CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED
TRANSPORTATION FINANCING AUTHORITY

915 Capitol Mall
Sacramento, CA 95814
p (916) 651-8157
f (916) 589-2855
caeatfa@treasurer.ca.gov
www.treasurer.ca.gov/caeatfa

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Mr. Edward Randolph
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Re: Opening Comments on Proposed Decision Extending California Hub for Energy Efficiency Financing Programs and Conditionally Approving Use of Platform for Non-Ratepayer Funded Programs "Decision" as part of R.20-08-022

Dear Mr. Randolph:

The California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) appreciates and generally supports the Decision. While CAEATFA is not a formal party to the Proceeding, we are providing this letter as the administrator of the CHEEF to offer suggestions for the Commission's consideration. Most of our comments are requests for clarifications, either for accuracy in describing the CHEEF Programs or to better understand the Commission's intent. All will allow for smoother implementation of the CHEEF Programs over the next five years.

1. *Expenditure authority*:

   The Decision notes that "CAEATFA must seek additional state funding to staff the ongoing work related to the CHEEF programs in the fiscal 2022 budget." **We request that the Decision be clarified to note that CAEATFA is seeking "expenditure authority" from the State Legislature beginning with fiscal year 2022-2023, not "state funding."[1]**

[1] Decision Extending California Hub for Energy Efficiency Financing Programs and Conditionally Approving Use of Platform for Non-Ratepayer Funded Programs ("Decision"), Page 5

2. *Budget timing:*

   CAEATFA currently has funding authorization resulting from Resolution E-5072 and legislative approval for expenditures through June 30, 2022. **We suggest the Decision clarify that the additional funding authorization of the incremental $75.2 million contemplated in this Decision is effective beginning July 1, 2022 and extends through December 31, 2026.**

   Additionally, the contract for the current statewide marketing implementer (held by SoCalGas with Center for Sustainable Energy) is on an October – September annual cycle. **We suggest the Decision clarify** (pending the outcome of the Marketing workshop that the Commission directed to take place by November 1, 2021), **that should SoCalGas solicit a new statewide marketing contract or extend the current contract, the Decision provides flexibility to align the start of that contract with the July 1, 2022 start of new funding.** This would align the budget years of CAEATFA's administrative spending with the statewide marketing contract.

3. *Statewide expansion:*

   The Decision states that "it is reasonable to allow non-IOU customers to participate in the existing CHEEF programs with funding from non-IOU ratepayer sources."[2] CAEAETFA suggests that the Commission clarify this statement for two reasons. First, "non-IOU customers" is neither precise nor broad enough to capture the challenge that we are trying to address through this expansion, which has to do with *energy saving measures*, not just *customers.* One of the main challenges with creating simpler Program rules has been that customers who receive IOU gas service and POU electric service cannot finance electrification measures (such as heat pumps) through the CHEEF, as those measures are considered "fuel substitution" and the purchase and installation costs must be paid by the end-use utility.[3] Those customers also cannot install measures that only save electricity, such as a Cool Roof.[4] While there could be some customers who may want to participate in the Programs who are neither gas nor electric IOU customers, *the real on-the-ground issue is allowing the financing of measures that do not correspond to an IOU fuel source.*

   Second, related to "non-IOU ratepayer sources" of funds: The most near-term outside funding that CAEATFA would incorporate into the CHEEF are TECH funds, as noted in the Decision. While TECH funds are not Energy Efficiency Public Purpose Surcharge funds, there is concern that they could be considered "ratepayer funds," as they are moneys directed to be spent by the CPUC from gas allowances sold through Cap and Trade funds. We do not want to be precluded from using TECH funds as we expand the CHEEF, as these funds precisely fill the gap with current CHEEF funding sources: they are designated for IOU gas customers to electrify. To address these concerns, **we suggest**

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[2] Decision, Page 25
[3] Decision 19-08-009, "Decision Modifying the Energy Efficiency Three-Prong Test Related to Fuel Substitution."
[4] As we note in the next section, currently, IOU gas customers who have POU electricity providers are limited to 30% of their claim-eligible loan amount financing electric measures.

the following language substitution on page 25: "It is reasonable for the CHEEF to support the financing of energy saving measures that do not correspond to an IOU fuel source with funding from sources other than the Public Purpose Surcharge funds from IOU ratepayers."

Separately, the Decision states that "CAEATFA shall identify what entity will be administering any contracts using the non-IOU ratepayer funds. That entity should meet and confer with SoCalGas and the other IOUs…"[5] **We request that the Commission clarify which entity(ies) it is referring to. Does this refer to any of CAEATFA's existing vendors, such as the Master Servicer?**

4. *The use of the "30%" of loan proceeds:*

CAEATFA is concerned that Decision language may prohibit a longstanding practice within the Residential Energy Efficiency Loan Assistance Program (REEL) and the Small Business Energy Efficiency Financing Program (SBF). The Decision notes that "D.13-09-044 further clarified that up to 30% of an eligible project for financing can be for non-energy efficiency related measures."[6] In fact, about 20% of REEL customers take advantage of this feature of the Program. Many borrowers finance non-energy measures, such as landscaping or painting, alongside the energy efficiency measures within their loan. However, as explained in the *Status Update*[7], we allow IOU gas customers whose electricity is provided by a POU to finance electric measures with this 30% claim-eligible component of their loan. In CAEATFA's opinion, it does not make sense, and contradicts the State's greenhouse gas reduction goals, to allow someone to finance (and the lender to receive a credit enhancement for) granite countertops with their 30%, but not, for example, LED lightbulbs merely because they receive their electric service from a POU.

