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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

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

And Related Matters.

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

**ASSIGNED COMMISSIONER'S RULING CLARIFYING OPERATION OF
ENERGY EFFICIENCY FINANCE PILOT PROGRAMS**

Introduction

To reach the State's energy savings goals we need to reduce barriers to participation in EE programs. This is particularly true in hard-to-reach market segments such as building retrofits. One promising avenue that we have recently explored is leveraging ratepayer funds. In Decision (D.) 13-09-044 we approved a suite of EE Financing Pilot programs (finance pilots). These programs use ratepayer funds to incentivize financial institutions to lend money for efficiency investments.

This Assigned Commissioner's Ruling, with the approval of the full Commission, revises the timeline for implementation of the finance pilots. It reflects the Commission's continued commitment to EE, and to financing programs as a way to spur EE investment.

Background

In D.12-11-015, we approved the 2013 - 2014 EE programs for Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively IOUs). As part of the funding we approved, we authorized \$75.2 million for finance pilots, with implementation details deferred to a subsequent decision.¹ D.13-09-044 contained the finance pilots' implementation details, and allocated \$65.9 million to launch the finance pilots.² This decision reserved allocation of the remaining \$9.3 million.

As part of the implementation of the financing pilots, D.13-09-044 established an "administrative hub": the California Hub for Energy Efficiency Financing (CHEEF).³ The CHEEF's role is to coordinate among various market participants, manage funds and data, and "increase the flow of private capital to energy efficiency projects" by offering a standardized open market.⁴

In D.13-09-044 we asked the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to be the CHEEF. CAEATFA was willing to take on that role. However, as a State agency CAEATFA first needed to obtain legislative budgetary authority to accept ratepayer funds and to establish the administrative infrastructure and resources (contracts and staff) to perform this role. Only then could CAEATFA begin operating as the CHEEF, and until a CHEEF was in place, the finance pilots could not launch.

¹ D.12-11-015 at 67.

² D.13-09-044 at 94.

³ D.13-09-044 at 65.

⁴ D.13-09-044 at 3.

CAEATFA sought funding for CHEEF activities in the California State Budget for fiscal years 2014 - 2015. The legislature approved CHEEF funding, effective July 1, 2014.

With a CHEEF in place, it is time to set a timeline for rollout of the finance pilots.

Commission Expectations Regarding the Finance Pilots

The finance pilots are intended to develop “scalable and leveraged financing products to stimulate deeper energy efficiency projects than previously achieved through traditional program approaches.”⁵ The primary objective of the pilots is to attract and leverage private capital to advance EE projects and savings. Accordingly, we want to assure financial institutions of the Commission’s commitment to the finance pilots, so that they in-turn will have the confidence to develop and introduce new products, procedures, and market-facing business activities.

The finance pilots will operate for a minimum of 24 months; longer if they prove successful. CAEATFA received its budget for CHEEF operations beginning July 1, 2014, and the finance pilots are to start this year and next. This means the pilots will (at minimum) extend through 2016 and in all likelihood into 2017. The underlying financial transactions that the pilot credit enhancements and payment servicing activities support may have finance terms of up to ten years, and will need continued support for the contract term regardless of whether we extend the finance pilots. The Commission is fully appreciative of the legislative oversight of CAEATFA’s authority to conduct

⁵ D.13-09-044 at 3.

these pilots, along with a formal evaluation, and looks forward to the continuation of CAEATFA's budget authority for these pilots during fiscal years 2015 - 2016 and 2016 - 2017.

We expect the \$65.2 million authorized in D.13-09-044 will fund the finance pilots for the full two-years of operation, and also understand it will be necessary for administrative resources to support extant loans for their full term if/when the finance pilots end. However, the Commission also recognized in D.13-09-044 that many variables may affect the rollout of the finance pilots, and that we may need to adjust program budgets. For this reason, the Commission directed Commission Staff to hold a mid-pilot public workshop to review pilot performance and, in conjunction with CAEATFA and the IOUs, to discuss recommendations for allocation of the \$9.3 million reserve remaining from the original \$75 million authorized in D.12-11-015.⁶ We clarify

now that this mid-point review should occur after the pilots' first year of operation.

IT IS RULED that:

1. The Energy Efficiency Finance Pilots authorized in Decision 13-09-044 (finance pilots) are an important initiative to test scalable and leveraged financing products that can facilitate deeper energy efficiency projects than previously achieved through traditional program approaches.

2. Each finance pilot shall operate for a minimum of 24 months, beginning at the point that each pilot program begins operation, and shall provide for support

⁶ D.13-09-044 at 91.

of loans made under the program for the duration of loan terms even if/when a pilot ends.

3. The “mid-point review” public workshop(s) shall occur after the finance pilots' first 12 months of operation.

Dated August 25, 2014, at San Francisco, California.

MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner