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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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

A. 12-07-001
(Filed July 2, 2012)

And Related Matters.

A. 12-07-002
A. 12-07-003
A. 12-07-004

**RESPONSE OF THE CALIFORNIA HOUSING PARTNERSHIP CORPORATION
(CHPC) TO APPLICATIONS FOR APPROVAL OF THE 2013-2014 ENERGY
EFFICIENCY PROGRAMS AND BUDGETS [FROM PACIFIC GAS AND ELECTRIC
COMPANY (U39M), SAN DIEGO GAS AND ELECTRIC COMPANY (U902M),
SOUTHERN CALIFORNIA GAS COMPANY (U904G), AND SOUTHERN
CALIFORNIA EDISON COMPANY (U338E)]**

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I. INTRODUCTION

The California Housing Partnership Corporation (CHPC) respectfully submits this response to the Applications for Approval of the 2013-2014 Energy Efficiency Programs and Budgets of Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), Southern California Gas Company (SCG), and Southern California Edison Company (SCE). Pursuant to Rule 2.6 and the July 13 Ruling by Administrative Law Judge Julie Fitch consolidating the Applications and setting a preliminary schedule, CHPC's response follows the Investor Owned Utility (IOU) applications filed on July 2, 2012.

CHPC is a statewide organization dedicated to assisting nonprofit and government housing agencies to create, acquire, green, and preserve housing affordable for lower-income households, while providing leadership on housing preservation policy and funding. CHPC is also the convener of the Green Rental home Energy Efficiency Network (GREEN), a coalition of nearly 40 organizations committed to increasing access to energy efficiency resources for low

income residents of multifamily rental properties in California and ensuring that publicly assisted properties serving the state's lowest income households receive an equitable distribution of these resources. CHPC seeks to ensure that the interests of multifamily rental properties and the very low income tenants they serve are understood and addressed in this proceeding.

CHPC appreciates the opportunity to respond to the IOUs' applications. While we recognize the broad scope of the IOUs' applications, CHPC limits its comments to matters pertaining to multifamily rental housing.

II. NEW FINANCING PROGRAMS: MULTIFAMILY RESIDENTIAL SECTOR

A. The Commission should provide the Assigned Commissioner flexibility to modify program deadlines of the new financing program for the multifamily residential sector.

In contrast to the IOUs' recommendations to delay scaling up new financing programs for the multifamily residential sector, CHPC recommends the Commission provide the Assigned Commissioner the authority to modify the target dates for designing and implementing the new financing programs should modification be necessary. PG&E proposes to pilot new financing programs during 2013-2014 and full-scale programs beginning in 2015.¹ Similar to PG&E's recommendation, SDG&E and SCG's alternative proposal calls for "a more measured plan" that would use 2013-2014 to phase in the new financing programs and, in turn, calls for reduced funding for these programs.²

CHPC appreciates the timetable concerns raised by the IOUs. However, the Commission has already heard these concerns. In response, the Commission said they could not "emphasize enough the level of priority we place on moving forward with new financing programs."³ While

¹ PG&E Application, p. 10.

² SDG&E Testimony of Ted Reguly, p. TR-41. And SCG, Testimony of SCG, pp. 47-48.

³ D.12-05-015, p. 116.

the Commission invited the IOUs to present “a realistic but aggressive timetable for design and implementation in their 2013-2014 portfolio applications,”⁴ much more detail about tasks, schedules, and deliverables (including the work of the expert consultant) must be presented to justify a delay from the timetable prescribed in the Guidance. Justification for such a delay may not materialize until after the IOUs’ applications are approved. As a result, CHPC urges the Commission to provide the Assigned Commissioner the authority to modify the target dates for designing and implementing the new financing programs rather than prematurely concede delay.

B. The Commission should require the IOUs to include funding of a loan loss reserve (LLR) to establish performance data and grow California’s experience with On Bill Repayment for the multifamily residential sector.

CHPC urges the Commission to require the IOUs to include a loan loss reserve (LLR) as a component of the new financing programs for the multifamily residential sector. While functionally LLR is intended to induce lending, its purpose should be to establish performance data and experience with an OBR mechanism for the low income multifamily rental sector. Access to LLR could be awarded on a competitive basis to qualified lenders committing to serve the lowest income households with the deepest energy retrofits where there are ongoing rent protections for tenants. When the proper legislative authority is secured, LLR would also ensure repayment in instances of individual low income tenant nonpayment to third parties, and protect low income tenants from instances when the actual energy cost savings are insufficient to cover the OBR payment.

