. Define scope of work for data manager	Scope will define data collection, storage, processing and privacy protocols related to the distribution of data.	This may be deferred to second phase of launch.
8. Define core capabilities and competencies for data manager	Establish RFP elements such as experience, years in business, IT capabilities, net worth and other requirements.	
9. Implement procurement process and select data manager	Target existing database managers.	

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Appendices

A. Commission Guidance

To establish the deliverables required of the database initial, the rulings and guidance related to the database were compiled and used to extract the called-for deliverables.

CPUC Guidance and Directives Related to the Database	Related Deliverables
"Activities in 2013 and 2014 programs should be explicitly designed to gain program experience and data, particularly with respect to debt repayments and project energy savings, which will attract additional capital resources from interested financial institutions and other businesses. To that end, we also require the utilities to develop a database (or contribute to some larger database effort) and protocol for sharing data."*	Define data access/sharing protocols
"On January 10, 2012, an ALJ ruling on energy efficiency financing was issued that included a Staff proposal suggesting the development of a larger efficiency financing program, supported with both ratepayer funds and private capital funds. Specifically, the ruling included a Staff proposal for the 2013-2014 program cycle that entails: 1) the development of an on-bill repayment structure, 2) the offering of ratepayer-supported loan products, 3) continuation of on-bill financing (OBF) on an interim basis while new financing products are developed and introduced, and 4) creation of an energy loan and project performance database."*	Define data elements (to include both financial and energy information)
"In addition, we require the utilities to develop a database or contribute to a larger database of financing-related information (including, but not necessarily limited to, credit scores, bill payment history, debt repayment history, estimated and actual energy savings), along with an approach to sharing this information in a manner that will preserve individual customer confidentiality while still meeting the needs of interested financial entities and others for additional data."*	Define a method for handling confidential information
"Thus, as discussed in more detail below, we also require the utilities to begin the process, in parallel, of developing for California or possibly in collaboration with a possible national approach, a database of financing-related project performance and repayment data that will become the repository of all of the data agreed-upon in the initial working group that should be collected and shared."*	Define national users and sources of data (collaborating with national databases)

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CPUC Guidance and Directives Related to the Database	Related Deliverables
In section 5.3.3.5. Financing Database Development and Data Sharing, "As mentioned several times above, consistent feedback from potential financial entities interested in providing energy efficiency project capital, as well as other stakeholders, is that we need additional information and data to fully inform program design, risk assessment, interest rates, and credit enhancement levels. We have experience already in California thanks to OBF and American Recovery and Reinvestment Act-funded financing programs that can be compiled and shared, as well as years of project investment experience in providing energy efficiency program incentives and evaluations. "The biggest issue always when discussing utility customer data is the need to protect individual confidentiality. In this case, we are discussing sensitive customer information such as addresses, bill payment history, loan payment history, credit scores, and performance of energy investments. In typical Commission decisions surrounding this issue, we seek to preserve confidentiality through aggregation of data. However, in this case, it is the individual customer data, project by project, that is the most illuminating. Thus, we will need to find ways to protect customer privacy through methods such as "anonymizing" customer data."*	Define method(s) for "anonymizing"
"Thus, we direct that SDG&E/SoCalGas use their expert financing consultant to convene a working group to address issues with data collection and dissemination."*	Convene working group
"The working group will need to obtain guidance on what loan data and qualities will be needed to engage the secondary financial markets to purchase loan portfolios."*	Define sources and uses of data (obtain guidance on what data is needed to support the secondary market)
"The group should also explore possible ties to the development of a national database underway with U.S. Department of Energy, federal housing entities and others."*	Define sources and uses of data (Identify and explore linking to national databases such as DOE, HUD/FHA, EDF, etc.)
"In parallel, we direct the utilities to begin the development of a database that will eventually, once confidentiality protocols are worked out, be able to provide anonymous customer data publicly. The database should be developed to contain information such as the following, along with any other data worked out among working group members: • Customer type, • Host site characteristics, • Utility payment history, • Borrower credit scores and energy project repayment histories, • Energy project performance data (by building or customer, not only by measure), and • Billing impacts comparing pre- and post-installation utility bills."*	Identify data elements
"We recognize that additional Commission action in the future may be necessary to approve confidentiality protocols that may be proposed to meet the above requirements."*	Define method(s) for handling confidentiality information (these protocols may require Commission action)

