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

**ENERGY DIVISION** **RESOLUTION E-4473**
**March 8, 2012**

# R E S O L U T I O N

Resolution E-4473 Southern California Edison

PROPOSED OUTCOME: This Resolution approves funding shifting to augment SCE's On-Bill Financing energy efficiency program to enable SCE to serve non-residential customer demand for loans through the remainder of 2012. The funds come from two sources: pre-2010 unspent, uncommitted funds, and unspent, uncommitted funds from SCE's local government and institutional partnership program. This Resolution approves modifications to the program that affects local governments.

ESTIMATED COST: $16 million transferred from previously-authorized SCE pre-2010 unspent, uncommitted efficiency funds and up to $15 million from 2010-12 unspent, uncommitted efficiency funds from SCE's local government and institutional partnership program.

By Advice Letter 2628-E Filed on September 12, 2011

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## SUMMARY

This Resolution addresses Southern California Edison (SCE) Advice Letter 2628-E which requests increased funding to expand its On Bill Financing (OBF) program in the face of high demand that used all originally-authorized funds in less six months. This Advice Letter is classified as a Tier 3 Advice Letter and was filed on September 12, 2011. This resolution approves two sources of funds to shift to the OBF program: $16 million from pre-2010 unspent, uncommitted funds, and up to $15 million from unspent, uncommitted funds from SCE's local government and institutional partnership program to be used by SCE's local government partners at the discretion of each local government partner. Local government partners will have the option of using their partnership funds that

would otherwise go unspent on OBF. This resolution also approves some minor modifications to the OBF program.

## BACKGROUND

Financial Solutions, SCE's On Bill Financing energy efficiency program, was approved by the Commission (with some modifications) in Decision D.09-09-047, issued September 24, 2009, as part of SCE's 2010-2012 energy efficiency portfolio.

On Bill Financing (OBF) offers non-residential customers a way to arrange to pay for energy efficiency upgrades without incurring any up-front costs. Under this program the utility provides customers with unsecured loans that can cover 100% of the energy efficiency equipment and installation costs (net of rebates and other incentives). Customers then re-pay the loans through charges that are added on to their regular utility bills. Loan capital is raised through SCE's energy efficiency portfolio, with loan proceeds paid back into an energy efficiency balancing account. Any defaults reduce the size of the balancing account.

D.09-09-047 set the parameters for utilities' 2010-2012 OBF programs. Terms include:

- Interest rate: 0 percent.
- Commercial and industrial loan minimum and maximum (per meter): $5,000 - $100,000.
- Commercial and industrial loan term: typically 5 years, but may be extended to expected useful life of installed energy efficiency measures.
- Institutional loan minimum and maximum: $5,000 - $1,000,000.
- Institutional loan term: up to 10 years or expected useful life, whichever is less.
- Loans are non-transferrable.
- Partial or non-payment of a loan may result in shut-off of utility service.

D.09-09-047 laid the expectation that utilities could seek increased funding for OBF loan pools, should the loan pools prove insufficient in the face of potential customer demand, under fund-shifting or budget augmentation rules.

D.09-09-047 also removed the value of any revolving loan funds from the cost side of utilities' portfolio cost-effectiveness calculations, but specified that loan defaults should be included in the utilities' portfolio cost-effectiveness calculations.

On March 25, 2010, SCE filed Advice Letter 2456-E, requesting approval of its 2010-2012 OBF program design, including a $16 million loan pool. This filing included tariff sheets, the OBF loan agreement and other relevant information. Pursuant to the Energy Division's request, SCE filed supplemental Advice Letter 2456-E-A on June 29, 2010, which addressed program coordination with Southern California Gas Company, modifications to program eligibility and other minor modifications. The program was approved, effective July 8, 2010 and was launched August 2010. Due to high customer demand, the funding pool was fully committed by December 2010. As a result, SCE created a wait list in January 2011 and stopped taking new OBF applications for the waiting list in April 2011.

