

Decision 19-03-001 March 14, 2019

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Approval of its 2009- 2011 Energy Efficiency Program Plans And Associated Public Goods Charge (PGC) And Procurement Funding Requests.

Application 08-07-021

And Related Matters.

Application 08-07-022
Application 08-07-023
Application 08-07-031

**DECISION GRANTING PETITION FOR
MODIFICATION OF DECISION 09-09-047
CONCERNING ON-BILL FINANCING**

Summary

This decision grants the Petition for Modification of Decision (D.) 09-09-047, filed by Pacific Gas and Electric Company (PG&E), subject to the terms and conditions authorized herein. As requested, we modify D.09-09-047 to raise PG&E’s loan caps under the on-bill financing (OBF) program for energy efficiency projects. We increase PG&E’s loan cap from \$100,000 to \$250,000 to apply to all eligible non-residential customers, and we expand the maximum loan term from five years to 10 years. We also increase from \$2 million to

\$4 million PG&E's loan cap for exceptional unique opportunities to capture large savings, and when all other terms will be met.

We adopt these modifications only for PG&E at this time, but also grant flexibility for the other investor-owned utilities (IOUs) participating in the OBF program¹ to request future modifications in their own respective financing programs by filing a Tier 2 advice letter.

As the basis for granting these modifications, we recognize that increased loan limits for OBF will enable the utilities, their customers and third-party implementers to exercise greater flexibility in implementing and designing energy efficiency projects, thereby helping meet the state's ambitious energy goals. At the same time, we remain committed to ensuring that any funds disbursed through OBF are used in the most cost-effective manner. To that end, we impose appropriate conditions and monitoring of utility performance in exercising this financing flexibility, as explained below.

We also recognize the need for additional guidance regarding the analysis of the cost effectiveness of OBF to ensure the prudent use of ratepayer funding. Likewise, we must consider how to enable the IOUs to manage their loan programs so that private capital can be deployed, thereby enabling more loans and more energy-saving projects. We will consider these issues further in the energy efficiency rulemaking (R.13-11-005, or its successor).

With the disposition granted in this decision, these proceedings are closed.

¹ The other participating investor-owned utilities are Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E).

1. Factual Background

In Decision (D.) 09-09-047, the Commission approved an on-bill financing (OBF) program as part of the energy efficiency funding for all four of the major energy utilities.² The OBF program offers eligible non-residential customers a way to pay for energy efficiency upgrades without incurring up-front costs. Under the program, a utility provides eligible customers with unsecured loans covering 100 percent of the energy efficiency equipment and installation costs (net of rebates and other incentives) with zero percent interest. Customers then repay the loans through charges added to their regular utility bills. Loan capital is raised through utility rates and the energy efficiency budget covers defaults and pays for program administration. The payment schedule for energy improvements allows the OBF amount to match cash savings on utility bills to repay the cost of the improvement. The convenient access to capital and the cash flow profile can boost the levels of efficiency adoption and increase energy savings.

In filing its petition for modification (PFM) of D.09-09-047, PG&E explains that it is motivated help meet the state's increased energy efficiency goals to double energy efficiency savings by 2030 by increasing access to affordable capital for energy efficiency investments. PG&E believes that expansion of the OBF program can increase the deployment of energy efficiency projects by raising maximum loan caps and terms.

² The terms and conditions of the OBF loan program are summarized in Table 35 of D.09-09-047. PG&E's OBF program details were approved in Advice 3118-G-A/3667-E-A.

1.1. Procedural Background

PG&E filed its PFM on September 7, 2018, and attached the Sworn Declaration of Alfred A. Gaspari, Jr., Manager of the Residential and Transaction Services team, part of PG&E's energy efficiency portfolio management team.

Responses to the PFM were filed October 5, 2018 by Southern California Edison Company (SCE) and Natural Resources Defense Council (NRDC). On October 8, 2018, responses were filed by Southern California Gas Company (SoCalGas) and the Public Advocates Office at the California Public Utilities Commission (Cal Advocates).³ Our decision resolving the PFM is based upon consideration of these written pleadings.

2. Parties' Positions

2.1 Proposal of PG&E

PG&E requests that D.09-09-047 be modified by extending its OBF loan limit of \$250,000 and ten-year terms to all non-residential customers. Currently, these OBF loan limits only apply to multi-family housing and government agency customers. Other nonresidential customers are currently limited to OBF loan limits of \$100,000, with five-year terms. PG&E also proposes to increase the exception loan limit for standard OBF loans for all non-residential customers from \$2 million to \$4 million, where unique energy savings opportunities are identified. PG&E argues that granting these changes is justified in view of D.18-05-041 in which the Commission approved PG&E's Energy Efficiency Business Plan for 2018-2025.

³ The Office of Ratepayer Advocates was renamed Public Advocates Office of the Public Utilities Commission pursuant to Senate Bill No. 854, signed by the Governor on June 27, 2018 (Chapter 51, Statutes of 2018).

In filing its Business Plan in Application (A.) 17-01-015, PG&E stated that it would “increase supply of, and access to, affordable capital for energy efficiency investments,” including “raising caps and other parameters for OBF loans. As a means to reach these goals, PG&E proposed “raising caps and other parameters for OBF loans” to increase the supply of, and access to, affordable capital for energy efficiency investments.⁴

PG&E argues that increasing the OBF loan terms for all non-residential customers will support greater flexibility for program implementers to provide a greater mix of the types of measures, project types, and customers than is currently served by OBF in place of rebates and other incentives. PG&E also argues that these changes would align OBF loan terms across all non-residential customers, including government agency and multi-family housing customers. PG&E is also pursuing the use of ratepayer-funded loans, which are mostly paid back, as a method of displacing ratepayer-funded rebates, which represent a cost.

PG&E states that agricultural and industrial customers have previously opted against undertaking energy efficiency projects due to a lack of OBF funds at a scale to support their projects. Yet, PG&E’s customer account representatives serving large commercial, industrial, and agricultural customers report significant demand for the larger loans.

PG&E requests that D.09-09-047 be modified to increase its OBF loan limit to \$250,000 and ten-year terms applicable to all non-residential customers. PG&E also proposes that the exception loan limit be increased from \$2 million to

⁴ See PG&E’s Energy Efficiency Business Plan for 2018-2025, Finance Chapter, at 2.

\$4 million for all non-residential customers for standard OBF loans where unique energy savings opportunities are identified. PG&E argues that these changes would align the OBF loan terms across all non-residential customers.

To implement its PFM request, PG&E's proposed changes to Ordering Paragraph (OP) 40 of D.09-09-047. This OP approved each of the IOUs' originally proposed energy efficiency financing programs, with specified modifications. PG&E also proposes a new ordering paragraph (OP 61) to allow flexibility in managing its OBF loan program in the future once PG&E gains experience with the revised loan caps. PG&E's proposed a new OP 61 as follows:

Pacific Gas and Electric Company may file a Tier 2 advice letter for Commission review and approval of changes to the terms and conditions of the OBF loan tariffs, including the loan caps.

As drafted by PG&E, OP 61 would only apply to itself. However, PG&E recognized that other investor-owned utilities may also seek to propose changes to their respective OBF program terms and conditions in the future. PG&E supports extending the applicability of OP 61 to include all the investor-owned utilities.

2.2 Responses of Other Parties

NRDC supports PG&E's request for authority to originate OBF loans in larger amounts than authorized in D.09-09-047. NRDC argues that the increased loan limits will enable the financing of larger projects, and many large customers have capital projects that require up to \$4 million (*i.e.*, the level requested by PG&E). NRDC does not anticipate larger loans will reduce the availability of loans for smaller projects but recommends that PG&E and the Commission periodically monitor this. NRDC also recommends that the Commission actively explore how to enable the investor-owned utilities to manage their OBF

loan programs so that private capital is deployed, enabling more loans and more energy-saving projects.

