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

Order Instituting Rulemaking to Investigate and
Design Clean Energy Financing Options for
Electricity and Natural Gas Customers.

Rulemaking 20-08-022

(filed August 27, 2020)

**COMMENTS OF SMALL BUSINESS UTILITY ADVOCATES
TO COMMISSION ORDER INSTITUTING
RULEMAKING REGARDING CLEAN ENERGY FINANCING**

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September 25, 2020



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I. INTRODUCTION

Pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Small Business Utility Advocates (“SBUA”) submits the following Comments to the *Order Instituting* (“OIR”). The Commission issued the OIR to “examine options to assist electricity and natural gas customers with investments in residential and commercial buildings and at industrial and agricultural sites designed to decrease energy use, reduce greenhouse gas (GHG) emissions, and/or produce clean energy to support customers’ on-site needs.”¹

II. SBUA’s BACKGROUND

SBUA’s mission is to represent the utility concerns of the small business community. Promoting an electricity rate structure that facilitates the success of small commercial customers

¹ *Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers*, filed August 27, 2020, p. 1.

with cost effective utilities supplying clean and renewable energy is central to this mission.² There are approximately 3,941,201 small businesses in the state. They comprise 99.8% of all employer firms, provide 48.8% of private sector employment, account for over 280,000 net new jobs, and comprise approximately 43.2% of California’s \$152.1 billion in exports.³ Small businesses are not only vital to California’s economic health and welfare but also constitute an important class of ratepayers for utility companies. The needs of small businesses are critical to consider in promoting and maintaining equitable and fair customer rates, utility programs, and cost allocations to facilitate the success of the electrification of the transportation industry.

III. SBUA’S INTERESTS IN THIS RULEMAKING

A. Purpose and Scope of Proceeding

The OIR states that the “purpose of this proceeding is to provide a venue for investigating and designing mechanisms that can help customers finance all of the energy investments they might wish to make *on their properties...*”⁴ And further, that the scope covers “investing in energy equipment *behind the meter.*”⁵ The proposed focus on financing mechanisms for energy investments in behind the meter energy equipment on customer properties is appropriate, but should be expanded in two ways.

First, many tenants pay their own electric bills. The OIR does not specify whether “their properties” is limited to ownership or includes all forms of tenancy. The scope of the proceeding

² See, SBUA website at www.utilityadvocates.org.

³ California Small Business Profile, U.S. Small Business Administration Office of Advocacy. See www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-CA.pdf.

⁴ OIR, p. 30. (*Emphasis added*)

⁵ OIR, p. 31. (*Emphasis added*)

should be clarified to include paths to obtaining financing regardless of whether a customer owns or leases the property it occupies.

Second, with respect to transportation electrification, the Commission should expand the OIR beyond EVSE. Electric vehicles or nonroad engines currently involve higher up-front costs than fossil-fuel vehicles, even while those vehicles often have a lower total cost of ownership. For commercial customers, additional debt necessary for adopting EVs or nonroad engines may be a significant issue from tax or borrowing authority perspectives. The scope of the proceeding should be expanded to identify whether incremental⁶ financing may be needed for EVs and nonroad engines, and whether such financing needs may be addressed by the mechanisms under consideration (i.e., PACE, OBF, OBR, TOB or IRB mechanisms).

Small businesses may be particularly challenged to access financing for energy equipment. One study found that only “4% of California small businesses used external financing to upgrade energy equipment.”⁷ Generally small businesses are resistant to taking on debt.⁸ Even if they are willing to assume the risk and hassle of applying for financing, without business expertise in costing out energy projects, they may find it difficult to convince a loan officer to finance their project.

Therefore, in addition to expanding the scope of the proceeding, SBUA recommends that the potential activities should be expanded to examine whether to immediately launch pilot financing mechanism programs to test potential solutions. In the case of small businesses, much of the experience with offering financing for energy equipment has been unsuccessful.

⁶ SBUA is not suggesting that comprehensive financing of EVs should be a direct focus of this proceeding.

⁷ Opinion Dynamics and Dunsky Energy Consulting, *California Energy Efficiency Financing Small Business Market Baseline Study Report*, prepared for CPUC Energy Division, CALMAC Study ID: CPU0183 (December 11, 2017), p. 2.

⁸ *Id.*, p. 5.

For example, the California Pollution Control Financing Authority’s Electric Vehicle Charging Station Financing Program is the only state program specifically targeted to assist small businesses with installation of charging infrastructure. However, according to the California Energy Commission, “potential borrowers have shown limited interest in this demonstration-scale financing program.”⁹

To identify more successful financing program designs for small businesses (and any other underserved market segments), it may be necessary to immediately launch pilot financing mechanism programs to test potential solutions, even before long-term policy and program directions can be defined. Such pilot programs should include substantial evaluation and measurement studies.

B. Schedule of Proceeding

In SBUA’s Opening Comments on Section 9 of the Transportation Electrification Framework (“TEF”) in R.18-12-006, SBUA recommended that alternative financing should not be addressed in the TEF, since this proceeding can examine financing of transportation electrification along with other similar financing efforts, based on a common body of evidence. Other than the comments above, SBUA did not identify any substantive changes to the OIR that would be required to accommodate such a referral.

However, if the Commission does refer alternative financing issues from the TEF to this proceeding, the schedule should be adjusted to ensure that relevant decisions are made in a timely manner so that they may inform the development of Transportation Electrification Plans (TEPs). For example, a Proposed Decision addressing TEF-related financing issues could be targeted for Summer 2021.

⁹ California Energy Commission, *2019-2020 Investment Plan Update for the Clean Transportation Program*, CEC-600-2018-005-LCF-REV (July 2019), p. 52.

IV. CATEGORY, AND SCHEDULE

SBUA agrees with the categorization of the proceeding as outlined in the OIR.

V. NOTICES

Services of notices, orders, and other communications and correspondence should be directed to the following:

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VI. CONCLUSION

SBUA looks forward to participating in this rulemaking on clean energy financing options.

Respectfully Submitted,

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