On July 14, 2011, the Commission issued D.11-07-030 which adopted mid-cycle changes to SCE's *ex ante* energy savings assumptions for key energy efficiency measures and a new process for customized energy efficiency projects for the 2010-2012 program cycle. These changes significantly reduced the total energy savings and demand reduction that SCE can expect to claim from many of its programs and reduced overall portfolio cost-effectiveness. D. 11-07-030 directed the IOUs to rebalance their portfolios to achieve savings goals and cost-effectiveness targets within 60 days.

Given both the fully committed OBF funding pool and the need to rebalance the overall energy efficiency portfolio, SCE examined its portfolio to determine the most effective way to utilize portfolio funds.

On September 12, 2011, SCE filed Advice Letter 2628-E which proposed to shift unspent, uncommitted funds from SCE's local government and institutional partnership programs to SCE's Financial Solutions Program (SCE's OBF program), but limited loans to government partner borrowers, therefore excluding all commercial, industrial and non-partner governmental/institutional customers, amounting to as much as 90 percent of their non-residential customers.

Advice Letter 2628-E additionally proposed that the funds be shifted on a partner-by partner basis at a time each partner agrees to utilize its program funds to finance a loan and would be used specifically to fund local government and institutional partnership loans. SCE proposed to give partners six months to utilize any unspent, uncommitted funds within their budgets, after which time, any remaining funds would be used for other governmental partners that are ready to commit to an OBF loan project.

Advice Letter 2628-E specified that SCE would not seek additional funding to support OBF loans for commercial, industrial and non-partner governmental and institutional customers, other than those on the current wait list, because:

- SCE currently offers the statewide Commercial, Industrial, and Agriculture energy efficiency (rebate) programs for both customized and deemed measures.
- Small commercial customers (under 100kW) are eligible for the Commercial Direct Install sub-program (that installs common efficiency measures at no cost to qualifying customers) of the Commercial Energy Efficiency Program.
- Review of OBF participation for the 2010-2012 program cycle indicates that non-partner customers in the 100-200kW category "comprise a very small portion of OBF funding to date, and thus there is not substantial demand from this segment".
- Customers over 200 kW "most likely have resources to obtain financing through traditional approaches", as needed.

As of the Advice Letter filing date, SCE forecasted there would be approximately $15 million of unspent, uncommitted funds in their local government and institutional partnerships.

**Summary of who received the OBF loans:** A data request response received by Energy Division on December 12, 2011 indicates that through November 30, 2011, SCE made approximately $3.4 million in loans to 88 distinct borrowers. Forty-seven of the 88 borrowers were small commercial customers (<200 kW). Eight percent of all customers who received loans, in terms of number of borrowers, were governmental and institutional customers. By loan value, governmental and institutional customers received 26% of the loans that were lent.

**Summary of who received the OBF loans PLUS who reserved loans and who was on the wait list:** Based on data request responses received by Energy Division on December 2 and December 12, 2011, the aggregate of loans made, plus reservations and wait list indicates the following in Table 1. (It should be noted that organizations with loan reservations or organizations on the wait list can decide to not take the loans or may or may not meet loan qualification criteria.)

| Table 1<br>**Types of SCE OBF Borrowers and Applicants**<br>**Aggregate: Loans made + Reservations + Wait List**<br>Data through November 30, 2011 | | |
|---|---|---|
| | Loan total (in $ Millions) | Percent of Loan Value |
| Governmental and Institutional | $11.6 | 63% |
| Large Commercial/Industrial | $3.6 | 19% |
| Small Commercial / Industrial | $3.3 | 18% |
| | | |
| TOTAL | $18.5 | 100% |

Based on a data request response received by Energy Division on December 22, 2011, the governmental and institutional customers on SCE's OBF wait list fall into the following categories:

| Table 2<br>**Types of Governmental and Institutional Customers on SCE's OBF Wait List**<br>Data through November 30, 2011 | | | |
|---|---|---|---|
| | Number of Projects | Loan Amount | Percentage of Loan Value |
| Local Government Partner | 5 | $233,151 | 29% |
| Local Government Non-Partner | 1 | $107,431 | 13% |
| Institutional Non-Partner | 24 | $458,471 | 57% |
| | | | |
| TOTAL | 30 | $799,053 | 100% |

