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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 PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) ON ORDER INSTITUING RULEMAKING TO INVESTIGATE AND DESIGN CLEAN ENERGY FINANCING OPTIONS FOR ELECTRICITY AND NATURAL GAS CUSTOMERS

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I. INTRODUCTION

Pursuant to the Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers issued on September 4, 2020 (OIR), Pacific Gas and Electric Company (PG&E) provides the following comments.

PG&E supports the general scope of this OIR, which includes investigating and designing mechanisms that can help enable customers to make holistic energy investments without artificial regulatory, programmatic, and/or funding source barriers. PG&E agrees that the scope of the OIR should examine behind-the-meter financing options and develop appropriate financing mechanisms to meet the goals of the investor-owned utilities' (IOUs) clean energy programs.

PG&E has long been a proponent of expanding clean energy financing and believes financing has the potential to be a smart, cost-effective tool to meet customers' diverse energy needs and the state's ambitious clean energy goals.[1/] Financing can offer significant benefits compared to traditional incentive approaches, such as expanding customer access to upfront capital, easing participation, promoting high customer satisfaction, and lowering free-ridership

1/ See PG&E's EE Business Plan Application (A.) 17-01-015, Chapter 10 Finance.

rates.[2/] To these ends, PG&E looks forward to exploring appropriate financing mechanisms to help spur additional customer investment in clean energy technologies.

These comments are intended to help the Commission shape and scope this proceeding to maximize benefits of clean energy for our customers. PG&E's comments focus on the following five areas:

- Ensuring that clean energy financing mechanisms support customers' investments in holistic clean energy solutions by minimizing program silos, encouraging flexibility, and considering the multitude of customer value streams;
- Leveraging existing financial mechanisms and incorporating lessons learned to achieve scale;
- Incorporating specific consumer protections (e.g., energy project performance) to mitigate unnecessary risk for customers, particularly for vulnerable and low-income customers and disadvantaged communities;
- Allowing Program Administrators to pursue expansion of existing financial mechanisms in a way that aligns with current program structures and existing proceedings; and
- Addressing cost-effectiveness of financing programs in a way that appropriately addresses existing program goals.

II. DISCUSSION

A. The OIR Should Ensure that the Financing Mechanisms Minimize Program Silos and Consider the Multitude of Customer Value Streams

PG&E agrees with the Commission's assertion that "customers do not approach investments in the same resource-specific manner that the Commission uses to make funding decisions."[3/] PG&E wants to make it as easy as possible for our customers to invest in holistic

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2/ Evaluation of the On-Bill Financing - Alternative Pathway, PY2018-2019 FINAL REPORT August 3, 2020, pp. 2-3.

3/ OIR, p. 30.

clean energy upgrades regardless of their motivations (e.g., resiliency, bill savings, energy conservation), while also limiting the impact on non-participating customers and ensuring appropriate consumer protections are in place.

To support these goals, a concerted effort should be made to break down silos among the various ratepayer-funded clean energy programs (e.g., energy efficiency, demand response, electric vehicles and emerging microgrid areas.). This will require examining certain program rules. Many clean energy program rules are inconsistent, and could make it challenging to support holistic customer investments. For example, income eligibility varies between certain programs (e.g., Self-Generation Incentive Program (SGIP) and Energy Savings Assistance (ESA) program). Additionally, energy efficiency (EE) programs often have rules around incremental savings and code baselines that do not apply to other types of clean energy programs. As such, PG&E recommends that the Commission explore ways to address program flexibility and coordination as part of this rulemaking.[4/] Many clean energy choices (e.g., microgrids, electric vehicles and net metering programs) are the subject of ongoing proceedings. PG&E urges the Commission to ensure that clean energy financing options are considered in a way that aligns with those proceedings' goals.