SCE supports PG&E's proposed addition of a new OP 61 to D.09-09-047 to allow greater flexibility in managing the OBF loan program through the process of filing a Tier 2 Advice Letter for Commission review and approval of OBF loan terms. SCE also proposes extending OP 61 to apply to all of the four major IOUs to allow them the same flexibility to file a Tier 2 advice letter to request changes to the terms and conditions of the OBF loan tariffs.

SCE believes that a Tier 2 Advice Letter process provides adequate transparency prior to approval of any proposed changes to the OBF Program. SCE expresses the intent to pursue similar OBF program modifications such as extended OBF loan payback terms and increased OBF caps as discussed in its Amended Business Plan.

SoCalGas likewise requests the Commission extend the Tier 2 Advice Letter process proposed by PG&E for requesting changes in OBF loan terms to apply to all four major IOUs. SoCalGas believes that in this way, the Commission can provide all of the IOUs with added flexibility to promptly support customer needs in an evolving business environment through the OBF program.

Cal Advocates argues that if the Commission grants PG&E's PFM, clear guidance should simultaneously be issued to all energy efficiency program administrators regarding the analysis of cost-effectiveness for all financing programs. Cal Advocates argues that the benefits of OBF programs are energy savings, and that the costs are primarily administration and cost of capital. Cal Advocates argues that the net present value of the OBF loan should be

determined by discounting future payments at the utility's weighted average cost of capital. Cal Advocates also believes the attribution factors (*i.e.*, net-to-gross ratios) currently applied to evaluate OBF programs should be examined to ensure that financing program savings are additional savings beyond what would otherwise be achieved.

To develop a record regarding guidance on cost effectiveness analysis, Cal Advocates suggests convening a workshop and soliciting party comments. Cal Advocates proposes that Commission staff develop a straw proposal for measuring the cost-effectiveness of energy efficiency financing and then convene a formal workshop on the proposal. Cal Advocates proposes that all parties be permitted to file formal comments on the workshop.

3. Discussion

3.1 Increasing On-Bill Financing Loan Caps and Terms

We grant PG&E's PFM in accordance with the terms set forth in this decision. We increase PG&E's OBF loan limit to \$250,000 with a maximum ten-year loan term to apply all eligible non-residential customers, as requested in the PFM. We also increase the exception limit for standard OBF loans from \$2 million to \$4 million for all eligible non-residential customers where unique energy savings opportunities are identified.

We adopt these specific modifications in OBF loan terms and dollar caps at this time only for PG&E and its customers. We also grant the request of SCE and SoCalGas, however, to allow all four of the major IOUs to request future changes to their OBF loan tariffs by filing a Tier 2 advice letter.

As previously authorized in D.09-09-047, the four major IOUs are required to offer OBF with terms that are as consistent as possible. For example, the IOUs all use same interest rate (zero percent) and implement OBF as a financing

mechanism in coordination with other non-residential energy efficiency rebate and incentive programs. In addition, the IOUs use the same approach to calculate the loan term and monthly payment, and integrate the financing payments into the customers' bills.

Certain differences do exist in how OBF is implemented among the utilities, however, based on each IOU's specific needs, its corporate culture, and its experience in offering OBF. In keeping with this approach, we extend the applicability of OP 61, as adopted in this decision, to cover all four major IOUs, authorizing each of them to file a Tier 2 advice letter for review and approval of any proposed changes to terms and conditions of their OBF loan tariffs.

Attachment A to this decision sets forth our adopted modifications to D.09-09-047 to reflect the approved modifications in OBF loan terms and limits for PG&E and authorization for all of the major investor-owned utilities to seek additional flexibility through a Tier 2 advice letter filing.

We conclude that the PFM provides an appropriate vehicle through which to address the requested modifications to the OBF program. PG&E cites D.18-05-041 as justification for its PFM. We approved PG&E's business plan in D.18-05-041, but did not expressly approve or disapprove changes in the parameters for OBF loans. We did note, however, that the adopted business plans are sufficiently flexible to accommodate the state's increased energy efficiency goals to double energy efficiency savings by 2030.