## NOTICE

Notice of AL 2628-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

## PROTESTS

SCE AL 2828-E was timely protested by TURN and the Local Government Sustainable Energy Coalition (LGSEC) on October 3, 2011. Lighting Technology Services (LTS) submitted a late protest on October 4, 2011. SCE responded to the protests of TURN, LGSEC, and LTS on October 11, 2011.

**TURN's protest included four questions:**

- What analyses did SCE perform before deciding not to seek any additional funding for other customer segments?
- What time period is reflected in SCE's energy efficiency portfolio forecast of $15 million of unspent, uncommitted funds for SCE's local government and institutional partnerships?
- What level of concrete participation and/or interest in on-bill financing is expected from local government and institutional partnerships, based on actual discussions with local government and institutional partnerships?
- What types of projects and activities are being considered for the on-bill financing program?

TURN also submitted the questions listed above to SCE in a data request.

In response to TURN's protest and data request, SCE:

- Did not outline arguments or explanations beyond what they originally stated in the Advice Letter regarding why SCE chose to request additional funding for only governmental/institutional partner customers, and not for non-partner governmental/institutional, commercial and industrial customers. .
- Explained that the time period for the forecast of $15 million is the 2010-2012 portfolio cycle.
- Listed more than 20 local government partners with which SCE has discussed OBF.
- Explained that local governments plan to finance pump, streetlight, HVAC, variable frequency drive, and municipal facility lighting and control upgrades.

**LGSEC's protest proposed that the CPUC should approve Advice Letter 2628-E with three modifications:**

1) Local governments should be allowed to aggregate demand from multiple accounts toward the OBF program in order to meet the 10-year simple payback per meter rule in OBF program qualifications.

    Rationale: Some government entities operate as a "campus" and bill usage through a single meter. If SCE wants local governments to use energy efficiency funds that might otherwise go unspent, SCE should provide flexibility here. Additionally, there is precedent for netting energy use: local governments install renewable energy systems and then designate accounts throughout its jurisdiction whose usage will be credited against the renewable energy project.

2) The advice letter suggests that six months is sufficient time for a local government to determine whether it will take advantage of an OBF opportunity after funds are redirected; LGSEC believes that eight months is more realistic.

    Rationale: 1) SCE does not indicate which local government programs are in danger of not fully using their energy efficiency partnership funds. 2) Local governments have experienced three month delays by SCE in resolving OBF-related questions, and SCE might benefit from more than six months to reach agreement on OBF opportunities. 3) If a local government partnership is modified to remove funds from certain areas and apply them to OBF, a contract amendment will be necessary. Contract amendments can require approval by the City Council or Board of Supervisors, a process that is required by statute to accommodate public notice. Six months may not be sufficient for this activity to occur.

3) Require SCE to work closely with potentially eligible local governments before any clock starts ticking.

In response to LGSEC's protest, SCE raised three points:

- SCE's tariffs, accounting, and billing systems for the OBF program are implemented at the service account level. While it is possible to modify this, the cost, scope of work and resources required to do so would be extensive and require significant time[1].

- SCE is amenable to extending the amount of time (from six months to eight months) for customers to determine whether they wish to use their unspent, uncommitted funds for an OBF project.
- SCE agrees that close collaboration with partners is needed to determine whether or not the partner will pursue an OBF project. SCE posits that this time requirement should begin as of the date of the approval of Advice Letter 2628-E.

