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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)**

OPENING COMMENTS OF THE GREENLINING INSTITUTE AND GREEN FOR ALL TO ORDER INSTITUTING RULEMAKING 20-08-022

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Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers	**Rulemaking 20-08-22 (Filed August 27, 2020)**

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I. Introduction

Pursuant to Rule 6.2 of the California Public Utility Commission's ("Commission" or "CPUC") Rules of Practice and Procedure, The Greenlining Institute respectfully submits these comments co-signed by Green For All on the Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers ("Order" or "OIR") filed August 27 and issued September 4, 2020.

II. Interests

The Greenlining Institute and Green For All appreciate the opportunity to provide comment on the CPUC's order to start a new rule-making to *Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers* (R.20-08-022).

The Greenlining Institute is a policy, research, organizing, and leadership institute working for racial and economic justice. Driving everything we do is a vision of equity in which opportunity is truly within reach of all. For our nation to succeed, communities of color must succeed, and we are determined to make that happen. Greenlining Institute is already actively involved in or attentive to most of the dozen proceedings identified as potentially affected by this rule-making, including building decarbonization, transportation electrification, energy efficiency, and others.

Green For All is a non-profit organization that fights for a world that is green for all, not green for some. Green For All works at the intersection of the environmental, economic, and racial justice movements to advance solutions to poverty and pollution. Green For All has also filed comments in multiple related proceedings at both the CPUC and CEC specifically raising the imperative for centering equity in policies to accelerate transition to a clean energy economy.

Informed by that experience, Greenlining and Green For All appreciate the Commission's interest in examining options to "assist electricity and gas customers with investments in buildings and sites that are designed to decrease energy use, reduce greenhouse gas (GHG) emissions, and/or produce clean energy to support customers' on-site needs."

III. Comments

The Order Instituting Rule-making (OIR) for this proceeding provides an essential assurance that new options resulting from the rule-making will be open to all. Specifically, it states:

> "As we look to expand clean energy financing strategies, the Commission will look to ensure that new options will be accessible to populations that face issues of creditworthiness and barriers to accessing affordable capital."

In addition, the Commission notes:

> "These strategies will be informed by existing efforts to ensure equitable access to clean energy. An example is the Low-Income Barriers Study initiated pursuant to Senate Bill 350 (De León, 2015)."

These statements in the Commission's order are a welcome acknowledgement of extensive investment by civil society organizations, including our own, to secure policies that resolve financial barriers to participation in the clean energy economy that affect communities of color and low-income communities. Recognizing the long-standing efforts to reach this point, the CPUC's new rule-making is both timely and urgent.

The Greenlining Institute and Green For All respectfully advance the following recommendations in response to comments on the Order instituting the rulemaking and the Preliminary Scoping Memo in order to provide input for consideration in the development of a Scoping Memo:

1. Center environmental justice and equity from the start

2. Implement CPUC's Environmental and Social Justice Action Plan in this proceeding

3. Establish criteria for prioritizing attention and resources

4. Revisit the policy path leading to this proceeding on clean energy finance

5. Value insights gained through the Residential Energy Efficiency Loan pilot program

6. Assure data collected through existing financing programs is accessible

7. Accept the SB350 Barriers Study recommendation to the CPUC on financing

8. Consider additional recommendations to the CPUC regarding transportation electrification, multi-family housing, and building electrification

9. Use clear and consistent terms in the definition of scope

10. Establish a schedule that supports inclusion

Each of these recommendations is presented with more detail below.

1. Center environmental justice and equity from the start

The Greenlining Institute and Green For All call on the Commission to keep equity at the center of its deliberations about clean energy finance, especially in light of prior disparities in the distribution of benefits from ratepayer funded programs like the California Solar Initiative and rebate programs. The Equitable Building Electrification framework published by Greenlining Institute and Energy Efficiency For All sets forth a clear vision:

> "An equitable transition will prioritize the environmental justice communities that need the benefits the most and will provide the most assistance to those with the greatest need.