Additionally, the Commission may need to consider different ways to assess the value of financing mechanisms to customers as adoption of comprehensive clean energy investments increases. For example, the EE on-bill financing (OBF) program is designed to offer customers bill neutrality,[5/] which is also used to determine the approved loan amount. When combining different types of technologies designed to meet various energy needs (e.g., storage to meet backup power needs, heat pump water heater (HPWH) to support environmental objectives), it may not be feasible to sustain bill neutrality.

4/ A successful model to build on is PG&E's OBF-Alternative Pathway (OBF-AP), which gives participants an option to participate in OBF without applying for PG&E rebates.

5/ The monthly OBF loan repayment amount is calculated to be approximately equal to the estimated monthly dollar savings on the customer's utility bill as a result of the EE project.

B. The OIR Should Leverage Existing Financial Mechanisms and Incorporate Lessons Learned to Achieve Scale

Many successful financing models currently exist both within customer programs (e.g., OBF) and in financial markets more generally. PG&E recommends that the Commission leverage these proven financial mechanisms and lessons learned, and prioritize proven approaches before attempting to create new financing mechanisms via the regulatory process. New mechanisms may lack the flexibility required to succeed. Leveraging existing financial mechanisms will also promote the effort to scale-up more quickly and attract more participation from private capital. This would help to move away from solely relying on ratepayer funding, which should be an important goal of this OIR.[6/]

In this regard, investor interest in clean energy opportunities is at unprecedented highs. Nonetheless, PG&E's experience from the On-Bill Repayment (OBR) proceeding demonstrates that new regulatory-driven open market systems are often uninviting for prospective financial institutions because the financing mechanism is unproven and demand is unknown. Ultimately, PG&E believes that expanding successful financing mechanisms – rather than creating new untested regulatory mechanisms – is a more prudent path for this rulemaking.

Furthermore, PG&E recommends the Commission incorporate lessons learned from existing financing programs and past proceedings, such as recognizing jurisdictional issues upfront and engaging the appropriate stakeholders early-on in order to address impactful issues. For instance, the California Department of Business Oversight should be consulted considering their role in licensing financial lenders. Additionally, the Commission's jurisdictional boundaries and state laws should be considered when exploring new financing mechanisms (e.g., those impacting future real estate transactions).

The OBR proceeding litigated significant legal, regulatory, and operational issues that should be leveraged as part of this rulemaking.[7/] For example, it was determined that utilities

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6/ See also R.18-12-006 PG&E's Opening Comments on Transportation Electrification Framework Sections 9, 10 and 12. D. Section 9.3. Alternative Financing, p.8.

7/ D.13-09-044 (Energy Efficiency Financing Pilot Programs).

were not able to transfer a financial obligation to a customer without explicit authorization, leading to the requirement to develop customer agreements that included appropriate customer protections and were acceptable for financial institutions.[8/]

C. The OIR Should Incorporate Specific Consumer Protections to Mitigate Risk for Customers, Particularly Those Most Disadvantaged

PG&E supports the OIR's focus on equity and inclusion, increasing clean energy financing opportunities for underserved communities, and exploring financing options for affordable housing and multi-family buildings. An important aspect of these objectives is ensuring that the right consumer protections are in place to support customers, as the Commission rightly noted.[9/]

PG&E recommends that the Commission modify the scope of the OIR to include developing guidelines on energy project performance that contractors and developers would be expected to meet. This issue is particularly germane for low-income customers and disadvantaged communities. A focus on project performance may also mitigate risks that lenders experience by facilitating high-quality project installations with predictable results, and thus building a strong market in California for financing energy projects. PG&E recommends that the Commission create overarching financing guidelines (i.e., an investment framework) that would apply to any type of ratepayer-funded financing mechanism. The guidelines would delineate expectations on project performance, eligible technologies, equipment maintenance, and data collection requirements, to name a few.[10/] This would make it easier for customers, contractors and financial institutions to invest. PG&E cautions against creating ratepayer-funded financing mechanisms that (i) require a customer to assume another's debt without disclosure and consideration of their ability to undertake the debt, or (ii) could increase the risk of disconnection

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8/ D.13-09-044, *mimeo*, p. 54 *et seq*.