**LTS's protested SCE's request to limit additional funding for *only* local government and institutional partners, and not all eligible customers.** LTS is a vendor that has used the SCE OBF program with 47 customer projects. In summary, LTS argues:

- Private sector SCE customers, particularly customers over 200 kW, represent a substantial opportunity for energy reduction in the marketplace.
- Private sector SCE customers have equal need for resources to obtain capital and financing to fund energy conservation projects in these difficult economic times, which was one of the main purposes of the OBF program.
- Private sector customers make and implement decisions more expediently than public sector customers.
- The demand and need for additional funding for private sector SCE customers is already established by existence of a substantial "wait list" of private sector projects.

SCE's response to LTS's protest:

- The protest response did not outline arguments or explanations beyond what they originally stated in the Advice Letter regarding why SCE chose to request additional funding for only governmental/institutional customers, and not for commercial and industrial customers.

[1] SCE subsequently revised its position in a data response to Energy Division. See the Discussion section for further detail.

## DISCUSSION

The three protests can be summarized into three core issues:

1) **Should SCE have sufficient funds to offer OBF to all non-residential customers (including commercial, industrial, and partner and non-partner governmental and institutional customers) through the end of the program cycle, or be limited to its suggested funding level that supports OBF for only governmental and institutional partner customers through the end of the program cycle?**

2) **Should SCE allow local government customers to aggregate multiple projects into bundles to qualify for an OBF project?**

3) **Should SCE allow local government customers to take eight months, instead of six months, to determine whether they wish to use their unspent, uncommitted funds for an OBF project?**

### 1) Should SCE have sufficient funds to offer OBF to all non-residential customers (including commercial, industrial, and partner and non-partner governmental and institutional customers) through the end of the program cycle, or be limited to its suggested funding level that supports OBF for only governmental and institutional partner customers through the end of the program cycle?

In AL 2628-E SCE specifies that it will not seek additional funding for other customer segments, other than those on the current wait list, because customers can access statewide energy efficiency programs for customized and deemed measures, small commercial customers are eligible for the Direct Install program, non-partner customers in the 100-200kW category comprise a very small portion of OBF funding to date, and customers over 200kW have resources to obtain financing through traditional approaches.

TURN's protest questions SCE's rationale for deciding not to seek additional funding for other customer segments and LTS asserts that private sector customers have equal need for resources to obtain capital and financing to fund energy conservation projects. Additionally, LTS asserts that the demand and need for additional funding for private sector SCE customers is established by the existence of a substantial wait list of private sector companies.

We agree with LTS that SCE's request for additional funding for OBF is insufficient because it does not seek additional funding for commercial, industrial and governmental/institutional non-partners.

- In effect, SCE offered OBF to all non-residential customers who submitted applications from August 2010-April 2011, a nine month period in the three year 2010-2012 program cycle. The intent of D.09-09-047 was to make available financing for the entire 2010-2012 program cycle.
- Only 8% of the borrowers who received OBF loans were governmental and institutional customers. The other 92% were private sector SCE customers.[2]
- Programs for customized measures, deemed measures and direct install for small commercial customers, etc. were available at the time that the private sector SCE customers applied for, and received OBF loans. Therefore we conclude that these programs, which SCE cited as part of their rationale to not offer OBF to private sector customers, were not always sufficient to meet these customers' needs and that OBF was necessary.
- SCE's assertion that non-partner customers in the 100-200kW category comprise a very small portion of OBF funding to date tells only part of the story. Based on the number of applicants, these customers comprise a substantial portion: of the 88 distinct entities who received OBF loans, 47 were small customers, defined as using less than 200kW.
- Within the governmental and institutional category, local government partners have shown little interest in OBF so far: of the 30 governmental and institutional customers on SCE's OBF wait list, only 5 were local government partners.

We conclude that SCE should move additional funding to OBF to ensure that sufficient funding is available to make loans available to all types of non-residential customers. However, none of the protestants provided a suggested amount by which to supplement the OBF loan funds. Energy Division

[2] This analysis included executed loans only. Staff recognizes that these percentages could change if the analysis included reserved loans and loans on the wait list, given the long decision process for governmental and institutional customers.

recommends an amount of $16 million. This $16 million is based on: 1) the fact that between August 2010 and April 2011, customers applied for $18.5 million in OBF loans and a similar timeframe exists now to award OBF loans to interested customers (the 2012 funding period will come to a close at the end of the year), and 2) SCE's assertion that some small commercial customers that originally showed interest in OBF can have their needs covered by the Commercial Direct Install sub-program and thus will not need to take loans.