We recognize the benefits of extending PG&E's OBF loan terms and amounts to cover a broader array of customers' energy efficiency projects. Based on PG&E's PFM (including the Sworn Declaration of Alfred A. Gaspari, Jr.), we conclude that increasing OBF loan caps and terms will enhance the potential for greater deployment of energy efficiency programs. Particularly within the

industrial and agricultural sectors that have previously underutilized OBF, the modified program can provide deployment of a greater mix of energy efficiency measures and projects.

OBF loan amounts are based on the payback period of the project being installed. As a result, projects that either exceed the loan limit or exceed the current five-year loan term cannot be fully funded by OBF. For non-government agency customers, the current OBF loan cap results in primarily lighting projects implemented by small-medium business customers. By contrast, when large loans are used for government customers (over \$250,000), 43 percent have included non-lighting measures.

Compared to other non-residential customers, government agencies leverage their access to increased loan amounts to execute longer payback projects and generate greater energy savings. Table B of PG&E's PFM shows that government agencies loan amounts average 82 percent longer payback projects and generate 152 percent more energy savings than other non-residential OBF loans. We conclude that a higher loan cap and longer loan terms for all eligible non-residential customers will encourage more comprehensive projects and deeper savings.

3.2 Ensuring Robust Controls on the Use of On-Bill Financing

Along with the potential to achieve greater energy efficiency savings, increased OBF flexibility also heightens the risk of undesirable consequences if funds are not wisely utilized. We recognized these risks and complexities in D.09-09-047, noting that:

“...financing is a complex terrain that must be well-matched to the particular needs of customers as these are affected by size, tenure in facilities, and whether business or institutional organizations. It is equally clear there are significant issues of

cost and leverage that require attention when ratepayer funds might be called upon to support financing transactions.”⁵

Our concerns regarding prudent use of ratepayer funds grow more significant as OBF loan caps are increased to finance more diverse and costly projects. An increase in OBF loan terms or caps requires robust controls and safeguards to ensure the maximum benefits in meeting savings goals are realized. Accordingly, concurrently with increasing the flexibility with respect to OBF loan caps and terms, we also impose appropriate restrictions and conditions on the manner in which loans may be made and administered by PG&E, as discussed below.

PG&E, and the other IOUs if they choose to request more flexibility through the filing of a Tier 2 advice letter, must show that they have appropriate safeguards and controls in place to effectively manage any increase in the terms or dollar caps on OBF loans. PG&E must show that it has the requisite controls to prioritize and target available OBF loan funds to cover the energy efficiency projects with the largest potential for energy savings. The IOUs must also vigilantly guard against potential abuses relating to OBF loans.

Increasing OBF loan flexibility also increases the potential risk for abuse in the form of free ridership whereby OBF loan funds are used to finance projects that would have been implemented anyway. To guard against such potential waste of ratepayer-funded resources, we prohibit each of the IOUs from using OBF funds for energy efficiency projects that were already moving toward implementation absent OBF funding.

⁵ D.09-09-047, at 284.

OBF loans over \$250,000 and initiated after the effective date of this decision must also exclude financing of customers' projects that separately receive rebates, including rebates through third parties.

The prohibition against using OBF loans where free ridership is involved applies especially in the case of large custom projects.⁶ Such custom projects often yield significant savings, but also tend to exhibit a much greater degree of free ridership.⁷

As a condition of granting the additional OBF flexibility granted in this decision, we require each of the IOUs to file a status report annually with the Energy Division. This report must show default rates, energy savings, and the degree of free ridership, if any, associated with energy efficiency projects financed through the OBF program. The specific details regarding the manner and of filing this information shall be specified by the Commission's Energy Division staff, but the information may be included with the Energy Efficiency Annual Reports.

Each of the IOUs must exercise extra vigilance to employ robust processes and protocols to ensure that OBF loans do not finance projects or portions of projects that involve free-ridership.

⁶ The term "custom projects" refers to energy efficiency projects or programs that typically involve complex equipment and systems where energy savings are calculated by IOUs individually for each project.

⁷ See, for example, the 2015 Custom Impact Evaluation Report for Industrial, Agricultural, and Large Commercial, dated April 3, 2017, which reports a net-to-gross ratio of 53 percent for PG&E and from 50 percent to 57 percent for the other IOUs.

In addition, PG&E states that it is developing a single-incentive path through which financing or rebates are offered to customers, but not both. The other utilities wishing to increase the size of their on-bill financing loans should also pursue this approach. These activities should be documented in their annual reports to the Commission.

3.3 Consideration of Other Parties' Concerns

We also recognize the concerns raised by Cal Advocates, as discussed above, regarding the need for guidance regarding the analysis of the cost effectiveness of OBF loans, particularly since ratepayer funds are involved. Cal Advocates argues that to compute cost-effectiveness, the net present value of the OBF loan should be determined by discounting future payments versus future energy savings at the utility's weighted average cost of capital.

Likewise, we recognize the concerns raised by NRDC regarding how to enable the investor-owned utilities to manage their OBF loan programs so that private capital is deployed, thereby enabling more loans and more energy-saving projects.

The resolution of these issues is beyond the limited scope of the PG&E PFM. We will consider both of these issues further, however, in the energy efficiency rulemaking (R.13-11-005, or its successor).

4. Comments on Proposed Decision

The proposed decision of ALJ Julie A. Fitch in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on February 28, 2019 by PG&E, SoCalGas and SDG&E, jointly, and SCE. Reply comments were filed on March 5, 2019 by Cal Advocates and SDG&E.

PG&E's comments seek clarification that rebates and incentives may continue to be offered to customers utilizing OBF funds if the loans are \$250,000 or less. Cal Advocates, in their reply comments, would prefer that the restriction apply to any loans over the previous limits included in D.09-09-047. We agree with PG&E's proposal that additional flexibility is reasonable and have modified this decision to make this clear. In addition, to ensure no ambiguity, we apply this limitation only to loans initiated after the effective date of this decision. This decision's provisions were never meant to apply to loans already initiated and underway. Cal Advocates also agrees with this position in their reply comments.

SCE's comments and SoCalGas and SDG&E's joint comments suggest that any new OBF limitations be applied only to PG&E for now, since their OBF program is the only one changing as a result of this decision. Cal Advocates agrees with this point in their reply comments. The other IOUs are correct that it was not our intention to change the terms of their OBF programs in this decision. Should the other IOUs choose to file a Tier 2 advice letter to seek changes to their OBF programs, as provided for herein, and those changes are approved by the Commission, then the provisions and limitations of this decision will apply going forward.

SCE also requests that it not be required to report additional information about default rates, energy savings, etc. related to its OBF offerings annually, since it did not request any OBF program flexibility. On this issue, we agree with SoCalGas/SDG&E that such information provides transparency and may actually be useful to see from all utilities, so we decline to remove that portion of the requirement as requested by SCE. We also agree with SoCalGas and SDG&E that such information may be provided as part of the Energy Efficiency Annual Reports, in a manner further specified by Commission staff.

SoCalGas and SDG&E's comments also clarify that not all utilities run their OBF programs through tariffs, and therefore suggest some modifications to the language of OP 61 to reflect this reality. We have made those suggested changes.

Cal Advocates, in its reply comments, also requests that the Commission limit any modifications sought through the Tier 2 advice letter provision of new Ordering Paragraph 61 of D.09-09-047 to the levels authorized herein for PG&E. We declined to place that limit; a Tier 2 advice letter offers an appropriate level of transparency and approval discretion to make design changes to specific program design and/or implementation details, now that we are operating under an approved business plan structure as outlined in D.18-05-041.

5. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Julie A. Fitch is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The on-bill financing (OBF) program, approved in D.09-09-047, offers eligible non-residential customers a way to pay for energy efficiency upgrades without incurring up-front costs through unsecured loans covering 100 percent of the energy efficiency equipment and installation costs (net of rebates and other incentives).

2. Currently, PG&E's OBF loan limits only apply to multi-family housing and government agency customers. Other non-residential customers are currently limited to OBF loan limits of \$100,000 and five-year terms.

3. For non-government agency customers, PG&E's current loan cap for OBF results in primarily lighting projects implemented by small-medium business customers. By contrast, when large loans are used for PG&E's government

customers (*i.e.*, over \$250,000), 43 percent of them have included non-lighting measures.

4. Extending the higher dollar limit and longer loan terms as requested by PG&E to all eligible non-residential customers will likely encourage more comprehensive projects and deeper energy efficiency savings in those sectors.

5. An expansion in PG&E's currently authorized OBF loan amount and terms would offer a solution for other customers with larger projects to pursue projects that could not otherwise be implemented. Customers could pursue larger projects with deeper energy savings if they had access to capital through the OBF program.

6. All feasible steps should be taken to ensure OBF funds target projects with the greatest energy efficiency savings potential and exclude free ridership. Although increased loan limits have the potential to free up more funds for financing large custom projects that offer substantial energy savings, such projects exhibit a greater degree of free ridership compared to other projects.

7. As previously authorized in D.09-09-047, the four major IOUs are required to offer OBF with terms that are as consistent as possible. In keeping with that approach, the applicability of Ordering Paragraph 61, as adopted in Attachment A of this decision, should cover all four of the major investor-owned utilities, authorizing each of them to file a Tier 2 advice letter for review and approval of proposed changes to their OBF programs, and/or terms and conditions of their OBF loan tariffs.

8. Increasing the OBF loan limits also potentially increases the risk that any existing deficiencies or lapses in screening and control of OBF funds may become more magnified. Increasing OBF loan flexibility also increases the potential risk for abuse in the form of free ridership whereby OBF loan funds are used to finance projects that would have been implemented anyway.

9. Cal Advocates has raised valid issues in its filed comments regarding the need for guidance regarding the analysis of the cost effectiveness of OBF.

10. NRDC has raised valid issues in its filed comments regarding how to enable the investor-owned utilities to manage their OBF loan programs so that private capital is deployed, thereby enabling more loans and more energy-saving projects.

Conclusions of Law

1. The Petition for Modification of Decision 09-09-047, filed by PG&E, provides an appropriate vehicle through which to address changes to the OBF program to promote greater progress toward achievement of the state's energy goals.

2. The Petition for Modification of D.09-09-047 should be granted in accordance with the modifications set forth in Attachment A hereto and the ordering paragraphs adopted in this decision.

3. Although the Petition for Modification was filed more than one year after the issuance of D.09-09-047, the Petition was timely filed in view of PG&E's explanation of its reasons for filing shortly after the issuance of D.18-05-041 which approved PG&E's business plan.

4. The applicability of Ordering Paragraph 61, as set forth in Attachment A of this decision, should include all of the four major investor-owned utilities in the

interests of providing the benefits of the OBF program to all non-residential utility customers throughout the state.

5. As a condition of granting the Petition for Modification, appropriate conditions should be imposed to ensure that OBF loans do not finance projects or portions of projects that do not meet applicable eligibility requirements or that involve free-ridership, consistent with the ordering paragraphs of this decision.

6. The concerns raised by Cal Advocates and NRDC, as outlined in Ordering Paragraph 5 of this decision, should be addressed in Rulemaking 13-11-005 (or its successor).

7. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The Petition to Modify Decision 09-09-047, filed by Pacific Gas and Electric Company on September 7, 2018, is granted in accordance with the modifications adopted in Attachment A of this decision, and subject to the ordering paragraphs adopted herein.

2. The provisions of Ordering Paragraph 61 (added to Decision 09-09-047 pursuant to Attachment A herein, and as requested by Pacific Gas and Electric Company), shall also apply to Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively, the investor-owned utilities (IOUs)). Each of the IOUs filing a Tier 2 advice letter as authorized therein must show that it has appropriate safeguards and controls in place to manage any requested increase in the terms or caps on on-bill financing (OBF) loans, and to prioritize OBF loan funds to cover projects with the largest savings.

3. As a condition of granting additional on-bill financing (OBF) flexibility, Pacific Gas and Electric Company (PG&E) shall not use OBF funds to finance any customer's project that was already moving toward implementation prior to offering the customer an OBF loan. PG&E shall not use OBF funds in combination with rebates or other incentives for loans over \$250,000 that are initiated after the effective date of this decision. These conditions shall apply to any other investor-owned utility filing and receiving approval for a Tier 2 advice letter, as provided for in Ordering Paragraph 2 above, that raises the loan size limits from current levels, and shall apply only to new loans initiated after the program changes are approved.

4. Each investor-owned utility (i.e., Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company) shall file a status report annually, as part of the Energy Efficiency Annual Reports, with the Commission showing default rates, energy savings, status of efforts to replace incentives with loans, and the degree of free ridership, if any, associated with energy efficiency projects financed through the OBF program. Further details regarding the manner of filing this information shall be specified by Energy Division.

5. Rulemaking 13-11-005 (or its successor) shall address the following concerns raised in filed comments in this proceeding by:

(a) Public Advocates Office regarding the need for Commission guidance regarding how the cost effectiveness of on-bill financing loans should be analyzed and evaluated.

(b) Natural Resources Defense Council regarding how to enable the investor-owned utilities to manage their loan programs so that private capital is deployed, thereby enabling more loans and energy-saving projects.

6. Application 08-07-021, Application 08-07-022, Application 08-07-023 and Application 08-07-031 are closed.

This order is effective today.

Dated March 14, 2019, at Coachella, California.

MICHAEL PICKER

President

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners

ATTACHMENT A

I. Modifications to Ordering Paragraph 40 of Decision (D.) 09-09-047:

Ordering Paragraph 40 of D.09-09-047 is modified as follows (*with additions underlined and deletions struck through*):

40. The proposed energy efficiency financing programs of Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company are approved with the following modifications:

- Each loan pool will be a revolving fund, applying loan repayments to make additional loans in the future;
- Southern California Edison Company should adjust its commercial loan cap to ~~match the \$100,000 level of the other utilities~~;
- Pacific Gas and Electric Company should adjust its loan cap to the \$250,000 level for all non-residential customers;
- Commercial loans may have their terms extended beyond five years, not to exceed the expected useful life (EUL) of the bundle of efficiency measures proposed, when credit and risk factors support this;
- Southern California Edison Company shall extend the institutional loan term to 10 years or the EUL, whichever is less, to match the terms of Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company;
- Pacific Gas and Electric Company shall extend the loan term for all nonresidential customers to 10 years or the EUL, whichever is less;

~~Pacific Gas and Electric Company~~, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company may exceed the individual loan cap for institutional customers up to a total of \$1 million per facility, for unique opportunities to capture large savings, and when all other terms will be met;

Pacific Gas and Electric Company may exceed the individual loan cap for all nonresidential customers up to a total of \$4 million per facility, for unique opportunities to capture large savings, and when all other terms will be met; loans of more than \$250,000 are not permitted to be combined with rebates or incentives;

Pacific Gas and Electric Company shall increase its target lending pool to \$18.5 million, equivalent to the combined targets for Southern California Edison Company and Southern California Gas Company, and do so by transferring financing program budget funds otherwise proposed for taxes and billing system modifications for on-bill repayments;

Pacific Gas and Electric Company's request for \$7 million for front-end state taxes on the loan pool is disallowed; and

Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company should not file any advice letters for additional financing mechanisms beyond On-Bill Financing until Energy Division publishes a report on energy efficiency financing.

II. New Ordering Paragraph:

Decision 09-09-047 is further modified to add Ordering Paragraph 61, as follows:

61. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company may each file a Tier 2 advice letter for Commission review and approval of proposed program changes to the terms and conditions of the on-bill financing loan tariffs or implementation plans, including the loan caps.

End of Attachment A