9/ OIR, p. 24.

10/ The OBF Handbook is an example of financing guidelines that could be leveraged as a starting point.

or lead to other unintended financial risks for customers who agree to the loans.[11/] These types of risks should be fully explored as part of this OIR.

Finally, PG&E recommends that the CPUC take steps to avoid customer confusion and program implementation complexity by ensuring either complete alignment or finding that existing consumer protection measures are adequate to meet any requirements adopted here. For example, Rulemaking (R.) 14-07-007, the NEM2 proceeding, undertook extensive consumer protection measures and the CPUC has indicated that this work will continue in the recently initiated R.20-08-020, the new NEM rulemaking. As this example shows, the current OIR should not create new consumer protections that conflict with, or duplicate, other efforts.

D. The OIR Should Allow Program Administrators to Pursue Expansion of Existing Financial Mechanisms Within Current Program Structures

While PG&E supports the scope and objectives of this rulemaking, PG&E recommends that the Commission allow Program Administrators to continue to pursue expansion and/or modifications to existing financial mechanisms within current program structures. PG&E also recommends expedited approval for these changes in order to minimize delays in offering customers critical clean energy financing options.

For example, as part of the SGIP proceeding, PG&E proposed a financial assistance pilot program, similar to its EE OBF program, for non-residential, critical infrastructure customers seeking to install energy storage and/or renewable generation projects for resiliency needs.[12/] Although Resolution E-5086 rejected without prejudice this pilot, the Commission encouraged PG&E to resubmit the proposal through a separate advice letter filing, which PG&E intends to do.[13/] As such, PG&E requests the Commission to allow us to pursue our SGIP OBF program through the SGIP proceeding without delay, notwithstanding this new OIR.

11/ See also R.18-12-006 PG&E's Opening Comments on Transportation Electrification Framework Sections 9, 10 and 12. D. Section 9.3. Alternative Financing, p. 8.

12/ PG&E Advice Letter 4226-G/5778-E: Request for Self-Generation Incentive Program Financial Assistance Pilot to Support Customer Resiliency (March 6, 2020).

13/ Resolution E-5086, p. 31.

Additionally, PG&E supports the Commission's consideration of future California Alternative Energy and Transportation Financing Authority (CAETFA) and Residential Energy Efficiency Loan (REEL) funding as part of this rulemaking. PG&E encourages the Commission to allow REEL to include additional clean energy technologies beyond energy efficiency (e.g., SGIP), and recommends expedited approval for these enhancements.

Finally, PG&E notes that there are many opportunities for clean energy financing available. For example, the Fannie Mae Green Rewards program for multifamily units offer borrowers a lower interest rate, higher loan values and even a free energy assessment.[14/] These are provided at no direct cost to California ratepayers, however some program rules (such as EE free-ridership) could hinder coordination with these offers. As investor and consumer demand for these clean energy investments grow, California should ensure that utility customers are able to benefit from this and other offers.

E. The OIR Should Assure Alignment With Cost Effectiveness Requirements Established In Existing Proceedings

PG&E recognizes that cost effectiveness of clean energy finance programs must align with programs they are designed to support. For example, it is likely that in the new NEM rulemaking, use of the ratepayer impact test (RIM test) will be critical when the Commission assesses whether a NEM successor tariff complies with Public Utilities Code Section 2827.1(b)(3) and (4), both of which address the balance of costs and benefits to customers and to the utility grid. Consequently, any clean energy financing considered for customers hoping to participate in a NEM program when installing renewable generation, or installing solar in combination with storage, should also be evaluated using the RIM test.

14/ https://multifamily.fanniemae.com/financing-options/specialty-financing/green-rewards.

III. CONCLUSION

PG&E appreciates the opportunity to provide these comments. PG&E looks forward to a productive proceeding in furtherance of our shared goals in helping customers make holistic clean energy investments.

Respectfully submitted,

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