This $16 million should be earmarked for commercial, industrial and non-partner governmental and institutional customers. The governmental and institutional partner customers should utilize the unspent, uncommitted funds from SCE's local government and institutional partnership programs as laid out in AL 2628-E, with the modifications explained later in this resolution.

Energy Division requested SCE to recommend non-resource programs whose budgets it can reduce so that $16 million can be shifted to the OBF program. In a data response to Energy Division on December 22, 2011, SCE informed Energy Division that $14 million could be used from the Statewide Marketing, Education and Outreach program that is currently suspended per an October 13, 2011 Assigned Commissioner Ruling (ACR). SCE also informed Energy Division that $2 million could come from existing OBF funds. Upon further Energy Division direction to find other funding alternatives, SCE informed Energy Division that it has $16 million in pre-2010 unspent, uncommitted funds that could also be used to support its OBF program[3]. SCE reiterated that it does not support the use of any ratepayer funds to support OBF for customers outside of SCE's local government and institutional partners.

We conclude that the use of SCE's pre-2010 unspent, uncommitted funds for the OBF program is the best option at this time. SCE's portion of the joint utility budget for the Statewide Marketing, Education and Outreach program is undergoing Commission review; we will be making a determination on the future use of those funds in a separate process as outlined in the October 13, 2011 ACR. We therefore decline to use those funds at this time to support OBF. Directing SCE to find other alternatives, such as reducing existing programs in its portfolio, could be disruptive and will consume more time when there is a

[3] Provided via data request to Energy Division on January 9, 2012.

waiting list for loans that now is over eight months old. It is our desire to fund SCE's OBF program as expeditiously as possible given customer interest in this program and to do so while avoiding disruption to the existing portfolio.

Using SCE's pre-2010 unspent, uncommitted funds to support OBF enables us to achieve our objectives. The use of unspent, uncommitted funds to support existing energy efficiency programs is not novel. Per Commission decision D.11-10-014, we authorized the use of unspent energy efficiency funds from previous budget years to support existing energy efficiency programs that were in jeopardy due to the State's transfer of the utilities' gas public purpose program funds to the State General Fund in 2011. Our action here for OBF is similar to that decision.

The authorization of pre-2010 unspent, uncommitted funds to support the current OBF program is effectively a "mid-cycle augmentation". D. 07-10-032 authorizes mid-cycle augmentations of the IOUs' energy efficiency portfolio, although such actions are limited to extraordinary circumstances. The decision does not define 'extraordinary circumstances'. The same decision also requires that costs and energy savings from mid-cycle funding additions for programs other than low income energy efficiency (LIEE) programs shall be counted when calculating portfolio cost-effectiveness and the performance earnings basis in applying the energy efficiency risk/return incentive mechanism.

We find that the circumstances concerning SCE's OBF program are extraordinary. As noted earlier, SCE's OBF program received funding that was anticipated to last for 3 years, yet the program's $16 million loan pool was fully committed after only 5 months of being available to customers. SCE's current wait list (created after the program was fully committed) reflects continued interest in the program. Furthermore, SCE's wait list has been closed since April 2011, so there could be even more demand for this program. D.09-09-047 determined that the OBF program would not have an impact on the IOUs' cost-effectiveness calculations other than the costs to absorb any loan repayment defaults. Because the IOUs' default rate for the OBF programs is currently less than 1%, we anticipate any negative impact on portfolio cost-effectiveness to be negligible, and hence it is reasonable to not require any cost-effectiveness calculations prior to approving the mid-cycle augmentation. SCE should include the default rate for this program when it calculates its earnings in any potential future shareholder incentives.