Clean energy movements of the past, including rooftop solar and energy efficiency, have benefited those on the higher end of the income scale far more than those on the lower end, and have been slow to gain traction in environmental and social justices (ESJ) communities.[1] This pattern of relying on a market-driven, trickle-down approach that largely fails to deliver has led to significant distrust among the communities that are still waiting for their share of benefits. Through building electrification, California can break out of this pattern and create a plan that actively centers environmental justice and equity from the start. This must begin by targeting what the California Public Utilities Commission has termed environmental and social justice communities, the communities that have been long left behind by the state's thriving green economy."

2. Implement CPUC's Environmental and Social Justice Action Plan in this proceeding

When the CPUC released its very first Environmental and Social Justice Action Plan in 2019, it established Goal #1:

> "Consistently integrate equity and access considerations throughout CPUC proceedings and other efforts." [2]

Barriers to capital deployment for cost effective energy upgrades are fundamental to the production of the clean energy divide, and these barriers have deep roots. Redlining policies of the past in the housing sector and policies that have affected income and blocked access to credit still powerfully affect landscapes of opportunity and life outcomes in California today.

Therefore, Greenlining and Green For All urge the Commission to be especially vigilant and thoughtful in this Clean Energy Financing proceeding about how Goal 1 in its Environmental

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[1] Deborah A. Sunder, Sergio Castellanos, Daniel M. Kammen (2019). "Disparities in rooftop photovoltaics deployment in the United States by race and ethnicity." Nature Sustainability, January 10, 2019, https://www.nature.com/articles/s41893-018-0204-z.

[2] CPUC. Environmental and Social Justice Action Plan, Version 1.0. 2019. https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Energy/EnergyPrograms/Infrastructure/DC/Env%20and%20Social%20Justice%20ActionPlan_%202019-02-21.docx.pdf

and Social Justice Action Plan is reflected in the Assigned Commissioner Scoping Memo and all the decisions that it will frame for this proceeding.

In addition to Goal #1, the CPUC ESJ Action Plan addresses the *way* the Commission conducts its decision-making processes. Specifically, the CPUC established in its Action Plan a goal to:

> "Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC's decision-making process and benefit from CPUC programs." [3]

Greenlining and Green For All urge the Commission to develop a scope, process, and schedule for the rule-making that reinforces its commitment to these goals and all related goals in the CPUC's ESJ Action Plan. The Action Plan details specific actions for each of its goals, and the Scoping Memo should reflect a commitment to incorporating them in this proceeding.

3. Establish criteria for prioritizing attention and resources

The Preliminary Scoping Memo in the Commission's order to start this rule-making proposes to potentially include in its scope "any mechanism that provides a financing option to a customer investing in energy equipment behind the meter."[4] In casting a wide net, the Commission is also welcoming input broadly, and many of the options listed as potentially included in the scope are not mutually exclusive. Indeed, some may be combined in powerful and effective ways.

However, the amount of institutional capacity, spending authority, and attention span across multiple agencies that would be dedicated to this proceeding is finite. Therefore, such an expansive scope must be accompanied by criteria for decision-making about priorities for focus.

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[3] CPUC. Environmental and Social Justice Action Plan, Version 1.0. 2019. https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Energy/EnergyPrograms/Infrastructure/DC/Env%20and%20Social%20Justice%20ActionPlan_%202019-02-21.docx.pdf

[4] CPUC. Rule-making 20-08-022. Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers. August 27, 2020. Page 26 https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M346/K361/346361154.PDF

In developing the Scoping Paper for this proceeding, Greenlining and Green For All urge the Assigned Commissioner to articulate criteria for evaluating financing options it considers and to ensure equity, inclusion, accessibility, scalability, and financial sustainability are among them.

4. Revisit the policy path leading to this proceeding on clean energy finance

The order issued to initiate this new rule-making sets forth an impressive summation of the Commission's work on finance dating back to 2006. Drawing on the experience of Greenlining as an active participant in some of these policy deliberations, Greenlining and Green For All seek to include in the record for this proceeding some key details not noted in the OIR that would be important to take into account in charting a new path forward.