CHPC appreciates PG&E’s support for LLR. PG&E rightly notes that LLR “has the potential to significantly leverage ratepayer funds,” and “the ratio of the loss reserve fund to the total lending amount is higher to begin with and can be lowered as experience is gained with

⁴ D.12-05-015, p. 138.

collections payment performance and loss experience, which will allow PG&E to further leverage ratepayer funds using this approach in the long term.”⁵

CHPC respectfully disagrees with SCE’s proposal to “at a minimum, strictly reduce the amount of utility loan loss reserve support provided by ratepayers to the minimum level needed to accomplish Commission goals.”⁶ SCE asserts that ratepayer funds should not be used to subsidize lending by private financial institutions and that doing so can generate riskier lending, and instead “[f]inancial institutions must calculate the risks and rewards of lending....”⁷. While this argument may be worthy of discussion during this proceeding, it fails to acknowledge that much of the “risk” in lending related to OBR may be due to the dearth of OBR experience and performance data in California. By mitigating this “risk”, LLR could help to build California’s experience with OBR. As a result, the Commission should require the IOUs to include funding of a loan loss reserve (LLR) as a credit enhancement to establish performance data and grow California’s experience with On Bill Repayment for the multifamily residential sector

C. The Commission should not allow the IOUs to substitute Line Item Billing for an On Bill Repayment mechanism.

While CHPC appreciates PG&E’s perspective of using the IOUs’ “existing Line Item Billing capabilities to test an OBR option,”⁸ as an “interim step”⁹ as other policy issues are resolved, we would caution against PG&E,¹⁰ SDG&E and SCG’s recommendation to adopt Line Item Billing “as an alternative to OBR.”¹¹ CHPC is working currently with SCG and SCE on an energy efficiency finance pilot that will use SCG’s existing line item billing mechanism to test

⁵ PG&E, Prepared Testimony, p. 3-A-2.

⁶ SCE, Testimony of SCE, pp. 8-9. [Note: There may be a pagination problem with SCE’s testimony. The pp. 8-9 referenced here are the second pp. “8” and “9”.]

⁷ *Id.*

⁸ PG&E, Prepared Testimony, p. 3-A-3.

⁹ *Id.* at p. 3-A-4.

¹⁰ PG&E, Prepared Testimony, p. 1A-12.

¹¹ SDG&E, Testimony of Ted Reguly, pp. TR-42-43. And SCG, Testimony of SCG, p. 49.

many OBR concepts. However, we do not believe that line item billing is, in the long-term, a viable scalable model for energy efficiency finance due to its shortcomings.

The shortcomings of line item billing would severely limit its attractiveness to both lenders and low income multifamily property owner/managers. As the Commission’s Guidance notes, “One of the most promising aspects of on-bill repayment is that it may allow loan repayments to be associated with particular meters (and the associated current occupants) rather than specifically-named original tenants or landlords.”¹² The distinction between attaching a new financing program to the meter (as OBR would) as compared to an individual account holder (as Line Item Billing does) will have a tremendous impact. As a practical matter, tenant turnover (and the associated transaction costs of reattaching a financing mechanism to the new tenant’s account) would preclude the of ability line item billing to aggregate energy cost savings amongst the tenant and landlord accounts in a multifamily building. In turn, line item billing would fail to address the “split incentive” conundrum inherent in the rental segment where there is a disconnect between who is responsible for energy consuming systems and who is responsible for the utility costs. As a result, the Commission should not allow the IOUs to substitute Line Item Billing for OBR.

III. INTEGRATED DELIVERY OF EXISTING AND PROPOSED ASSISTANCE PROGRAMS COMBINED WITH THE NEW FINANCE OFFERING FOR THE MULTIFAMILY RESIDENTIAL SECTOR.

A. The Commission should require the IOUs to structure the new financing offering for the multifamily residential sector as a way to leverage, rather than divest, ratepayer-funded energy efficiency incentives, rebates and assistance.

CHPC urges the Commission to see the new financing programs for the multifamily residential sector as supplementing existing services, not as supplanting them, especially for low

¹² D.12-05-015, p. 126.

income multifamily rental properties. We support SCE proposal “to offer full rebates through traditional EE programs, thereby increasing the attractiveness of third party finance in the EE market for lenders,” for those accessing non-utility (third-party) loans.¹³

CHPC has extensive experience with the financing of rent restricted low income multifamily rental housing, of which there are more than 500,000 units in California. Rental income in this housing is heavily regulated to ensure that the rents are maintained as affordable for low income households. As a result, most owners of low income multifamily rental properties lack the financial resources to invest in energy efficiency improvements to their buildings beyond basic replacement and repair unless as part of a major rehabilitation, which typically occurs only once every 20-30 years. Market-rate buildings where large numbers/percentages of the tenants are lower income face similar challenges in that they are typically already charging the maximum amount of rent allowed by the market. Thus, they cannot, as a practical matter, raise rents to make energy efficiency improvements since the market will not reward them with higher rents for what are still considered non-essential improvements.