**2) Should SCE allow local government customers to aggregate multiple projects into bundles to qualify for an OBF project?**

LGSEC supported Advice Letter 2628-E, with some modifications. Specifically, LGSEC proposed that local governments should be allowed to aggregate demand from multiple accounts toward the OBF program in order to meet the 10-year simple payback per meter rule in OBF program qualifications. LGSEC explained that some government entities operate as a "campus" and bill usage through a single meter. LGSEC argues that if SCE wants local governments to use energy efficiency funds that might otherwise go unspent, SCE should provide flexibility here. Additionally, there is precedent for netting energy use: local governments install renewable energy systems and then designate accounts throughout its jurisdiction whose usage will be credited against the renewable energy project.

SCE initially responded by indicating that its tariffs, accounting, and billing systems for the OBF program are implemented at the service account level. While it is possible to modify this, the cost, scope of work and resources required to do so would be extensive and require significant time.

In a data request response dated January 6, 2012, SCE revised its position stating: "After further analysis, SCE's OBF team has determined we can leverage the existing infrastructure and modify existing program processes to accommodate the aggregation of multiple projects into bundles without substantial cost. However, SCE has revisited the issue of bundling service accounts (which was considered earlier in the program cycle), and has identified the following existing barriers that would need to be addressed:"

1. "…D.09-09-047… indicates that institutional loan caps are "per meter."… SCE has previously interpreted this direction to prevent bundling more than one service account per customer, as loans are directed to be made at the service account level for this customer segment. SCE requests that the final Resolution on Advice 2628-E clarify that D.09-09-047 was not meant to restrict this action and explicitly state that bundling of multiple service accounts into one customer loan is acceptable for institutional customers, as well as for all other customer segments."
2. "Assuming the clarification above is provided by Resolution, SCE would need to refile the existing OBF tariff to reflect the modification. SCE estimates the modified tariff and attached loan agreements could be filed

within approximately two weeks after receiving the requested clarification in item 1 above."

We conclude that enabling governmental and institutional customers to aggregate multiple projects into bundles to qualify for OBF makes sense. In D. 09-09-047 the Commission directed a set of adjustments to IOUs' OBF loan terms to ensure greater uniformity across the four utilities. Directing SCE to modify its OBF tariff in this way seems consistent with this sentiment in D.09-09-047, as it is our understanding that PG&E and Sempra already allow governmental and institutional customers to bundle projects to qualify for OBF.

Given the dwindling time available in the 2010-2012 program cycle for loans to be made, we direct SCE to file the necessary tariff modifications via a Tier 2 advice letter within seven days of this resolution.

3) **Should SCE allow local government customers to take eight months, instead of six months, to determine whether they wish to use their unspent, uncommitted funds for an OBF project?**

AL 2628-E suggests that six months is sufficient time for a local government to determine whether it will take advantage of an OBF opportunity after funds are redirected. LGSEC argues that eight months is more realistic.

In its response, SCE agrees that close collaboration with partners is needed to determine whether or not the partner will pursue an OBF project. SCE posits that this time requirement should begin as of the date of the approval of AL 2628-E.

We generally agree with LGSEC that the timeframe for local governments to determine whether to use their unspent, uncommitted funds for an OBF project should be eight months. Given that this resolution is likely to be finalized in March 2012 and that loans will be available through December 31, 2012, we conclude that SCE should give local governments until the end of the 2010-2012 program cycle to make their determination.

## COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

Comments were due by February 27, 2012. Reply comments were due by March 5, 2012.

We received comments on this resolution from Southern California Edison and the Local Government Sustainable Energy Coalition. The comments and our responses are summarized below.

1) Both SCE and LGSEC agree with the draft resolution's approval of SCE's request to use unspent, uncommitted partnership funds for OBF loans.

2) SCE does not support transferring $16 million to support additional OBF loans for commercial, industrial and government/institutional non-partners.

   SCE's arguments center on the Commission's January 10, 2012 ALJ ruling on energy efficiency financing for the 2013-2014 transition period and the ongoing discussions around proposals regarding energy efficiency financing. In short, SCE does not believe continued expansion of the utilities' OBF programs leveraging ratepayer funding is the right direction.