In particular, the order recounts that the Commission hired a consulting firm in 2010 to deliver a report in 2011 that presented recommendations on finance solutions for the residential sector.[5] The consultants provided the Commission with a "Characterization of the Ideal Residential Sector Efficiency Product" that describes the attributes of a loan to a single-family homeowner with financial security requirements that would be "appropriate to the loan size and to credit of borrower." A similar frame applied to other sectors. As a result, the only options the Commission pursued for dedicating ratepayer funds to increase the level of capital deployment to energy efficiency involved subsidizing loans.

The financial services sector systematically disqualifies all customers who do not qualify for a loan — and many customers not able or willing to bear new debt obligations. A policy to subsidize consumer loans as the primary solution inherently accepts those limits to participation as well as the disparities those limits produce in the distribution of benefits.

As a result, the CPUC's prior policy decision nearly a decade ago to accept that consumer loans would be the "ideal" financing mechanism for efficiency upgrades has had a fateful effect. Over this span of time, deliberations at the Commission and related state agencies about capitalizing building energy upgrades has focused on the use of consumer credit, and in that frame, all

[5] Harcourt, Brown, and Carey. Energy Efficiency Financing in California: Needs and Gaps. 2011. http://www.harcourtbrown.com/wp-content/uploads/CPUC_FinancingReport_HBC_Jul8v2.pdf

agencies and related resources devoted to the financing proceedings have been consumed by marketing, originating, securing, servicing, and evaluating consumer loans for qualified customers undertaking qualified projects.

In 2016, after the CPUC had moved forward with consumer loans as the chosen financial mechanism for resolving the upfront cost barrier faced by customers, Greenlining Institute participated in the development of the 2013-2016 Energy Efficiency, Evaluation, Measurement, and Verification Plan (EM&V), specifically providing input on the Financing section. Now as the Commission opens a new proceeding four years later, these comments bear repeating:

> "II. The Commission Must Prioritize Financial Inclusion
>
> A disproportionate number of low and moderate-income (LMI) residents are people of color. LMI households pay a higher percentage of their smaller paychecks on utilities, but also tend to live in older, less energy efficient building stock, thus presenting large potential energy savings.[6] LMI residents make up more than half of the state's population. Despite the potential energy savings and other energy-related benefits that could result from energy efficiency adoption of the LMI population, the high cost of retrofits render upfront payment impossible for these residents.
>
> Historic redlining practices that have stymied wealth-generation, inequitable economic policies, and the lasting impact of the recession have all contributed to the significant racial wealth divide in the country, and particularly in California. People of color have endured decades of exclusion from formal financial services. Without access to financial services, many families must rely on informal financing sources: borrowing money from family and friends, rotating savings agreements, pawn-brokers, moneylenders, money under the mattress. These informal resources are insufficient, unreliable, and are often predatory. Thus, financial exclusion imposes large opportunity costs on those who most need opportunity.

[6] Drehobl, Ariel and Lauren Ross. 2016. Lifting the High Energy Burden in America's Largest Cities: How energy efficiency can improve low income and underserved communities. American Council for an Energy Efficient Economy. Apr 2016. http://eecoordinator.info/wp-content/uploads/2016/04/ACEEE-EE-low-income-and-underserved.pdf

These are some of the challenges that the Commission aimed to overcome when it developed the energy efficiency financing pilots. Since uptake of energy efficiency upgrades by these communities is critical to ensuring equity and maximizing statewide energy savings, financing mechanisms must be actually accessible and targeted to LMI populations. Moreover, in order for California to achieve SB 350's bold energy savings goals, the state must thoughtfully construct financing mechanisms to include these historically excluded populations in the pursuit of statewide energy efficiency upgrades.

