Decision **PROPOSED DECISION OF ALJ DARLING** (Mailed 6/25/2013)

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

DECISION IMPLEMENTING 2013-2014 ENERGY EFFICIENCY FINANCING PILOT PROGRAMS

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1. Summary

This decision takes important, innovative steps to kick-start a new wave of incentives for expanding financing options for energy efficiency (EE) improvements across all market sectors. It lays the foundation, through a suite of EE financing pilot programs, including an on-bill repayment feature, to test the value of these incentives to financial institutions and utility customers. There is broad enthusiasm for the likelihood that many or most of the pilots could be extended and grow to self-sustaining statewide programs in the future.

Pursuant to California's Energy Action Plan (EAP), the state has determined to invest first in energy efficiency and demand-side resources, followed by renewable resources, and only then in clean conventional electricity supply.[1] It is widely accepted that energy efficiency measures are the most important tool for addressing greenhouse gas emissions, a desirable outcome for all utility customers.[2] Lowering the barriers to energy efficiency retrofits and financing, particularly in under-served market sectors, is also critical to reaching the state's goals of reduced energy consumption.

When the Commission approved 2013 - 2014 energy efficiency (EE) programs for Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs"), we also approved up to $75.2 million of ratepayer funds for innovative EE financing pilot programs.[3] However, a

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[1] 2008 Energy Action Plan Update (February 2008) http://www.cpuc.ca.gov/PUC/energy/resources/Energy+Action+Plan/

[2] *Id.* at 6.

[3] D.12-11-015 at 67.

previously ordered expert consultant's report recommending several EE financing pilot programs, and comments thereon by the IOUs and other parties, were received too late to authorize specific programs.[4]

This decision allocates $65.9 million to launch implementation of selected pilot programs designed to test market incentives for attracting private capital through investment of limited ratepayer funds. [The balance of authorized funds is to be held in reserve until after a mid-point review of the implementation efforts and costs.] The Commission's goals include developing scalable and leveraged financing products to stimulate deeper EE projects than previously achieved through traditional program approaches (e.g., audits, rebates, and information).

A core feature of the authorized pilots is the leverage of limited ratepayer EE funds for "credit enhancements," such as a loan loss reserve, to provide incentives to lenders to extend or improve credit terms for EE projects. A key objective is to test whether transitional ratepayer support for CEs can lead to self-supporting EE finance programs in the future.

The innovative EE financing pilots authorized in this decision require complex coordination of many moving parts with multiple participants. An administrative hub, identified as the California Hub for Energy Efficiency Financing (CHEEF), is created to increase the flow of private capital to energy efficiency projects. To accomplish this, the CHEEF will manage flow of funds and data, and provide a simple, streamlined structure through which energy

[4] *Id.* at 400 OP 21 (Rulemaking 09-11-014).

users, financial institutions, energy efficiency providers and IOUs can participate in a standardized "open market" that facilitates EE financing in California.

We request that the California Alternative Energy & Alternative Transportation Financing Authority (CAEATFA) assume the CHEEF functions and direct the IOUs and Commission staff to assist CAEATFA with implementation. CAEATFA has experience with managing potentially compatible residential and commercial EE financing programs. As a state agency, CAEATFA provides transparency and accountability through public rulemaking and procurement processes, and benefits from its association with the financial acumen of the State Treasurer's Office. However, CAEATFA must obtain final legislative budgetary authority before undertaking the CHEEF duties.

Implementation of both the CHEEF and the pilots will be phased in beginning in the fourth quarter of 2013, and all pilots should be online by mid-2014. Due to the legal, policy, and practical hurdles presented by the expert recommendations, authorization and implementation of the pilot programs has fallen almost a year behind initial hopes. Therefore, the decision extends our 2013-2014 authorized funding and pilot programs through 2015.

Three residential EE financing pilot programs are approved, all of which have a component to reach low-to-moderate income households currently overlooked by the capital markets. None would permit shut off of electric service as a result of non-payment of EE financing obligations. One program supports lending to the single family market sector, complemented by another program which allows the loan payment to appear as an itemized charge on the electric bill. A third pilot program targets a segment of the multifamily market:

master-metered multifamily buildings that house primarily low and moderate income households.

We also authorize three non-residential EE financing pilot programs, two for small businesses, and expand on-bill utility collection of the monthly finance payments. The On-Bill Repayment (OBR) feature will test whether payment on the utility bill increases debt service performance across market sectors. No "credit enhancements" (i.e., ratepayer funds) are authorized to support OBR financing for medium and large businesses. This decision requires the utilities to develop uniform OBR tariff language that includes transferability of the obligation through written consent (and other mechanisms), and service disconnection for default on the debt obligation.

Southern California Gas Company and CAEATFA presented a preliminary implementation schedule that provides for early release of some pilots in two phases, and full operation of all pilots in the third phase. The early release pilots will provide practical experience with certain incentive features to inform the full roll out of all pilot programs in 2014.

A written agreement between the Commission and CAEATFA will formalize the relationship. The decision requires an array of reporting, advice letters, and program implementation plans to keep the Commission and public informed. Lastly, we also allocated authorized funds for pilots to be carried out by BayREN, but did not fund two pilots, one proposed by BayREN and the other by SoCalREN.

The Commission's development of effective energy efficiency financing programs, particularly for segments of energy users with little access to such financing, advances overall state and Commission policies to reduce energy

consumption. Adoption of the pilot programs in this decision is a bold step toward opening financing to more California energy customers than ever before.

2. Background

The Commission initiated Rulemaking 09-11-014 to examine the Commission's Post-2008 energy efficiency (EE) policies, programs, evaluation, measurement, verification and related issues. This was in part in response to AB 758, which required the Public Utilities Commission (Commission) through its proceedings to investigate the ability of utilities to provide EE financing options to implement the comprehensive program called for by AB 758.[5] In the resulting decision, D. 12-05-015 (Guidance Decision), the Commission gave guidance to the IOUs for their 2013-2014 EE programs, including direction to expand EE financing by development of a portfolio of options at a cost of some $200 million over the two-year period.[6]

The Commission required portfolio applications from Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs) and invited proposals for regional energy networks (RENs) from local government entities. In Applications (A.) 12-07-001 and A.12-07-004, the IOUs also proposed three types of financing programs to be offered in 2013-14: continuation of (possibly modified) on-bill financing, continuation of financing programs previously funded by American Recovery & Reinvestment Act of 2009 (ARRA), and new pilot programs to be developed by an expert statewide financing

[5] AB 758, Chapter 470, Statutes of 2009.

[6] *Id*. at 2-3.

consultant hired by San Diego Gas & Electric Company and Southern California Gas Company (SDG&E/SoCalGas).[7] Harcourt, Brown & Carey (HBC) was hired as the consultant.

HBC's proposals for new 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. By subsequent ruling, the Administrative Law Judge (ALJ) requested supplemental information and comments on HBC's financing proposals.[8]

In November 2012, the Commission adopted D.12-11-015 approving a portfolio of energy efficiency programs and budgets to be implemented in 2013 and 2014 by Pacific Gas and Electric Company (PG&E), SDG&E, SoCalGas, and Southern California Edison Company (SCE), (collectively, the IOUs), as well as two RENs: San Francisco Bay Area Regional Energy Network and Southern California Regional Energy Network, and one community choice aggregator (CCA): Marin Energy Authority (MEA).

The Commission reserved funding for the new financing pilots being developed by HBC.[9] Due to the timing of HBC's work, the Commission was not able to evaluate the substance of those proposals in D.12-11-015. Thus, the Commission deferred consideration of the pilot programs until after D.12-11-015

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[7] Harcourt Brown & Carey.

[8] ALJ Ruling Requesting Supplemental Information and Comments on Expert Consultant Financing Pilot Proposals issued November 16, 2012.

[9] D.12-11-015 at 64.

was adopted, and delegated authority to the assigned Commissioner to finalize the design and launch of the new financing pilot programs.[10]

To facilitate review of the pilot program proposals, on November 16, 2012, the ALJ issued a ruling requesting SDG&E/SoCalGas, and/or HBC to provide certain supplemental information to be filed and served by November 30, 2012. SDG&E/SoCalGas filed a timely response. Interested parties were invited to file and serve comments by December 14, 2012, and reply comments by no later than December 21, 2012.

Opening Comments were jointly filed by SDG&E/SoCalGas and by SCE, PG&E, Division of Ratepayer Advocates (DRA), CRHMFA Homebuyer's Fund (CHF), Metrus Energy, Inc. (Metrus), California Construction Industry Labor Management Cooperation Trust (CCILMCT), Women's Energy Matters (WEM), National Association of Energy Service Companies (NAESCO), Environmental Health Coalition (EHC), Renewable Funding LLC (Renewable Funding), Natural Resources Defense Council (NRDC), Global Green USA (Global Green), Local Government Sustainable Energy Coalition (LGSEC), California Housing Partnership Corporation (CHCPC), Consumer Electronics Association (CEA), and jointly by The Greenlining Institute, Green For All, and The Utility Reform Network (collectively, Greenlining, et al). Reply Comments were filed by SCE, PG&E, SDG&E/SoCalGas, DRA, EHC, Greenlining et al., Renewable Funding, and LGSEC.

After reviewing the comments, Commission staff asked HBC to clarify certain features of HBC's recommendations relating to the movement and

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[10] *Ibid.*

control of ratepayer funds. On June 12, 2013, the ALJ issued a ruling which attached several pages of power point slides provided by HBC in response to these inquiries. Parties were invited to comment on HBC's clarification of its contemplated flow of ratepayer funds and protections to ensure dedication of the funds to the authorized uses. The additional information and comments thereon have been considered by the Commission. Upon review of the record and in consideration of the complex, innovative framework envisioned by the proposals and the parties, the assigned Commissioner chose to bring the launch of the EE Financing pilot programs before the full Commission in the form of this decision.

After the Proposed Decision was issued, substantive discussions were held among various stakeholders and, specifically, between SoCalGas and California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) which focused on CAEATFA's authority and willingness to assume the CHEEF functions. A key development was a proposed Implementation Plan set forth in Joint Comments on the Proposed Decision (PD) by SoCalGas and SDG&E filed on August 5, 2013. The Implementation Plan reflects a preliminary understanding of the assets, processes, and limits of CAEATFA, strengths and commitments of SoCalGas, a realignment of tasks and responsibilities, and a proposed schedule for rolling out the pilot programs into 2014. Eighteen parties filed Comments on the PD, including all of the IOUs.

Pursuant to an ALJ Ruling, a public workshop was held on August 16, 2013 in which SoCalGas and CAEATFA presented the Implementation Plan and answered questions from parties and others about it. The workshop was webcast by the Commission and a transcript is available. Reply Comments were filed on August 22, 2013 by all of the IOUs and ten other parties.

3. Energy Efficiency Financing Pilot Programs

3.1. Overview

In D.12-11-051, the Commission authorized $75.2 million for new EE Financing pilot programs to be implemented in 2013-2014 (pilot period), including funds for marketing the pilots. In that decision, we also authorized funds for pilots to be carried out by MEA, BayREN and SoCal REN, three of which are considered here.[11]

In the Guidance decision, we committed to developing scalable and leveraged financing products to lead consumers to engage in deeper, more comprehensive EE projects than available through current programs.[12] We intend to move away from utility financed programs to a model using mostly private capital.

To advance these goals, HBC led the project team which examined EE finance around the country and organized input from hundreds of experts and stakeholders.[13] The resulting HBC Report (Report) recommended a number of pilot programs for residential and non-residential customers to be coordinated through a central entity, identified as the "Hub."[14] The programs were described at a high level, and included limited comment about the legal, policy, and practical implications of implementation in California. After review, comment, and consideration by IOUs, Commission staff, and stakeholders, the Commission

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[11] D.12-11-015 at 67, 103.

[12] D.12-05-015 at 110-111.

[13] "Recommendations For Energy Efficiency Pilot Programs" (Report) filed on October 19, 2012 by SDG&E/SoCalGas at 1.

[14] Report at 17-18.

determined that several pilots proposed by HBC are sufficiently understood, appropriate, and supported to be practically implemented in a two-year cycle. The others are not considered here.

The decision authorizes development of these pilot programs to test EE capital incentives in both residential and non-residential markets. We agree with HBC and other parties that a centralized entity is essential to development of programs suitably attractive to private capital, in addition to providing financial controls and program administration. In this decision, the "Hub" is identified as the California Hub for Energy Efficiency Financing (CHEEF). The CHEEF has core centralized functions related to program development, implementation, and reporting.

As initially conceived by HBC, several types of organizations with statewide coverage could manage the key functions of the CHEEF during the pilot period, including IOUs and non-profit groups. However, HBC found that a state agency, California Alternative Energy & Advanced CAEATFA, (part of the State Treasurer's Office (STO)), was best suited to assume the CHEEF functions.[15] CAEATFA has the requisite statutory authority (Division 16 (commencing with §26000 of the Public Resources Code) to perform the CHEEF role as described in this decision, and has stated its willingness to do so.[16] CAEATFA also has related experience managing the AB 1x 14 energy loan loss

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[15] CAEATFA's Board consists of its chair, the State Treasurer, and State Controller, Director of the Department of Finance, President of the California Public Utilities Commission, and Chair of the California Energy Commission.

[16] Joint Utilities' Opening Comments, Attachment A (August 2, 2013 letter from CAEATFA's Executive Director to ALJ Darling).

reserve program,[17] and we recognize the more extensive financial expertise of its parent STO and related California Pollution Control Financing Authority that administers small business finance programs.

A cornerstone of the recommended pilot programs is a "credit enhancement" strategy (e.g., loan loss reserve) for residential and non-residential markets in which ratepayer funds are leveraged to achieve more deal flow, primarily through reduced interest rates, during the pilot period. A second critical element is the introduction of a repayment feature on a customer's utility bill for non-utility EE financing. Significantly, no residential service disconnection is authorized for non-payment of EE loans. A third feature is a data base that includes project performance and loan repayment history to inform what hopefully will become new underwriting criteria for the financial industry.

The IOUs will work closely with the CHEEF to ensure they cooperatively and economically develop information technology (IT) infrastructure compatible with the fund flow and information management requirements of the programs. We generally agree with parties who advised that substantial investments in IT infrastructure be phased to parallel program growth. On the other hand, it is critical that the CHEEF early on begin to build the data set needed to demonstrate the value of EE improvements, repayment performance, and any

[17] AB 1x 14 (c. 9 Statutes of 2011) requires CAEAFTA to administer a Clean Energy Upgrade Program using up to $50 million from the Renewable Resource Trust Fund. This legislation allows CAEATFA to provide financial assistance in the form of loan loss reserves or other credit enhancements as approved by the Board.

alternative security aspects which could reduce the need for ratepayer–funded credit enhancements (CE) the future.

In recognition of the synergistic respective experience and authority of the Commission and CAEATFA, a written agreement between the Commission and CAEATFA, will formalize the relationship and incorporate our EE Financing pilot goals and objectives, as set forth in Section 6. Consistent with this decision and the agreement, CAEATFA will design CEs, develop some terms and conditions for financial products offered through the pilot programs coordinate and track the deal flow between qualified financial institutions (FI), IOUs, and customers, ensure fiduciary protection of ratepayer funds held as CEs, provide transparency, and monitor program compliance by the FIs and the IOUs.

We anticipate that CAEATFA, as CHEEF, will enact program regulations which include Lender Service Agreements (LSA) to identify expectations for qualified FIs. The LSAs will be a mechanism to establish minimum qualifications, set standards for financial products, ensure FIs conform with the terms of the pilot program in which they are participating (including data collection and privacy requirements), and for any additional requirements related to the use of CEs. The HBC model envisions a Master Servicer under contract with the CHEEF, manage the flow of ratepayer funds and data between the IOUs, CHEEF, and the FIs, as needed.

To protect the integrity of ratepayer funds allocated to CEs, CAEATFA is already authorized to initiate trust accounts at banks or other appropriate financial institutions.. For the financing pilots, CAEATFA will use trust accounts hold and manage CE funds received from the IOUs. As described in more detail in Sections 3.3 and 6, we intend that the CHEEF, with the assistance of the IOUs,

will closely monitor all fund transfers to ensure conformity with its CE and program rules.

Nearly all parties supported the idea of new statewide EE financing pilot programs, although several expressed concerns about or sought changes to particular program aspects. For example, Greenlining et al. stated general support of "the concept of a centralized and open market platform that standardizes and coordinates application processing, underwriting, funding, repayment, credit enhancements, and other core functions critical to leveraging sufficient capital to realize scale."[18] On the other hand, NAESCO disputed the value of trying to use financing to drive penetration into certain segments of the EE market and claimed it diverts ratepayer funds from proven approaches.[19]

The IOUs generally supported the expansion of EE financing pilot programs tempered by concerns about debt collection activities and sufficient funding for IT. For example, SDG&E/SoCalGas raised questions whether on-bill repayment (OBR) of private debt would subject them to additional legal or regulatory risks and duties. The IOUs also commented that time and cost estimates for the IT upgrades are very tentative until the programs are authorized, specific design parameters and business requirements are resolved, and implementation begins.

In this decision, the Commission finds the issues raised are resolvable under the adopted design and should not serve as obstacles to testing the important premises of the pilot programs.

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[18] Greenlining Comments at 2.

[19] NAESCO Response at 3.

Commission oversight will be critical to protecting the integrity of ratepayer funds allocated to support EE financing programs. Program development, LSA provisions, cash management, and data flow protocols adopted by CAEATFA will be consistent with clear guidelines in the decision. In addition, we establish standard and special program reporting requirements to ensure that the Commission maintains an accurate understanding of the EE financing implementation and CHEEF operations. The Commission finds the public's interest in obtaining a successful outcome of the pilots, is best served by CAEATFA/STO accepting the role of the CHEEF. (Hereinafter, we generally refer to CAEATFA, except when in generic reference to CHEEF functions.)

Therefore, we request that CAEATFA seek authority to assume these functions and direct IOUs and Commission staff to assist CAEATFA, as needed, with expediting implementation of its role.

If CAEATFA is unable or unwilling to perform the CHEEF function, there is insufficient evidence in the record to assign another entity as CHEEF. Therefore, if CAEATFA cannot perform the CHEEF role by January 15, 2014, the record in the consolidated proceedings should be reopened to determine another entity to effectively assume the CHEEF role.

Issues related to qualification and oversight of FIs, contractors, and IOUs, standardization of financial products, data collection, quality assurance, and timeline, as well as specific program elements are discussed below.

3.2. CAEATFA and the Implementation Plan

We are encouraged by the enthusiasm with which CAEATFA has embraced acceptance of the CHEEF role, so that CHEEF functions will be subject to the stringent fiscal controls and open meeting requirements of a state agency. Instead of acting as a "start-up" CHEEF, SoCalGas is prepared, in consultation

with CAEATFA, to perform certain interim functions in support of start-up activities to facilitate initiation of the pilot programs. We find it is reasonable for SoCalGas and other IOUs to provide necessary expertise and support to CAEATFA upon request.

SDG&E/SoCalGas, working closely with HBC, CAEATFA, other IOUs, and the Commission's Energy Division staff, developed a schedule they view as feasible and "essential to getting the framework properly situated" for successful program launch. The "Implementation Plan," attached as Appendix G, reflects a preliminary understanding of the assets, processes, and limits of CAEATFA, strengths and commitments of SoCalGas, a realignment of tasks and responsibilities, and a tentative schedule to implement the pilot programs.

However, CAEATFA has certain budgetary and operational requirements to be fulfilled before it can assume CHEEF responsibilities. For example, it must submit a budget revision request to the Department of Finance and Joint Legislative Budget Committee to approve staff positions to administer the pilots, as well as the ability to utilize ratepayer funds to cover administrative costs. The Commission and CAEATFA must execute an agreement between the agencies to formalize the relationship, and identify the expectations of each agency. Furthermore, CAEATFA is required to follow public procurement and rulemaking procedures when contracting for CHEEF-managed services and finalizing rules for programs identified in this decision.[20]

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[20] 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.

These approvals and procedures provide transparency and public input, but they also impact the timelines for contracting services and launching each pilot program. SDG&E/SoCalGAS contend the proposed schedule generally has the necessary sequencing of tasks for each pilot, and the establishment of the CHEEF, based on certain time estimates to develop, implement, and/or approve each step. It reflects certain favorable assumptions, including adoption of the decision in September 2013 with certain program features, no delays to CAEATFA's approvals, and no substantive program design changes arise with subsequent rulemaking.

Highlights of the Implementation Plan, as modified to reflect comments, include the following approximate milestones:

- CAEATFA is fully operational to act as the CHEEF in December 2013
- Two pilots are operational in an early "pre-development'' phase by December 2013 (EFLIC and MMMF)
- On-Bill Repayment tariff filed by January 2014
- Trust Accounts are established in February 2014
- Credit Enhancement functionality is ready in February 2014
- Two pilots (Single Family and off-bill Non-residential Lease) are operational by March 2014
- Master Servicer begins operations in April 2014
- OBR is launched in July 2014

These dates are somewhat soft due to certain variables, including CAEATFA receiving all necessary authority. To the extent that some parties (e.g., EDF, APC) suggested actions to expedite certain implementation tasks, these are discussed by program below.

3.2.1 Expedited Roll-out of Some Pilots

Pilot programs that require large-scale on-bill repayment functionality will require the most time to implement, while other pilots may be able to roll out more quickly. The Implementation Plan contemplates two "Pre-Development" pilots, Energy Financing Line-Item Charge (§4.2) and a manual version of the Master-Metered Multifamily (§4.3) program, could be released early by PG&E and SoCalGas, respectively.

SoCalGas states it could set up a manual billing system for the multifamily pilot in late 2013 and billing for the first loan funds could occur as early as December 2013. The line-item charge requires more development by PG&E, but could also result in first loan funds out by the end of 2013. The IOUs intend to handle the initial setup with existing financing partners, and SoCalGas has agreed to work with CAEATFA to develop a transition strategy to move these pilots to the full program in Spring 2014. More details are provided in the discussion of these pilots.

In addition, the Implementation Plan provides for "Fast Track" release of the Single Family pilot (§4.1) and a version of the Non-Residential Lease pilot (§5.4) without on-bill repayment in February 2014. Neither pilot involves the utility bill, however, CAEATFA would first need to establish the infrastructure to manage credit enhancement funds and customer data collection. Sharing of collected customer data would be deferred until the Final Report on Data Collection (§7) is approved by the Commission and CAEATFA, and a Master Servicer is in place. The Implementation Plan anticipates that CAEATFA could conclude approval of its agreements, contracts, and protocols in the first quarter of 2014, and launch the first programs by the end of March or early April 2014.

The Commission finds it is in the public interest to prudently roll out the financing programs as expeditiously as possible, assuming proper development and ratepayer protections. Therefore, the Commission finds it reasonable to : (i) authorize SoCalGas to work with CAEATFA, other IOUS, and Energy Division Staff to achieve prompt approval of a Program Implementation Plan (PIP) for the Fast Track pilot programs; and (ii) assist CAEATFA, upon request, to establish the credit enhancement functionality necessary to effectively achieve early release of the identified programs.

The Commission also finds it reasonable and necessary to authorize the IOUs to contract with CAEATFA to specify the flow of EE financing pilot funds allocated to both the implementation of the pilots with credit enhancements, and to cover costs of staff and technical resources required by CAEATFA to perform these functions. IOUs are also authorized to execute agreements directly with the Master Servicer, as needed, and the Trustee of the IOU Holding Account to accept deposit of funds for CEs.

3.2.2 Extension of Pilot Period through 2015

Due to the complexity of creating a new statewide transactional and data platform, engaging with another state agency to administer the platform, sorting out tasks and authority, addressing thorny legal and policy questions regarding on-bill repayment of third party financing, and searching for consensus on program features, the first pilots are not expected to launch until the end of 2013. The centerpiece on-bill repayment feature is not expected to be available until the middle of 2014.

Most parties responded to the delayed implementation by recommending the 2013-2014 authorized funding be re-allocated through 2015 in order to achieve the Commission's stated objectives. HBC and the Commission

conceived these pilots as operating for nearly a two-year period to allow for sufficient program uptake to generate useful participation and program data for evaluation purposes. No party opposed an extension through 2015.
We agree that when D.12-11-015 was adopted, the Commission did not anticipate that the proposed pilots would offer extensive and complex issues to be resolved before approval. Nonetheless, parties have argued that it was better to undertake these innovative programs with care, rather than to rush to launch. Now that many of the key hurdles have been overcome, the Commission finds it reasonable to authorize the pilot programs to operate from the date of the decision until the end of 2015.