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CPUC Guidance and Directives Related to the Database	Related Deliverables
"[Finding of Fact] 34. Development of a customer database related to financing programs, while protecting individual customer confidentiality, will help inform stakeholders about target markets, risks, and expectations to better tailor financing offerings and bring additional capital to California."	Data elements (should focus on customers and financing)
"[Conclusion of Law] 32. For each new statewide financing program area, the expert financing consultant should be required to recommend functional roles and structure and identify who could serve the following functions, at a minimum: • Financing program administrator; • Credit enhancement manager; • Administrator of interest rate buy downs (if applicable); • Capital providers; • Lenders/loan originators; • Servicing agent and/or clearinghouse for data flow from lenders to on-bill repayment facility; and • On-bill repayment billing administrator."*	Data acquisition process (Identify servicing agent or clearing house to flow data from lenders to OBR facility)
"[Ordering Para] 25. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall, beginning in 2012 and in consultation with the expert financing consultant hired by San Diego Gas & Electric Company and Southern California Gas Company and a working group convened by the consultant, develop or contribute to a larger-scale database or databases of financing related data and information, that can be shared publicly after appropriately masking individual customer confidential information, and that consists of the following minimum types of information: a. Customer type; b. Host site characteristics; c. Utility payment history; d. Borrower credit scores and energy project repayment history; e. Energy project performance data; and f. Billing impacts comparing pre- and post-installation utility bills."	Define sources and uses of data (contribute to national database)
"In return for these budget authorizations, we require all entities operating financing programs in 2013 and 2014 utilizing these ratepayer funds to participate in efforts to collect data to populate a database of financing-related information." "[Conclusion of Law] 55. Any entity administering or implementing a financing program in 2013 and 2014 should contribute project data to a database effort to better inform financing program offerings going forward."**	Sources of data†

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CPUC Guidance and Directives Related to the Database	Related Deliverables
"To facilitate review of the pilot program proposals in the October 19, 2012 report by the Commission and parties, I request that SDG&E, SoCalGas, and/or their consultant provide certain supplemental information that was not always or uniformly contained in the report filed. The requested additional information is as follows: … the financing hub proposal, an explanation of any relationship of the hub costs indicated in the report to other expected costs for utility billing enhancements and database development for any of the other pilot program proposals.	Budget (relationship of Hub costs to Database costs)†

* "Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach", 5/18/12 (D. 12-05-015 aka "Guidance Decision")

** "Decision Approving 2013-2014 Energy Efficiency Programs and Budgets", 11/8/12, (D. 12-11-015, aka "Final EE Decision")

† The CPUC does not mandate this deliverable per se but developing it would assist otherwise stated Commission goals.

†† "Administrative Law Judge's Ruling Requesting Supplemental Information and Comments on Expert Consultant Financing Pilot Proposals", 11/16/12.

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B. Proposed Data Elements

Residential Financial Data

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Sample Residential Loan Origination and Servicing Data		
Includes data collected at origination and servicing.		
Field Name	**Requires Lookup/Cross Reference Table?**	**Notes**
Data Date		Date of this snapshot
Loan Status	YES	Active, ChargeOff, Chapter13, Payoff, Writeoff, BK, etc.
Closed Date		
Date Originated		
Original Maturity Date		Date Originated + Term
Days Deferred		Days from Origination to First Due Date
First Due Date		
APR		
Note Rate		
Loan Amount		
Pmt Term	YES	Monthly, Bi-Monthly, etc.
Term		Total Nbr of Pmts to Repay Loan with Interest
Payment Due Each Term		i.e., Monthlly Payment
FICO		Decision Score (i.e., lowest of multiple applicants)
Co-Borr Flag		Was there a co-borrower(s)?
DTI		Debt to Income Ratio
Installation State		
Installation City		
Installation Zip		
Current Balance		
Last Pmt Date		
Paid Thru Date		
Next Due Date		
Reason for Delinq	YES	
Times in 30-60 Bucket		
Times in 60-90 Bucket		
Times in 90+ Bucket		
Accr Unpaid Int		
Unpaid Balance with Int		
Chargeoff Amt		
Chargeoff Unpaid Interest		
ModFlag	YES	Type of Current Modification
Mod Start Date		
Mod Maturity Date		
Modified Balance		
Modified APR		
Modified Pmt		
Modified Term		
Reason for Mod	YES	
BK		Ever a BK?
CO_Anytime		Ever a Charge Off?
MOD_Anytime		Was loan ever Modified?

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The data in the following section is 'range' data summarized usually by month		
MonthsOnBook		Months since Origination
Data Start Date		Reporting Range Start
Data Stop Date		Reporting Range End
Tot Pmt Recd		
Total Fees		Late, NSF Etc.
Total Interest		
Total Principal		
Reimbursable Amt		Overpayment; pmt on Closed Loan
Write Off Amt		Amount written off to close loan; i.e., <$10
Re-Opened Amt		Balance put back on books due to NSF or mis-posting, etc.
Charge Off Amt		
Ending Bal		As of Reporting Range End; 0 if closed loan
Ch13 Transfer Bal		May be more than ending balance if interest is rolled in
Ch13 Ending Bal		
Ch13 ChargeOff		
Ch13 Pmts Recd		All Applied to Principal
Days Delinq		
Active_Flag	TRUE/FALSE	
CO_Flag	TRUE/FALSE	
Prepaid Amount		Applies to Loans Closed before Maturity
Percent OF Term		Applies to Closed Prepays

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Residential Installation Data

Sample Energy Project Data			
Includes data collected at origination. Ongoing usage data would not be collected or handled by financial institution.			
Field Name	**Sample**	**Requires Lookup/Cross Reference Table?**	**Notes**
Utility Account Number			*May have up to 2 numbers, one for gas and one for electric*
Installation Reason for Project/Measures			*Comfort, Utility Bills, Broken Equipment, etc.*
Measure Type		*YES*	*Furnace, Attic Insulation, etc. Multiple entries allowed*
Measure Details		*YES*	*SEER for AC, R-value for insulation etc., Entry allowed for each measure*
Whole Home Energy Efficiency Project			*Yes/No*
Modeled or Predicted Savings			*% or Not available*
If modeled savings, software used to model			*Energy Pro, Etc.*
Incentive Program Participation		*YES*	*EUC Enhanced Basic, EUC Flex, EUC Advanced, CSI, CSI Thermal, Other:___, None*
Utility Account Information Release Signed			*Yes/No; May be used to get release of usage data and connect with loan performance data at later date*
Contractor/Company Name			
CSLB #			*License #*
Age of Home			
Square Footage of Home			

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Residential Pre/Post Installation Utility Consumption Data

(To be provided by IOU)

Non-Residential Financial Data

NON-RESIDENTIAL Loan Origination and Servicing Data		
Includes data collected at origination and servicing.		
Field Name	**Requires Lookup/Cross Reference Table?**	**Notes**
Loan Number		
Data Date		Date of this snapshot
Loan Status	YES	Active, ChargeOff, Chapter13, Payoff, Writeoff, BK, etc.
Closed Date		
Date Originated		
Debt Service Coverage		
Loan to value ratios (first mortgage combined)		
Outside recource to guarantor		
Original Maturity Date		Date Originated + Term
Days Deferred		Days from Origination to First Due Date
First Due Date		
APR		
Note Rate		
Loan Amount		
Pmt Term	YES	Monthly, Bi-Monthly, etc.
Term		Total Nbr of Pmts to Repay Loan with Interest
Payment Due Each Term		i.e., Monthlly Payment
Installation State		
Installation City		
Installation Zip		
Current Balance		
Last Pmt Date		
Paid Thru Date		
Next Due Date		
Reason for Delinq	YES	
Times in 30-60 Bucket		
Times in 60-90 Bucket		
Times in 90+ Bucket		
Accr Unpaid Int		
Unpaid Balance with Int		
Chargeoff Amt		
Chargeoff Unpaid Interest		
ModFlag	YES	Type of Current Modification
Mod Start Date		
Mod Maturity Date		
Modified Balance		
Modified APR		
Modified Pmt		
Modified Term		
Reason for Mod	YES	
BK		Ever a BK?
CO_Anytime		Ever a Charge Off?
MOD_Anytime		Was loan ever Modified?

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The data in the following section is 'range' data summarized usually by month		
MonthsOnBook		Months since Origination
Data Start Date		Reporting Range Start
Data Stop Date		Reporting Range End
Tot Pmt Recd		
Total Fees		Late, NSF Etc.
Total Interest		
Total Principal		
Reimbursable Amt		Overpayment; pmt on Closed Loan
Write Off Amt		Amount written off to close loan; i.e., <$10
Re-Opened Amt		Balance put back on books due to NSF or mis-posting, etc.
Charge Off Amt		
Ending Bal		As of Reporting Range End; 0 if closed loan
Days Delinq		
Active_Flag	TRUE/FALSE	
CO_Flag	TRUE/FALSE	
Prepaid Amount		Applies to Loans Closed before Maturity
Percent OF Term		Applies to Closed Prepays

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Non-Residential Installation Data

Sample Non-Res Energy Project Data			
Includes data collected at origination. Ongoing usage data would not be collected or handled by financial institution.			
Field Name	**Sample**	**Requires Lookup/Cross Reference Table?**	**Notes**
Utility Account Number			*May have up to 2 numbers, one for gas and one for electric*
Installation Reason for Project/Measures			*Comfort, Utility Bills, Broken Equipment, etc.*
Measure Type		*YES*	*Furnace, Attic Insulation, etc. Multiple entries allowed*
Measure Details		*YES*	*SEER for AC, R-value for insulation etc., Entry allowed for each measure*
Modeled or Predicted Savings			*% or Not available*
If modeled savings, software used to model			*Energy Pro, Etc.*
Incentive Program Participation		*YES*	*EUC Enhanced Basic, EUC Flex, EUC Advanced, CSI, CSI Thermal, Other:___, None*
Utility Account Information Release Signed			*Yes/No; May be used to get release of usage data and connect with loan performance data at later date*
Contractor/Company Name			
CSLB #			*License #*
Age of property			
Square Footage of property			

Non-Residential Pre/Post Installation Utility Consumption Data

(To be provided by IOU)

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C. Consent Agreements

Residential Finance Consent

Release of Personal Information
AUTHORIZATION FORM

I, _____, acknowledge that I have applied for financing in connection with the California Public Utilities Commission ("CPUC") energy efficiency financing program and hereby authorize [Lender]. and its affiliates, employees, agents and assigns (collectively "Lender"), to release to [Database Manager] my personal finance data maintained by Lender (e.g. information relating to loan/credit origination; contractor/installation data; and servicing data, including account balance and payments made) for the purpose of attracting secondary market interest in the energy efficiency financing program in order to bring new loan capital to the State of California.

I understand that my personal energy data is also required for a complete data package; therefore I have separately authorized my utility company _____ ("Utility Company"), to release to [Database Manager] my personal energy data maintained by the Utility Company for the purpose of attracting secondary market interest in the energy efficiency financing program in order to bring new loan capital to the State of California.

I further understand that any personal finance data, energy data or other information released to [Database Manager] may be subject to re-disclosure by [Database Manager] and may no longer be protected by applicable federal and state privacy laws. Specifically, my personal finance data, energy data or other information may be re-disclosed to the users identified on the attached table of Data Users and Use Cases.

This authorization is valid from the date of my signature below and shall expire the earlier of 90 days after the date my loan is paid in full or the date the California finance program and its follow-on analytical process ends.

I understand that I have a right to revoke this authorization by providing written notice to Lender. However, this authorization may not be revoked if Lender, its employees or agents have taken action on this authorization prior to receiving my written notice. I understand that Lender will maintain either my original document or a true and correct copy of this authorization. I also understand that I have a right to have a copy of this authorization upon request and I have been informed that I may want to make a copy of this authorization.

I further understand that this authorization is voluntary and that I may refuse to sign this authorization. My refusal to sign will not affect my eligibility for loan/credit approval.

Name of Borrower: _____

Signature of Borrower: _____

Date: _____

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Utility Data Consent (Residential and Commercial)

AUTHORIZATION TO: RECEIVE CUSTOMER INFORMATION OR ACT ON A CUSTOMER'S BEHALF

(Please Print or Type)

SUBMITTED TO THE FOLLOWING. Please check all that apply:
PG&E SoCalGas SCE SDG&E

I,
THIS IS A LEGALLY BINDING CONTRACT—READ IT CAREFULLY

_____
NAME TITLE (IF APPLICABLE)

_____ **(Customer) have the following mailing address**
NAME OF CUSTOMER RECORD

_____ **, and do hereby appoint**
MAILING ADDRESS CITY STATE ZIP

_____ **of**

_____ NAME OF THIRD PARTY MAILING ADDRESS

_____
CITY STATE ZIP

to act as my agent and consultant (Agent) for the listed account(s) and in the categories indicated below:
ACCOUNTS INCLUDED IN THIS AUTHORIZATION

1. _____ _____
SERVICE ADDRESS

_____ SERVICE ADDRESS
SERVICE ACCOUNT NUMBER

_____ SERVICE ACCOUNT NUMBER

_____ _30_____
SERVICE ADDRESS SERVICE ACCOUNT NUMBER
(For more than three accounts, please list additional accounts on a separate sheet and attach it to this form)

INFORMATION, ACTS AND FUNCTIONS AUTHORIZED – This authorization provides authority to the Agent. The Agent must thereafter provide specific written instructions/requests (e-mail is acceptable) about the particular account(s) before any information is released or action is taken. In certain instances, the requested act or function may result in cost to you, the customer. Requests for information may be limited to the most recent 12 month period.

I (Customer) authorize my Agent to act on my behalf to perform the following specific acts and functions (initial all applicable boxes):

1. Request and receive billing records, billing history and all meter usage data used for bill calculation for all of my account(s), as specified herein, regarding utility services furnished by the Utility[1].
2. Request and receive copies of correspondence in connection with my account(s) concerning (initial all that apply):
a. Verification of rate, date of rate change, and related information;
b. Contracts and Service Agreements;
c. Previous or proposed issuance of adjustments/credits; or
d. Other previously issued or unresolved/disputed billing adjustments.
3. Request investigation of my utility bill(s).
4. Request special metering, and the right to access interval usage and other metering data on my account(s).
5. Request rate analysis.
6. Request rate changes.
7. Request and receive verification of balances on my account(s) and discontinuance notices.

[1] The Utility will provide standard customer information without charge up to two times in a 12 month period per service account. After two requests in a year, I understand I may be responsible for charges that may be incurred to process this request.

Form 14-796 Page 1 of 2 5/2010**AUTHORIZATION TO: RECEIVE CUSTOMER INFORMATION OR ACT ON A CUSTOMER'S BEHALF**

I (CUSTOMER) AUTHORIZE THE RELEASE OF MY ACCOUNT INFORMATION AND AUTHORIZE MY AGENT TO

[2]

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ACT ON MY BEHALF ON THE FOLLOWING BASIS (initial one box only):
[2]
If no time period is specified, authorization will be limited to a one-time authorization.
One time authorization only (limited to a one-time request for information and/or the acts and functions specified above at the time of receipt of this Authorization).
One year authorization - Requests for information and/or for the acts and functions specified above will be accepted and processed each time requested within the twelve month period from the date of execution of this Authorization.
Authorization is given for the period commencing with the date of execution until _____ (Limited in duration to three years from the date of execution.) Requests for information and/or for the acts and functions specified above will be accepted and processed each time requested within the authorization period specified herein.

RELEASE OF ACCOUNT INFORMATION:
The Utility will provide the information requested above, to the extent available, via any one of the following. My (Agent) preferred format is (check all that apply):
Hard copy via US Mail (if applicable):
Facsimile at this telephone number: _____ Electronic format via electronic mail (if applicable) to this e-mail address
I (Customer), _____(print name of authorized signatory), declare under penalty of perjury under the laws of the State of California that I am authorized to execute this document on behalf of the Customer of Record listed at the top of this form and that I have authority to financially bind the Customer of Record. I further certify that my Agent has authority to act on my behalf and request the release of information for the accounts listed on this form and perform the specific acts and functions listed above. I understand the Utility reserves the right to verify any authorization request submitted before releasing information or taking any action on my behalf. I authorize the Utility to release the requested information on my account or facilities to the above Agent who is acting on my behalf regarding the matters listed above. I hereby release, hold harmless, and indemnify the Utility from any liability, claims, demands, causes of action, damages, or expenses resulting from: 1) any release of information to my Agent pursuant to this Authorization; 2) the unauthorized use of this information by my Agent; and 3) from any actions taken by my Agent pursuant to this Authorization, including rate changes. I understand that I may cancel this authorization at any time by submitting a written request. **[This form must be signed by someone who has authority to financially bind the customer (for example, CFO of a company or City Manager of a municipality).]**

_____ AUTHORIZED CUSTOMER SIGNATURE

Executed this _____ day of _____ _____ MONTH YEAR

_____ TELEPHONE NUMBER

at _____ CITY AND STATE WHERE EXECUTED

I (Agent), hereby release, hold harmless, and indemnify the Utility from any liability, claims, demand, causes of action, damages, or expenses resulting from the use of customer information obtained pursuant to this authorization and from the taking of any action pursuant to this authorization, including rate changes.

_____ AGENT SIGNATURE

_____ COMPANY

Executed this _____ day of _____ _____ MONTH YEAR

_____ TELEPHONE NUMBER

Form 14-796
Page 2 of 2
5/2010

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Attachment 5: Budget Tables

Attachment 5
Proposed Statewide Financing Pilot Budget Guidelines

Line		Total PD	PG&E	SCE	SDG&E	SCG
	Financing Consultant Related Pilots					
1	Single Family Loan Program (SFLP w/CE) and potential experimental design funding	25,000,000	10,299,697	7,276,238	4,012,665	3,411,400
2	Master Meter Multi-Family with OBR (MMMFP)	2,900,000	1,194,765	844,044	465,469	395,722
3	Small Business OBR Loan/Lease with CE	14,000,000	5,767,830	4,074,693	2,247,093	1,910,384
4	EEFE Implementation Costs	5,000,000	2,059,939	1,455,248	802,533	682,280
5	**Total Potential Funding for Pilots**	**46,900,000**	**19,322,232**	**13,650,222**	**7,527,760**	**6,399,786**
6	**Admin and Implementation**	**9,000,000**	**4,295,903**	**2,328,396**	**1,284,053**	**1,091,648**
6a	*Energy Financing Line-Item Charge (EFLIC) Residential*	*1,000,000*	*1,000,000*			
6b	*IT for OBR (to be confirmed by AL)*	*8,000,000*	*3,295,903*	*2,328,396*	*1,284,053*	*1,091,648*
7	**IOU Marketing, Education and Outreach**	**10,000,000**	**4,119,879**	**2,910,495**	**1,605,066**	**1,364,560**
8	**Total IOU Budget**	**19,000,000**	**8,415,782**	**5,238,891**	**2,889,119**	**2,456,208**
9	**Total Pilot Budget Before Reserve**	**65,900,000**	**27,738,014**	**18,889,113**	**10,416,879**	**8,855,994**
10	**Funds Reserved/Unallocated Budget**	**9,344,931**	**3,261,986**	**3,010,887**	**1,660,430**	**1,411,628**
10a	*Funds Reserved*	*7,000,000*	*2,883,915*	*2,037,347*	*1,123,546*	*955,192*
10b	*Adjustment to reconcile to D.12-11-015 and IOU Compliance ALs*	*2,344,931*	*378,071*	*973,541*	*536,884*	*456,436*
11	**Total Pilot Budget with Reserve**	**75,244,931**	**31,000,000**	**21,900,000**	**12,077,309**	**10,267,622**
12	*IOU Allocation*		*41.2%*	*29.1%*	*16.05%*	*13.65%*
13	BayRen Multi-Family Capital Advance	2,000,000	2,000,000			
14	**Total Pilot Budget with BayREN**	**77,244,931**	**33,000,000**	**21,900,000**	**12,077,309**	**10,267,622**
15	**Funding to be Returned to Customers**					
16	BayREN Single Family LLR pilot	3,825,000	3,825,000			
17	SoCalREN Multi-family LLR pilot	1,500,000		1,275,000		225,000

Notes:

1. IOU budgets are allocated same as IOU financing pilot budgets adopted in D.12-11-015 (Table 7) and as filed in IOU compliance advice letter budget workbooks (see % on Line 12). BayREN (Line 16) is allocated 100% to PG&E. SoCalREN (Line 17) is corrected to reconcile to D.12-11-015 (Table 7) and allocated between SCE and SCG.
2. IT costs included in Line 6 total and on Line 6b represent the initial allocations but are subject to updates and revisions pending approval of IOU advice letters to confirm IT estimates to be filed after the final decision is issued.
3. IOUs request admin and implementation (Line 6) and ME&O (Line 7) be approved in total, not at sub-category level.
4. Line 10b is added to reconcile PD to $75.2M total adopted for IOUs in D.12-11-015 (Table 7), and IOU EE Compliance advice letter budget workbooks.

Attachment 6: Proposed Changes in Redline to PD Section 3.2

3.2. Credit Enhancements

The Report finds that "credit enhancements (CE)" are an important incentive for financial institutions to expand access to their ~~loan~~ financialproducts and improve finance product terms for~~into~~ targeted markets.[15] The term CE covers a range of mechanisms that set aside ratepayer or other funds to support repayment of ~~the~~ EE F~~F~~inancing ~~loans~~ products in case of customer default or ~~nonpayment~~delayed repayment. In the Guidance Decision, we directed that the new EE Financing proposals should include CEs

[15] Report at 17, 34.

for both residential and small business non-residential markets, and include expansion of on-bill repayment for all non-residential customers.[16]

Nearly all parties agreed with the Report's view that CE funds are likely to expand financing options particularly to support ~~loans~~ financing for~~to~~ borrowers not otherwise reached by existing ~~CEs~~financial products. Generally enthusiastic non-utility parties expressed varying degrees of support for specific CEs proposed. In their Responses, the IOUs modified their prior policy opposition to the limited use of ratepayer funds to support CEs in EE pilot programs.

There was broad agreement among parties that the Commission should not specify exact terms for financial products in order for FIs to access CE funds. "As long as FIs adhere to general credit enhancement terms defined under the pilots, specifics should be limited in nature."[17] Instead, parties (e.g., PG&E, Global Green, DRA, CHF) agreed that the EEFE should have flexibility within Commission guidelines, to avoid onerous restrictions that could limit new products and deal flow.[18] Nonetheless, we think certain features, such as how CEs are applied and recovered, should be consistent in different pilots to protect the integrity of ratepayer funds. ~~to improve~~

~~oversight~~.

The Commission finds it reasonable to utilize limited ratepayer funds for credit enhancements negotiated by the EEFE for approved pilot programs during the pilot period in order to catalyze financial institution participation in the energy efficiency financing pilots, improve the terms of pilot financing products relative to the terms currently available in the market, stimulate broader customer access to EE financing and incentivize financial institutions to standardize and streamline processes and~~&~~ protocols for their interactions with customersand~~&~~ energy efficiency service providers.~~test their effectiveness in stimulating broader access to EE financing~~. These credit enhancements will be reviewed by the Commission

[16]D.12-05-015 at 20-21,117.[17]Renewable Funding Response at 4.[18] LGSEC Comments at 5-6; Joint IOUs Response at 6.

pursuant to Program Implementation Plans submitted by the IOUs, described in more detail in Section 13.

In order to foster competition and to ensure support of successful financing tools, we also adopt HBC's recommendation for a single credit enhancement pool for each pilot program made available to all pre-qualified FIs to draw down from on a first-come-first-served basis ~~(CE Pool Account)~~.[19]~~The use of trust accounts created under the authority of the EEFE, subject to the bank's exercise of a Trustee's fiduciary duty, protects the funds from inappropriate withdrawal or misapplication.~~

The EEFE shall open one or more trust accounts at a ~~national~~ bank to serve as ~~an~~ "~~IOU~~ Holding Account," for the benefit of ratepayers, to hold CE funds received from the IOUs. The use of trust accounts created under the authority of the EEFE, subject to the bank's exercise of a Trustee's fiduciary duty, protects the funds from inappropriate withdrawal or misapplication. These Holding Accounts will segregate funds that are

provided by each IOU in order to facilitatetracking of such funds across each IOU service territory. The EEFE and IOUs shall develop a mutually acceptable schedule for periodic transfer of CE funds from the IOUs to the Holding Account in anticipation of estimated approved financing. This Holding Account will hold ratepayer funds in anticipation of their use as credit enhancements for future financing of approved energy efficiency projects. and allocated to approved financing. The EEFE and IOUs shall develop a mutually acceptable schedule for periodic transfer of CE funds from the IOUs to the Holding Account in anticipation of estimated approved financing.

The EEFE will also open one or more trust accounts (CE Operating Pool Account), for the benefit of the participating FIs, to (a) receive CE funds transferred from the Holding Account when an FI reports that EE financing has beencommittedin support of an approved financing of an approvedeligible energy efficiency project and (b) to hold CE funds once such approved projects have been funded.

Ratepayer funds allocated to CEs in the Holding Account will not be disbursed transferred to the CE Operating Pool Accountuntil onceafter the FI has released committedthe financing to to support an energy efficiency project, pursuant to a customer's financing application.the borrower. Should the FI not fund a projectto which it has committed (due to any number of factors including but not limited to customer decision not to move forward with the financial product or project or a project being deemed ineligible) to withdraw an application for financing, FI rejection of financing, failure to properly complete a project) then funds shall be transferred back from the CE Operating Pool Account to the Holding Account.

The EEFE shall have the discretion to determine on a case by case or on a pilot by pilot basis the amount of time for which funds may remain in the CE Operating Pool

Account in support of ~~committed but not yet~~approved but not-yet completed~~ funded~~ projects. Should ~~committed funds in the CE Operating Pool Account not result in funded projects within the~~ the approved financing not be fundedduring the time period determined by the EEFE, ~~then~~ such funds will be transferred back to theHolding Account to support other projects.

Some financial products are likely to include a partial-funding feature which entails a borrower receiving some funding before the completion of a project and the balance of the funding upon project completion. The EEFE may allow for CE funds to remain in the CE Operating Pool Account to support customer projects that include a ~~require~~ partial funding feature~~or drawdown of funds prior to full completion of that project~~. The EEFE shall reserve the right to require that such funds be transferred back to the Holding Account in the event that a project that has been partially funded through drawdowns is not completed or is deemed ineligible for the pilot programs~~does not receive IOU approval as an approved project~~.

FI's may have access to CE Pool Operating Account funds after submitting a documented request to the EEFE, showing that a default has occurred. The EEFE will review and verify the default and, if the EEFE agrees that a default has occurred, will issue instructions to the Trustee to release funds to cover the documented default, subject to the terms of theCE agreement.

When the financing that a CE supports is fully re-~~fully~~ paid by a~~the~~ customer, ~~then~~ any unused CE funds~~balance related~~ supporting ~~to~~ that financing shall be transferred from theCE Operating Pool Account back to the Holding Account.

The EEFE shall reserve the right, upon direction from the Commission, to

close the Holding Account, after providing adequate notice to participating FIs. Any funds remaining in the Holding Account at such time shall be returned to the appropriate IOUs for credit back to ratepayers.

Any funds remaining in the CE Operating Pool Account at that time shall remain in that account until ~~any underlying financings~~outstanding financings are re-paid in full by customers. ~~This could take up to ninety days. The use of trust accounts created under the authority of the EEFE, subject to the bank's exercise of a Trustee's fiduciary duty, protects the funds from inappropriate withdrawal or misapplication.~~

~~The EEFE will also open one or more trust accounts (CE Pool Account), for the benefit of the participating FIs, to receive CE funds transferred from the Holding Account when an FI reports the EE financing was released and repayment obligations have been triggered (e.g., upon completion of the EE improvements.) Funded CEs are subject to qualified FI drawdowns as required.~~

~~[19] Report at 34.~~

~~If the financing transaction does not close (i.e., funding released) within 90 days of FI approval of the financing, the allocated CE funds shall be returned to the utility for the benefit of ratepayers.~~

In order to protect the integrity and liquidity of the Holding and the CE Operating Pool Account funds, no more than 90% may be invested at any given time, and may only be invested in limited-term fixed-income securities. The Commission's initial guidelines for financial products, including credit enhancements, are attached hereto as Appendix A.

Nothing in this decision prohibits CAEATFA's/STO's existing credit enhancements from being harmonized with the CEs implemented by the pilot programs.

The Commission authorizes the use of CEs as part of the pilot programs authorized in this decision (except for OBR for medium and large businesses). Two types of CEs are specifically authorized: Loan Loss Reserve (LLR) and Debt Service Reserve Fund (DSRF). In addition, the EEFE Manager is given flexibility to structure CEs differently among pilot participants with the goal of maximizing the number of customers who qualify for financing~~loan qualification~~ and providing benefits to customers.

3.2.1. Loan Loss Reserve

A LLR sets aside a certain amount of money (reserves) to cover potential losses in case of ~~no repayment~~customer default.[20] For example, a 10% LLR on a $10 million loan portfolio would cover up to $1 million of a capital provider's losses on that loan portfolio. ~~The actual loss recovery on any one loan would be a subject of negotiation between EEFE and the FIs.~~

[20] D.12-05-015 at 119, fn 162.

The Commission has previously recognized LLRs as a useful mechanism to support EE financing programs. In the Guidance Decision, we stated that an LLR appears to "stretch scarce ratepayer funding effectively."21 In D. 12-11-015, we also approved funding for REN EE financing pilot programs which include LLR features. In this decision, the LLR mechanism is the preferred choice for the Single Family Direct Loan pilot and the Small Business OBR with CE pilot. It is modeled after, and applies lessons from, the ARRA energy efficiency programs.22

The LLR funds will be set aside in the CE Pool Account, allocated in sub-accounts for each FI's pool of transactions, and managed by a trustee for the EEFE. A participating FI may draw on its allocated funds when ~~loans go into default~~customers default on financing. The EEFE will ~~negotiate~~ establish~~with the FIs~~, with input from

FIs ~~to set both~~ a the total percentage of an FI's eligible portfolio that can be covered by a CE~~CE contribution cap~~, which shall be known as the CE pool (e.g., 10% of eligible funded loans) ~~of the total eligible financing for each FI, and a percentage of the overall pool of credit support reserved for that FI.~~.The EEFE ~~should~~may seek, but is not required, to ~~negotiate~~establish a lender "loss-share" on individual losses. A "loss share" means that ~~O~~on any single loss, a lender may recover up to a negotiated percentage of the loss—typically between 70% and 90% — with the lender at risk for the remainder, as well as aggregate losses in excess of an FI's pool limit. No ratepayer funds are at risk until a loan is funded and the project is verified as complete.

[21] *Id*. at 119.[22]D.12-11-015 at 31.

Based on the record, it is reasonable to infer the following example of how an LLR deal would work in the residential sector, assuming that the IOUs have already funded the Holding Account, per description above.

Example of LLR fund flow (Residential Sector):

- FI notifies customer and EEFE of approved ~~loan~~ financingapplication
- EEFE directs transfer of the CE funds to the CE Operating Pool ~~EEFE requests IOU to make transfer to, and/or allocation of,~~ Account managed by Trustee ~~funds in IOU's Holding Account to the transaction~~
- EEFE confirms CE allocation to FI
- ~~Upon notice from FI that approved funding has been released to~~If commitment of funds based on approved application does not result in funded project, thefunds allocated within the CE Operating Pool Account are transferred back to the Holding Account. ~~borrower, EEFE directs transfer of the CE funds to the CE Pool Account managed by Trustee~~
- Trustee manages and tracks sub-accounts for each FI's pool of CEs from completed transactions.
- FI sends monthly bill to customer who pays total due
- If default, FI provides documentation and requests LLR disbursement for agreed percentage of ~~loan~~ financingbalance
- If LLR funds are subsequently repaid by borrower then FI refunds any collections, net of collection fees, to ~~LLR balance~~EEFE, which refunds the Holding Account

3.2.2. Debt Service Reserve Fund

The DSRF mechanism, similar to HBC's proposed Debt Service Coverage Reserve,[23] is applicable to the On-Bill Repayment (OBR) pilot programs for small business borrowers, and is preferred for the Multifamily Affordable Housing program. It is modeled after a mature CE, but differs from the debt service coverage reserve proposed in the Report because the availability of CE funds is not linked to estimated energy savings. The DSRF, as authorized here, is solely to cover non-payment of monthly ~~principal and interest~~financingcharges~~payments~~. Similar to an LLR, the DSRF is designed to keep ratepayer funds under the control of a CPUC-designated entity and within a trust account without risk until a ~~loan~~ projectis funded and a project is verified

as complete.

[23] Report at 50.

The IOUs will transfer funds to the CE Holding Account, subject to agreement with the EEFE, until the EEFE authorizes transfer of an identified amount to fund the DSRF Operating Pool Account for a particular executed financing deal. The EEFE provides for the transfer of the DSRF funds to the ~~CE~~ DSRFOperating Pool Account for a ~~lender or investor~~financial institution to draw on when a customer's monthly ~~principal and interest payments (i.e.,~~ debt service payments~~)~~ are less than the full amount owed.

The EEFE will ~~negotiate the structure of the DSRF or~~ establish the structure of the DSRF based on a maximum amount of debt service charges to be covered by the DSRF for a particular project and financial institution. ~~a percentage of the overall pool of loans covered by the DSRF (e.g., 10% DSRF means that a lender can recover up to 10% of the value of its loan pool – or any individual loan). Borrowers are required to repay missed principal and interest payments which are returned to the~~Any delinquent financing charges ~~amounts~~ subsequently collected from customers, shall be credited to the Holding Account.~~ DSRF.~~

Based on the record, it is reasonable to infer the following example of how a DSRF deal would work.

Example of DSRF fund flow:

~~[65] *Id.* at 67. [66] SDG&E/SoCalGas Reply Brief (RB) at 3.~~

x FI notifies customer and EEFE of ~~loan~~ financingapproval ~~and financing agreement~~

x EEFE requests transfer to, and/or allocation of, funds in CE Holding Account to DSRF Operating Account for the approved transaction

x EEFE confirms ~~CE~~ such transferto FI

x FI confirms ~~project completion,~~ closes ~~loan~~ financingand notifies EEFE. Should financing not close and be funded, EEFE will direct funds to be transferred back to Holding Account.

x ~~EEFE provides for transfer of CE funds into CE Pool Account for DSRF~~

x Customer makes ~~principal and interest~~financing payments through OBR

x If customer fails to ~~make a full principal and interest payments~~pay all financing charges, then~~,~~ payment is allocated between the ~~utility~~ energybill and ~~loan~~ financing chargeper the Utility's current approved practice

x FI notifies EEFE of delinquency and makes a DSRF request

x EEFE directs release of DSRF funds to FI per DSRF agreement; monthly DSRF draws can continue until agreed percentage of ~~loan~~ debt service coverage value is reached, or it turns into a default (default definition to be subject to FI agreement)

x ~~FI keeps draw down, unless customer reimburses, then returned to~~ Any subsequent collections of delinquent financing charges shall be credited to the relevant DSRF Operating Account. Upon full payoff of customer financial obligation, any remaining funds in the DSRF Operating Account shall be transferred to the Holding Account. ~~DSRF fund~~