III. The Commission Must Determine Whether the [Financing] Pilots are Inclusive

In 2013, the Commission authorized the statewide financing pilots and stated that funding innovative ways to serve LMI residents is important to increase the overall demand for energy efficiency. Greenlining agrees and asserts that increasing LMI access to energy efficiency is now more important than ever given the clean energy goals set forth in SB 350. However, the draft Finance Roadmap will not provide key facts that would inform the Commission on whether the pilots have succeeded in reaching LMI customers. Greenlining recommends that the in addition to evaluating the pilots as they roll out, the Commission must also evaluate whether these pilots are inclusive of and actually accessible to LMI customers." [7]

A fundamental concern both then and now is that the Commission has been able to direct funds collected from all ratepayers and dedicate them to clean energy finance activities that categorically do not reach constituents most affected by the barriers of upfront cost as well as the split incentives between landlords and renters. The result is an existing policy framework for clean energy finance that continues to underserve customers who are underserved.

In the context of site specific energy upgrades, loan products serve customers who (1) meet the qualifications for being approved for a loan and (2) are able and willing to prioritize the use of their consumer credit for an energy upgrade above other financial obligations and aspirations. Between these two, the second may be a more powerful determinant of the addressable market for the clean energy upgrades, which is why uptake rates are a critical indicator. The number of

[7] Greenlining Institute. Comments to the CPUC on the 2013-2016 Energy Efficiency, Evaluation, Measurement, and Verification Plan (EM&V), Version 8, Draft Research Roadmap: Financing. October 26, 2016.

households that would qualify for a loan is far larger than the number who actually take out a loan.[8]

Greenlining and Green For All urge the Commission to revisit fundamental assumptions that framed initial policy decisions made ten years ago about the scope of clean energy finance options in the utility sector, specifically reconsidering a reliance on consumer credit as the primary mechanism for catalyzing capital deployment to energy upgrades at customer sites.

5. Value insights gained through the Residential Energy Efficiency Loan pilot program

The results of the Residential Energy Efficiency Loan (REEL) pilot program authorized and supported by the CPUC provides important insight into the potential for scale and accessibility of consumer loan products as well as the cost of leverage and the value of institutional capabilities developed in the process of offering the pilot program.[9]

Insights Regarding Scale

Results of the evaluation of the REEL pilot program indicate that fewer than 250 households participated in its first two years. In the high growth scenario considered in the program evaluation, the program administrator estimated REEL would reach 883 households per year, which would be fewer than 0.02% of California households in the IOU service areas.

Acknowledging the depth and value of effort invested in REEL by all involved, Greenlining and Green For All respectfully assert that this high growth scenario is a hundred times smaller than a benchmark for scale that would be consistent with the Commission's vision in Decision 12-05-015, which articulates a long-term goal of developing new, scalable, and leveraged financing

[8] This observation is not specific to REEL. It is consistent with findings of consumer loan programs for energy upgrades in multiple states including state-backed loan programs in New York (EmPower), Michigan (SAVES), and Hawaii (GEMS).

[9] Opinion Dynamics, Residential Energy Efficiency Loan Assistance Pilot: Final Impact Evaluation Report. CALMAC Study ID# CPU0200.01. January 2020. http://www.calmac.org/startDownload.asp?Name=CPUC%5FGroup%5FB%5FFIN20%5FREEL%5FEvaluation%5FFinal%5FReport%5FFINAL%5F2020%2D01%2D13ES%2Epdf&Size=793KB

solutions. Greenlining and Green For All urge the Commission to consider whether and how insights gained as well as program infrastructure developed for the REEL program could be used to achieve a much larger scale of capital deployment, especially in the places where it is needed most.

Insights Regarding Accessibility

When the Commission committed funding for the pilot financing projects across all market segments in 2013, it called for a "focus on the goal of expanding access to financing instruments by key customer segments, in particular customers underserved by existing energy efficiency financing and programs."[10] However, having already determined that the nature of the financing product would be a consumer loan, all renters were categorically disqualified.[11]

The evaluation of REEL found that participating homeowners who did not receive a credit subsidy had an average credit score of 730, and those that did receive a credit enhancement to lower their cost of interest had an average credit score of 700.[12] As recounted in the order to initiate this rule making, the evaluation concluded that REEL loans do not appear to be going to customers with poor credit scores.

While again acknowledging the extensive work by the program administrator and all involved in the pilot program, Greenlining and Green For All respectfully asserts that the REEL pilot program results have demonstrated that California's clean energy and policy objectives require a much more inclusive solution than consumer loans for capitalizing energy upgrades at customer sites. As the Commission has already set forth in the order to undertake this rule-making, the

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[10] CPUC. Decision 13-09-044. Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M). September 19, 2013. https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M077/K182/77182202.pdf

[11] Of note, landlords of multi-family housing are now eligible for loans through a more recent and related program operated in parallel that has not yet been evaluated.

[12] Opinion Dynamics, Residential Energy Efficiency Loan Assistance Pilot: Final Impact Evaluation Report. CALMAC Study ID# CPU0200.01. January 2020. http://www.calmac.org/startDownload.asp?Name=CPUC%5FGroup%5FB%5FFIN20%5FREEL%5FEvaluation%5FFinal%5FReport%5FFINAL%5F2020%2D01%2D13ES%2Epdf&Size=793KB

state must have a scalable option that is open to renters and all Californians regardless of their credit or income.

Insights Regarding the Value of Institutional Capacity

Despite the inherent and observed limits to scale and accessibility in the Residential Energy Efficiency Loan program, the CPUC resolved in April 2020 to make it a permanent component of the portfolio of ratepayer funded programs. When making that decision, the CPUC did not resolve the amount of ratepayer funding and scope of activities the CPUC would support going forward. The order for this new rule-making on clean energy finance indicates those decisions will be part of the scope of this proceeding and possibly decided before considering allocations to enable other mechanisms.

With this proposed sequencing in mind, Greenlining and Green For All recommend that the Commission be explicit about what institutional capacities, capabilities, and competencies have already been developed through the REEL program and the specific ways they could enable and accelerate the introduction of more inclusive options. For example, the network of more than 300 contractors qualified to perform work in the REEL program as well as the existing utility protocols for tracking and recovering costs took years to develop. The state literally cannot afford for the value of that time to be lost, which underscores the value of those achievements.

Such institutional capacities, capabilities, and competencies may reside at the regulated utilities, state agencies, and within the private sector network of participating contractors. They may involve both sourcing, deploying, and recovering capital, and they may include data collection and reporting. These are all valuable, and the schedule and scope of decisions regarding future funding for the REEL program should take into account the extent to which new funds could be conditioned on leverage of those resources to reduce the time and cost of introducing more inclusive solutions as discussed below.

6. Assure data collected in existing financing programs is accessible

As cited in the Commission's order to begin this new rule-making, the Commission committed a budget of $70.2 million for financing programs as part of the 2013-2014 energy efficiency programs,and some of those resources have sustained activity all the way to the present.[13] The budget authorization for the financing programs in particular included a key statement:

> "In return for these budget authorizations, we require all entities operating financing programs in 2013 and 2014 utilizing these ratepayer funds to participate in efforts to collect data to populate a database of financing-related information."

Greenlining and Green For All urge the Commission to include in the scoping memo information about the database populated with financing-related information for the programs already funded. The insights gained from the results of those programs are valuable to inform all parties participating in the new rule-making.

Greenlining and Green For All also urge the Commission to provide information about access to data collected through the California Statewide Financing Pilots' Marketing, Education & Outreach campaign. Specifically, the process evaluation of the campaign completed in 2017 and cited in the Commission's new order on clean energy finance assures there are "several highly detailed tracking systems in place to support evaluation, including a monthly metrics report with key performance indicators (KPIs) for each campaign activity, a monthly budget tracker, and a day-to-day marketing activity tracker." Accessibility of this data is important to inform this proceeding.

In addition to access to the tracking data already collected for marketing and outreach for REEL, it is important to access data for the number of households reaching the REEL website and its intake process, the fraction that completed a loan application, and the fraction of those applications that were ultimately approved. This information leads to essential insight that has not been easy to reconstruct across the previously published documents cited in the order for this rule-making.