We anticipate that the Commission will undertake an evaluation of these programs, including whether to modify, extend, or defund them, in conjunction with the next Commission proceeding to consider EE programs and budgets for 2016 and beyond.

3.3. Credit Enhancements

In the Guidance Decision, we directed that the new EE Financing proposals should include credit enhancements (CEs) for both residential and small business non-residential markets, and include expansion of on-bill repayment for all non-residential customers.[21] This decision implements that direction.

The term CE covers a range of mechanisms that set aside ratepayer or other funds to support repayment of EE financing products in case of customer default or delayed repayment. Most parties agreed with HBC's finding that CEs

[21] D.12-05-015 at 20, 21, 117.

"are an important incentive for financial institutions to expand access to their financial products and improve finance product terms for targeted markets.[22] Generally enthusiastic non-utility parties expressed varying degrees of support for specific CEs proposed. During the course of the proceedings, 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 decision 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."[23] Instead, parties (e.g., PG&E, Global Green, and CHF) agreed that the CHEEF should have flexibility within Commission guidelines, to avoid fixed restrictions that could limit new products and deal flow.[24] On the other hand, DRA questioned how Commission oversight of negotiated CEs and loan terms would occur and recommended at least some lender agreements with credit terms should be submitted for Commission review.[i25]

The Commission finds it reasonable to authorize use of limited ratepayer funds for CEs for approved pilot programs during the extended pilot period, except for OBR for medium and large businesses. The record supports the value of CEs in order to test their effectiveness in stimulating broader access to EE financing, catalyze FI participation in the CE financing pilots, improve the terms

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[22] Report at 17, 34.

[23] Renewable Funding Response at 4.

[24] LGSEC Comments at 5-6; Joint IOUs Response at 6.

[25] DRA Opening Comments on PD at 3-4.

of pilot financing products relative to the terms currently available in the market, and incentivize FIs to standardize and streamline processes and protocols for their interactions with customers and EE service providers.

We acknowledge DRA's concern about ensuring adequate oversight of the design of credit enhancement features and loan terms in pilot programs. For example, we agree that certain CE features, such as type of CE, per loan exposure limits, goals for CEs, and how CEs will be held, should have Commission review.

To expedite implementation of the Fast Track pilots, we set simple CE parameters in this decision. As described in more detail in Section 13, the IOUs, after consultation with CAEATFA and Energy Division staff, will submit to the Commission two joint statewide Program Implementation Plan (PIPs): one for Fast Track pilots, and one for On-Bill Repayment (OBR) pilot programs, that include CE parameters for each pilot. However, the OBR CEs need more development. Final design of the CEs will occur through CAEATFA's public emergency rulemaking process, and subsequent rulemaking to further codify the program regulations.

The OBR PIP should set CE guidelines (e.g., a floor, cap, or spread) to incentivize more favorable financing terms for targeted market sectors. For example, the PIP for the Small Business OBR with CEs loan program might include a provision that a loan loss reserve CE be authorized and capped at a certain percentage as applied to the portfolio as a whole, or be set by a spread (e.g., 5% to 10% of total eligible loan value with higher CEs targeted to targeted businesses or project types.)

CAEATFA is required to undertake public rulemaking to set specific program rules that govern management and participant engagement consistent with the PIPs, including final CE design and LSAs. SoCalGas shall ensure that

CAEATFA provides the Commission's Energy Division Director with the final approval documents or notifications of all program rules by the Office of Administrative Law. The Commission will post the adopted rules with the relevant PIP on our Energy Efficiency Groupware Application website.

Therefore, the Commission finds that its input and review of the PIPs, followed by tracking CAEATFA's public rulemaking process for approval of program rules, results in reasonable and appropriate Commission oversight of the CE design for each pilot program. However, we do not find that Commission approval of specific loan terms is practical. Instead, CAEATFA will develop, through its rulemaking process, lender service agreements (LSAs) with FIs which include, inter alia, a demonstration of how the lender will use the CEs to expand customer access or improve interest rates or terms.

By developing a standard LSA for each pilot program, CAEATFA can establish qualifications for lenders to participate, which could include a commitment to conform to pilot program requirements, CE protocols, and data collection and sharing requirements. It will also allow CAEATFA to more easily enroll lenders during the pilot period. We set two minimum qualifications for FIs in this decision: (1) possess all required state and federal licenses, and (2) be in good standing with regulators. We anticipate that CAEATFA will establish a pilot program's standard LSA at the same time it adopts other program rules.[26]

In order to foster competition and to ensure support of successful financing tools, we find reasonable and adopt HBC's recommendation for a

[26] Report at 34

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.

To manage the flow of CE funds from IOUs, we agree with HBC that trust accounts should be used. CAEATFA can open one or more trust accounts, for the benefit of ratepayers, to serve as an IOU "Holding Account." The IOUs shall work with CAEATFA to develop a mutually acceptable schedule for periodic transfer of CE funds from the IOUs to the Holding Account in anticipation of estimated financing. It is also necessary to open trust accounts (Operating Account), for the benefit of the participating FIs, to receive CE funds transferred from the Holding Account after the loan is funded. Funded CEs are subject to qualified FI drawdowns, as required.

We find that the use of trust accounts, subject to the bank's exercise of a Trustee's fiduciary duty, offers protections from inappropriate withdrawal or misapplication. The trust accounts will separately account funds that are provided by each IOU in order to facilitate tracking of such funds across each IOU service territory.

Some financial products are likely to include a partial-funding feature which entails a borrower receiving some funding before the completion of the project and the balance of funding upon completion. CAEATFA may allow for CE funds to remain in the CE Operating Account to support customer projects that include a partial funding feature. CAEATFA may reserve the right to require that such funds be transferred back to the Holding Account in the event a project that has been partially funded through drawdowns is not completed or is deemed ineligible for the pilot programs.

FIs may have access to CE Operating Account funds in conformity with the rules adopted by CAEATFA establishing that a default event has occurred.

CAEATFA's adopted regulations and LSAs will prescribe the methodology for CAEATFA's verification of a default event and release of CE funds to FIs.

When the financing that a CE supports is fully paid by a customer, then any unused CE funds supporting that financing shall be transferred from the CE Operating Account back to the Holding Account. CAEATFA may reserve the right, upon consultation with 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 IOU for credit back to ratepayers.

Nothing in this decision prohibits CAEATFA's/STO's existing credit enhancements from being harmonized with the CEs implemented by the pilot programs. Nothing in this decision limits the use of other available CEs, if CAEATFA's program rules allow it and necessary data collection is not impaired.

The Commission specifically authorizes two types of CEs: Loan Loss Reserve (LLR) and Debt Service Reserve Fund (DSRF). In addition, consistent with adopted program rules, the CHEEF is given flexibility to structure CEs differently among FIs with the goal of maximizing the number of customers who qualify for financing and meeting other program goals. To assist CAEATFA, the Commission's initial guidance for credit enhancements and fund flow is attached hereto as Appendix A.

3.3.1. Loan Loss Reserve

An LLR sets aside a certain amount of money (reserves) to cover potential losses in case of customer default.[27] For example, a 10% LLR on a $10 million loan portfolio would require transfer of a $1 million CE to the LLR Operating Account. In addition, a lender's loss share of the total loan may be recovered by the FI from its total LLR portfolio. A "loss share" means that, on any single loss, a lender may recover up to an agreed 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 lender funds the loan. Authorized parameters for CEs will be broadly set by the Commission in this decision or subsequently approved PIP.

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."[28] 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 Loan Program and the Small Business OBR with CE pilot. It is modeled after, and applies lessons from, the ARRA energy efficiency programs.[29]

In HBC's model, which we expect to inform CAEATFA's rulemaking, LLR funds will be set aside in the CE Operating Account, allocated in sub-accounts for each FI's pool of transactions, and managed by a Trustee. A participating FI may draw on its allocated funds when customers default on financing.

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

[28] *Id*. at 119.

[29] D.12-11-015 at 31.

CAEATFA intends to adopt program rules to establish the specific CE design, consistent with the PIP and decision, and with input from FIs.[30] Design includes structuring CE allocation to eligible loan value to achieve program goals.. CAEATFA is encouraged to address in program rules a cap on a lender's "loss-share" per individual loans. We find that a lender's loss share should be less than 100% to encourage FIs to manage risks in lending.

As suggested by MEA, if an FI is successful in loss recovery efforts after taking LLR drawdowns, CAEATFA's rules should address how the LLR should be reimbursed (e.g., net of late charges, penalty interest, and collection costs incurred in recovery,(excluding legal fees).[31]

[30] Appendix G at lines 88-89, 109-110.

[31] MEA Opening Comments on PD at 2.

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

Example of LLR fund flow:

- FI notifies customer and CHEEF of approved financing application
- CHEEF verifies sufficient CE funds available in IOU's Holding Account
- FUI notifes CHEEF that loan is funded
- CHEEF directs transfer of the CE funds from Holding Account to the CE Operating Account managed by Trustee
- CHEEF confirms CE allocation to FI
- 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 authorized percentage of financing balance
- If LLR funds are subsequently repaid by borrower then FI refunds any collections, net of collection fees (excluding legal fees) to CHEEF which transfers the refund to the Holding Account

3.3.2. Debt Service Reserve Fund

The DSRF mechanism, similar to HBC's proposed Debt Service Coverage Reserve,[32] is applicable to the On-Bill Repayment (OBR) pilot programs for small business borrowers, and is preferred for the Master-Metered 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 financing charges. Similar to an LLR, the DSRF is designed to keep ratepayer funds under the control of a CPUC-

[32] Report at 50.

designated entity and within a trust account without risk until the loan is funded and the borrower is obligated to repay.

The IOUs will transfer funds to the CE Holding Account, subject to agreement with CAEATFA, until CAEATFA authorizes transfer of an identified amount to fund the DSRF Operating Account for a particular executed financing deal. Pursuant to the adopted program rules, CAEATFA provides for an FI to drawdown the DSRF Operating Account when a customer's monthly debt service payments are less than the full amount owed.

CAEATFA will establish the final design of the DSRF through its rulemaking, including a maximum amount of debt service charges to be covered by the DSRF for a particular project and financial institution. Any delinquent financing charges subsequently collected from customers should be credited to the Holding Account to offset some or all of the DSRF funds paid out.

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

Example of DSRF fund flow:

- FI notifies customer and CHEEF it has funded the loan
- CHEEF directs transfer of funds in CE Holding Account to DSRF Operating Account for the approved transaction
- CHEEF confirms such transfer to FI
- Customer makes financing payments through OBR
- If customer fails to pay all financing charges, then payment is allocated between the energy bill and financing charges per the Utility's current approved practice
- FI notifies CHEEF of delinquency and makes a DSRF request
- CHEEF directs release of DSRF funds to FI per DSRF agreement; monthly DSRF draws can continue until agreed percentage of debt service coverage value is reached, or it turns into a default (default definition to be subject to FI agreement)
- Any subsequent collections of delinquent financing charges shall be credited to the relevant DSRF Operating Account. Upon full payoff of customer's financial obligation, any remaining allocated funds in the DSRF Operating Account shall be transferred to the

Holding Account

3.4. Eligible EE Measures

There is significant disagreement about whether and how to limit EE financing pilot programs to funding in support of qualified EE projects, identified here as Eligible EE Measures (EEEM). EEEMs are measures that have been approved by the Commission for a Utility's EE rebate and incentive program, although the customer need not get an incentive or rebate to qualify for the loan. Each utility is directed to make a list of EEEMs publicly available, including on the utility's website.

In the Guidance Decision, we said, "financing offerings need not be limited to energy efficiency, and can support all types of demand-side investment."[33] We clarified this statement in D.12-11-015, when we stated, "To be clear, this statement was intended to apply to OBR or other types of pilot activity where the funding for the loans themselves come from sources other than ratepayers. For other types of financing, such as OBF, credit enhancements, etc., where [ratepayer] energy efficiency funds are being utilized, they should be used for energy efficiency projects only at this time, unless a budget contribution can be shared from other sources."[34]

SCE too strictly reads the language from D.12-11-015 as prohibiting any use of CEs to support third party financing for projects that include a small amount for non-EE measures. Most parties commented positively on the significance of customers adding EE financing to existing improvement plans

[33] D.12-11-015 at 65.

[34] *Ibid.*

linked to personal or business necessities. HBC proposed that no more than 20% of total financing be for non-EE measures during the pilot period.

Several parties (e.g., CHPC, PG&E, Global Green, LGSEC, and EHC) agreed to a defined level of inclusion of non-EE measures in the total loan because customers are more likely to include EE financing as part of overall improvement projects. Many related improvements may support EE or be necessary to maximize the benefits of EE improvements (e.g., asbestos removal, concrete boiler pads). On the other hand, some parties (e.g., EDF, CHPC, CHP, and Solar City) sought a broad definition of EEEMs to include water conservation, solar, or Distributed Generation (DG) and Demand Response (DR) uniformly for all pilots regardless of the role of ratepayer funds.

We find that customers may be more likely to add EE projects while undertaking other improvement activities. Therefore, for purposes of the pilot period, the Commission finds it reasonable and adopts a requirement that authorized EE pilot program financing qualifying for CEs must apply a minimum of 70% of the funding to Eligible EE Measures (EEEMs). Therefore, financing eligible for CEs may include funds for non-EEEMs totaling up to 30% of the loan total.

The 70%/30% ratio of EE measures and non-EE measures also applies to financing which does not rely on ratepayer-funded CEs (e.g., OBR for medium and large businesses). However, as set forth in §5.5, a wider range of eligible projects (e.g., demand response, distributed generation) may be included in the 70% eligible EE measures for those pilots.

4. Pilot Programs – Residential

The primary goals of the Single Family pilot programs are to (i) increase the volume of EE financing to attract capital providers and attract new market

participants; (ii) provide a reliable, one-stop mechanism which provides attractive rates and terms for consumers; and (iii) a relatively quick turn-around for payments to contractors. We authorize a loan program with an LLR, and development of a complementary sub-pilot to provide repayment on the utility bill--without service disconnection.

The total amount of ratepayer funding HBC recommended to implement Residential EE financing pilot programs is $28.9 million, of which $26.0 million was to be allocated to programs targeting single family EE improvements. However, in this decision we do not adopt two of the pilots proposed by HBC (i.e., Warehouse for EE Loans or "WHEEL" and a pilot targeted to middle income residents.) The remaining $2.9 million was proposed by HBC to be allocated to the adopted multifamily residential program.

The Commission finds it reasonable to approve the total HBC-recommended amounts for the residential pilot programs that are authorized herein. At this stage, the public interest is best served by expedient and broad implementation of the authorized programs during the pilot period. Nothing in this decision prohibits coordination of authorized residential CEs with other funds, including existing EE programs, philanthropic funds, and other fund sources, if allowed by CAEATFA's program rules and required data collection is not impaired. However, CEs only apply to the net financing.

4.1. Single Family Loan Program

California has approximately eight million single-family residences who are potential participants in an EE financing pilot.[35] HBC proposed a direct loan

[35] Report at 27.

pilot open to all ratepayers occupying single family residences. In response to parties' comments, we modify this program to also allow indirect loans, if the lender qualifies with CAEATFA, including execution of an LSA. This change is primarily to leverage existing contractor-based consumer financing to qualify for CEs. We call this program the Single Family Loan Program (SFLP).

As noted by Greenlining, a significant portion of the new participants we hope to attract to the EE market are low and moderate income homeowners.[36] The benchmark for low and moderate income limits shall be the current annual limits published by the California Department of Housing & Community Development, by county and family size.[37]

In order to encourage FIs to reach out to low and moderate income homeowners, approximately one-third of the authorized LLR funds should be utilized to offer higher CEs, as needed, with EE financing for these homeowners. In addition, the PIP should establish appropriate program reporting by FIs and marketing steps, particularly with experienced community-based organizations, designed to achieve this goal.

The program is scheduled for Fast Track and appears to be relatively easy to initiate. After a loan is funded, CAEATFA's rules will provide for the transfer of CE funds to the FI's LLR Operating Account, pursuant to the terms of the LSA. CAEATFA maintains the integrity of the CE funds through trust accounts, as described in Section 3.36.

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[36] Greenlining Opening Comments on PD at 3.

[37] http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html

In addition to expanding access to EE financing and adding EE improvements, other objectives of the SFLP are to make it easy for direct and indirect lenders to participate in a test to optimize loan terms and build deal volume for data collections. It does not require utility collection of debt service on the utility bill.

All of the parties who commented on the SFLP pilot supported it. However, the support by Greenlining, et al. was linked to the HBC proposal of a form of repayment on the utility bill, discussed below. Greenlining views the repayment feature as providing great value in itself which can drive the market for deeper retrofits, particularly among moderate income and credit challenged populations.[38]

A principal benefit of the SFLP is that it leverages an existing network of contractors and financing entities in California, and moves the EE finance infrastructure towards increased standardization through program requirements. We anticipate that customers will seek out their own financing from a variety of California FIs, and that EE contractors will become leaders in providing their customers with streamlined financing referrals. Success will depend on building an active network of participating FIs and encouraging alliances between these lenders and the contractors that typically close EE sales transactions.

The Commission finds that the SFLP pilot program with LLR 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. Because

[38] Greenlining et al. Comments at 2.

this is a Fast Track pilot, in this decision we set a cap on the CEs not to exceed a maximum of 20% of eligible loan value. Further, we limit the lender's loss recovery to no more than 90% of original eligible loan value, capped by the total available in the FI's LLR portfolio.

CAEATFA intends to undertake emergency rulemaking, shortly after it achieves authority to act as CHEEF. The rulemaking will address final CE design, standards for financing products, and other program matters.

Therefore, the Commission finds it reasonable to authorize the SFLP, including the funding of an LLR to provide no more than a 20% CE, and no more than 90% lender loss recovery per eligible loan value. Up to $25 million in utility ratepayer capital shall be available for the LLR associated with the SFLP.

4.2. Energy Financing Line-Item Charge (EFLIC)

There is currently no state law authorizing on-bill repayment for residential customers. However, HBC concluded the convenience of customer repayment could drive residential demand for energy improvements, improve repayment, and reduce FI servicing costs.[39] HBC recommended a sub-pilot called "Line Item Billing" whereby collection of principal and interest payments on customer loans occurs through utility bills.

The primary purpose of this sub-pilot is to test the attractiveness of on-bill repayment and its impact on residential loan performance. In this decision, the sub-pilot is identified as the Energy Financing Line-Item Charge (EFLIC).

The EFLIC differs from non-residential OBR in significant ways. The primary differences are that it does not result in utility disconnection for failure

[39] Report at 36.

to pay the debt charges, nor does it involve an allocation of partial customer payments between utility energy bills and energy improvement finance charges. The loan obligation does not transfer to subsequent owners or occupants.

In addition to substantial IT investment, the IOUs initially expressed concerns that collection of financing payments from consumers could subject the IOUs to additional regulation as financial institutions in California. HBC and other parties who support the EFLIC pilot recognized the IOUs' concerns. For example, HBC and Greenlining recommended further clarification from regulatory authorities as to whether the IOUs would be classified as consumer lenders. [40]

On the other hand, PG&E proposes that it be allowed to implement this sub-pilot with the existing CHF program and "utilize CAEATFA, and other similar loan loss reserve programs at its discretion." The bases for its single partner approach are its existing relationship with CHF, CHF's large loan pool, and delayed implementation if it must add other partners. This is consistent with NRDC's recommendation that the pilot be implemented in a defined geographic area so that marketing can be targeted and initial IT costs contained.[41]

We think the EFLIC sub-pilot program has some appealing advantages in counterweight to the concerns raised. Such a pilot could yield useful data on residential utility payment as alternative underwriting criteria. Moreover, we are not persuaded that providing a conduit for loan repayment exposes the IOUs to consumer lender regulation. The Department of Financial Institutions (DFI)

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[40] Greenlining et al. Comments at 9.

[41] NRDC Comments at 6.

recently approved Requests for Exemption from the Money Transmission Act from each of the IOUs.[42] Although some program rules or protocols may be necessary to address collection responsibilities by the FI should a dispute arise, this sub-pilot appears suitable for Fast Track implementation.

Many non-utility parties support EFLIC and its pilot implementation by PG&E. However, as Greenlining stated, the initial partnership with CHF should not be interpreted as authorization to exclude other lending partners.[43] After the Master Servicer is hired, PG&E should open the program to other FIs under similar terms and conditions as CHF.

The Commission finds the EFLIC sub-pilot program could test the convenience of repayment through the utility bill and advance the Commission's goals of leveraging private capital with ratepayer funds to expand access to EE financing in the Single Family residential sector. In addition, after the Single Family LLR is online, the EFLIC program should be linked to that pilot, and involve other lenders, particularly for outreach to low and moderate income homeowners. Utility and party concerns about the initial utility investment in information technology (IT) to implement EFLIC are addressed in Section 9.

Therefore, the Commission finds it reasonable to authorize the EFLIC sub-pilot program for implementation as an early release pilot by PG&E. Once the Master Servicer is online, the program shall be transferred to CAEATFA and borrowers will have access to CEs through the SFLP. CHF and other lenders seeking to access these CEs, will need to execute LSAs pursuant to CAEATFA's

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[42] March 27, 2013 letter to California Department of Financial Institutions, attached as Appendix B.

[43] Greenlining Reply Comments on PD at 3.

program rules. We authorize up to $1 million for PG&E to test EFLIC, due to the utility's interest and limited authorized funds.

The EFLIC program, in both stages, shall include a component for outreach to low and moderate income homeowners. Transition to CAEATFA, including opening the program to other FIs under similar terms and conditions, and linkage to the SFLP shall be addressed in the 90-day PIP.

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

EFLIC Sample Fund Flow:

- FI funds loan to Customer and notifies CHEEF
- Customer pays Utility the Principal & Interest (P&I), plus energy charges
- If partial payment is made, payment applied to energy charges first, any remainder applied to loan P&I payment
- Utility sends P&I through CHEEF to FI (whether whole or part)
- During pilot period, FI recourse for partial or non-payment is LLR from underlying SFLP loan

4.3. Master-Metered Multifamily With On-Bill Repayment

Energy efficiency financing in multifamily rental properties poses special challenges due to complex ownership structures and different incentives between landlords and tenants. In the Guidance Decision, we said that "multifamily buildings that house primarily low-moderate income households may provide a unique test bed for multiple aspects of an [on bill repayment] financing program," recognizing that virtual net metering for solar photovoltaic systems was pioneered in low-income multifamily buildings.[44]

In this decision, we authorize a modified version of HBC's proposed pilot program that targets substantially master-metered multifamily housing and

[44] D.12-05-015 at 126.

offers owners repayment on the master utility bill without the risk of service disconnection.

There is not clear legislative authority to implement residential OBR outside of master-metered low/moderate income properties. Specifically, we refer to properties with deed restrictions that require the owner to keep rents affordable with income qualifying households occupying at least 50% of units, and the owner pays utility bills and charges tenants for energy through their rent. Restricting the pilot to this type of property provides an additional benefit in that the risk of rising utility bills falls on the owners, thus motivating owners to stabilize or reduce energy costs.[45]

HBC recommended a Master-Metered Multifamily Financing Program with repayment on the customer's utility bill (MMMFP) as a possible strategic pathway to eventually offering on-bill repayment (OBR) to the entire multifamily market.[46] HBC's proposed repayment feature is supported by a "Bill Net Neutrality" requirement, cushioned by a CE mechanism that covers monthly shortfalls.[47] It does not include disconnection as a result of non-payment of the financing.

"Bill Net Neutrality" means energy savings will be sufficient to cover the cost of debt service on an annual basis. The effect is to provide FIs and customers a cash flow-based mechanism for financing projects. HBC acknowledged that a standardized measurement methodology would have to be

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[45] *Ibid.*

[46] Report at 42.

[47] *Id.* at 49-50.

developed and understood by contractors and the IOUs, combined with clear disclosure to customers and FIs.[48]

HBC proposed a CE for this pilot to address potential cash shortfalls from actual energy savings. The Debt Service Coverage Reserve (DSCR), as conceived by HBC, would provide ratepayer funds of up to 10% of the loan value to cover the monthly under collections by FIs.

The primary goals of the MMMFP are to test the value of OBR in the affordable master-metered MF segment, improve delivery of services across IOUs, building auditors, contractors, and lenders, and to gather performance data in a multifamily setting.[49]

Most parties agreed with HBC that the proposed pilot focuses on a limited market with economically motivated owners, and addresses a significant barrier to EE improvements in this category of building owners. HBC's analysis of the target market resulted in a recommendation to target the equivalent of 25 projects with an average of 200 units each (i.e. 5000 units). On the other hand, some parties (e.g., LGSEC, Global Green, EHC) contend that the pilot is too narrow and should be expanded to other multifamily properties.

We agree that a pilot focused on this particular property type has distinct advantages. Nonetheless, CHP, who will be implementing this pilot as "pre-development," supports Global Green's recommendation to reframe the target to "reaching 5000 units through properties with buildings of 20 or more units.[50] This is a reasonable modification and we adopt it. Notably, we authorize

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[48] *Id*. at 49.

[49] *Id*. at 46.

[50] CHPC Opening Comments on PD at 3.

funding to BayREN, elsewhere in this decision, for a complementary multifamily financing program targeting market rate housing.

The parties are divided about the value of Net Bill Neutrality for multifamily properties. CHPC strongly supports it based on its own experience with on-bill features. Renewable Funding and LGSEC strongly oppose bill neutrality for residential properties due, in part, to the variables of residential consumption. DRA opposes bill neutrality for multifamily properties as against Commission direction, and views HBC's proposed CE, the Debt Service Coverage reserve, as a functional neutrality guarantee.

We acknowledge that bill neutrality could be an important incentive for this sector, but find that residential energy usage is subject to many variables other than EE improvements. Furthermore, development of measurement methodology, performance data, and access to water usage information are among the obstacles to achieving reasonably accurate savings estimates during the pilot period. Therefore, we do not require bill neutrality for this pilot. (This leaves the owner free to size the project and loan to meet their own objectives and cash flow.)

The OBR feature for this pilot also divides the parties. For example, Greenlining supports OBR in the multifamily pilot because testing OBR without disconnection will allow the Commission and stakeholders to begin to understand the value proposition of OBR without placing the energy security of low-income tenants at risk.[51] The IOUs question the Commission's authority to order an OBR feature, and raise questions about the transferability of the

[51] Greenlining et al. Comments at 11.

obligation to new owners. DRA opposes the combination of the CE and the OBR in the multifamily pilot because it will be difficult to assess the value of each feature.

The record supports significant value in testing OBR without shut-off in the difficult multifamily building environment. The Guidance Decision and D.12-11-015 both anticipated OBR as an element of the EE Financing pilots.[52] The lack of statutory authority for residential service disconnection for debt service is not a barrier to authorizing a multifamily pilot without disconnection. Because ownership change for these properties is uncommon and the OBR has no shut-off provision, the IOUs concerns about transferability are overstated. Nonetheless, transferability for OBR is addressed in detail in Section 5.2, which addresses OBR in non-residential pilot programs.

The Commission finds it reasonable to implement an MMMFP that includes OBR without shut-off for non-payment of financing charges, for substantially master-metered affordable multifamily properties. However, based on comments received, we make certain changes to the pilot from HBC's proposal: (1) the OBR feature will be by agreement, supported by tariff; (2) Net Bill Neutrality can be an objective, not a requirement; and (3) the use of a DSRF as the primary CE.

To the extent the customer is eligible for other rebates and incentives, the Utility shall apply them, but CEs will apply only to the financing net of such rebates and incentives. We anticipate that the DSRF as described in Section 3.2 will be the most effective CE for this pilot.

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[52] D.12-05-015 at 19; D.12-11-015 at 65.

The Implementation Plan anticipates that SoCalGas will be able to launch an early release of a limited, manual version of the MMMF pilot, without using these CE funds, by working with CHPC.[53] CHPC supports the immediate launch of what it dubs "MMMF Lite," citing strong and immediate demand from owners of low income multifamily rental housing. CHPC also states it has secured foundation resources to cover their own credit enhancements and audit costs for a limited period of time for up to five properties, assuming no-cost access to on-bill repayment.[54]

Based on SoCalGas's proposal to take advantage of on-going developments in this sector, the Commission finds it reasonable to authorize the early release of a limited version of the MMMF program, for up to five properties before the program transfers to CAEATFA.[55] Although the early version will not use authorized CEs or FI guidelines, the lenders have already been identified and are certified as "Community Development Financial Institutions" by the U.S. Treasury. The program as implemented by SoCalGas shall provide for transfer of the full program to CAEATFA after the Master Servicer is online

The Commission concludes it is reasonable to transfer the manual collection program to CAEATFA after the Master Servicer is online, and to broaden MMMFP to all utilities and other lenders. CAEATFA's program rules and LSAs will identify qualified lenders who will have access to MMMFP CEs. Transition to CAEATFA and other whole-program issues shall be addressed in the 90-day PIP.

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[53] Joint Utilities Opening Comments on PD at 19.

[54] CHPC Opening Comments on PD at 14.

[55] Joint Utilities Openign Comments on PD at 19.

During the post-transfer period, the IOUs shall incorporate the Energy Upgrade California audit protocols for multifamily properties to avoid duplicate effort. Authorized EE finance program funds shall be used for building audits to improve understanding of building science and review contractor performance. Ratepayer funds may also support limited on-going technical assistance to the building manager post-retrofit as a key to maximizing EE savings based on the foregoing, it is reasonable for the Commission to authorize a total of $2.9 million in ratepayer funds to implement the MMMFP and provide limited support for post-project technical assistance.

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

MMMFP with OBR Sample Fund Flow:

- FI notifies CHEEF that loan funded, requests CE
- CHEEF notifies Utility of loan/OBR and requests CE
- CHEEF directs transfer of CE to CE Operating Aaccount
- Owner makes payments to Utility
- Utility pays FI through CHEEF
- If partial payment, applied to energy charges first; FI can draw on DSRF month-by-month
- FI can pursue collection from Owner for DSRF drawdowns; reimbursements are returned to DSRF

5. Pilot Programs – Non-Residential

In order to address the challenges of making EE financing available and viable to small, medium, and large businesses that occupy commercial buildings, HBC proposed several financial products and structures. These include an OBR feature for small, medium and large commercial customers and a credit

enhancement strategy for the small business market. HBC views OBR as a complement to current utility On-Bill Financing programs.[56]

The primary goal of the Non-Residential pilot programs is to build the deal flow necessary to test the value of OBR as a bridge to overcome traditional lending barriers in these markets. HBC recommended CEs be offered in connection with OBR because the value of OBR to investors, customers, and contractors is unproven.

The total HBC-proposed budget for non-residential pilot programs is $21 million: $14 million for Small Business OBR pilots with CEs, and up to $7 million for medium/large non-residential OBR pilots with CEs.[57] We do not authorize CEs for medium and large businesses in this decision, and reallocate authorized CE funds accordingly, as set forth below.

In addition, the IOUs have given preliminary estimates for utility IT costs, primarily to implement OBR, ranging from a total of $4 million to $8 million. The IT costs are discussed further in Section 9.

5.1. On-Bill Financing

The IOUs have previously developed OBF programs which provide no-interest loans to non-residential customers for comprehensive EE projects; these OBF programs provide for the possibility of shut-off in the event of non-payment of finance or energy charges.

Qualification is primarily based on a good utility bill payment history and the prospect that the loans can be repaid by savings within five years for most

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[56] *Id*. at 58.

[57] *Id*. 16.

borrowers, or the lesser of up to ten years or the expected useful life of the energy efficiency measures for governmental borrowers. OBF is funded 100% by ratepayers without private capital to leverage more funds to fully meet customer market demand. In addition to limited funds, OBF has been heavily marketed by lighting vendors and contractors to finance lighting-only projects and has not yet enabled many deep, more comprehensive retrofits.[58]

A number of parties, including PG&E, SDG&E/SoCalGas, NRDC and TURN, support continuation of the OBF programs for the non-residential market. However, due to unexpected excess concentration of funds in single end use lighting measures, HBC recommended that such measures comprise no more than 20% of total project costs, and that non-compliant lighting-focused projects be redirected to the leveraged private finance with OBR and/or small business leasing.[59] SCE, Metrus, and SDG&E/SoCalGas support the proposed change; however, in comments on the PD, the IOUs opposed any change while the financing pilot programs are being established.[60] NRDC opposes adding an "arbitrary" limit and instead recommends the IOUs establish a whole-building savings threshold as a minimum requirement for eligibility for the OBF program.[61]

The Commission finds that, overall, OBF is a strategy that is serving some customers, but without the ability to scale to the levels we estimate California

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[58] D. 12-05-015 at 109.

[59] Report at 60.

[60] PG&E Opening Comments on PD at 3; SDG&E/SoCalGas Opening Comments on PD at 10.

[61] NDRDC Comments at 7-8.

and IOU service area customers need. In D.12-11-015, we directed the IOUs to allocate funds to continue OBF during the 2013-2014 program cycle.[62] However, we also think the IOUs should adjust the loan program to incentivize and promote projects that are more comprehensive. We do not adopt the IOUs' request in Comments on PD to delay any changes in OBF eligible projects because the lopsided use of OBF funds in single end use lighting projects has continued too long and should end.

Therefore, the Commission finds it reasonable to modify 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. Within 60 days of the date the decision is issued, the IOUs shall amend the OBF program and, at the same time, 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.

5.2. On-Bill Repayment

Consistent with the Commission's goal of increasing the number of non-residential EE projects, HBC recommended OBR as a pilot feature/program to allow a business customer to repay a third party EE loan or lease on the utility bill. The OBR recommendation reflected the Commission's firm direction that OBR include options for CEs and transferability through a tariff.

[62] D.12-11-015 at 19.

HBC acknowledged uncertainty as to whether investors and FIs would embrace transferability, especially without written consent.[63] Even with transferability, HBC is unconvinced the resulting deal flow will be adequate for evaluation without also offering CEs.[64] Nonetheless, there is significant enthusiasm among many parties to the proceeding for testing this feature in the footsteps of other on-bill programs and growing financing options for EE projects.

These non-residential OBR pilots are targeted to all non-residential utility customers. Non-residential customers often occupy commercial buildings which are leveraged with debt or otherwise have ownership or occupancy structures that preclude normal economic motivations to make EE improvements. According to HBC, FIs are interested in learning whether OBR leads to better loan, lease or other investment performance than otherwise possible. To "fill in the gaps" left by the modified OBF program, HBC identified possible OBR-eligible projects as those currently ineligible for OBF, majority lighting projects that no longer qualifying for OBF, water efficiency projects, and projects exceeding OBF's financing limit or not meeting OBF's bill neutrality test.[65]

From a customer's perspective, the biggest differences between OBF and OBR are that (1) OBR will have a market interest rate; and (2) OBR may require a

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[63] Report at 68.

[64] Report at 67.

[65] Report at 61.

more extensive financial underwrite of the borrower. Although Net Bill Neutrality is not a requirement of HBC's recommendations, an energy savings analysis typically would be done by the contractor prior to loan origination.

Three non-residential OBR pilot programs recommended by HBC are authorized in this decision. Two apply CEs and target Small Businesses: one for financing to support EE improvements and one to support EE equipment leasing. The third pilot would expand use of OBR without any CEs to EE financing incurred by any size business using CAEATFA-administered financing products. These proposals are discussed in more detail below.

The primary goal of the OBR pilots is to test whether the combined single bill payment can overcome lending barriers in the non-residential sector, and attract large pools of accessible private capital to EE markets.[66] As a result, we expect OBR will attract more borrowers and lead to more favorable lending terms than are currently available to those borrowers, without the added support of OBR and its threat of disconnection for non-payment. However, OBR is new and untested. Data collection will be crucial to testing whether the consolidated bill results in higher repayment rates, as proponents claim.

5.2.1. Parties' Positions

Most parties generally support the OBR concept (e.g., NRDC, EDF, APC, Global Green) as an innovative expansion of a successful OBF model, and/or necessary to attract private capital. On the other hand, DRA viewed OBR as

[66] *Id.* at 59

undeveloped[67] and LGSEC urged the Commission to obtain "legal and regulatory clarity" before implementing OBR.

The IOUs raised legal and policy concerns about key aspects of the OBR program, including (i) service disconnection for non-payment; (ii) transferability; and (iii) application of partial payments. For example, PG&E recommended three changes to HBC's proposed pilots: (1) no service disconnection for non-payment of a third-party debt obligation; (2) transferability only with clear disclosure and legally binding agreement between building owner, building occupant, FI, and the utility; and (3) ability to keep their OBF pari passu (pro rata) allocation of partial payments.[68] SCE and SDG&E/SoCalGas differ from PG&E on partial payments, instead asking to use their existing tariffs regarding third party payments which prioritize energy charges.

Non-utility parties intending to be active in this market (e.g., EDF, APC) strongly support the features of transferability and eventual service disconnection for non-payment of the EE finance debt. In order for OBR to open a new market, assert EDF and APC, the obligation must be repaid or automatically transfer with any change in ownership or occupancy.[69] Transfer would not be affected by a lack of express written consent. Further, EDF argues for no subordination of debt obligation to energy charges, and continuity of

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[67] DRA Opening Comments at 14-15.

[68] PG&E Response at 8.

[69] EDF Opening Comments on PD at 3.

obligation regardless of the borrower's bankruptcy or loss of property through foreclosure.[70]

To achieve transferability, HBC recommended adoption of an OBR tariff, but noted differing views about whether notice, or notice and consent, would be required. HBC also speculated that adoption of OBR as a tariffed service might provide the added benefit of changing the characterization of the borrower's obligation for accounting or financial reporting purposes.[71] EDF, Renewable Funding, and APC bootstrap this latter idea into a novel theory: adoption of an OBR tariff that describes the loan as a "receipt for service," transforms the debt obligation into energy service, "not a debt of the originating customer," and is transferable without consent to successors in possession of the property. [72]

The IOUs vigorously dispute the validity of this theory. They contend that a forced transfer and conditioning of service upon payment of a third party loan obligation incurred by a former customer is a bad precedent and conflicts with many aspects of California law, including enforceability of contracts and collection of debts. PG&E sharply distinguished the proponents' examples of such practices in other states by illustrating different conditions in the underlying facts. NRDC is skeptical of the need for transferability, instead of

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[70] Id. at 2-3.

[71] Report at 68.

[72] EDF Opening Comments on PD at6-7.

imposing a "due on sale" loan requirement, and calls for input from the real estate sector before the Commission acts.[73]

To the extent the Commission authorizes OBR with transferability, the utilities view a legally binding written agreement to transfer the debt as essential to a successful OBR program.[74] NRDC went further by suggesting expanded notice and consent requirements of OBR transferability include the consent of all existing mortgage holders, preferably following consultation with lenders and property owners.[75]

The IOUs also oppose service disconnection for non-payment of non-energy charges. PG&E argues that there is no evidence that lenders would support disconnection, FIs are unlikely to change their collection procedures, and IOUs should not be involved in contract disputes between customers and lenders.[76] SCE adds that disconnection raises questions about payment of loan charges for reconnection or new service. Making this linkage will also lead to additional IT costs.

On the question of whether the FIs should be charged servicing fees for OBR, the IOUs and LGSEC approve of lender fees supporting the programs over time, even if EE funds are used for initial costs. Other parties (e.g., CHPC,

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[73] NRDC Reply Comments on PD at 2.

[74] SDG&E/SoCalGas Joint Response at 8.

[75] NRDC Opening Comments on ALJ Ruling for Supplemental Information at 6.

[76] PG&E Opening Comments on PD at 7.

Renewable Funding) said no fees should be charged during the pilot period due to the potential adverse impact from small project size.

The parties offered mixed views about the use of CEs for the non-residential sector. Most parties viewed CEs as necessary to promote maximum deal flow. For example, Metrus, LGSEC, and SDG&E/SoCalGas would even extend CEs to medium and large businesses as part of OBR. On the other hand, NAESCO argues that CEs are unnecessary and "supplant a robust competitive marketplace…."[77] DRA only reviewed residential programs, but stated that CEs should be separately piloted from OBR to more clearly test the impact on lenders.

5.2.2. Discussion

The Commission has acknowledged the potential benefits of OBR in prior decisions, which include increasing the number of EE customers who can qualify for credit, providing a predictable payment stream, and simplifying sales transactions.[78] In the Guidance Decision, we also found the utilities' concerns about rising uncollectible payments and risk of disconnection for non-payment were overstated for non-residential customers.[79] The authorized OBR pilot feature discussed herein will be offered only to non-residential customers, and no prohibition exists against disconnection of a non-residential utility customer for non-payment of a third party change.[80]

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[77] NAESCO Comments at 4.

[78] D.12-05-015 at 132.

[79] Id. at 139.

[80] Id. at 139

We are not persuaded that non-residential shut off for nonpayment of third party EE finance charges is burdensome to the IOUs which have shut-off protocols in place for the OBF program that can be adapted to non-residential OBR.[81] Clear practices and adequate notice should ameliorate concerns. Therefore, we find the OBR program shall include non-residential shut-off in general conformity with Commission-approved shut off protocols to be approved in the OBR tariff. In addition, non-residential customers with OBR are not precluded from making partial payments for combined energy and debt bill, although partial payments may expose the customer to collections procedures and/or ultimate notice of disconnection.

5.2.2.1. Requirements of OBR Program and Directive to IOUs to Develop Uniform OBR Tariff Language

Transferability of the underlying debt obligation to subsequent occupants ("with the customer's meter"), upon change of building ownership and/or tenancy, is both central to the appeal of OBR and a key implementation challenge. Without a clear and enforceable obligation, owners and tenants might not disclose the debt when selling, leasing, or otherwise transferring an interest in the metered property. However, the Commission finds that the desired results can be achieved through the use of written agreements and a tariff process, as described below.

For the OBR pilot program, the Commission is principally focused on ensuring (1) enforceability of the financing agreement and OBR tariff; (2) enforceability of the written consent of the utility customer subject to the OBR

[81] Id. at 131.

provisions to the maximum extent feasible; (3) the OBR program does not run afoul of federal bankruptcy law; (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, if applicable. These principles must guide every aspect in the development and approval of OBR.

The OBR programs are primarily designed to test whether the combined utility bill, with or without CEs, with transferability and service disconnection for non-payment of the financing charges, offer sufficient incentives to FIs to enter the non-residential market with new capital. It is not the intention of the Commission to alter federal bankruptcy or state law through the OBR tariff or program.

We do not expect that every FI lending to non-residential borrowers will want or require transferability as part of OBR. However, these pilots will test its attractiveness and enforceability. Therefore, the OBR program and tariff should initially be developed with a "belt and suspenders" approach in order to best support the lender's enforceability of the transferred debt obligation pursuant to notice and mutual consent. Other complementary measures may exist, but will require a more thorough understanding of the implications under state and federal law. For example, it might result in FIs filing a UCC-1[82] or recording the financing agreement. However, it would be unwise to place reliance on an undeveloped, untested language model to force non-consensual assumption of liability for a third party debt obligation, as urged by a few parties.

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[82] California Commercial Code §9509 (UCC-1 is a legal form that a creditor files to give notice it has, or may have, an interest in the personal property of the debtor, and establishes priority in case of debtor default or bankruptcy).

Some parties question of the necessity and prudency of requiring the consent of property owners, landlords, and tenants in order to fully implement and enforce the transferability aspect of the proposed OBR pilot. Our concern for the enforceability and workability of the OBR program extends to possible circumstances that might affect the future rights of property owners, landlords, and tenants participating in the OBR program. Written consent has the broadest swath of support as a viable path, even though not all of the implications have been explored.

The Commission concludes that written consent should be part of the OBR tariff in order to achieve transferability. Specifically, property owners and landlords that initially commit to the EE financing and OBR program ("current landlord") and all of the current landlord's tenants responsible for repayment under the OBR program ("current tenants") should be required to give their written consent to abide by the terms and obligations of the OBR program. Furthermore, we require the written consent of subsequent property owners and landlords and subsequent tenants subject to the OBR program in order for the OBR provisions (e.g., transferability, shut-off, etc.) to apply.

The Commission also finds it would simplify and expedite implementation if the IOUs apply their existing OBF practices for application of partial payments and follow Commission-approved disconnection procedures to obtain delinquent payments.

We direct the IOUs in consultation with real estate professionals, FIs, CAEATFA, and the Commission's Energy Division, to develop uniform OBR tariff language by December 30, 2013 which includes the following features:

- forms and procedures for written consent to achieve transferability, and consequences for the obligation, if a

landlord fails to comply or a subsequent tenant has not given written consent;
- any other complementary and reasonable mechanisms to achieve and enforce transferability (e.g., due on sale if no consent);
- utility service disconnection procedures similar to that adopted for OBF, including how they are triggered and executed; and
- use of the utility's current OBF mechanism for allocating partial payments

Attached hereto is Appendix C which provides suggested elements for the basic OBR tariff, and some guidance for the IOUs and their consultative partners going forward as to how to craft language and processes to achieve transferability. At this time, we think the IOUs and CAEATFA could achieve the Commission's requirements for an OBR program by providing for Financing Agreement Terms, written consent, an OBR Tariff and Notice to Subsequent Owners and Tenants similar to the examples set forth in Appendix C.

5.2.2.2. Process for Approval of OBR Tariff

Consistent with the requirements set forth above, the IOUs, in consultation with real estate professionals, FIs, CAEATFA, and the Commission's Energy Division, shall develop uniform OBR tariff language which addresses, at a minimum, the four features identified in the previous section. We anticipate that each IOU will submit very similar OBR tariffs for review by the Commission.

It is evident that the terms of any one of the financing or leasing agreements, the written consent and notice, LSAs, and the OBR tariff will affect the content of each of the other documents. To achieve administrative consistency and avoid conflict, CAEATFA is encouraged to coordinate the

development of the rules governing LSAs and program administration to occur concurrently with the development of the proposed OBR tariff.

The uniform OBR tariff and CAEATFA's OBR program rules should be harmonized to both ensure the Commission's goals and requirements of the OBR program and to incentivize FI participation in the structured OBR program.

DRA and NRDC suggested holding a workshop on the tariff. EDF asked the Commission to order the IOUs to include stakeholders in tariff development. We are sympathetic to the need for some additional specialized input, but requiring a repeat of positions already advanced would simply delay the tariff development. Instead, the IOUs are directed to obtain new input and work collaboratively with their implementation partners, as set forth above.

By December 30, 2013, the IOUs shall file a Tier 2 Advice Letter submitting a proposed OBR tariff that includes a description of the steps the IOUs took to consult with CAEATFA, FIs, real estate professionals, and Commission staff to craft a tariff to best achieve the program goals. Parties have had several opportunities to impact the tariff guidelines through workshops, multiple rounds of comments, and Comments on the Proposed Decision, and will have another chance to comment on the proposed tariffs when submitted by Advice Letter.

The Commission will review the proposed OBR tariff to ensure the IOUs have appropriately considered the Commission's primary concerns as set forth in §5.2.2.1.

5.2.2.3. Other OBR Issues

We find that CEs, in conjunction with OBR, provide a reasonable mechanism to test expansion of EE capital into the small business sector. After carefully weighing the range of views received, we are persuaded that the

benefits, for the limited purposes of the pilot programs, outweigh concerns about the reasonableness of using limited ratepayer funds to support nonresidential EE financing projects. We concur with HBC and other parties that credit enhancement is necessary for a transitional period to educate financial institutions about the value of OBR in improving investment performance. However, we decline to expand use of CEs to medium and large businesses at this time due to limited resources and lingering questions about owner interest and need.

As to fees for the OBR service, the weight of argument favors no charges to FIs for use of the OBR feature associated with transactions closed during the pilot period. The small size of the projects makes them too sensitive to fees for initial program implementation costs during 2013-2014, and some limited funds have already been authorized. However, this feature, along with all other aspects of the pilot programs will be reviewed prior to any future statewide rollout. The record indicates such fees have been collected from FIs elsewhere to fund ongoing operations and maintenance of mature OBR systems.

Therefore, the Commission finds it is reasonable to authorize an OBR feature for the non-residential pilots described below. For the duration of the pilot period, no fees shall be charged to FIs by the IOUs for the OBR service. Moreover, it is important to begin collecting data about the potential value of OBR as an EE market incentive, to stimulate education and marketing efforts, and to energize EE contractors. The IOUs shall consult with CAEATFA, FIs, and Energy Division to develop a comprehensive OBR PIP covering all authorized OBR programs. As set forth in Section 13, the IOUs shall jointly file a statewide OBR PIP within 90 days of the date the decision is issued.

OBR, as authorized here, will have two applications: with CEs for small business EE financing and leases, and without CEs for all sized businesses, primarily medium and large-sized non-residential customers. The 70%/30% ratio for EEEMs/non-EEEMS applies to all OBR pilots, with one exception. For OBR without CEs, the 70% eligible EE measures may include distributed generation and demand response since no ratepayer funds are involved in the loans. CAEATFA has reasonable flexibility, through its rulemaking, , to develop basic minimum standards for financing terms and underwriting criteria, consistent with this decision.

5.3. OBR for Small Business Sector with CE

Eligible customers are all small business customers. This pilot program is targeted to owners of commercial properties that may be unable, or lack business incentives, to obtain EE financing.[83] HBC did not define "small business" in its proposals. In this decision, we find it reasonable to adopt the United States Small Business Administration (SBA) definitions found at 13 C.F.R. 121 because financial institutions and others involved in small business financing are already familiar with SBA requirements.

The Commission finds it reasonable to authorize a Small Business Sector OBR pilot program with CE to test deal flow. We agree with HBC's advice not to adopt a particular level and structure of CE in the decision, but the CEs should be available to support secured and unsecured loans.

[83] Report at 62.

Our preferred CE for this program is an LLR limited to no more than a fixed percentage of a project's eligible financing.[84] HBC's recommended 20% cap reflects the views of equity investors who identified 20% as the approximate gap between available financing and a significant number of deals in this sector.[85] This may be the appropriate benchmark to set in the PIP. In order to maximize deal flow and data collection, we set a $200,000 cap on CE value per loan (e.g., if 20% = $1 million loan value).[86]

As with other proposed pilots, CAEATFA intends to adopt program rules which govern the LSA, including design of the CEs and minimum standards for financing products.to achieve the pilot's goals, i.e., deal flow and data collection.

5.4. Small Business Sector OBR Lease Providers Sub-Pilot with CE

Equipment lease financing is a mature commercial market with many capital providers and has been used extensively to finance energy improvements.[87] Based on favorable experiences in other states, HBC proposed a small business financing pilot program with equipment lease providers.[88] Lease companies are skilled, states HBC, at designing and marketing financial products to small businesses, managing contractors, understanding how to quickly originate leases, and at bringing pools of lease investors to the market.[89] HBC concluded that expanding EE equipment lease financing in the underserved

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[84] *Id*. at 63.

[85] *Id*. at 62.

[86] *Id*. at 63.

[87] *Id*. at 64.

[88] Ibid.

[89] *Ibid.*

small business sector, would serve as a primary pathway to providing an alternative to OBF.

HBC recommended a limited number (up to four) lease originators be selected by competitive RFP to participate in the pilot. Limiting the number of originators may provide confidence of sufficient deal flow to warrant up-front costs while also creating competition. The financing products and terms for HBC's proposed small business lease pilot would be subject to the competitive proposals, with an LLR as the preferred CE.[90]

A Small Business Sector OBR Lease Providers pilot program with CE would test our goals to engage with experienced lease originators, improve deal flow, and collect data. Equipment leasing is the most common method used by the commercial sector to acquire equipment. We find that OBR with CE could extend the availability of these leases to a larger group of small business customers than currently qualify for OBF and private financing, and at more attractive terms.

In order to launch this pilot, CAEATFA intends to conduct an RFP with the goal of competitively selecting at least two lease originators to participate in the pilot program.[91] The criteria for reviewing RFP respondents should include interest in the pilot program, experience operating lease programs, 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 CAEATFA finds

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[90] *Id*. at 65.

[91] Appendix G at line 92.

useful.[92] The selected lease providers may initially rely on existing sources of investment capital. Therefore, the Commission finds it reasonable to authorize the Small Business OBR pilot with CEs, as described.

Based on the record, it is reasonable to infer the following example of how a Small Business Lease Provider OBR deal would work.

Small Business Lease Providers Sample Deal Flow:

- Equipment lease provider originates lease with customer
- Lease Provider notifies CHEEF of executed lease, requests CE
- CHEEF notifies Utility of lease/OBR
- CHEEF directs transfer of CE to CE Operating account
- Customer pays Utility the lease payment, plus energy charges
- Utility pays Lease provider through CHEEF
- If partial payment, payment applied by utility using existing Commission-approved practices
- Commission-approved disconnection protocols may be followed to obtain delinquent payment

In their Comments on the Proposed Decision, SDG&E/SoCalGas and PG&E asked the Commission to also authorize an off-bill version of this pilot because some lease providers prefer their own billing systems. The Implementation Plan developed by CAEATFA and SoCalGas includes this off-bill version as a Fast Track pilot which could be launched months before OBR is expected to be functional. The Commission finds this to be a reasonable option that will provide some early experience to inform the OBR version. The Fast Track PIP submitted for this pilot shall include steps to transfer the program to CAEATFA when OBR is functional.

[92] *Id*. at 65-66.

In summary, the Commission allocates a total of $14.0 million from the previously authorized funds for the non-residential EE financing pilots targeted to small businesses identified above.

5.5. OBR for Non-residential Customers without CE

HBC recommended that $7.0 million be allocated for an OBR mechanism with CEs to be made available to all sizes of non-residential utility customers. This is the only pilot recommended by HBC that reaches medium and large businesses. Possible eligible projects identified by HBC include Demand Response (DR), Distributed Generation (DG), and other non-OBF EE measures, and certain non-energy measures that are related to core energy improvements and necessary to enable installation or improve performance of EE measures. HBC's proposal permits, but does not require, DR/DG measures in conjunction with the EE improvements because it found that many businesses have trouble qualifying for credit to install DG.[93]

To the extent the Commission were to authorize OBR without CEs for non-residential customers, including the DR and DG measures, HBC proposed that OBR with transferability (i.e., a tariff or service-based structure) be available to FIs. The parties disagreed on whether CEs should be available to medium and large commercial customers. Those that oppose CEs for this pilot (e.g., PG&E, SCE, DRA, NAESCO) generally believe that this sector does not need additional financial support, or is receiving too much of the pilot funding. The parties that support CEs (e.g., SoCalGas/SDG&E, LGSEC, WEM, Metrus) believe deal flow is

[93] *Id*. at 67.

an important objective because this market segment has the scale and potential for significant savings with such credit enhancements.[94]

There are limited funds available during the pilot period, and no clear evidence of need for CEs by medium and large businesses. The Commission finds that a non-residential OBR Pilot Program without CEs is a reasonable means to evaluate OBR as a single feature. Transferability shall be an option for FIs, permitted by a new tariff, as described above. The primary goals of the pilot are to expand access to EE financing for a wider range of EE-related projects. Program implementation elements shall be included in the joint statewide OBR PIP to be filed by the IOUs 90 days after the decision is issued.

Therefore, it is reasonable for the Commission to authorize the implementation of the OBR for Non-Residential Customers without CE pilot program as described above. Eligible financing shall include a 70%/30% ratio of EE projects, but the 70% may include DR and DG. However, because no CEs are authorized for this non-residential sector, the $7.0 million HBC recommended be allocated for CEs is reserved and not allocated at this time.

6. The California Hub for EE Financing (CHEEF)

HBC concluded that a central enabling entity is necessary in order to provide a simple, streamlined structure through which energy users, financial institutions, EE providers, and IOUs can participate in a standard "open market" for energy improvement transactions[95] That entity, CHEEF, is designed to act as

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[94] SDG&E/SoCalGas Reply Brief (RB) at 3.

[95] Report at 17.

a facilitator to allow for the easy flow of cash, information and data, among IOUs, financial institutions, the Commission and others.

The CHEEF is conceived by HBC as a managed information technology (IT)-driven platform designed to support the core processes and functions that track CEs and OBR, and to collect and share data. The CHEEF's goals and responsibilities as identified by HBC are incorporated herein, with emphasis on the duty to ensure the proper and approved uses of utility-held ratepayer EE funds authorized for CEs and CHEEF operations. Among its primary financial responsibilities, the CHEEF will provide a reliable and transparent conduit for transfer of ratepayer debt repayments from the IOUs to the lenders, and maintenance of managed pooled credit enhancement funds through trust accounts.

However, first and foremost, the CHEEF is tasked with creating the necessary framework to launch the EE finance pilot programs approved in this decision. HBC recommended an allocation of $4 million from authorized EE financing pilot funding for CHEEF staffing, legal, technical and IT related costs, and an additional $1 million for Master Servicer (MS)-related costs.[96]

6.1. Discussion

HBC's preference that CAEATFA assume and manage the CHEEF functions was unopposed. Several parties agreed that the CHEEF functions should be developed in phases to first confirm lender participation and borrower demand; some requested more detail for the CHEEF functions and Master

[96] Report at 16.

Servicer role.[97] The IOUs thought they should be in charge of initial program design and integration, but agreed with HBC that activities related to the lending process should be managed by the CHEEF.

Some consensus exists that that the CHEEF should be initially focused on a core set of functions to ease rapid implementation, particularly adoption of program rules. Furthermore, we agree with HBC and others, that the primary functions of fund management, financial product/ borrower data management, and OBR billing and collections procedures could be developed. Contemporaneously by a contracted Master Servicer (as discussed below).

The Commission concludes that CAEATFA is an appropriate state entity to perform CHEEF duties, subject to CAEATFA accepting this role through written agreement with the Commission and obtaining authorization to receive and spend Commission-designated funds to retain staff, sign outsource contracts, and manage fiduciary funds necessary to execute these pilot EE finance programs.

We anticipate that CAEATFA could be fully authorized as the CHEEF by December 2013. Prior to that point, SoCalGas shall work closely with CAEATFA, upon request, to ensure a smooth transition as to policy and practice when CAEATFA is fully authorized as the CHEEF. Upon request, all of the IOUs shall assist CAEATFA throughout the pilot period in order to expedite smooth implementation of authorized pilot programs and ensure appropriate data collection.

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[97] See, e.g., LGSEC Comments at 1; PG&E RC at 2.

The Commission is fully committed to completing an agreement with CAEATFA as soon as practicable, preferably within 30-40 days after the decision is adopted. It is a necessary pre-condition to use of ratepayer funds and early release of some pilots. The agreement will formalize the relationship and reference this decision which sets forth our EE Financing pilot goals and objectives. Pursuant to the agreement, CAEATFA could apply its rulemaking and financial acumen to structure CEs, develop broad terms and conditions for financial products offered through the pilot programs, coordinate and track the deal flow between qualified financial institutions (FI), IOUs, and customers, protect the integrity of ratepayer funds held as CEs, provide transparency, and ensure program compliance by the FIs and the IOUs.[98]

The Implementation Plan presented by CAEATFA and SoCalGas, identifies a series of steps to achieve phased development of the CHEEF, including the rulemaking and infrastructure necessary to implement the full suite of authorized pilot programs by mid-2014.[99] An important part of CAEATFA's regulations will be the terms of the LSAs that govern the commitments of eligible Financial Institutions. For the slightly different LSAs we anticipate CAEATFA will adopt for each pilot program, the Commission provides some guidance on likely LSA features in Appendix E attached hereto.

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[98] SDG&E/SoCalGas Opening Comments on PD, Attachment 2 August 2, 2013 Letter by CAEATFA.

[99] Appendix G at lines 4-46.

During the first 90 days after this Decision is adopted, several activities need to occur simultaneously: the two most immediate being CAEATFA's request for budget authority, and final approvals of the agreement between CAEATFA and the Commission. Concurrently, the Commission will finalize data collection protocols and review the OBR tariff submitted by the IOUs, in order to keep the Fast-Track and OBR pilots on track for first and second quarter 2014 launch, respectively.[100]

Once authorized, we anticipate CAEATFA will work with IOUs to negotiate contracts for fund flow, develop a CHEEF implementation plan, adopt emergency regulations for the Fast Track pilots, and begin the RFP process for the Master Servicer and other technical assistance. Attached as Appendix F, are the Commission's initial guidelines to assist CAEATFA with the CHEEF PIP.

The IOUs, in consultation with CAEATFA, FIs, and Energy Division, shall develop and submit the Fast Track and OBR PIPs which inform CAEATFA's rulemaking. The Commission agrees with HBC that the CHEEF will require on-going technical advisory services, including assistance in development and monitoring of financial products, review of financing pilots, coordination of IT and data. We discuss relevant filings, notices, and submissions to the Commission in more detail in Section 13.

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[100] These scheduled tasks are drawn from the draft Implementation Plan provided by the Joint Utilities in Opening Comments on the PD and presented by CAEATFA and SoCalGas at the August 16, 2013 workshop. [See, Section 3.2}.

Based on the foregoing, the Commission finds it reasonable to direct the IOUs to assist CAEATFA with development of the CHEEF PIP, in consultation with the Commission's Energy Division as needed. SoCalGas shall ensure that the CHEEF PIP is submitted to the Commission within approximately 90 days after the decision is issued

6.2. Master Servicer

Most parties agree with HBC that the most important role to fill is that of the Master Servicer (MS). As SCE observed, "Several parties also note that the most critical element to the success of the hub is to first establish a competent, qualified, and experienced master servicing entity (that) must be in place for any pilots which leverage the utility bill for third party debt repayment."[101]
Given the unprecedented innovation of the EE Financing pilots, CAEATFA is encouraged, to contract with a Master Servicer, as its agent, to provide CE fund flow management, oversight, instructions, and reporting.

The MS should have experience as a financial institution, loan servicer, or similar entity, and ideally have some knowledge of existing EE, DR, and/or DG finance transactions. Among the MS's first duties will be to develop and maintain financial product servicing data files to be maintained through the life of the financial products. The primary fund flow functions of the MS will vary between market sectors targeted by the pilot programs and the program characteristics.

[101] SCE Reply Comments on PD at 2.

The major functions of the Master Servicer are envisioned in the Report and described below[102] for all market sectors and functions:

1. Receive notification from participating originators immediately (electronically) upon closing of any financial product.
2. Set up a financial product master file according to criteria provided by the CHEEF based on the data collection protocols developed by the Data Working Group (See, Section 7).
3. Develop and update financial product servicing data files to be maintained through the life of the financial product.

The Commission finds it reasonable for CAEATFA, as CHEEF, to hire an MS through a competitive solicitation. According to the Implementation Plan, CAEATFA expects to complete the RFP process and award the MS contract by January 2014.

6.3. Lease Originator

The Consultant's recommendations for the non-residential sector include a small business-focused leased equipment model specifically designed for EE projects. This requires a competitive solicitation of contracts for lease originators to conduct intake, financial underwriting, servicing, and investor management for all qualifying projects during the pilot period.

We find the lease originator criteria set forth in Section 5.4 should be the minimum basis for the RFP, and expect CAEATFA will develop program rules and RFP requirements to ensure collection of relevant lease product and performance data for scheduled reporting.

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[102] Report at 19-20.

7. Data Collection

Data collection, subject to relevant privacy considerations, is essential to be able to test the value of various features of the authorized financing pilots. An essential function of the CHEEF is coordinating ongoing data collection on program participants, project characteristics, project outcomes, and repayment results.. The data should be collected in a careful and comprehensive manner to ensure the relevant data are collected at the least cost. We agree with NRDC and DRA who asked the Commission to require appropriate individual consent by a pilot program participant for release of their own energy usage information and loan information as part of the EE Finance data collection and sharing protocols.

Some parties asked the Commission to expand the types of data to be collected. For example, EHC and Greenlining et al. requested that the CHEEF collect Contractor/Workforce data (e.g., wages, benefits, insurance, etc.)[103] CCILMCT thought the data should be integrated with the Evaluation, measurement and verification (EM&V) and Workforce, Education, and training (WE&T) and that the IOUs should be ordered to form a working group to ensure effective data sharing, centralized collection, and streamline data collection processes.[104] DRA focused on our previous orders for IOU data collection.

We address these issues below, beginning with our outstanding orders.

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[103] Greenlining et al. Comments at 3-4.

[104] CCILMFT Comments at 2.

7.1. Prior Commission Orders for IOU Data Collection

Robust data collection should be already underway based on prior Commission orders to the IOUs.[105] In the Guidance Decision, we ordered the IOUs to collect data on existing EE programs and to develop a mix of financing-related data for inclusion in a public database. Specifically, the IOUs were to "collect data on the performance of loans receiving credit enhancements and OBF through current programs and build a database of California loan payment history from all sources of energy project loans."[106] The Commission also ordered the IOUs, through a working group, to "develop a larger-scale database or databases of financing related data and information that could be shared publicly 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."[107]

As directed, the Data Working Group (DWG) was formed by HBC and the IOUs, and produced a Draft Report titled "The Energy Finance Database."[108] The

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[105] E.g., D.12-05-015 at 117 (ordered development of financing-related database for collection and sharing of relevant data.)

[106] D.12-05-015 at 126.

[107] *Id*. at 401-402, OP25.

[108] SDG&E/SoCalGas Openign Comments on PD, Attachment 4.

DWG addressed EE finance–related data collection and dissemination with the objective of providing sufficient accessible data to see whether EE financing outperforms non-energy debt obligations. The Draft Report recommends the CHEEF house the database, and includes preliminary examination of relevant data elements, sources, location, anonymization, management, and access. However, the draft needs to be finalized based on the programs authorized here.

In Reply Comments on the PD, the IOUs were directed by the ALJ to provide an expected production date for the data previously ordered, and to identify any obstacles to providing by October 31, 2013, ten years of aggregate data on energy bill payment history and ten years of historical collections data. The IOUs cited privacy and practical concerns to explain their lack of compliance with orders to provide bill payment history, OBF performance, EE program and participant data, and to establish an EE database.

We reiterate our belief that these fields of data would help FIs and borrowers to assess the risks of EE finance products, and the Commission to evaluate EE finance programs. The key threshold data for FIs is not individual; it is aggregate data by customer class on energy bill payment history, delinquencies, and disconnections. Parties such as EDF vigorously contend that availability of this data is part of the necessary incentives for FIs to participate in the launch of the pilot programs.[109] We agree and conclude there should be no further delay.

SCE states it is currently collecting all of the data previously ordered by the Commission, and maintaining it in its system until the database is

[109] EDF Opening Comments on PD at 12.

established.[110] Furthermore, SCE agrees the EE Finance data base should be controlled by the CHEEF. SCE stated it was prepared to aggregate the date pursuant to the 15/15 rule and provide it to the Commission by October 31, 2013.[111]

PG&E states it lacks the ability to aggregate and anonymize the data it was ordered to collect, but will be able to provide it once the CHEEF establishes the database in 2014. SDG&E/SoCalGas curiously reframed the Commission's orders as limited to convening a data working group and beginning development of a database for the (then unconceived) CHEEF. They offer compliance no sooner than first quarter 2014 and insist they must wait until "confidentiality protocols" are developed in Rulemaking (R.) 08-12-009.[112] SDG&E/SoCalGas also determined themselves which of the requested data points were "relevant" to the OBF and ERRA programs, instead of "all sources of energy project loans," and apparently have not yet started to collect other requested data.

With the exception of SCE, these responses are disappointing. SDG&E/SoCalGas are mistaken as to the impact of R.08-12-009 on our prior orders. That rulemaking was opened to consider Smart Grid technologies and to guide Smart Grid policy development. After some discussion of data release by CCAs and Energy Service Providers, and consideration of the concept of a centralized data center, a phase was added to consider privacy and security

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[110] SCE's Rreply Comments on PD, Attachment A.

[111] *Ibid.*

[112] SDG&E/SoCalGas Reply Comments on PD, Attachment 1.

protections for certain individualized energy usage data.[113] Relevant to the EE Finance programs and EE Finance database, we expect individual energy usage data would only be released pursuant to individual consumer consent as part of participation in EE Finance pilot programs.

On the other hand, all of the IOUs expressed willingness to provide varied and limited versions of the ten years of requested bill payment history and collections/write-off data by broad customer category:

- PG&E can provide ten years of monthly billing data, aggregated by customer class, and possibly by building type if given additional time, but suggests the data is proprietary. They suggest limiting data to non-residential customers to more likely result in completion by October 31, 2013.
- SoCalGas is able to provide bill payment and collections data for seven years, based on its retention policies, but only by Residential, Commercial, and Industrial classes.
- SDG&E can provide ten years of annualized bill payment data, but does not separate the data by Commercial and Industrial customer class. To break it down by month would require two additional months. However, it could provide certain disconnection data by a rolling ten years of historical monthly or annual data, assuming it can recover it.
- SCE offered to provide 18 months of monthly bill payment history and collections data aggregated by residential, commercial, and industrial customer class. With an additional month, SCE could break commercial down by customer segment. SCE could also provide five years of

[113] ALJ's Ruling Setting Schedule to Establish "data use cases" Timelines for Provision of Data, and Model Non-Disclosure Agreements at 1 (February 27, 2013).

bill payment history and collections data, but only broken down by residential and nonresidential categories

Based on SCE's 2012 general rate case testimony, we think SCE understates its capabilities. For example, it relied on eight of the ten previous years of uncollectibles data to request an uncollectible factor of 0.229%, or $15.7 million for 2012.[114] [The Commission adopted a slightly lower factor of 0.205%.] Thus, SCE should be able to comply with an order for ten years of broad category bill payment history and provide, as offered:

- Total number of customer payments
- Total number and % of customers with late payment charges
- Total number and % of customers with overdue notices
- Total number and % of customers with final call (disconnection) notices
- Total number and % of customers with disconnections

Therefore, the Commission finds it reasonable that no later than November 30, 2013, each IOU shall provide the Commission with a breakdown of utility bill payment history segregated by minimum customer classes of Residential, Commercial and Industrial, for a period of seven to ten years (from December 31, 2012) as identified by the IOU above. The data should be broken down monthly, if available.

The data shall include, to the extent available through reasonable efforts, what percentage of customers within a customer class received, monthly or annually, late notices, shutoff notices, and service disconnection. Finally, annual write-offs per customer class should be expressed as a percent og customer class

[114] D.12-11-051 at 336.

revevue. The Commission also finds it reasonable that, no later than January 31, 2014; the IOUs shall provide the Commercial/Nonresidential data segregated based on some sub-categories of commercial activity developed in consultation with Energy Division and FIs.

7.2 EE Finance Data Working Group and EE Finance database

The Data Working Group's Draft Report provides a foundation to complete the task of identifying data collection requirements for all post-2012 EE finance programs, and associated activities and documents (e.g., customer consent forms.) For example, we agree the EE Finance database should be housed and managed by the CHEEF for the benefit of ratepayers. It appears the Data Working Group has not acted since March 2013.

Therefore, the Commission finds it reasonable for the IOUs to promptly initiate a workshop, inconsultation with Energy Division staff, FIs, HBC, and CAEATFA, open to the public, to prompt finalization of the Draft Report. SoCalGas shall ensure that the Final Report is served on the service list for the consolidated proceedings by December 15, 2013.

To the extent that the Commission adopts privacy protocols or anonymization standards in R.08-12-009 applicable to the EE Finance database, the EE Finance DWG Final Report shall be consistent with those protocols and standards. Attached hereto as Appendix D are the Commission's guidelines for the steps necessary to finalize the data protocols for EE Finance and initiate the EE Finance database.

To stay on track for OBR roll-out, CAEATFA would need to develop and manage an RFP process, competitively select a Data Manager, and obtain final

approval of the Data Manager contract by February 2014.[115] SoCalGas shall coordinate with CAEATFA and the Data Manager, to implement the Final Report of the Data Working Group and to integrate the data previously provided by the IOUs pursuant to this decision.

We are persuaded that the collection of Contractor/Workforce data as requested by Greenlining is unnecessary because the Commission's decision approving the IOUs' recent Energy Savings Assistance (ESA) and Energy Efficiency portfolio applications requires the IOUs to collect specified data with respect to WE&T.

In addition, we note that the IOUs have not fully responded to our direction in the Guidance Decision to include in their 2013-2014 EE program portfolio applications, a proposed "methodology to estimate incremental savings delivered by the statewide financing programs towards their energy savings goals…"[116] We acknowledged that such estimates would be speculative, but it is important that IOUs see a benefit to their business and their customers from developing and implementing EE financing programs.

Therefore, the Commission finds it reasonable for the IOUs, in conjunction with Energy Division, to develop such a methodology which avoids double counting savings from other programs. We suggest that a joint workshop coordinated by Energy Division may be a useful mechanism for this effort, and might lead to a uniform methodology. In any event, the IOUs shall, by December 1, 2013, develop a joint statewide work paper, in collaboration with

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[115] Appendix G at lines 44-46.

[116] *Id*. at 136.

stakeholders, which provides their jointly proposed methodology, and a proposal for evaluation, including what data programs would need to collect. The IOUs shall follow the process currently being developed by Energy Division and stakeholders for development of the workpaper.

8. Quality Assurance

Quality assurance and quality control are important program elements for FIs and customers. SCE pointed out that any pilot projects which include utility incentive/rebate measures will undergo utility quality assurance and standard project technical review protocols, consistent with Commission guidelines. To the extent any non-rebated or non-energy measures are included in projects financed via pilots, the duty is on the borrower to perform any project quality assurance and technical review the borrower deems appropriate.[117]

CCILMCT and DRA suggested that the Commission require integration of clear quality assurance mechanisms, perhaps by including EM&V design in program implementation. CHPC and Global Green are reluctant to support strict performance metrics or benchmarks during the pilot period.

Because these are pilot programs, we find that data collection and required reporting will provide most of the information to ensure whether program participants, and the energy improvement projects, are sufficiently performing their functions. The results of the EE Finance Data Working Group should be fully developed by December to provide a foundation for the data collection and management functions to be developed by CAEATFA in first quarter of 2014.

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[117] SCE Response at 9.

In addition, a set of minimum standards for qualified EE contractors is an area of keen interest to parties. Greenlining, et al. recommends that participating contractors meet threshold quality assurance requirements to help guarantee energy savings.[118] They argue that by creating consistent standards across IOU administered programs, FIs will have greater confidence in energy savings projections. Others (e.g., Build it Green, MEA) suggested the CHEEF contract with a third party to provide contractor training. PG&E thinks new standards will lead to disputes and recommends the Commission consider an approach similar to CAEATFA's current guidelines for the ABX1_14 program[119] CAEATFA has not historically approved specific contractors for participation, instead building program quality assurance measures into the eligible project regulations. CAEATFA's current regulations for participating contractors include meeting minimum technical qualification requirements and certifying the work was completed in accordance with applicable laws and regulations.[120] They have relied in the past on the quality assurance standards of existing utility rebate programs to inform the standards for its program.

None of the authorized pilots require Net Bill Neutrality, although this could be a feature of a future program rollout. Therefore, no energy savings projections by contractors need to be confirmed to FIs. However, we do require that an estimate of the bill impacts of the energy efficiency project to be financed be presented by the contractor to the customer at the time they are making the

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[118] Greenlining et al. Comments at 6.

[119] PG&E's Opening Comments on PD at 14.

[120] http://treasurer.ca.gov/caeatfa/abx1_14/regulations.asp

commitment to the project to insure an informed decision without a strict requirement for bill neutrality.[121]

We agree that some minimum threshold of capacity to perform the work should be established as a bulwark against excessive defaults, but it is not our intention that duplicative efforts be undertaken. The Commission finds minimum standards for qualified contractors to be reasonable, and the CHEEF may either adopt such standards based on existing utility rebate programs, or include quality assurance measures within program rules.

9. Utility Billing Systems and other Upgrades

In connection with the implementation of the pilot programs, the IOUs and CHEEF will need to coordinate IT systems to allow for smooth flow of data. Most of the funds and data flow will involve the OBR programs. Some parties asked that the IT systems upgrades be phased in with the phase-in of the EE Financing pilot programs in order to verify market demand prior to making significant investments in new systems and infrastructure. DRA and NRDC are concerned about the size of the IT investment before it is clear that OBR will result in significant deal flow.

SCE has identified several changes to its billing and IT systems that may be required depending on final Commission guidance relating to the pilots including: complex programming of payment priority algorithms; automating application of partial payments; automating debt billing transfer upon change of ownership; setting new triggers for potential disconnect actions; and

[121] D.12-05-015 at 139.

reconfiguring automated notification protocols.[122] These are likely similar for other IOUs.

The IOUs gave a preliminary estimate of $4.5 to $8.5 million for necessary IT upgrades to implement the OBR and EFLIC features of the authorized pilot programs. However, in their comments they also stated the estimate would change once the details of authorized programs were adopted. Several parties questioned the basis for the IOUs' cost estimates for billing system changes and upgrades required to accommodate debt billing services for third party financial institutions.

We agree with the parties that IT infrastructure should be phased in with the launch of the various pilots. We also note that each of the IOUs already have large IT budgets in general rates, including numerous on-going upgrades to platforms, systems, hardware, and software. The IOUs are directed to take all reasonable steps to incorporate necessary IT changes for the EE Financing pilots with other scheduled and funded IT projects in order to achieve available economies and efficiencies. Although we agree with SCE that not all costs can be "absorbed," we are confident that these IT improvements need not be wholly stand-alone and economies can be achieved.

Each of the IOUs will need to transfer broad EE program data, on-going bill payment history, and EE financing pilot program data into the database managed by the CHEEF, through a Master Servicer and/or Data Manager. Upon receiving authority to act as CHEEF, CAEATFA expects to begin rulemaking for

[122] SCE Reply Comments at 6.

all pilots, including rules governing LSAs which will require FIs to provide certain borrower and financing information, per the DWG Final Report.

Therefore, the Commission finds it reasonable for the IOUs to work closely with each other, CAEATFA, and the Master Servicer to ensure system compatibility. An IT system working group may be a useful mechanism to facilitate these discussions.

The Commission also finds it reasonable for the IOUs to develop an updated estimate of costs for the minimum IT system upgrades necessary to implement the authorized EE financing pilot programs. Within 30 days of the date the CAEATFA board approves award of the Master Servicer contract, each utility shall file a Tier 2 Advice Letter providing sufficient documentation to support the updated estimate and serve it 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.

Total allocations approved as a result of the Advice Letters must be reasonable and be limited to IT-related costs in whole, or part, applicable to administration of the EE Finance pilots and related data collection. If an IOU requests funds in excess of the allocations set forth in Section 12 for IT for OBR (Line 6b), then the amounts must be supported by sufficient documentation and explanation so as to be reasonable.

10. Marketing

In the Report, HBC recommended that up to $20 million be allocated to marketing, education, and outreach (ME&O) specifically for the EE financing pilot programs, in addition to statewide ME&O for all EE programs. HBC stated, "targeted ME&O to inform stakeholders about the pilots and how to participate

in them will be essential given the short time horizon to pilot launch and performance."

Few parties commented on the proposed marketing allocation, but of those, all agreed some marketing, particularly contractor-focused, could be effective (e.g., CHF, RF, Global Green). LGSEC supported a dedicated marketing budget related to EE Financing pilots– especially for nascent and emerging markets. Metrus asked for further details or guidelines for ME&O expenditures be set forth in the decision.

We agree with HBC and supporting parties, that generating demand is an essential activity for the authorized financing pilot programs to be successful. The authorized pilots are fresh, innovative, and should have specialized marketing during the pilot period. Elsewhere in this decision, we require PIPs to be submitted for the pilot programs which will include an ME&O component. The ME&O plans shall include training for all pilot programs, including engaging FIs, contractors, and other market participants and borrowers.

We acknowledge our previous decision to leverage ME&O activities into one integrated approach, which includes multiple demand side options depending on the needs of the consumer. Our intention is to move away from separately authorized marketing and outreach programs, in part to eliminate duplicative and potentially contradictory efforts and spending.

In the Guidance Decision, we directed the utilities to consolidate marketing efforts using the brand "Energy Upgrade California" to create a common umbrella platform for demand side activities. We expect the platform to provide residential consumers and small businesses a comprehensive source

for learning about energy use and taking energy efficiency and/or other demand-side management action. [123]

The financing pilots we authorize today are a key strategy to help reduce the first cost barrier to taking this type of demand side management action. Thus, natural synergies exist between the ME&O efforts needed for these pilots and ME&O efforts under the "Energy Upgrade California" platform.

The Commission is currently considering statewide ME&O budgets and plans for "Energy Upgrade California" in A.12-08-007 et al. Although the outcome of those proceedings in currently unknown, we think it makes sense to coordinate marketing efforts discussed in this proceeding with the larger umbrella platform the Commission is expected to adopt therein, subject to some specific direction as to these pilots.

We find that HBC's proposed marketing allocation is excessive in light of total authorized funds, the limited programs authorized in this decision, and economies from coordination with statewide efforts. In furtherance of the goals of this decision, the Commission finds it reasonable to allocate up to $10 million for customized ME&O. However, up to $8 million of authorized EE pilot funds should be released by the IOUs to explicitly promote the specific EE finance pilots authorized here through the statewide EE ME&O efforts, including integration of financing pilot information with the statewide umbrella outreach for all EE and demand side management programs. We also find it reasonable to direct the IOUs to release up to an additional $2 million to CAEATFA to perform contractor and FI outreach and training.

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[123] D.12-05-015 at 300.

The IOU's shall coordinate this marketing with the statewide ME&O effort, under review in a separate proceeding, to ensure maximized outreach and to avoid duplication.

11. Timeframe

No party viewed the first quarter of 2013 as realistic to launch the EE Financing pilot programs due to the array of unanswered policy, procedure, and legal questions. Several parties, including LGSEC and IOUs, argued that any premature entry into the marketplace of programs that have not had the benefit of reasonable development, operational, and compliance consideration, and construction of necessary infrastructure may ultimately harm the marketplace more than a reasonable timeline adjustment.[124]

At the time the Proposed Decision (PD) was written, it was not assured that CAEATFA would seek authorization to take on the CHEEF role, or how long that would take. Consequently, the PD included an early draft schedule by SDG&E/SoCalGas, and a provision for SoCalGas to undertake some preliminary functions until CAEATFA was authorized and funded. However, the PD catalyzed substantial discussions between SoCalGas, CAEATFA, and Commission staff which have yielded great progress towards the goal of CAEATFA's management of the CHEEF platform.

As part of their Opening Comments on the PD, SDG&E/SoCalGas jointly provided a much more detailed "Implementation Plan"[125] with many of the steps to set up the CHEEF and implement all of the authorized pilot programs

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[124] LGSEC RC at 7.

[125] Appendix G to this decision.

scheduled over the next nine months. An all-party and public workshop was held by the ALJ to give SoCalGas and CAEATFA an opportunity to explain the proposed schedule and answer questions. With a few exceptions where a party thought something could be done more quickly, no significant concerns or inquiries were voiced about the proposed schedule either at the workshop or in Reply Comments on the PD.

The Implementation Plan schedule is a quickly prepared approximation of expected time it will take the various entities and stakeholders to effectuate all of the moving parts necessary to launch these innovative pilot programs. It is not as complete as the eventual CHEEF PIP will be, and it currently includes or omits some elements inconsistent with the final decision. The most significant difference is that CAEATFA will not be able to execute contracts or undertake rulemaking until after it obtains legislative authority.

Nonetheless, with the exception of any specific deadlines set forth in this decision, we find SDG&E/SoCalGas's Implementation Plan schedule, attached hereto as Appendix G, to be a reasonable set of objectives to guide the process for the next few months. Eventually, the PIPs for the programs and for the CHEEF will provide a more carefully nuanced schedule for the final implementation stages.

12. Dispute Resolution

If any dispute should arise as to the flow of information, CEs, or debt service payments between the IOUs, FIs, or the trustee managing the CE trust accounts, the CHEEF shall work closely with the relevant entities, in consultation with the Master Servicer, to correct any accounting error discovered.

Customers with an on-bill repayment servicing dispute shall resolve it directly with an IOU or FI. If a utility customer subsequently contacts the

CHEEF, the customer should be referred to the Commission's Consumer Affairs Branch (CAB) for assistance through its existing dispute resolution process. The public would greatly benefit if CHEEF and Energy Division each provide CAB with an individual contact to provide technical assistance to CAB for resolving any dispute.

Disputes involving the conduct of any FI or contractor shall be referred to the appropriate regulatory agencies (e.g., U.S. Consumer Financial Protection Bureau, (CA) Contractors State License Board).

Nothing in this decision is intended to modify the existing legal rights and remedies of any participant in the pilot programs, including those related to contractor performance, collection of delinquent payments or defaulted loan, or other claims.

13. Reporting & Commission Oversight

The administration of the EE Financing Pilot Programs authorized in this decision will be by the CHEEF, as described herein and implemented through CAEATFA's rulemaking. The Commission will maintain its oversight of the implementation of the EE Financing pilot programs through periodic reports on program performance, data collection, Advice Letters, and PIPs.

We summarize the reporting requirements set by this decision below:

1. The Commission and CAEATFA will make reasonable efforts to complete an agreement between the agencies as soon as possible, preferably within 30-40 days after the decision is issued.
2. Within 60 days of the date the decision is issued, the IOUs shall submit a joint Tier 2 Advice Letter which identifies new, emerging lighting equipment for exclusion from the 20% cap on OBF lighting projects.

3. By December 30, 2013, the IOUs shall file a Tier 2 Advice Letter submitting a proposed OBR tariff.
4. Within 30 days of the date the CAEATFA board approves award of the Master Servicer contract, each utility shall file a Tier 2 Advice Letter providing sufficient documentation to support the updated estimate of Information Technology costs to implement OBR and make related system changes for the EE Financing pilots.
5. The IOUs shall jointly file a statewide PIP for Fast Track pilots within 60 days of the date the decision is issued to set program guidelines effective during the full pilot period.
6. The IOUs in consultation with CAEATFA, FIs, and Energy Division shall jointly file a statewide PIP for all OBR pilots within 90 days of the date the decision is issued which should set CE guidelines for each pilot, and include steps to transfer the Pre-Development programs (EFLIC and "Multifamily Lite") to CAEATFA when OBR is functional.
7. The IOUs shall assist the CHEEF, within 90 days of the date of the decision, or within 20 days after the date CAEATFA is authorized to act as CHEEF to submit a PIP which sets forth the basic tasks and timeline for getting the CHEEF fully operational in 2014.
8. CAEATFA, as CHEEF, will enact pilot program regulations which include Lender Service Agreements (LSA) to identify qualified FIs. The LSAs will establish minimum qualifications, set standards for financial products, ensure FIs conform with the terms of the pilot program in which they are participating (including data collection and privacy requirements), and for any additional requirements related to the use of CEs.
9. IOUs will contract with CAEATFA to specify the flow of EE financing pilot funds allocated to both the implementation of the pilots with credit enhancements, and to cover costs of staff and technical resources required by CAEATFA to perform these functions.

10. IOUs are authorized to contract directly with the Master Servicer and the Trustee of the IOU Holding Account to accept deposit of funds for CEs.
11. The IOUs shall jointly file a Tier 1 Advice Letter to confirm Commission approval of the EE Finance Data Working Group's Final Report on data protocols for the EE Finance database.

In general, we expect the consolidated EE Finance program PIPs to include, at a minimum, the following for each pilot program:

- Program description, including customer and project eligibility
- Policy objectives and goals
- Program implementation details and schedule
- Proposed budget, including costs for administration, direct implementation, and ME&O
- Guidelines for targeted statewide ME&O
- Parameters for Credit Enhancements (OBR), additional CE guidance (Fast Track)
- Data collection- preliminary requirements (60-day PIP), subject to final Commission approval of Final Report of the EE Finance Data Working Group.

The IOUs, and SoCalGas in particular, shall assist CAEATFA with developing the information for filing and serving quarterly reports on program uptake by pilot, and on CAEATFA's operational expenses. The reports should notify the Commission of implementation progress, including any previously unidentified significant program details, and any problems or obstacles encountered in the implementation of the authorized programs. Details to be submitted would include, but not be limited to:

- The platform and space within which CHEEF functions take place;
- Accounts and account managers associated with CHEEF;

- Database permission (and levels therein) criteria and platforms;
- Customer facing products (such as websites/informational charts);
- Transactions of various financial products administered by CHEEF and certain aggregate profile information about borrowers, project purposes/scope, financed amounts, etc.; and
- Overview of participating FIs.

SoCalGas shall be responsible for ensuring that all reports, Advice Letters, and Program Implementation Plans (PIPs) required about the administration and implementation are properly submitted during the pilot period in accord with the requirements set forth in this decision. Nothing in this section is meant to supersede or prevent any other order by the Commission in these consolidated proceedings for development, or reporting, of data collection.

Lastly, the Commission finds it important to conduct a mid-point review of the implementation of all the EE Financing programs, as suggested by some parties. There are many moving parts, expectations, and variables which could impact the roll out and uptake of these pilot programs. It may be necessary to make program or budgetary changes to achieve our goals. Funds for one program may be exhausted, or statewide IT costs could be different than projected. Additionally, we do not know whether the CHEEF administrative costs are sufficient, or whether IOUs will incur significant administrative costs beyond what can be absorbed by normal operations and maintenance expenses.

Therefore, the Commission finds it reasonable to require IOUs to hold the $9.3 million of authorized, but unallocated, funds in reserve, not subject to fund shifting, until after a public workshop is convened by the Commission's Energy Division in January or February 2015 to review program performance to date. Energy Division shall work closely with IOUs and CAEATFA to bring

recommendations for final allocation of the reserve funds as the basis for discussion at the workshop.

14. Regional Energy Networks

In the Guidance Decision, the Commission invited proposals from local governments to form Regional Energy Networks (RENs), separately from utility portfolio proposals. D. 12-11-015 reserved funding for, but deferred a decision on, three EE financing pilot programs proposed by the RENs due to insufficient information .[126] The decision stated that these pilots, particularly for the multifamily sector, should be considered in light of, and coordinated with, pilots that HBC proposed in the report.

BayREN proposed a multi-family financing program that addresses this hard-to-reach market. As described in D.12-11-015, it is a new program proposal for the Bay Area which would provide a capital contribution to the loan of up to $5,000 per unit for EE improvements.[127] We also directed PG&E and BayREN in that decision to include funding for the program in their contract provisions. This proposed pilot is complementary to the multi-family financing pilot recommended by HBC and as modified and authorized in this decision.

On January 14, 3013, The Association of Bay Area Governments ("ABAG"), on behalf of BayREN, submitted an Advice Letter to the Commission which included its updated and finalized PIP for the Residential Multi-Family Capital Advance Pilot Program. BayREN described the pilot as modeled on a

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[126] D.12-11-015 at 121, Conclusion of Law 31.

[127] Id. at 40.

successfully implemented program in the State of New York. The Advice Letter provided additional program elements, including:

- The underwriting criteria and loan terms are negotiated directly with the lender
- The property owner is obligated to repay the total principal
- BayREN will receive a pro rata share of each payment
- The repaid funds will be available to provide principal capital for additional projects

Based on the foregoing, the Commission finds it reasonable to authorize $2 million from reserved funding for the BayREN Multi-Family Capital Advance Program. In Comments on the PD, MEA and LGSEC repeated their request for authorizing all proposed REN programs but did not overcome insufficient support for the programs in the record. The Commission further finds it 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 ($1.5 million) and orders the refund of these funds to ratepayers through IOUs through customary annual electric rate true-ups and/or advice letters.

15. Allocation of Funds

The Commission authorized a total of $75.2 million to all the IOUs for purposes of implementing the new EE Financing pilot programs considered herein.[128] In this decision, we allocate $65.9 million, and reserve allocation of $9.3 million. The allocated amounts are broken down by activity and IOU in the table below, as agreed and submitted by all of the IOUs.[129]

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[128] D.12-11-015 at 67 (Table 7).

[129] SCE's Opening Comments on PD, Appendix B; PG&E's Opening Comments on PD, Attachment B; SoCalGas/SDG&E Opening Comments on PD, 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)	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.

In D. 12-11-015, we determined that the allocations to individual EE Financing programs in this consolidated proceeding are subject to our fund-shifting rules.[130] However, the Commission directs the IOUs to retain the $9.3 unallocated funds in reserve until the mid-point information workshop in early 2015, described in Section 13

16. Comments on Proposed Decision

The proposed decision of ALJ Darling in this matter was mailed to the parties in accordance with Pub. Util. Code § 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by all IOUs, DRA, CCILMCT, WEM, Renewable Funding, NAESCO, NRDC, Global Green, LGSEC, CHPC, Greenlining, Solar City, Marin Energy Authority (MEA), Build it Green, Alternative Power Capital (APC), and Environmental Defense Fund (EDF) on August 5, 2013. Reply comments were filed by all the IOUs, Greenlining, NAESCO, MEA, LGSEC, CHPC, NRDC, APC, EDF, and Solar City on August 22, 2013.

No substantive changes have been made to the Proposed Decision. Based on the Comments received, we have re-allocated and re-scheduled some tasks, primarily to accommodate CAEATFA's process requirements, and to provide a more detailed phasing in of the pilots. The following significant changes to the Proposed Decision have been made:

- The "EEFE" is renamed "CHEEF," CAEATFA is assumed to gain authority to be the designated CHEEF, and the start-up role for SoCalGas is eliminated;

[130] D.12-11-015 at 61-62, 103.

- Acknowledgement that CAEATFA's requirement of budgetary authority from the Legislature and Department of Finance before undertaking the CAEATFA role and integration of the CHEEF functionality will be delayed until December 2013;
- Substitution of a more detailed schedule (Implementation Plan) which reflects CAEATFA's expected timeline for obtaining the requisite authority and its process which applies the state's procurement and rulemaking procedures;
- Phased roll-out of pilot programs: Pre-development pilots by approximately December 2013, Fast Track in Spring 2014, and OBR by mid-2014;
- Modified description of Single Family Loan Program to explicitly allow direct and indirect lenders (e.g., contractors), addition of a specific target for low-to-moderate households and an off-bill feature to phase-in Small Business Lease Pilot;
- Application of the authorized two-year pilot period through 2015 and addition of a mid-point workshop for review of program performance;
- Consolidation of PIP requirements into one at 60 days after the decision for Fast Track, and one 90 days after the decision for OBR pilots and to integrate pre-development pilots;
- Elimination of Advice Letters to review agreements and contracts otherwise available;
- Clarification and simplification of the OBR tariff process;
- Clarification of the steps to determine final data collection and sharing protocols; imposition of a deadline for IOU provision of previously ordered utility bill payment and collections/disconnection history;
- Clarification that CAEATFA can either apply existing IOU standards for eligible contractors or will follow its practice of integrating requirements into its program rules;

- Clarification that the $10 million allocation for ME&O is not included in the allocations to specific pilot programs, consistent with the HBC recommendation;[131] and
- Clarification that ME&O funds will be utilized in connection with statewide energy efficiency ME&O, but will focus on the EE Financing pilot programs; CAEATFA will receive a portion of allocated marketing funds to conduct outreach and education of FIs and contractors.

In addition, we have made other minor clarifications and technical corrections.

17. Assignment of Proceeding

This proceeding was categorized as ratesetting. The assigned Commissioner is Mark J. Ferron and the assigned ALJ is Melanie M. Darling.

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.

[131] Report at 16.

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 funds for marketing the EE financing pilot programs.

5. One of the Commission's overall EE financing goals is the creation of innovative financing programs to expand access to financing instruments by energy users, particularly segments of energy users underserved by current EE financing.

6. A centralized entity is an important mechanism for 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 California Hub for Energy Efficiency Financing (CHEEF).

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 CHEEF 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 EE financing functions should be promptly initiated.

10. The relationship between the Commission and CAEATFA should be formalized to set forth mutual expectations regarding implementation and administration of the authorized pilot programs.

11. 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, thereby incentivizing improved terms for EE financing.

12. CE funds have been utilized in other EE programs to expand financing options particularly to support lending to borrowers not otherwise reached by existing financing, or to increase loan duration or lower interest rates.

13. The use of trust accounts created under the authority of the CHEEF, subject to the financial institution's exercise of a Trustee's fiduciary duty, along with other fund flow requirements, increase protections of ratepayer CE funds from inappropriate withdrawal or misapplication.

14. A loan loss reserve (LLR) sets aside a certain amount of money (reserves) to cover potential losses to a financial institution (FI) in case of default on a loan; no ratepayer funds are at risk until a loan is closed and the borrower is obligated to repay.

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

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

17. Utility customers are more likely to finance new EE projects if they can also finance other related improvement activities.

18. Testing innovative methods of serving low-to-moderate income single family homeowners is important to increase overall demand in this sector.

19. The Single Family Loan Program pilot program will advance the Commission's goals of leveraging private capital with ratepayer funded CEs to expand access to EE financing in the Single Family residential sector, including low and moderate income homeowners.