If the Commission allows IOUs to use OBR as a way to reduce the offerings of existing energy efficiency services, this could result in reducing the number and depth of energy efficiency improvements in low income multifamily residential housing because the amount of savings generated is generally not sufficient to pay for the up front cost of the deeper retrofit measures unless paired with existing energy efficiency assistance programs. Instead, the Commission should maintain existing energy efficiency services for this sector and ensure that IOUs better integrate and coordinate those services along with an OBR mechanism to finance the

¹³ SCE, Testimony of SCE, p. 10.

“gap” between the costs of energy efficiency retrofits and the currently inadequate subsidies available through existing energy efficiency programs.

B. The Commission should require the IOUs to offer a whole-building, performance-based approach that coordinates/integrates existing and proposed assistance programs with OBR for the multifamily residential sector.

CHPC welcomes the IOUs to detail their proposals to coordinate and integrate the new multifamily finance programs with existing services such as the Energy Savings Assistance (ESA) Program, the Multifamily Energy Efficiency Rebate (MFEER) program, and the proposed multifamily Whole Home Upgrade Program (WHUP). We would also encourage the Commission, IOUs and other parties to consider how ratepayer programs can be leveraged/coordinated with federally and locally funded energy efficiency assistance programs such as the U.S. Department Of Energy’s Weatherization Assistance Program (WAP) and the Low Income Home Energy Assistance Program (LIHEAP) administered by the California Department of Community Services and Development (CSD).

Integration is critical since there are too many disparate programs addressing portions of the needs in multifamily rental housing: the ESA program serves low income households; the Middle Income Direct Install (MIDI) program serves those just above the low income threshold; the MFEER program offers rebates on specific measures for multifamily buildings; there are also general residential energy efficiency rebates and incentives; and WHUP will soon offer its own incentives for the multifamily residential sector. This array of programs might suggest that multifamily rental housing is well served. Yet, none directly and comprehensively serve the multifamily residential sector. In addition, the lack of integration among programs and the sheer number of programs serve as a barrier to accessing services. As noted by the MF HERCC Report, the multifamily residential sector is betwixt and between:

[E]nergy efficiency programs often do not fully recognize the unique characteristics—and potential for energy savings—of the multifamily industry's subsectors. In some cases, multifamily buildings are treated generically as housing and lumped together with single-family residential programs, standards and policies. In other cases, multifamily buildings are treated as if they were commercial buildings—in other words, large structures with complex ownership, financing, development and management.¹⁴

Even large, highly professional multifamily rental property owners struggle to access these services. Dan Levine of the Jon Stewart Company testified in the ESAP proceeding that despite being a manager of over 350 multifamily rental properties, encompassing more than 20,000 residential units, home to approximately 65,000 California residents, John Stewart Company “struggle[s] to sort through and access the myriad IOU programs available to multifamily rental properties, comply with the program requirements and complete and file application and rebate forms. This challenge is compounded when we try to access more than one program at time or access the programs in a serial manner.”¹⁵ In light of the above, CHPC will seek to ensure that the integration and coordination of incentive/rebate programs serving the multifamily residential sector and the new financing programs are included as part of the scope of this proceeding.

In addition, CHPC welcomes the IOUs’ recommendation to consider what measures (including those that may not be directly related to energy efficiency) should be eligible for new financing programs. However, some of the IOUs recommend limiting the use of such programs to those measures in the IOUs’ portfolios. While this may be a bright line by which to determine the range of measures within the program, it has the potential to preclude energy savings measures not part of the IOUs’ portfolios and ignores the often gray areas between EE and non-EE measures and activities. CHPC understands PG&E’s belief that “it is critically important to

¹⁴ MF HERCC Report, p. 11.

¹⁵ Testimony on behalf of National Consumer Law Center, National Housing Law Project and California Housing Partnership Corporation [in A1-05-017 et al.], p. DL-4.

understand how to count the benefits from measures outside its portfolio and understand what standard for energy efficiency savings would be applied to measures that are outside its portfolio that are eligible for financing.”¹⁶ Rather than prejudge this issue, we urge the Commission to return to California’s Energy Efficiency Strategic Plan goal that calls for “a whole house approach to energy consumption,”¹⁷ and allow whole building audits rather than the IOUs program portfolios determine what measures will generate the best energy reductions.

As part of this effort to integrate incentive and rebate programs with new financing programs for the multifamily housing sector, CHPC implicitly urges the Commission to ensure that the IOUs offer a whole-building, performance-based approach to energy efficiency retrofits of multifamily rental housing. While a whole-building approach should be only one of a menu of options, it remains a missing piece in California’s array of energy efficiency offerings.

IV. CONCLUSION

CHPC appreciates the opportunity to offer a response to the Utility Applications and looks forward to participating in this proceeding and working with other parties.

Respectfully Submitted,

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¹⁶ PG&E, Prepared Testimony, p. 3-28.

¹⁷ California Energy Efficiency Strategic Plan, January 2011, pp. 18-21.