[13] CPUC. Decision Approving 2013-2014 Energy Efficiency Programs and Budgets. Decision 12-11-015. November 8, 2012. https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M034/K299/34299795.PDF

7. Accept the SB350 Barriers Study recommendation to the CPUC on financing

Following the CPUC's selection of consumer loans as the primary clean energy finance solution for utility customers, Greenlining Institute joined many public interest organizations in seeking enactment of Senate Bill 350, which (among other things) directed the California Energy Commission to seek input to identify and recommend solutions to barriers facing low-income communities in the clean energy economy. Greenlining and Green For All participated in the CEC's extensive stakeholder process for the study, as did CPUC commissioners and staff as well as the administrator for the REEL program. Rather than recommending further work on consumer loans, the CEC's final *Barriers Study* report recommended:

> "The CPUC should consider developing a tariffed on-bill pilot for investments in energy efficiency that targets low-income customers regardless of credit score or renter status, and that do not pass on a debt obligation to the customer."[14]

To advance implementation of SB350, the CEC developed Energy Equity Indicators to track the distribution of ratepayer funded energy efficiency investments among other things.[15] The resulting map shows that fewer than 1% of Californians served by IOUs participated in utility energy efficiency programs in 2016 and much of 2017, and for 20% of the areas served by IOUs, the participation rate was 0.16% or less.[16] These vastly underserved zip codes are areas where

[14] Scavo, Jordan, Suzanne Korosec, Esteban Guerrero, Bill Pennington, and Pamela Doughman. 2016. *Low-Income Barriers Study, Part A: Overcoming Barriers to Energy Efficiency and Renewables for Low-income customers and Small Business Contracting Opportunities in Disadvantaged Communities.* California Energy Commission. Publication Number: CEC-300-2016-009-CMF.
https://efiling.energy.ca.gov/GetDocument.aspx?tn=214830&DocumentContentId=25236

[15] California Energy Commission. Energy Equity Indicators Tracking Progress. 2018.
https://www.energy.ca.gov/sites/default/files/2019-12/energy_equity_indicators_ada.pdf

[16] California Energy Commission. *Energy Equity Indicators: Interactive Story Map.* See Figure 11: Areas With Lowest IOU Energy Efficiency Investments (2016-2017), based on data from CPUC data in the California Energy Data And Reporting System (CEDARS).
https://caenergy.maps.arcgis.com/apps/MapJournal/index.html?appid=d081a369a0044d77ba8e80d2ff671c93

energy efficiency resources are likely underdeveloped due to barriers identified in the CEC Barriers Study.

As part of the implementation of recommendations to remedy those barriers, CEC developed an indicator for energy savings to track progress on one of its recommendations:

> "Developing new financing pilot programs to encourage investment for low-income customers."

Building on the recommendations from the Barriers Study, CEC staff identified a set of indicators to measure progress toward the following objectives for low-income residents and disadvantaged communities. One of those objectives includes:

> "Advance access to clean energy, including actions to… improve access to non-debt financing offerings."

Recognizing the extent of effort and input devoted to the enactment of SB350 and to its implementation, Greenlining and Green For All strongly urge the Commission to heed the resulting policy recommendations for financing in the Barriers Study.

8. Consider additional recommendations to the CPUC regarding transportation electrification, multi-family housing, and building electrification

Multiple stakeholder processes in California have led to recommendations to state utility regulators that reinforce earlier conclusions reached by the California Energy Commission in 2016. This new rule-making initiated in 2020 presents an opportunity for the CPUC to consider those deliberations and resulting recommendations when developing the scope for this proceeding, including criteria for evaluating options and making decisions about prioritization for dedicating ratepayer resources as well as the benefit of leadership attention and institutional capacity.

Transportation Electrification

Following the CEC's recommendation to the CPUC in the Barriers Study, Greenlining Institute introduced the same concept of site-specific investment and cost recovery through the CPUC's own SB 350 proceeding regarding transportation electrification. Specifically, when PG&E sought $4 million for each of two Priority Review Projects without a defined scope, Greenlining Institute along with The Utility Reform Network (TURN), Union of Concerned Scientists (UCS), and Environmental Defense Fund (EDF) proposed an alternative that was also supported by others in comments.[17] Specifically, Greenlining Institute proposed that the CPUC approve a demonstration for tariffed on-bill investments to capitalize on-site charging equipment and on-board batteries for transit bus fleets. The proposal specifically included an option to mobilize 100 times more capital by using the $4 million of ratepayer funds as a reserve to mitigate real or perceived risk exposure to the utility, just as the Energy Solutions Reserve Fund established in North Carolina has now done for three small utilities in three states.

Of note, this jointly supported proposal was and is consistent with the view expressed by the Commission in the order for this new rule-making on clean energy finance that "the most successful long-term strategies are likely to involve the use of a small amount of ratepayer support, coupled with a much larger amount of private capital provided by financial institutions."[18] When the Commission issued a decision declining PG&E's request for the funding, it did not give any indication that the alternative proposal was considered.

Building Electrification

Greenlining Institute and Energy Efficiency For All convened representatives from environmental justice, public health, housing rights, community-based, and environmental

[17] Espino J. *Opening brief of the Greenlining Institute on the Priority Review Transportation Electrification Proposals from San Diego Gas & Electric, Southern California Edison.* Greenlining Institute. June 16, 2017. https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M195/K587/195587269.PDF

[18] CPUC. Rule-making 20-08-022. Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers. August 27, 2020. Page 25. https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M346/K361/346361154.PDF

organizations to confer on the growing urgency to achieve building electrification statewide. Participants provided their insights regarding their values and vision for equitable electrification policies, current challenges that their communities face, and concerns they and their communities have about building electrification. The resulting framework for *Equitable Building Electrification* recommends in its discussion of funding and financing:

> "Find ways to support Environmental & Social Justice households through alternative financing such as tariffed on-bill financing."[19]

Subsequently, the Building Decarbonization Coalition (BDC) conducted a stakeholder process to develop a policy roadmap for accessible financing for building energy upgrades that would reduce carbon emissions from buildings. Greenlining Institute participated in the initial workshop hosted by the Sacramento Municipal Utility District (SMUD) at which the Coalition presented four design criteria for an accessible financing solution:

1. Ability to finance over long periods (10–15 years) even in rental units with multiple changes in tenancy.
2. Ability to leverage utility bill savings to defray investment costs, rather than rely on consumer credit or home equity.
3. Cash-positive outcomes that assure LMI customers will not experience increased energy burdens.
4. Ability to scale to serve millions of California households.

When the Building Decarbonization Coalition produced a policy roadmap informed by a stakeholder process over six months, its title highlighted the Coalition's interest in inclusion:

> Towards an Accessible Financing Solution: A Policy Roadmap with Program Implementation Considerations for Tariffed On-Bill Programs in California[20]

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[19] Greenlining Institute and Energy Efficiency for All. *Equitable Building Electrification.* 2019. https://greenlining.org/wp-content/uploads/2019/10/Greenlining_EquitableElectrification_Report_2019_WEB.pdf

[20] *Towards an Accessible Financing Solution: A Policy Roadmap with Program Implementation Considerations for Tariffed On-Bill Programs in California.* Building Decarbonization Coalition. 2020. http://www.buildingdecarb.org/uploads/3/0/7/3/30734489/bdc_whitepaper_final_small.pdf

The Building Decarbonization Coalition's policy roadmap is responsive to the Equitable Building Electrification framework, and it charts a path through which the California Public Utility Commission could support households through a tariffed on-bill investment program. Furthermore, the Coalition's report discusses a number of implementation considerations including consumer protection, the ability to combine multiple value streams

, and the ability to apply both funding and financing to upgrades at a specific site. These are all important to take into account in the scope of due diligence on the development of a tariffed on-bill investment program.

Multi-family housing

The Greenlining Institute subsequently participated in a study developed by the University of California's Center for Law, Energy, and Environment (CLEE) in consultation with the California Energy Commission to focus attention on multi-family housing. The study is relevant to the Commission's preliminary scoping memo for this proceeding, which states:

> "In order to provide value and accessible financing options to the broadest possible population, we may also need to explore options that are specific to affordable housing and/or multi-family buildings, which have a particular set of challenges and barriers that have been traditionally difficult to crack."[21]

Following multiple stakeholder consultations that included workshops and draft review by leading experts in multi-family housing in California, the Center's study concluded that lack of reliable long-term funding inhibits market transformation, and among its three recommendations to state utility regulators in particular, the study's first recommendation is:

[21] CPUC. Rule-making 20-08-022. Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers. August 27, 2020. Page 25 https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M346/K361/346361154.PDF

> "Institute utility tariffed on-bill programs that capitalize energy efficiency retrofits without making loans."[22]

Taking all these sources of guidance into account, Greenlining and Green For All strongly recommends that the scope of the CPUC's Clean Energy Finance proceeding not only include tariffed on-bill investment but also prioritize attention to it.

9. Use clear and consistent terms in the definition of scope

In the OIR, the clean energy finance proceeding has a purpose that is defined as "assist… customers with investments" (page 1) or "support customer investments" (page 2), and the scope is later defined as "any mechanism that provides a financing option to a customer investing in energy equipment behind the meter." (Page 26) Tariffed on-bill investment is included in the OIR section defining a number of options, and it is once again included on a list of options that may be included in the scope of the proceeding. However, tariffed on-bill investments for cost effective upgrades are not customer investments but rather capital deployments by a utility under the terms of a tariff, specifically one that assures cost recovery for the utility and a path to ownership for the site owner. The distinctions between these two concepts are important. For this reason, the scoping memo should consider whether it is more accurate to describe "investments at customer sites" rather than "customer investments", which implies that people in low income communities would be presumed to be capitalizing upgrades with their own cash or credit.

On a similar theme of ensuring clarity, Greenlining and Green For All urge the CPUC to avoid causing confusion with novel labels for well-defined terms. Specifically, the Commission's OIR for clean energy finance appears to introduce new terminology in the section on tariffed on-bill investment by referring to the phrase "tariffed-based recovery." This term does not appear to have been used anywhere in the published literature for this field, though it did appear in the CPUC scoping paper for transportation electrification without a rationale for either using a

[22] Elkind, E. and T. Lamm. *Low Income, High Efficiency: Policies to Expand Low-Income Multifamily Energy Savings Retrofit Programs.* UC-Berkeley Center for Law, Energy, and Environment. June 2019. https://www.law.berkeley.edu/research/clee/research/climate/energy-efficiency/limf-energy-savings-retrofits/

different phrase or introducing a different yet undefined concept.[23] Because virtually all utility cost recovery is already based on tariffed terms of service, the phrase "tariff-based recovery" itself is not descriptive of a specific solution. If the CPUC is seeking an alternative phrase to describe tariffed on-bill investment, Greenlining Institute would recommend using its most literal description, which is "a utility tariff for site specific investment and cost recovery."

10. Establish a schedule that supports inclusion

The OIR and its Preliminary Scoping Memo suggest more decisions will ultimately be made in this proceeding than can be observed in the proposed Schedule. Underscoring the very first recommendation in these comments, we urge the Commission to ensure that the Schedule takes into account best practices for facilitating access and participation, and in that process, it should anticipate prioritization and sequencing decisions in order to manage the options that could emerge from such an expansive scope.

IV. Conclusion

The Greenlining Institute and Green For All look forward to participating in this proceeding with the hope that it will open a new watershed of opportunity for communities who can lead the way in an equitable transition to California's clean energy economy.

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[23] CPUC. Rule-making 18-12-006. *Transportation Electrification Framework: Energy Division Staff Proposal.* Feb 2020. See Section 9.3. https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442463904

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Respectfully submitted,

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