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

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

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

23. There is significant value in testing an on bill repayment feature without shut-off due to EE loan payment default in the multifamily building environment.

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

25. 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 a revolving loan fund that is funded 100% by ratepayers.

26. OBF funds have been concentrated in single end use lighting measures.

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

28. The primary purpose of the OBR pilot programs is to test whether OBR that combines traditional utility services and EE loan repayments into a single bill payment, can overcome lending barriers in the non-residential sector, and attract large pools of accessible, more attractive, private capital to EE markets.

29. Transferability of the underlying debt obligation to subsequent consenting occupants ("with the customer's meter"), upon change of building ownership and/or tenancy, is central to the appeal of OBR.

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

31. CEs are necessary during a transitional period in order to gather date to educate financial institutions about the value of OBR in improving investment performance.

32. 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.

33. Collection of relevant and publicly sharable data about the potential value of OBR as an EE market incentive (subject to privacy considerations), is essential for marketing, education and outreach (ME&O) efforts, and to energize EE contractors.

34. The Small Business OBR with CE pilot program is targeted to small business customers, as defined by the United States Small Business Administration.

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

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

37. The CHEEF is designed to be an information technology (IT)-driven platform managed to support the core processes and functions that track CEs and OBR, and to collect data so as to facilitate the appropriate flow of funds, information and data, among IOUs, financial institutions (FI), the Commission and others.

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

39. Data collection, subject to privacy considerations, is essential for the Commission to be able to test the value of various features of the authorized financing pilots; the EE Finance Data Working Group produced a Draft Report in March 2013 pending adoption of this decision authorizing specific pilot programs.

40. 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.

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

42. To implement the EE financing pilots, particularly OBR, the IOUs, CHEEF, and Master Servicer will need to coordinate IT systems to allow for smooth flow of data regarding the authorized programs.

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

44. Generating demand through targeted ME&O is an essential activity for the authorized financing programs to be successful.

45. In order to reach low-to-moderate income residential customers, ME&O efforts for the SFLP should include involvement of experienced and informed community-based organizations.

46. Coordinating ongoing data collection on program participants, project characteristics, project outcomes, and repayment results is an essential function of the CHEEF.

47. Commission oversight, adequate program infrastructure and administration, and regular reporting on program performance are necessary to protect the integrity of ratepayer funds allocated to support EE financing programs.

48. The Implementation Plan (Appendix G), jointly developed by Southern California Gas Company, San Diego Gas & Electric Company, and CAEATFA is a reasonable description of the sequence of implementation steps corresponding to the three phases of program release (Pre-Development, Fast Track, and Regular/OBR).

49. 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 promote the expansion of accessible EE financing instruments and market uptake of EE measures through successful outcome of the pilots.

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 (CHEEF) functions, subject to CAEATFA obtaining all necessary authority.

3. It is reasonable for CAEATFA to use ratepayer EE financing pilot funds allocated to the implementation of the CHEEF, and for the staff and technical resources required for CAEATFA to perform the CHEEF functions.

4. In order for CAEATFA to assume the CHEEF function, the Commission must execute an agreement with CAEATFA (e.g., Memorandum of Understanding) to formalize the relationship, to incorporate the EE finance goals and requirements set forth in this decision, and to identify mutual expectations.

5. Upon authorization, CAEATFA can apply its rulemaking and public procurement processes to develop and administer the CHEEF functions, and to implement the authorized EE finance pilot programs.

6. It is reasonable for the IOUs to enter into agreements with CAEATFA to provide EE funding for CAEATFA's administration, as well as flow of CE and other funds.

7. If CAEATFA cannot assume the CHEEF role by January 15, 2014, it is reasonable to reopen the proceedings to determine which entity can best provide the CHEEF functions.

8. It is reasonable to utilize limited ratepayer funds for credit enhancements including those approved by the CHEEF for pilot programs during the pilot period in order to test their effectiveness in stimulating broader access to EE financing.

9. It is reasonable for the CHEEF to open trust accounts at an appropriate financial institution in order to track, transfer, and protect the integrity of ratepayer funds allocated to CEs; for committed CE funds.

10. It is reasonable to require the IOUs, after consultation with CAEATFA and the Commission's Energy Division staff, to jointly file statewide Program Implementation Plan (PIP)s for all authorized EE financing pilot programs.

11. In order to appropriately inform the Commission, the statewide pilot program PIPs shall include, but not be limited to, detailed schedules for program implementation, proposed budgets, ME&O guidelines, and data requirements.

12. It is reasonable to require the IOUs to assist CAEATFA to develop a PIP which sets forth the basic tasks and timelines for getting the CHEEF operational.

13. Two types of CEs specifically authorized: Loan Loss Reserve (LLR) and Debt Service Reserve Fund (DSRF).

14. It is reasonable to require that authorized EE pilot program financing qualifying for CEs must apply a minimum of 70% of the funding to Eligible EE Measures (EEEMs). For OBR without CEs, the 30% may include demand response and distributed generation projects.

15. It is reasonable to authorize a three-phase implementation plan for the pilot programs, as described in Appendix G, which takes advantage of existing IOU-lender relationships and advances practical knowledge of key program features to benefit full roll out of programs later in the schedule.

16. It is reasonable to authorize the Single Family Loan Program, including allocation of $25.0 million to fund a Loan Loss Reserve, to improve residential customer access to direct and indirect local and regional financial products with enhanced terms.

17. It is reasonable to direct that approximately one-third of the authorized LLR funds for the SFLP be utilized to offer higher credit enhancements, as needed, to improve EE finance terms to low and moderate income homeowners.

18. It is reasonable to authorize up to $1 million for the EFLIC sub-pilot program for implementation in Pacific Gas and Electric Company's territory, primarily in conjunction with the SFLP.

19. It is reasonable to authorize an MMMFP that includes an on-bill repayment feature without shut-off non-payment of EE financing, for substantially master-metered affordable multifamily buildings, and provides: (1) that the OBR feature will be by agreement and supported by tariff; (2) Net Bill Neutrality is an objective, not a requirement; and (3) the use of a DSRF is the primary CE.

20. 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.

21. It is reasonable to modify 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.

22. 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 transferability of OBR process are (1) enforceability of the financing agreement and OBR tariff; (2) 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; (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, if applicable.

23. It is reasonable that the OBR program shall include non-residential shut-off in conformity with Commission-approved shut off protocols in place at the time for each utility.

24. 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, provided the IOUs track the costs of service for consideration of program changes prior to any future statewide rollout.

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

26. 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.

27. It reasonable to authorize an off-bill and on-bill Small Business Sector Lease Providers pilot program with CE as described in Section 5.4.

28. 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 Lease Providers with CE.

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

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

31. No ratepayer funds, other than the implementation and servicing costs should be allocated for the OBR pilot program without CEs.

32. 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.

33. The Commission has a duty to ratepayers to ensure the proper and approved uses of utility ratepayer funds, including by mutual agreement with CAEATFA for 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 trust accounts.

34. It is reasonable for the CHEEF 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.

35. It is reasonable for each IOU to be authorized to directly contract with the CHEEF's Master Servicer and/or Data Manager to establish procedures for the primary functions of fund management, financial product/borrower data management, and OBR billing and collections.

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

37. The EE finance data collected should be stored by the CHEEF in a centralized EE Finance Database for the benefit of ratepayers.

38. It is reasonable to require the IOUs to provide seven to ten years of broad, aggregate data on utility bill payment history, segregated by residential, commercial, and industrial customer classes; the data should include annual late payment charges, disconnection notices, and service disconnections.

39. It is reasonable for the IOUs to promptly initiate a public workshop, in consultation with the Commission's Energy Division staff, FIs, HBC, CAEATFA, and others to consider finalization of the Draft Report of the EE Finance Data Working Group, as informed by this decision.

40. The required data should be collected in a careful and comprehensive manner to ensure the data are collected at the least cost and in conformity with Commission-approved data protocols for the EE Finance Database..

41. It is reasonable for the IOUs, in conjunction with Energy Division, to jointly develop a methodology to estimate incremental savings delivered by the statewide financing programs towards their energy savings goals, and to make a proposal for evaluation.

42. 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 help consumers make more informed decisions and reduce risk of non-payment.

43. It is reasonable for the CHEEF to either adopt established minimum standards for qualified contractors eligible to participate in the EE financing pilot programs, or include quality assurance measures within program regulations.

44. It is reasonable to adopt minimum standards for qualified financial institutions eligible to participate in the EE financing pilot programs.

45. Consistent with the broad parameters set by the Commission, it is reasonable for CAEATFA to determine, for each pilot, the final design of CE features, Lender Service Agreement (LSA) provisions, and other program rules using its public rulemaking process.

46. It is reasonable to phase in the IT infrastructure to coordinate with the launch of the various pilot programs.

47. It is reasonable to require the IOUs to work closely with each other and CAEATFA, to ensure system compatibility and a smooth transition to start up CAEATFA's undertaking of the CHEEF role.

48. 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.

49. It is reasonable to allocate up to $10 million of authorized EE financing pilot funds for customized ME&O, as follows:

- Up to $8.0 million to be released to specifically advance the newly authorized EE financing pilots as incorporated into, and complementary of, the statewide EE ME&O efforts; and
- Up to $2.0 million to be released to CAEATFA to perform non-duplicative contractor and financial institution outreach and training.

50. It is reasonable to authorize the pilot program period, and previously authorized EE funds, to run through 2015 in order to provide enough time to

maximize program uptake and ensure sufficient data collection to advance the Commission's goals and objectives for the pilots.

51. It is reasonable for the IOUs to hold in reserve $9.3 million of the EE financing pilot funds authorized for the pilot period, until after the Commission reviews the implementation, administration, and costs of the pilot programs through a public workshop approximately mid-pint of the pilot period.

52. Before the Commission authorizes any future statewide rollout beyond 2015, it is reasonable for the Commission to evaluate, as part of another proceeding, whether the EE financing pilot programs are effective, need to be modified, or should be terminated.

53. In order for all stakeholders and implementers to better plan for full program rollouts, it is reasonable to require the IOUs to include, at a minimum, a detailed schedule of implementation steps, proposed budgets, ME&O guidance, and data requirements in the joint statewide pilot program PIPs. The IOUs are authorized to consolidate the PIPs into two joint filings: Fast Track programs and Regular (OBR) programs, providing each pilot within the PIP has its own implementation plans. It is reasonable to authorize a process to resolve problems and errors related to the managing of the flow of ratepayer funds through the CHEEF.

54. It is reasonable for the Commission to maintain general oversight of the implementation of the EE financing pilots by the IOUs and the CHEEF through periodic reports on data collection and program performance, Advice Letters, and PIPs.

55. For all pilot programs, it is reasonable for the CHEEF to have flexibility to develop rules for FIs participation which achieve basic minimum standards for

loan terms and underwriting criteria, while maximizing the leverage of ratepayer monies.

56. 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.

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

58. 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. ($1.5 million) and orders the refund to ratepayers through regulatory account over collections at the next time the account balances are disposed for ratemaking purposes. It is also reasonable to adjust the Public Purpose Surcharge rate to exclude this component of funding so collections are not continued on forward basis.

O R D E R

IT IS ORDERED that:

1. A total of $65.9 million from the $75.2 million authorized 2013-2014 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 allocated and used to establish and implement the Energy Efficiency financing pilot programs authorized in this decision, as follows:

    a. The IOUs shall release to the California Hub for Energy Efficiency Financing (CHEEF):

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

Additionally, the IOUs shall release the following allocated EE funds for authorized EE Financing Pilots:

ii. Up to $25 million statewide allocated for the Single Family Loan Program for funded loans as they are documented and invoiced for credit enhancements for the residential pilot programs authorized in this decision;

iii. Up to $2.9 million statewide allocated for the Master-Metered Multifamily Finance Pilot (net of funding provided by the IOUs for audits and technical assistance) for funded loans as they are documented and invoiced for credit enhancements for the multifamily pilot program authorized in this decision;

iv. Up to $1 million to Pacific Gas and Electric Company for implementation of the Energy Finance Line Item Charge pilot;

v. Up to $14 million from EE funds for funded financing as they are documented and invoiced for credit enhancements for non-residential pilot programs authorized in this decision;

vi. Up to $10 million from EE funds allocated as necessary costs are documented and invoiced to fund marketing, education, and outreach (ME&O) plans customized for the authorized EE finance pilots, as follows: (1) up to $8 million to be expended in coordination with the statewide ME&O plans under consideration in Application 12-08-007, et al., and (2) up to $2 million to the CHEEF to perform non-duplicative ME&O for contractors and financial institutions; and

vii. Approximately $8 million from EE funds as are documented for reasonable Information Technology (IT) and/or billing system upgrades necessary to implement the authorized pilot programs.

viii. The on-bill repayment without credit enhancements for non-residential customers is also authorized.

Additionally, the IOUs shall hold in reserve a total of $9.3 million in authorized, but not allocated, funds until after the mid-point review by Energy Division in January or February 2015 of pilot program administration and costs, as set forth in Section 13. Thereafter, the IOUs may allocate the reserve funds in consultation with Energy Division to best achieve the success of the authorized pilots, including additional ME&O if needed.

2. Southern California Gas Company, in coordination with the IOUs, shall consult and coordinate with California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) in all significant aspects of pilot infrastructure and program implementation, as requested by CAEATFA, before and after it is authorized and capable of taking over the California Hub for Energy Efficiency Financing functions.

3. At the earliest opportunity, the Executive Director of the Commission shall take all reasonable steps to assist in the development of an agreement between the Commission and California Alternative Energy & Advanced Transportation Financing Authority to formalize the relationship authorized by this decision.

4. Within thirty (30) days of the date California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) is fully authorized to assume CHEEF functions, the IOUs shall execute an agreement with CAEATFA to establish procedures for the primary CHEEF functions of fund management

(including scheduled transfer of credit enhancement funds to the IOU Holding Account), financial product/borrower data management, and On-Bill Repayment billing and collections, subject to requirements of Commission-approved pilot program implementation plans and Energy Efficiency Finance Data protocols. If necessary to accomplish the primary CHEEF functions, IOUs shall also enter into agreements with the Master Servicer or Data Manager operating under the CHEEF's direction.

5. The Commission's Energy Division shall monitor, for consistency with this decision, the public procurement and rulemaking processes followed by California Alternative Energy & Advanced Transportation Financing Authority to determine, for each pilot, the final design of credit enhancement features, Lender Service Agreements, and other program rules, as well as the rules governing CAEATFA's management of the CHEEF functions.

6. Within sixty (60) 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.

7. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (IOUs) shall jointly file and serve a statewide Program Implementation Plan (PIP) consistent with this decision, for all authorized energy efficiency financing pilot program, as follows:

a) Within sixty (60) days of the date the decision is issued, the IOUs shall file a PIP for the "Fast Track" pilots (i.e., Single Family Loan Program, off-bill Small Business Lease Pilot);

b) The IOUs shall consult with financial institutions, Energy Division, and California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA), and within ninety (90) days of the date the decision is issued, the IOUs shall file a PIP for all pilot programs with an On-Bill Repayment feature, including guidelines for transfer of the Pre-Development pilots (i.e., Master-Metered Multifamily and Energy Finance Line Item Charge) to CAEATFA; and

c) The statewide pilot program PIPs shall include, but not be limited to, detailed schedules for implementation, proposed budgets, marketing, education, and outreach guidelines, and data requirements.

8. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") shall assist California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA), upon request, with development of a Program Implementation Plan (PIP) which sets forth the basic tasks and timeline for getting the California Hub for Energy Efficiency Financing fully operational in 2014. Within ninety (90) days of the date of this decision, or within twenty (20) days after the date CAEATFA is authorized to act as CHEEF, Southern California Gas Company shall assist CAEATFA with submitting the CHEEF PIP.

9. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") shall modify their On-Bill Financing (OBF) programs so that single end use lighting measures shall comprise no more than 20% of total project costs for business customers, excluding institutional customers. 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, and amend the statewide OBF program implementation plan.

10. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") shall, in consultation with real estate professionals, financial institutions, California Alternative Energy & Advanced Transportation Financing Authority, and the Commission's Energy Division, develop uniform tariff language for the On-Bill Repayment (OBR) program which includes the following features:

- forms and procedures for written consent to achieve transferability, and consequences for the obligation, if a landlord fails to comply or a subsequent tenant has not given written consent;
- any other complementary and reasonable mechanisms to achieve and enforce transferability (e.g., due on sale if no consent);
- utility service disconnection procedures similar to that adopted for OBF, including how they are triggered and executed; and
- use of the utility's current OBF mechanism for allocating partial payments

11. By December 30, 2013, , the IOUs shall jointly or individually file a Tier 2 Advice Letter submitting a proposed OBR tariff that reflects the requirements established in this decision, including a description of the steps the IOUs took to consult with CAEATFA, FIs, real estate professionals, and Commission staff to best achieve the program goals. The Commission will review the proposed OBR

tariff for maximum enforceability of the loan agreement and the OBR tariff, and written consent, and to ensure the overall result is just and reasonable.

12. By November 30, 2013, Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company shall each provide the Commission with an historical monthly breakdown of utility bill payment history segregated by minimum customer classes of residential, Commercial, and Industrial, for a period of at least seven years, ten years if available) from December 31, 2012.

a) The data shall include, to the extent available through reasonable efforts, what percentage of customers within a customer class received, monthly or annually, late notices, shut-off notices, and service disconnection. Annual write-offs per customer class should be expressed as a percent of total customer class revenue.

b) No later than January 31, 2014, the IOUs shall provide Commercial/Nonresidential data segregated into sub-categories of businesses developed in consultation with the Energy Division and financial institutions.

13. Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively "IOUs") shall promptly initiate a public workshop, in consultation with the Commission's Energy Division, financial institutions, Harcourt, Brown & Carey (the EE Finance expert consultant), and California Alternative Energy & Advanced Transportation Financing Authority, to consider finalization of the Draft Report prepared by the Energy Efficiency Finance Data Working Group (DWG). The DWG Final Report shall address, *inter alia*, relevant data elements for each pilot, sources, location, anonymization, management, and access.

a) The IOUs and Energy Division shall generally conform to the Commission's guidelines for the steps necessary to

finalize the data protocols for EE Finance and initiate the EE Finance database as set forth in Appendix D.

b) To the extent that the Commission adopts privacy protocols or anonymization standards in Rulemaking 08-12-009 applicable to the EE Finance Database, the EE Finance DWG Final Report shall be consistent with those protocols and standards;

c) Southern California Gas Company shall ensure that the Final Report of the DWG is submitted to the Commission with a Tier 1 Advice Letter by December 15, 2013 and served on the service list for these consolidated proceedings; and

d) The IOUs shall immediately start, if they have not yet begun, to collect information which includes previously ordered data collection for integration into the Energy Efficiency Finance Database.

14. 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 California Alternative Energy & Advanced Transportation Financing Authority to collect, organize, and make public the information identified in Appendix D, consistent with the EE Finance Data Working Group Final Report protocols approved by the Commission.

15. 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 develop a joint statewide work paper, in collaboration with stakeholders, which provides their jointly 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

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 thirty (30) days of the date that California Alternative Energy & Advanced Transportation Financing Authority approves award of the Master Servicer contract , 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 shall be limited to IT-related costs in whole, or part, applicable to administration of the EE Finance pilots and related data collection. If an IOU requests funds in excess of the allocations set forth in Section 12 for Information Technology (Line 6b), then the amounts must be supported by sufficient documentation and explanation so as to be determined reasonable.

18. If a utility customer contacts the utility or the California Hub for Energy Efficiency Financing (CHEEF) with an on-bill repayment servicing dispute which they have been unable to resolve directly with an IOU or FI, the customer shall be referred to the Commission's Consumer Affairs Branch (CAB) for assistance through its existing dispute resolution process. The CHEEF and the

Commission's Energy Division should each provide technical assistance to CAB, as needed. Disputes involving the conduct of any FI or contractor shall be referred to the appropriate regulatory agencies.

19. Southern California Gas Company, on behalf of California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA), is responsible for ensuring that all reports, Advice Letters, and Program Implementation Plans) required of the CHEEF or in consultation with the CHEEF, are properly submitted during the pilot period in accord with the requirements set forth in this decision.

20. The Energy Efficiency Finance Pilot Programs authorized herein, and associated funds authorized for the programs in Decision 12-11-015, shall be authorized through 2015.

21. Beginning January 31, 2014, the California Hub for Energy Efficiency Financing (CHEEF), in conjunction with Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company (IOUs), shall file and serve a Fourth Quarter 2013 Report, and quarterly reports thereafter through the pilot period, by pilot program and on CHEEF operational expenses.

a. The reports should notify the Commission of implementation progress, including any previously unidentified and significant program details, and any problems or obstacles encountered in the implementation of the authorized programs. Information to be submitted should include, but not be limited to:

- The platform and space within which CHEEF functions take place;
- Accounts and account managers associated with CHEEF;

- Database permission (and levels therein) criteria and platforms;
- Customer facing products (such as websites/informational charts);
- Pilot program performance and certain aggregate profile information about borrowers, project purposes/scope, financed amounts, etc.; and
- Overview of participating Financial Institutions.

22. Pacific Gas and Electric Company shall release a total of $2 million from reserved funding for the authorized BayREN Multifamily Capital Advance Program.

23. Pacific Gas and Electric Company, Southern California Gas Company (SoCalGas) and Southern California Edison Company (SCE) shall refund a total of $5.325 million:-$3.825 million for BayREN's Single Family LLR pilot and $1.50 million ($1.275 million for SCE, $0.225 million for SoCalGas) for SoCalREN's Multi-Family LLR pilot, respectively. - Each IOU shall record a credit in the amount specified to ensure the amounts will be refunded to customers in 2014 when each IOU includes the year-end 2013 balances in customer rate levels.

24. All Advice Letters required by this decision shall be served on the service list for these consolidated proceedings.

25. If, by January 15, 2014, California Alternative Energy & Advanced Transportation Financing Authority has not received final budget authority to assume the role of California Hub for Energy Efficiency Financing, nor approved an executed agreement with the Commission for implementation of this decision, then Southern California gas Company shall file a Petition for Modification of this decision to determine which entity can best provide the CHEEF functions.

26. Applications 12-07-001, 12-07-002, 12-07-003 and 12-07-004 are closed.

This order is effective today.

Dated _____, at San Francisco, California.

APPENDIX A

GUIDELINES FOR CREDIT ENHANCEMENTS

1. Loan Loss Reserve – is a fund in a trust account established by the CHEEF at a bank or financial institution, used to cover a portion of loans in default.

    a. A LLR of 10% means that that an amount equivalent to 10% of each loan is transferred from an IOUs Holding Account (fbo ratepayers) to the LLR Pool Operating (Trust) Account Trust Account, and a lender can recover a negotiated value of that lender's loan pool for any loan in default. In other words, ratepayers put in the equivalent of 10% of each loan into reserve, but for any given loan, the recoverable loss may exceed 10%.

2. Debt Service Reserve – is a fund in a trust account established by the CHEEF, used to cover individual monthly non-payments before default of an entire loan is declared. This credit enhancement provides lenders with the promise of prompt payment if a demand for money is made (e.g., may pay within 24 hours).

    a. A percentage of each loan is pooled with other DSR monies from other loans in a DSRF Pool Operating (Trust) Account. "Percentage of overall pool of loans covered by the DSRF (i.e. 5% DSRF means that a lender can ultimately recover up to 5% of the value of its loan pool – or any individual loan – should the pool experience high loss rates." Borrowers "typically" must "re-pay" missed principle and interest the DSRF covered; these "re-payments" are transferred back to the fund. If customer defaults, lender keeps the DSR monies received.

FLOW OF MONEY AND CREDIT ENHANCEMENTS

1. Pilot Program

   a. Upon a financial institution's approval of a loan, the CHEEF will ensure that the negotiated equivalent CE funds are allocated within the IOUs Holding Account.

   b. Upon the funding of a financing transaction and notice from the FI, the CHEEF will provide for the transfer of the CE funds to the CE Operating (Trust) Account.

   c. Trustee will be a bank making payouts for loan loss reserve or debt service reserve; will have a fiduciary duty to both ratepayers and banks.

(END OF APPENDIX A)

APPENDIX B

STATE OF CALIFORNIA Edmund G. Brown Jr., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

March 27, 2013

Wallace M. Wong
Senior Counsel
California Department of Financial Institutions
300 South Spring Street
Suite 15513
Los Angeles, California 90013-1204

RE: Request for Order of Exemption under the Money Transmission Act by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SCG)

Dear Mr. Wong,

Thank you for your letter of February 14, 2013 asking if the California Public Utilities Commission (Commission) has a position on the request for an exemption from Money Transmission Act licensing requirements submitted to the Department of Financial Institutions by the investor owned utilities PG&E, SCE, SDG&E, and SCG. The Commission supports the request.

Your letter also requested information as to how the Commission regulates third party collection practices and what recourse harmed parties have before the Commission. The Commission has expansive regulatory authority over utilities. The California Constitution grants the Commission authority to, among other things, fix rates, establish rules, examine records, issue subpoenas, punish for contempt and prescribe a uniform system of accounts. (See Cal. Const. Art XII, §6.) The Public Utilities Code grants the Commission authority to, among other things, supervise and regulate public utilities and may do all things which are necessary and convenient in the exercise of such power. See PU Code §701.) Commission staff have authority to inspect the books of regulated utilities and require reports as the Commission prescribes. (See PU Code §§ 313, 314, 314.5, 581, and 584.)

Individuals and entities are allowed to file complaints against utilities before the Commission. (See PU Code §1702; see also Commission's Rules of Practice and

Procedure, Art.4.) The Code states the Commission may, after a hearing, find that rates in connection with any service, product or commodity unlawful, unjust, unreasonable or discriminatory and can order a change to the rates or practices. (See PU Code §§ 728, 729, 734, and 761.) The Commission may also order restitution, fines, changes or revocations of previous decisions may be granted, or other remedies. (See PU Code §§ 1708, 2107, 734, and 761.)

In closing, the Commission finds that its regulatory oversight makes the licensing requirements of the Money Transmission Act duplicative in regards to regulated utilities. Thank you for the opportunity to provide our thoughts on the matter. Please feel free to contact me if you have any questions.

Sincerely,

Jason Reiger
Assistant General Counsel

Christine Hammond
Counsel

(END OF APPENDIX B)

APPENDIX C

ON-BILL REPAYMENT TARIFF (Transferability)

The Commission provides the following guidelines for consideration when the IOUs undertake development of the OBR tariff, and CAEATFA adopts programs rules and Lender Service Agreements.

1. Financing Agreement Terms

   a. For Existing Property Owners or Landlords and Existing Tenants:

      The financing or leasing agreements could require existing property owners to provide written consent to the OBR program terms and conditions via a stand-alone agreement or as a term of the financing or leasing agreement; and could require existing landlords to obtain written consent from existing tenants via a lease amendment or separate agreement.

   b. For Subsequent Property Owners or Landlords and Subsequent Tenants:

      The financing or leasing agreements could require subsequent property owners to provide written consent to the OBR program terms and conditions (including obtaining written consent from subsequent tenants) via a stand-alone agreement or a deed restriction or other form; and could require subsequent property owners or landlords to obtain written consent from subsequent tenants via a term of the lease agreement or a separate agreement.

   c. Substance of Written Consent:

      The written consent, whether achieved as a part of the financing or leasing agreement, a part of the lease agreement, or by a separate agreement or lease amendment, could include:

      - Notice of subjugation of meter(s) to OBR tariff and of financing or leasing agreement, including notice of parties' rights, obligations, and liabilities.

- A referral to, or copy of, the most recent OBR tariff, qualifying that the OBR Tariff may change per CPUC order or directive.
- An explanation of the obligations and liabilities the tenant is assuming, e.g., that a portion of the utility bill payment goes toward paying for financed EE improvements and that the utility customer of record is responsible for both utility payment and repayment obligation.
- Notice that partial payment of utility bill will result in allocation of payment between amount owed to utility and amount owed to FI.
- Notice that, in the event of nonpayment or partial payment of utility bill, the tenant may have utility service shut off under the same terms and conditions as provided in the IOU tariff for nonpayment.
- Precise language required in lease or rental agreements.
- End date of loan repayment obligation associated with the meter, and/or approximate remaining balance owed on loan.
- Agreement by tenant authorizing utility or other retail energy supplier to allow EFEE and/or Master Servicer to collect data on energy use, subject to applicable privacy requirements.

2. OBR Tariff

In addition to the requirements set forth in Section 5.2.2.1 of the Decision, the IOUs could include the following provisions in the proposed OBR tariff:

a. Name of Tariff (to ensure uniformity across IOUs);
b. Specification of the notice requirement to ensure subsequent owners are notified (e.g., recording the financing agreement and OBR tariff obligation at the Recorder's/Assessor's Office)

c. Specification of the terms and conditions that would be incorporated into a lease or rental agreement if the property owner decides to lease/rent the property, including:

   i. Language for lease provision or separate consent from tenant.

   ii. Language for agreement from current tenants (in the form of, e.g., supplement or amendment to lease agreement, or separate consent form)

d. A bill impact illustration, so that current or prospective subsequent tenants can see estimated monthly utility bills and repayment amounts.

e. Translation of the notice, written consent, or OBR tariff into in a reasonable range of languages spoken by non-English-speaking customers of IOUs.

f. Specification of the obligations, rights, and liabilities of the FI or equipment lessor, of the property owner or landlord, and of the tenant in the event that written consent and other requirements of the OBR program are not properly met.

3. Notice to Subsequent Owners and to Tenants

During their consultations while developing the OBR tariff, the IOUs are encouraged to consider the means of providing notice to subsequent property owners and landlords as a means of ensuring the maximum enforceability of the OBR program against the subsequent property owners and landlords, and providing notice of subsequent tenants to ensure, to the maximum extent feasible, the enforceability of the OBR program against and of the written consent of subsequent tenants. Such notice requirements could include:

a. To achieve notice to subsequent property owners, recording notice of the financing or leasing agreement at County Recorders' or Assessors' Offices. For example, the Recorder's Document Reference and Indexing Manual

(2008), published by the County Recorder's Association of California, provides the list of documents – by title – that all Recorder's Offices in the state will accept for filing, as long as certain requirements are met. Notice of the OBR obligation associated with the meter on the property can be effected by filing a document entitled "Agreement" at the Recorder's Office and meeting certain procedural requirements (e.g., the notice of agreement succinctly describing the agreement and providing the address (and/or Assessor's Parcel Number) of the property with which the notice and agreement are concerned, with the notice signed by the FI and owner and be notarized). The recommended contents of notice are specified below.

b. To achieve notice to current tenants at the time financing is undertaken, a form of consent from current tenants could be required, and whether by a lease amendment or separate consent form, as discussed above.

c. To achieve notice to subsequent tenants, a form of consent via a term of the lease agreement or separate agreement, as discussed above.

(END OF APPENDIX C)

APPENDIX D

DATA COLLECTION PROJECT AND PARTICIPANT DATA

1. Completion of the Finance Data Working Group report

   - Review the fields of data proposed for collection to see if they fit with authorized pilots
   - Determine how to aggregate the data, or otherwise make it public
   - IOUs in conjunction with CAEATFA finalize consent forms
   - Consider the following:
     - ✓ What form should the data be in when those who collect it give it to the EEFE? (aggregate or individual?) The data keeper should ensure compliance with all the requirements for housing Personalized Individual Information
     - ✓ What format should everyone use? (e.g. Excel)
     - ✓ How should the data manager store individual data? (Which security protocols would be in place? Should they use a unique identifier?)
     - ✓ What will the data transfer look like?
   - Identify matters that must be deferred for the Data Manager and/or Master Servicer in 2014

2. Schedule for finalizing the Finance Data Working Group report

   - October – Southern California Gas Company, in consultation with Energy Division, HBC, the IOUs, RENs, and CAEATFA, update the data fields proposed in the report to reflect the pilots approved in the decision
   - November - Workshop for stakeholder input using the updated report as accepted by Energy Division,
     - ✓ The Commission includes reference to the final data fields, collection protocols, etc. in the Agreement between CAEATFA and the Commission, to inform

CAEATFA's later rulemaking related to the LSAs and contracts with the IOUs

- ✓ To the extent that the Commission adopts privacy protocols or anonymization standards in R.08-12-009 relevant or applicable to the EE Finance database, the EE Finance DWG Final Report shall be consistent with those protocols and standards

- December – Southern California Gas Company shall ensure that the EE Finance Data Working Group's Final report is submitted to the Commission with a Tier 1 Advice Letter.

  - ✓ CAEATFA/SoCalGas reference the data protocols in the pilot PIPs since the data fields could differ by pilot

(END OF APPENDIX D)

APPENDIX E

LENDER SERVICE AGREEMENTS (LSA)

Through its rulemaking authority, CAEATFA is expected to develop Lender Service Agreements (LSA) to qualify financial institutions (FIs). Generally, LSAs will require financial institutions to conform with the terms of the pilot program in which they are participating and any additional requirements set by CAEATFA, particularly as to use of credit enhancement funds.

Based on the record, the following are some of the types of LSA provisions likely to be necessary:

- design of authorized credit enhancement structure to maximize leverage of ratepayer funds;
- design of authorized residential credit enhancement structure to incentivize offering accessible financing to low and moderate income homeowners;
- minimum standards for financing products;
- management and transfer of credit enhancements (particularly loan loss reserves);
- terms and conditions for access to, and replenishment of, CE funds (e.g., definitions of default, collections, and reimbursements);
- demonstrate how credit enhancements will expand customer access or improve interest rates or terms
- service quality control;
- program status reporting;
- standardized data collection and sharing with CAEATFA
- use of alternative underwriting criteria (e.g., utility bill payment history);
- grounds or process to terminate a financial institutions' participation in the pilot and its access to credit enhancement funds;

- provisions for servicing of financing obligations should CAEATFA not remain as CHEEF or if the Commission later decides not to continue the pilot program;
- other requirements to protect the integrity of the CE funds.

(END OF APPENDIX E)

APPENDIX F

THE CHEEF PROGRAM IMPLEMENTATION PLAN

The draft Implementation Plan submitted by the Joint Utilities in Opening Comments on the PD, and presented by CAEATFA and SoCalGas at the August 16, 2013 workshop, identified many of the following program features we think should be included in the final PIP submitted for the CHEEF in November or December of 2013.

1. Competitive solicitation/ RFP process for, a Master Servicer, lease originators, and other technical assistance as identified (e.g,, information technology, financial, data management)
2. Creation of an IT –driven platform designed to support the core processes and functions that make OBR possible and facilitate data collection.
3. Development of procedures for various CHEEF responsibilities
    a) For all financing types:
        (i) Approval of forms and protocols for data transfer between utilities and FIs, as proposed by Master Servicer
        (ii) Development of LSAs
    b) For OBR:
        (i) Manage, with Master Servicer input, the process for transmission of information between utilities and FIs
4. Develop standards for approving FIs for pilot participation and for objective evaluation of FI qualifications
5. Work with Master Servicer, Commission, and the data working group to implement Commission-approved protocols for collection of energy project, customer energy use, and borrower financial data, for sharing of data, and for third party access to aggregated, anonymous data.

6. Develop framework for type and frequency of reporting to CHEEF by IOUs and FIs; ensure quarterly information reports on pilots' progress by CHEEF to Commission as requested by Energy Division.
7. 8. Coordinate with existing customer and contractor-facing tools such as Energy Upgrade California
9. Provide a mechanism to make minor, mid-course modifications to the pilot programs as needed to better meet the individual objectives of a particular program; material and/or substantive changes to pilot programs should be authorized by Assigned Commissioner Ruling, if needed
10. Develop a proposed start-up budget, not to exceed $5 million for 2013-2014 for all CHEEF administrative costs, including contract agents such as the MS

(END OF APPENDIX F)

APPENDIX G

PRELIMINARY IMPLEMENTATION PLAN (by Southern California Gas Company and Sand Diego Gas & Electric Company in consultation with CAEATFA)

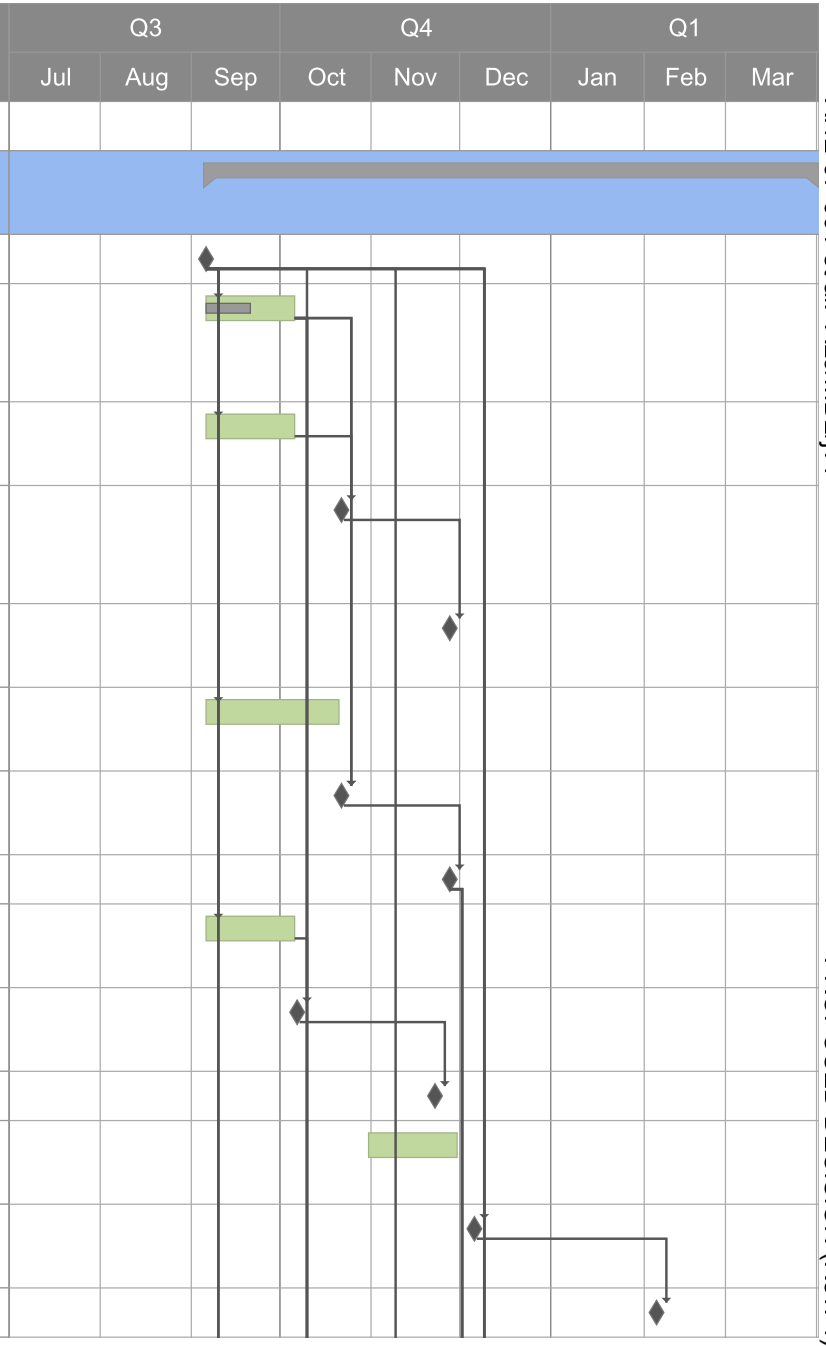
ATTACHMENT G

Finance Pilots Overall

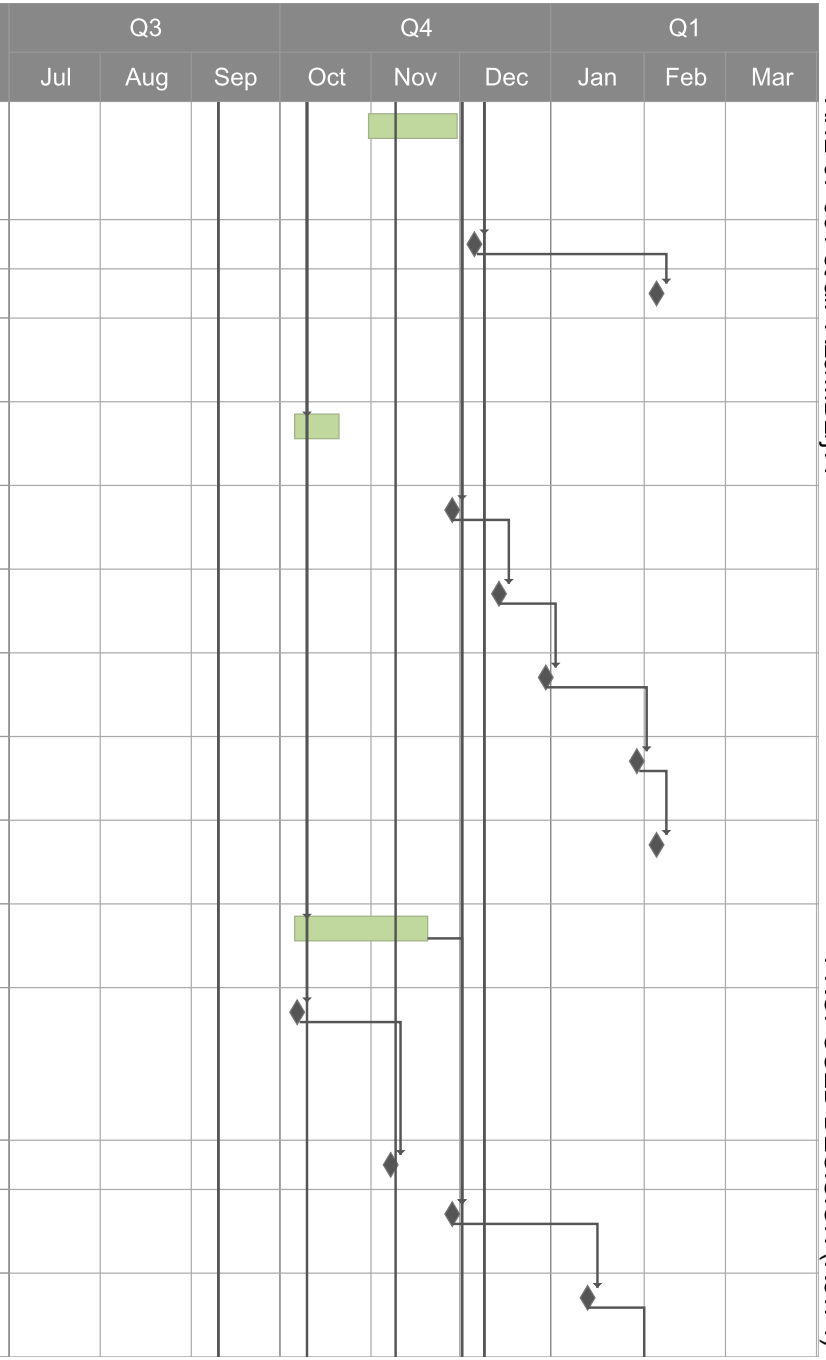
	Task Name	Comments	2013				2014			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1										
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.								
51	Pre-Development PIlots	Pilots that can be front loaded to maximum extent with all initial setup done by IOUs with financing 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.								

Finance Pilots EEFE Setup

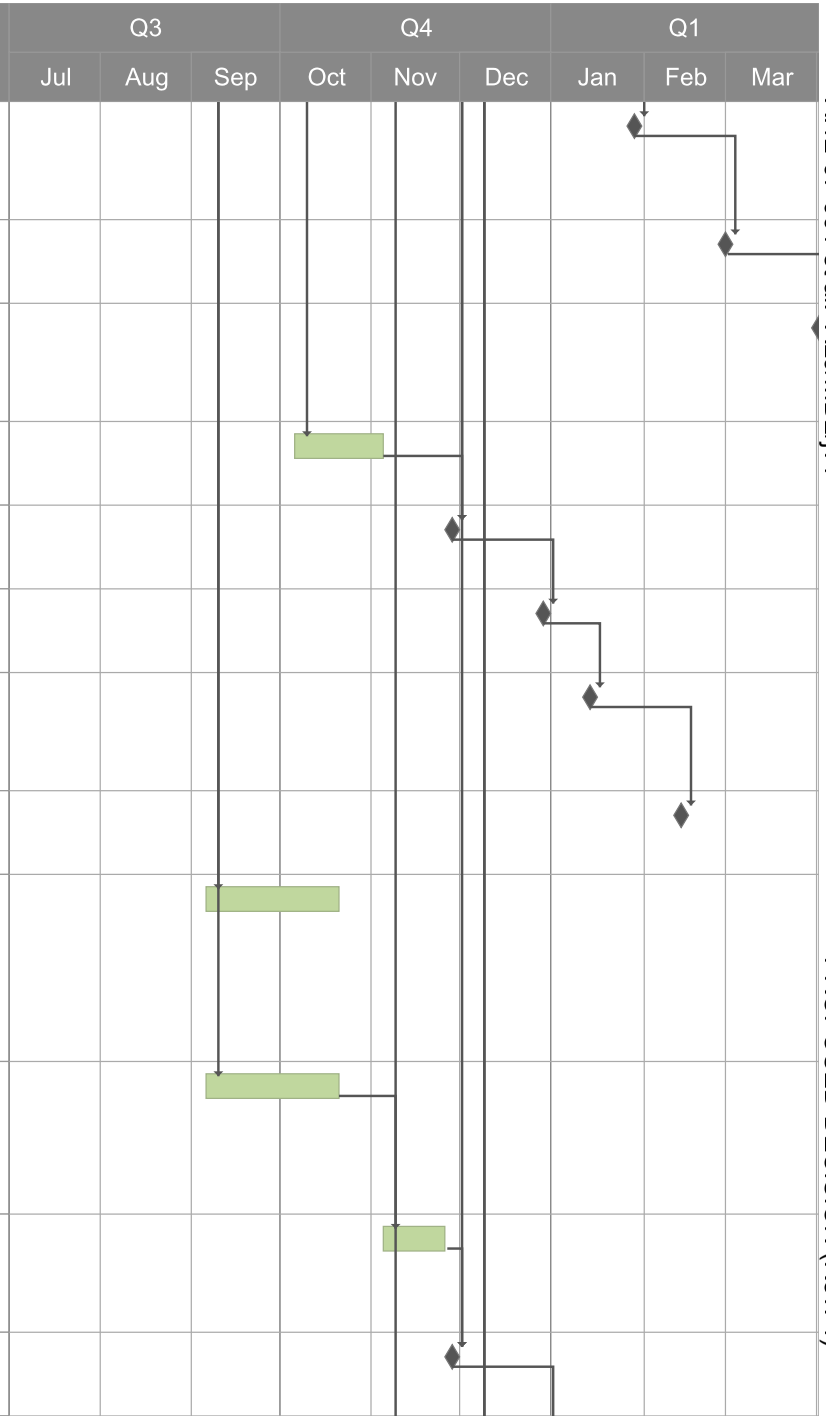
	Task Name	Comments
1		
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.
3	CPUC Final Decision	
4	CAEATFA Requests/Receives Budget Authority	
5	CAEATFA/IOUs negotiate contract	
6	CAEATFA Board Approves Contract with IOUs	
7	DGS Approves contract between 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	

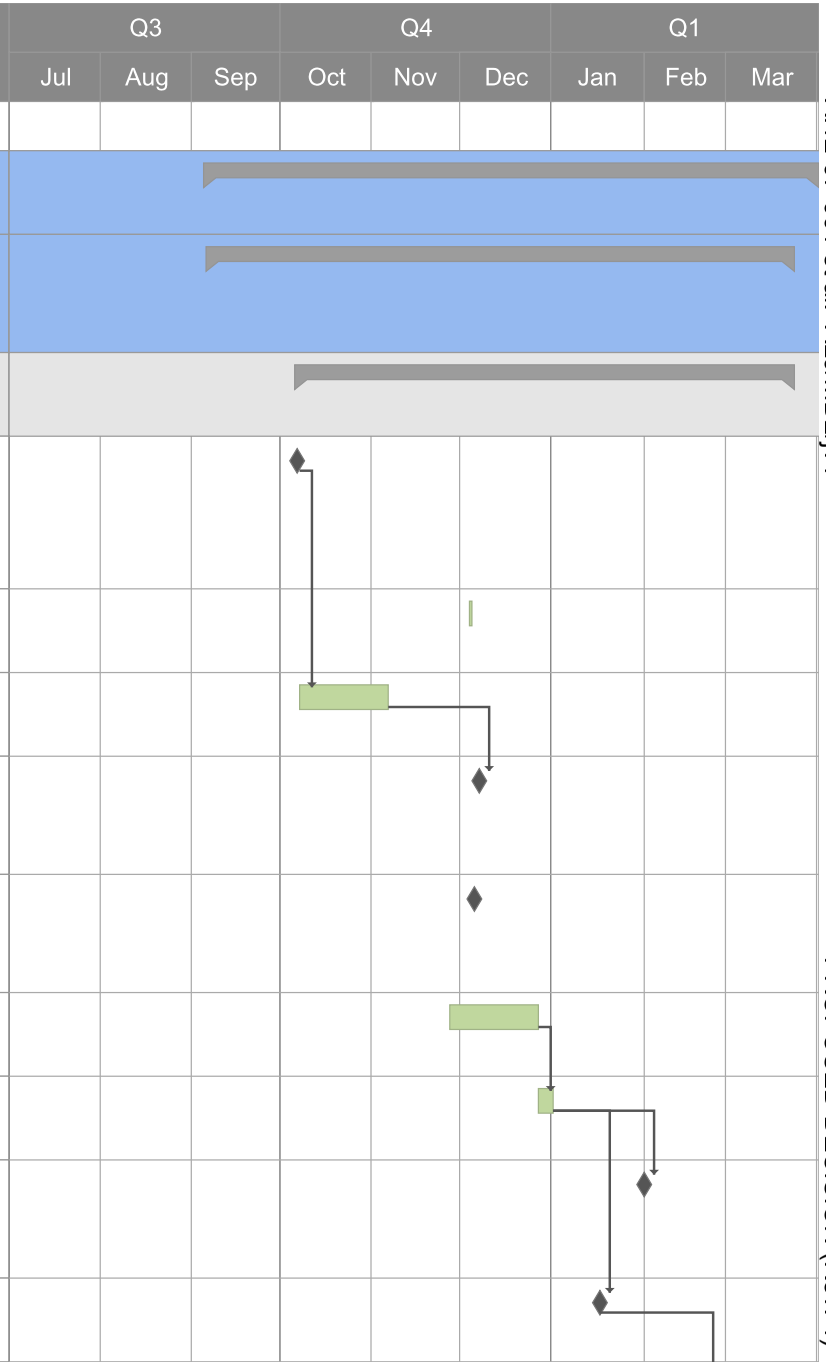


	Task Name	Comments	2013 Q3 Jul	Aug	Sep	Q4 Oct	Nov	Dec	2014 Q1 Jan	Feb	Mar
44	CAEATFA Awards Data Mgr RFP										
45	CAEATFA Board approves Data Mgr award										
46	DGS approves Data Mgr contract										
47	Post Eligible Measures List										
48	Submit ME&O plan										
49	IOUs submit Incremental 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.									

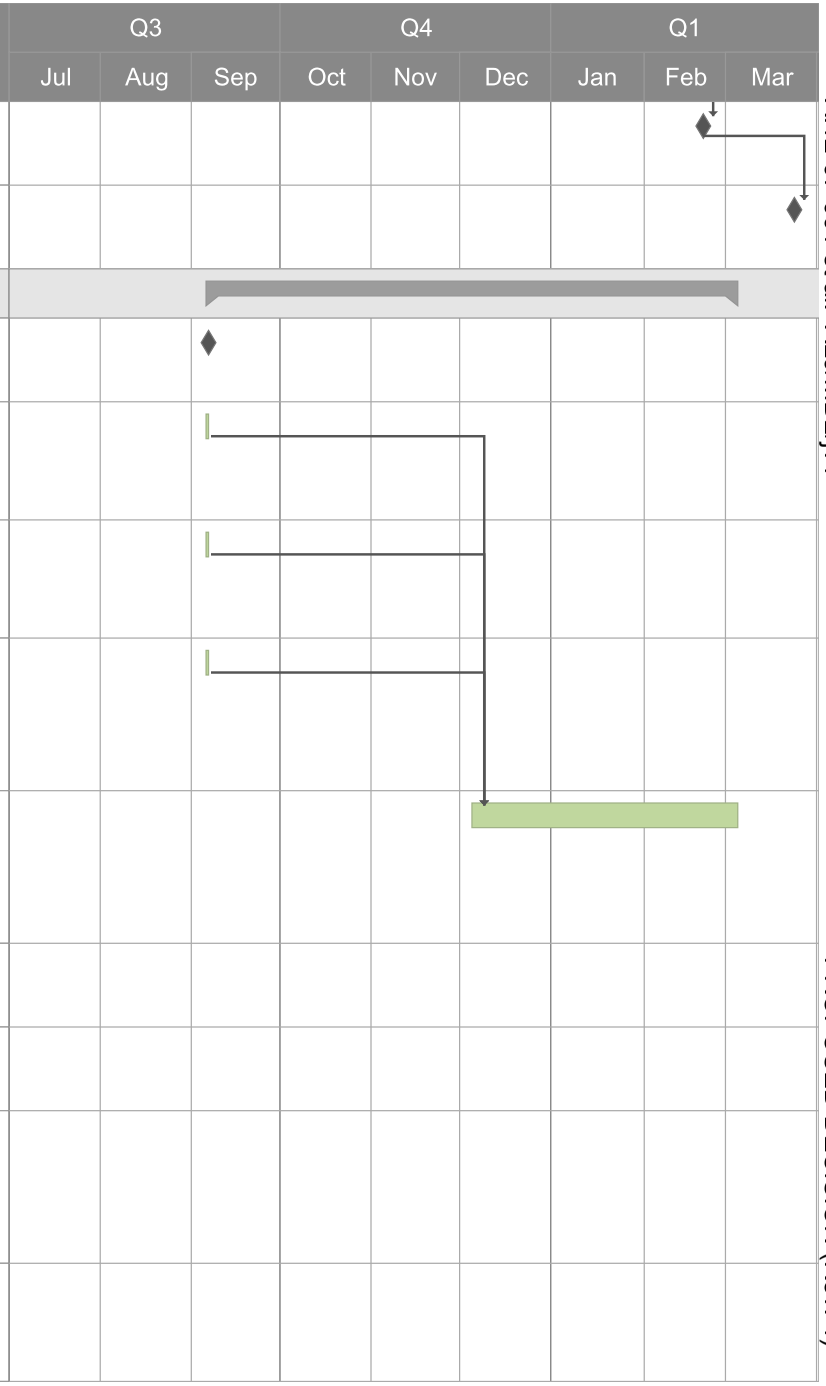
Finance Pilots Pre-Development

2013 2014

	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	



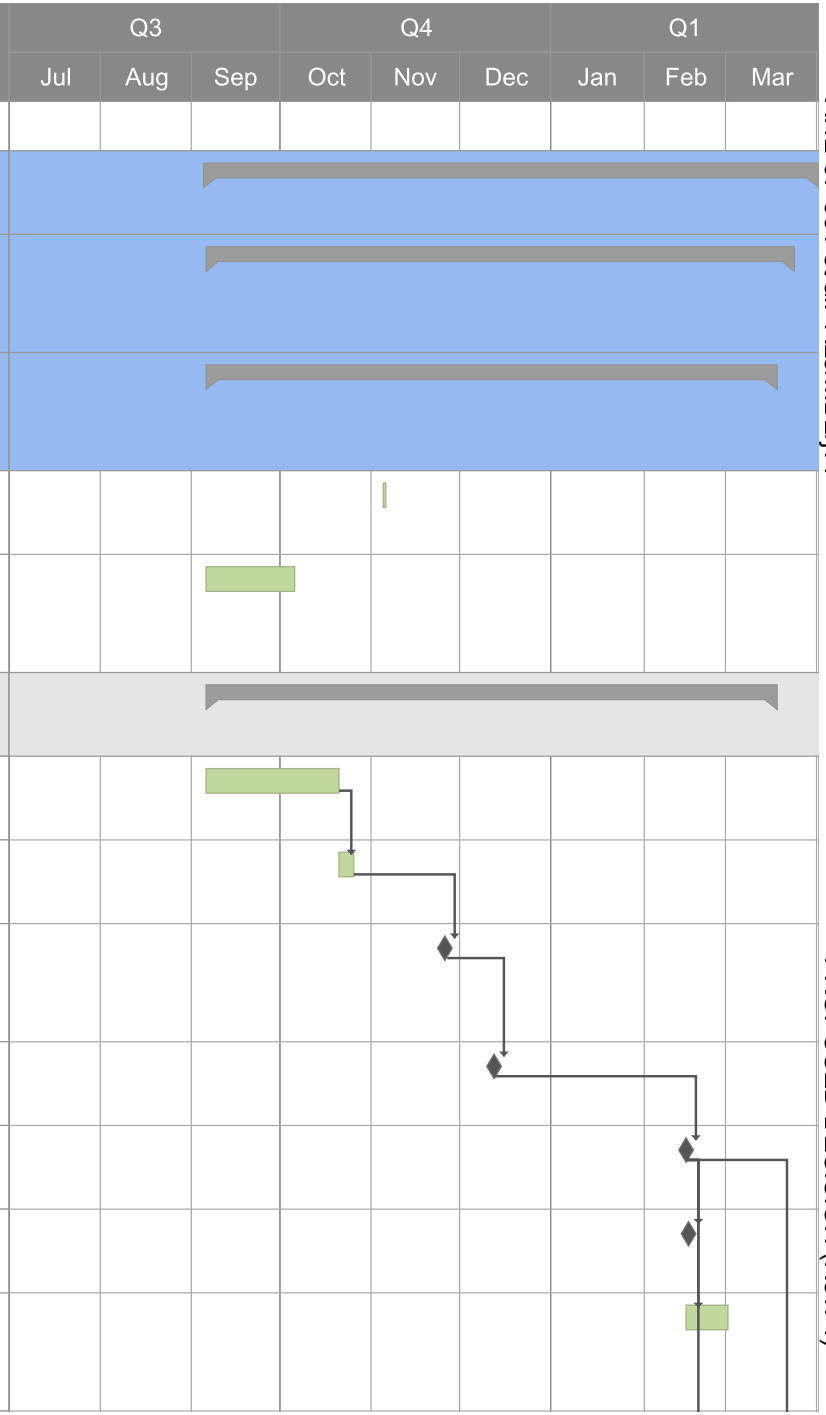
	Task Name	Comments	2013 Q3 Jul	Aug	Sep	Q4 Oct	Nov	Dec	2014 Q1 Jan	Feb	Mar
74	IT: CHF Test of interface with PG&E system	Complete			♦						
75	CHF evaluate technical capability on their end to create needed files				▬						
76	Technical documentation				▬						
77	Design and document line item billing 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.			▬						

Finance Pilots Pre-Development

	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.									

Finance Pilots Fast Track

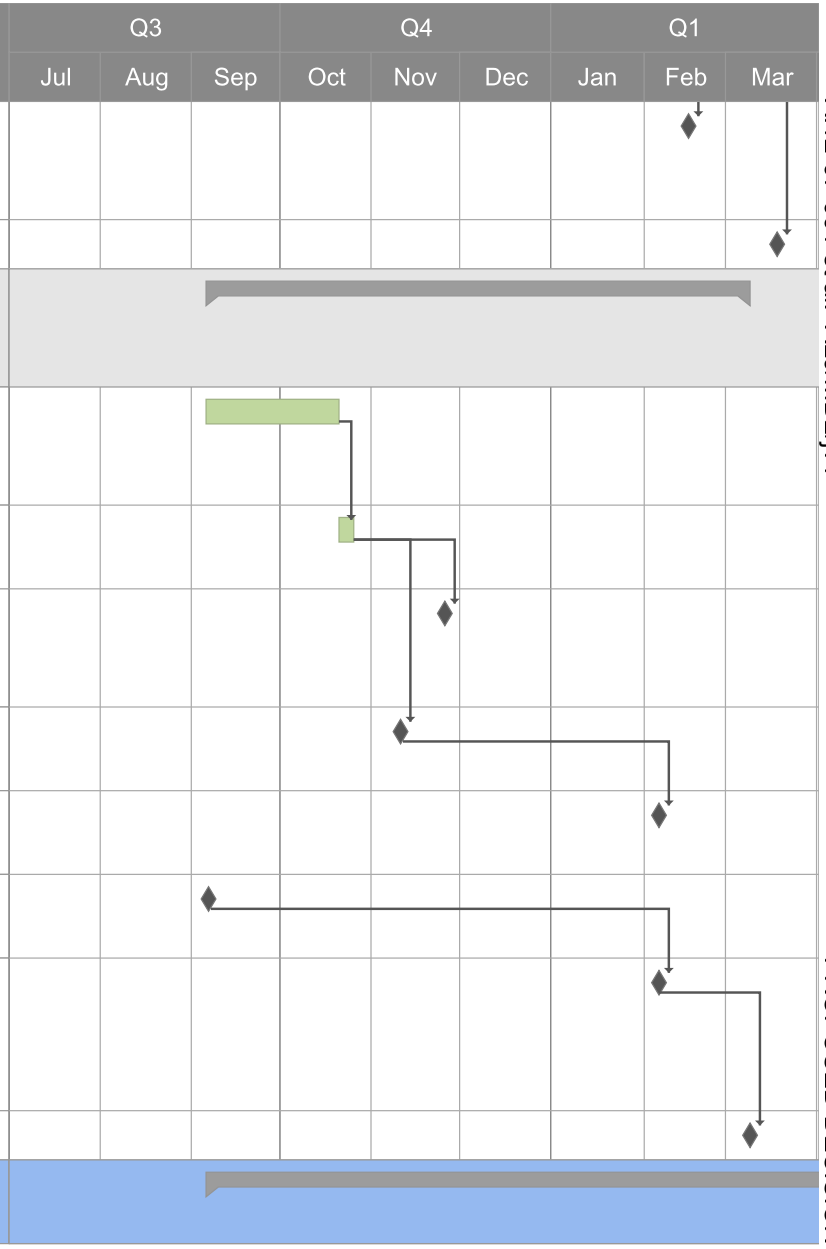
	Task Name	Comments
1		
2	Overall EEFE Set-up	Assumes a decision date of Sept 5. Every task based on days to complete tasks.
51	Pre-Development PIlots	Pilots that can be front loaded to maximum extent with all initial setup done by IOUs with financing partners; later transition to EEFE expected.
83	Fast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



Finance Pilots Fast Track

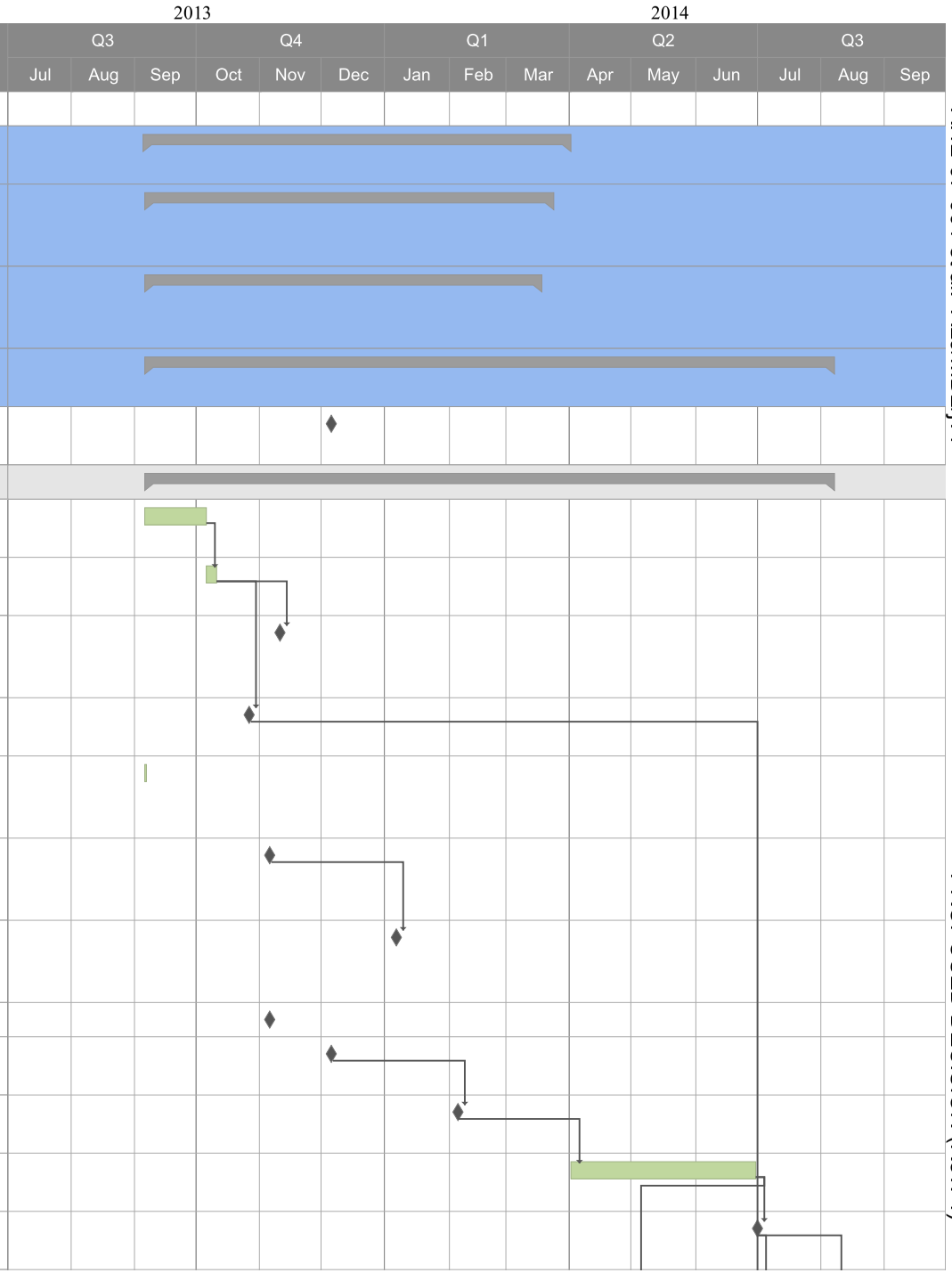
2013 2014

	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.



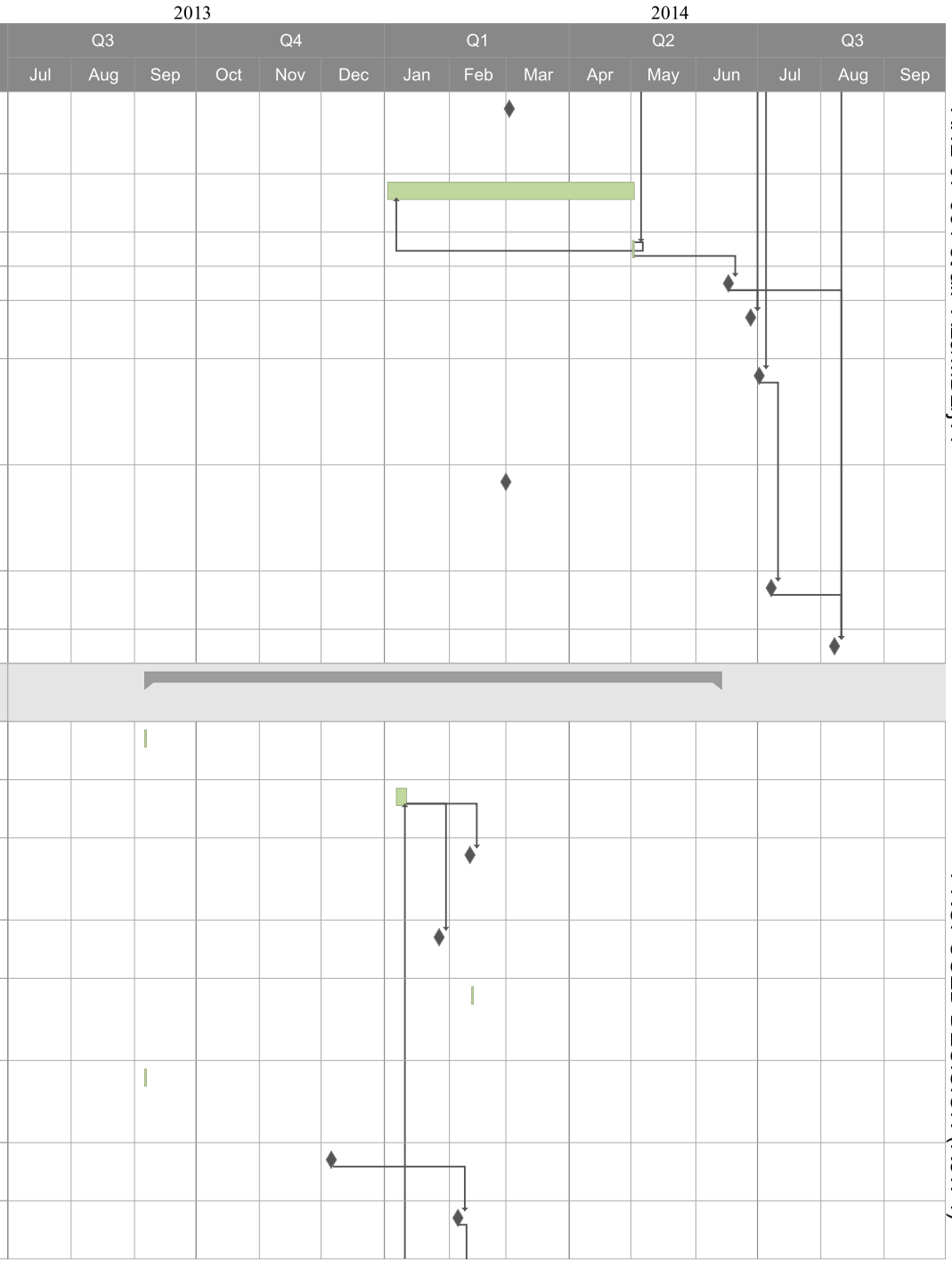
Finance Pilots Regular Track

	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	



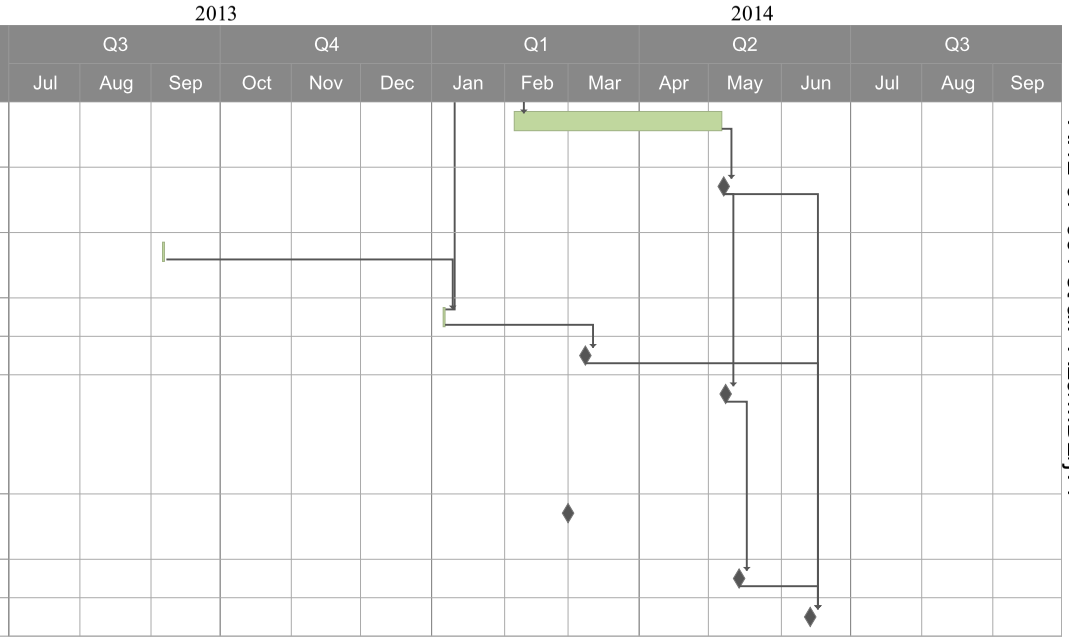
Finance Pilots Regular Track

	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	



Finance Pilots Regular Track

	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

(END OF ATTACHMENT G)