   We disagree with SCE. The intent of D.09-09-047 was to make available financing for the entire 2010-2012 program cycle, yet SCE's OBF program committed its loan budget in less than nine months. This indicates an incredible customer demand for loans of this type. Additionally, SCE's proposed solution to extend additional loans to government partner borrowers, as outlined in Advice Letter 2628-E, would help only a small portion of the eligible population that have demonstrated interest in OBF.

Only 8% of the borrowers who received OBF loans were governmental and institutional customers. The other 92% were private sector SCE customers.[4] Finally, programs for customized measures, deemed measures and direct install for small commercial customers, etc. were available at the time that the private sector SCE customers applied for, and received OBF loans. Therefore we conclude that these programs, which SCE cited as part of their rationale to not offer OBF to private sector customers, were not always sufficient to meet these customers' needs and that OBF was necessary.

3) If the commission directs SCE to transfer $16 million to support additional OBF loans for commercial, industrial and government/institutional non-partners, SCE concurs that pre-2010 unspent, uncommitted funds is the most appropriate source of funding, so as to avoid disruption of other current programs.

4) LGSEC and SCE requested minor wording changes to clarify the resolution's intent.

   These wording changes were incorporated into the final draft of the resolution.

## FINDINGS AND CONCLUSIONS

1. There is a continuing demand for OBF loans from non-governmental partners.
2. SCE's request for additional funding for OBF, as described in Advice Letter 2628-E, is insufficient because it does not seek additional funding to support loans for commercial, industrial and governmental and institutional non-partners.
3. In addition to the fund shifting proposed by SCE in Advice Letter 2628-E, SCE should move $16 million in funding to OBF to ensure that sufficient funding is available to make loans to all non-residential customers. The $16

[4] This analysis included executed loans only. Staff recognizes that these percentages could change if the analysis included reserved loans and loans on the wait list, given the long decision process for governmental and institutional customers.

million should be available to commercial, industrial and non-partner governmental and institutional customers.

4. SCE's pre-2010 unspent, uncommitted funds for the OBF program is the best source of the additional $16 million at this time.
5. The circumstances concerning SCE's OBF program funding are extraordinary.
6. Because the IOUs' default rate for the OBF programs is currently less than 1%, with the remainder of loan repayments flowing back to the OBF balancing account, we anticipate any negative impact on portfolio cost-effectiveness to be negligible, and hence it is reasonable to not require any cost-effectiveness calculations prior to approving the mid-cycle augmentation.
7. SCE's governmental and institutional partner customers should have the option to utilize the unspent, uncommitted funds from SCE's local government and institutional partnership programs for OBF loans.
8. Enabling governmental and institutional customers to bundle multiple service accounts into one customer OBF loan is desirable. SCE should file the necessary tariff modifications to enable governmental and institutional customers to bundle multiple service accounts into one customer OBF loan.
9. SCE should give local government partners until the end of the 2010-2012 program cycle to make their determination whether to use their unspent, uncommitted funds for an OBF project.

**THEREFORE IT IS ORDERED THAT:**

1. SCE is authorized to shift unspent, uncommitted funds from SCE's local government and institutional partnership programs to its OBF program to fund loans for its local government partners.

2. SCE shall transfer $16 million in pre-2010 unspent, uncommitted energy efficiency funds to support additional OBF loans for commercial, industrial and government/institutional non-partners.

3. SCE shall file a Tier 2 advice letter within 7 days of the effective date of the resolution for the necessary tariff changes to enable governmental/institutional customers to bundle multiple service accounts into one customer OBF loan and to allow all other eligible OBF customers to

bundle multiple service accounts if they are at the same premise into one customer OBF loan.

4. SCE shall allow its local government partners until the end of the 2010-12 cycle to make their determinations whether to use their unspent, uncommitted funds for an OBF project.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 8, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHAEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners