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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 EAST BAY COMMUNITY ENERGY AND PENINSULA CLEAN ENERGY AUTHORITY ON ORDER INSTITUTING RULEMAKING

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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I. INTRODUCTION

Pursuant to Ordering Paragraph 7 of the Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers (the "OIR"), issued August 27, 2020, and Rule 6.2 of the California Public Utilities Commission's ("CPUC") Rules of Practice and Procedure, East Bay Community Energy ("EBCE")[1] and Peninsula Clean Energy Authority ("PCE")[2] (collectively, the "Joint CCAs") respectfully submit these Opening Comments on the Rulemaking's preliminary scoping memo.[3] The Joint CCAs welcome the opportunity to participate in this Rulemaking and we agree with the Commission that

[1] EBCE is a Joint Powers Authority formed on December 1, 2016 pursuant to California Government Code §§ 6500 et. seq. by the County of Alameda and each of the following cities incorporated therein: Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Oakland, Piedmont, San Leandro, and Union City. The Commission certified EBCE's Implementation Plan on November 8, 2017. EBCE started serving Alameda County businesses and municipalities in June 2018, and began serving residential customers in November 2018. On March 9, 2020, the Commission certified Addendum #1 to EBCE's Implementation Plan, adding the cities of Newark and Pleasanton, as well as the city of Tracy in San Joaquin County, to EBCE's service territory beginning in 2021. EBCE is currently one of the largest Community Choice Aggregators in the state.

[2] PCE is a joint powers authority which operates the fifth CCA program formed in California. PCE commenced CCA service in October 2016 and currently supplies electricity to approximately 300,000 customer accounts. PCE is committed to helping San Mateo County achieve its climate goals by serving all of its customers clean affordable electricity with the goal of its energy supply being 100% GHG-free by 2021 and sourced from 100% RPS-eligible resources by 2025 and, because majority of GHG-emissions within San Mateo County come from transportation and natural gas use within the built environment, by offering innovative programs PCE is to directly reduce emissions from the built environment and transportation.

[3] Representatives of Peninsula Clean Energy Authority have given EBCE the authority to sign these comments the Authority's behalf.

"[f]inancing strategies will become increasingly important as California pursues its ambitious climate protection goals in the energy sector."[4]

The Joint CCAs are committed to offering innovative programs to their customers to further statewide decarbonization efforts, and have already invested millions of dollars in local clean energy programs to this end. For example, EBCE will launch, in collaboration with the California Energy Commission, a 2021 California Electric Vehicle Infrastructure Project ("CALeVIP") program in Alameda County that will provide approximately $30 million in incentives for publicly available charging infrastructure and has more than $1 million worth of programs to support building electrification and energy efficiency, including a program jointly administered with BayREN. PCE has committed over $35 million to date on vehicle and building electrification programs and community resiliency. As such, the Joint CCAs strongly support the goals of this Rulemaking and look forward to developing more holistic financing options for customer investments in energy savings, building and transportation electrification and/or clean energy technologies, discussing novel financing mechanisms, and exploring solutions to traditional barriers of technology adoption, particularly among customers who, as described in the OIR, "are low to moderate-income, renters, and/or living in disadvantaged, underserved, or vulnerable communities."[5]

The OIR poses a number of broad issues to be addressed in this proceeding. In summary, the Joint CCAs offer the following recommendations:

- The Commission should focus on tariffed on-bill investments and other financing options that are more inclusive of low- and moderate-income customers and renters.

[4] OIR at p. 2.
[5] See OIR at p. 2.

- The Commission should include Shared Savings Account arrangements and transactional approaches to clean energy projects, such as meter-based Pay-for-Performance Programs or Metered Energy Efficiency Transaction Structures, in its list of clean energy financing mechanisms to explore further.
- The Commission should hold workshops featuring examples of programs that have successfully addressed barriers to adoption among key customer segments.
- The Commission is right to view CCAs as partners that can help integrate innovative financing mechanisms into their program offerings.

II. DISCUSSION

A. The Commission Should Prioritize Consideration of Tariff-based and Other Inclusive Financing Options

The OIR states that any mechanism for financing investments in behind-the-meter energy equipment is in scope for this proceeding, including: Loans, Green Banks, Property Assessed Clean Energy, On-Bill Financing, On-Bill Repayment, Tariff On-Bill/Tariff-Based Recovery, Tax Equity, Loan Loss Reserves, and Interest Rate Buydowns. The Joint CCAs believe this is a comprehensive list (with two additions, as discussed below) and that each of these financing mechanisms should be explored further to ensure all barriers to adoption of options for building electrification ("BE"), transportation electrification ("TE"), energy efficiency ("EE"), and other clean energy technologies are removed. Removal of financial barriers is critical to achieving our shared goal of decarbonizing the energy sector as a key method of mitigating climate change caused by greenhouse gas ("GHG") emissions.

While the Joint CCAs support consideration of each of these financing options, we note that tariff-based financing options like Tariff On-Bill or Tariff-Based Recovery are likely to be more inclusive of low-income customers and renters due to two key features. First, since these programs recover a utility or load-serving entity investment in an upgrade (as opposed to a customer investment), they may be more appealing to customers who wish to avoid taking on debt. Second, since recovery of investments are typically tied to a customer meter rather than to an individual customer, tariff-based programs are well-suited to renter-occupied properties where customers may move frequently.

As the Commission examines each financing option listed above, the Joint CCAs believe that the CPUC should assess each financing mechanism's potential to reach a broad range of customers – including, in particular, those who are low- to moderate-income, vulnerable, and/or underserved – and give prioritization to the mechanisms most accessible to those customers.

B. The Commission Should Consider Two Additional Financing Mechanisms

The Joint CCAs recommend that the Commission also examine two additional mechanisms to support customer or load-serving entity investments in clean energy technologies. First, Bill Protections or Shared Savings Accounts could be explored as an additional strategy to support low- and moderate-income customers. A Shared Savings Account is a financing tool in which the customer is paid a portion of bill savings resulting from an energy efficiency or other clean energy technology investment. Shared Savings Account arrangements help insulate customers from the risk that bill reductions do not materialize and help ensure LMI customers can share in the economic benefits of the energy-related measures they install.

Secondly, the Commission should also explore the role of transactional approaches to clean energy projects, such as meter-based Pay-for-Performance ("P4P") Programs or Metered Energy Efficiency Transaction Structures ("MEETS")[6] as a means of streamlining both incentive payments for system benefits as well as enabling multiple energy-related investments in one project. P4P programs are structured such that the financial incentive is paid to the customer on

[6] See https://www.meetscoalition.org/ for more information.

the basis of measured and delivered savings, rather than deemed savings estimates. Rather than offering incentives for individual technologies, P4P incentives are typically based on total energy saved, though could also be based on other metrics such as marginal utility cost or GHG emissions reductions, making them useful, technology agnostic mechanisms for incentivizing creative projects. Additionally, P4P or MEETS programs can offer longer term contracts and the payment stream can be securitized to help bring down the overall cost of financing a project. MEETS programs build on this by incorporating this payment stream into the overall financing balance sheet and can include program assistance for development of lease agreements to ensure sharing of the program benefits between building owners and occupants.

C. The Commission Should Assess Financing Strategies through a Barrier Reduction Lens and Hold Workshops

The OIR includes discussion of both financing mechanisms for clean energy technologies and barriers to adoption. Indeed, the OIR aims to address traditional barriers and to develop a "cohesive and comprehensive strategy for helping customers finance energy improvements to their homes and buildings." The Rulemaking identifies several specific barriers, including split incentives, lack of access to capital, low credit scores, and lending challenges. As the Commission structures the proceeding, the Joint CCAs recommend that the Commission focus on matching financing mechanisms to the unique barriers they resolve for the following sectors or customer segments: low- and moderate-income customers, renters, affordable housing and multifamily housing, and the large commercial sector. For example, low- and moderate-income credit borrowers may benefit from public dollar interventions and subsidized financing solutions (such as interest rate buy-downs or credit enhancements). Other borrowers may benefit more from "off-balance sheet" solutions or financing solutions tied to the property, not the borrower – e.g., split-incentive dominated markets or large commercial sectors where access to credit for energy-related financing can be difficult to justify. Affordable multifamily and market rate multifamily housing are also areas that deserve greater consideration in designing financing programs.

The Joint CCAs recommend holding workshops about barriers, solutions, and best practices in the following areas, ideally featuring examples from existing programs:

- Previous examples of tariff-based approaches (including Fort Collins Municipal Utility and Vermont Green Mountain Power)
- Subsidized financing strategies for reaching low- to moderate-income households, as well as underserved, vulnerable and disadvantaged communities
- Multifamily housing (affordable and market rate)
- Potential of P4P programs to leverage financing for streamlined delivery of multi-technology programs (e.g., energy efficiency, solar, demand response)

The workshops should focus on the logic of the program examples presented, including the logic behind the program design and the success or lessons learned from the program.

D. CCAs are Well-Positioned to Integrate Innovative Financing Mechanisms into Their Program Offerings

The Joint CCAs agree with the Rulemaking's suggestion that CCAs are a potential partner for the Commission and other entities in the deployment of clean energy financing solutions.[7] CCAs are currently the load-serving entity for over 10 million customers[8] and, importantly, increasingly offer clean energy programs to their customers, serving as leaders in program administration. CCAs are also exploring innovative financing solutions. MCE, for example, offers an On-Bill financing programs in the energy efficiency space, and EBCE in its Local Development Business Plan highlights clean energy financing as a key strategy to support development of local projects in its service area.[9] In addition, CCAs have been important partners in the development of innovative Feed-In-Tariff programs, CALeVIP, and other

[7] See OIR at p. 32.
[8] See https://cal-cca.org/about/
[9] See East Bay Community Energy Local Development Business Plan at p. 45.

programs designed to boost adoption of energy savings, building and transportation electrification and/or clean energy technologies.

Logically, financing programs have the highest opportunity to be successful when integrated into program offerings. As CCAs expand their programs to include energy efficiency, transportation electrification, battery energy storage, and load management, they are in a strong position to also offer financing for these programs. To the extent ratepayer funding becomes available under this proceeding for financing programs, CCAs should be eligible to apply to administer programs in their service area.

III. PROCEDURAL MATTERS

A. PROPOSED CATEGORY

The Joint CCAs agree with the Commission that this proceeding should be categorized as quasi-legislative.[10]

B. NEED FOR HEARING

Based on the issues identified in the preliminary scoping memo, the Joint CCAs agree with the Commission's preliminary determination that hearings are not necessary.[11]

C. PROPOSED SCHEDULE

The Joint CCAs support the proposed schedule set forth in the OIR.[12]

IV. PARTY STATUS

Pursuant to Rule 1.4, the Joint CCAs hereby requests party status in this proceeding. As discussed above, the Joint CCAs have a material interest in the issues being addressed in this Rulemaking.

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[10] See OIR at p. 35.
[11] *Id.*
[12] *Id.*, pp. 35-36.

The Joint CCAs designate the following persons as "interested parties" in this proceeding:

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Additionally, the Joint CCAs request "information only" status for the following:

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V. CONCLUSION

The Joint CCAs appreciate the opportunity to participate in this Rulemaking and look forward to collaborating with the Commission and other parties.

Respectfully submitted,

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