The Decision states that "CAEATFA's proposed cost allocation methodology as described in Option 1 of Table 4 could result in the use of IOU ratepayer funding to support up to 30% of loans offered to non-IOU customers, if necessary…Therefore we find CAEATFA should not use IOU ratepayer funds to support even up to 30% of loans offered to non-IOU customers."[8] CAEATFA believes that it is likely that the Commission may be reacting to CAEATFA's "Proposal for Incorporation of Non-Ratepayer Funding to the CHEEF" [9]. CAEATFA proposed utilizing funds other than Public Purpose Surcharge Ratepayer funds (should we secure them) to cover any electric measures for

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[5] Decision, Page 26
[6] Decision, Page 27
[7] "California Hub for Energy Efficiency Financing Status Update, March 2021," provided by CAEATFA to the Commission and included as Attachment A to the Assigned Commissioner's Ruling Seeking Party Feedback on Track 1 Issues Related to California Hub for Energy Efficiency Financing Programs
[8] Decision, Page 35
[9] "Proposal for Incorporation of Non-Ratepayer Funding into the CHEEF." Provided by CAEATFA to the Commission and included as Attachment B to the Assigned Commissioner's Ruling Seeking Party Feedback on Track 1 Issues Related to California Hub for Energy Efficiency Financing Programs. Table 4 on Page 9, Allocation Option 1.

POU customers, but if we are unable to secure, or run out of non-Public Purpose Surcharge Ratepayer funds, then revert to the Public Purpose Surcharge Ratepayer funds to cover the allowed 30%, as we have been doing.[10]

CAEATFA requests that the Commission clarify that CAEATFA is not prevented from continuing the current practice of allowing up to 30% of a loan to be used for energy efficiency measures for a non-IOU fuel source, as long as at least 70% of the loan proceeds are tied to an IOU fuel-saving measure. All participating lenders have learned to incorporate this calculation into their loan approvals, and as discussed in the *Status Update,* reducing complexity for lenders is crucial to increasing the ability to scale the Programs. CAEATFA does not want to add more restrictions that make lender participation in the Programs more burdensome. We want to make sure that the Commission understands that the current practice of the 30% claim-eligible allowance for non-IOU fuel measures is for *IOU customers*; they are IOU gas customers who are *also* POU electric customers.

CAEATFA suggests the following language substitution on page 35: "~~Therefore we find CAEATFA should not use IOU ratepayer funds to support even up to 30% of loans offered to non-IOU customers.~~ <u>Should CAEATFA be successful in securing a source of funding other than Public Purpose Surcharge funds from Ratepayers, CAEATFA should use those funds first to cover the credit enhancement for any loan, or portion of a loan that does not correspond to an IOU-fuel-saving measure. If non-Public Purpose Surcharge IOU ratepayer funds are not available, CAEATFA may revert to the practice of allowing Public Purpose Surcharge funds from Ratepayers to cover the credit enhancement of up to 30% of the claim-eligible amount of a loan to cover non-IOU fuel saving measures for IOU customers</u>."

CAEATFA also requests that Finding of Fact #6, Conclusions of Law #3 and #7, and Order #9 be reviewed and amended (if necessary) to make sure that we are not prevented from continuing this current practice.

5. *Small Business Energy Efficiency Financing Program (SBF) and Affordable Multifamily Energy Efficiency Financing Program (AMF) continuity*:

The Decision states, "We find CAEATFA should continue operating its existing CHEEF programs using the funds authorized in this decision through December 31, 2026, consistent with D.17-03-026."[11] However, this is the only reference to continuing the programs; there is nothing in the Finding of Facts, Conclusions of Law or Ordering Paragraphs. Conclusion of Law #6 states, "It is reasonable to require an evaluation of the SBF and AMF pilots before considering whether they should be extended into full

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[10] "Proposal for Incorporation of Non-Ratepayer Funding into the CHEEF." Provided by CAEATFA to the Commission and included as Attachment B to the Assigned Commissioner's Ruling Seeking Party Feedback on Track 1 Issues Related to California Hub for Energy Efficiency Financing Programs. Table 4 on Page 9, Allocation Option 1.
[11] Decision, Page 38

Programs."[12] **CAEATFA requests that the Commission clarify, particularly to provide market certainty for participating lenders, whether the Commission's intent is to continue the SBF and AMF Programs as pilots through 2026.**

6. *Evaluations:*

   Ordering Paragraph #12 of the Decision states that no later than April 30, 2024, CAEATFA and the IOUs "shall submit to the service list of Rulemaking 20-08-022 an evaluation of the current implementation of the Residential Energy Efficiency Loan program. The evaluation shall, at a minimum, provide the details requested in Section 2.7 above."[13] This order appears to contradict a statement made prior in the Decision: "We find it reasonable to require Energy Division to conduct another evaluation for the REEL Program launching in January 2024 and due to the Commission by no later than April 30, 2024."[14]

   Additionally, the Conclusions of Law state that "Evaluations of the IOU-ratepayer funded CHEEF programs could be conducted through the main IOU energy efficiency evaluation budgets" and "Energy Division should be authorized to conduct audits and evaluations of the CHEEF programs to identify potential improvements and areas where funding could be more efficiently leveraged."[15]

   We request that the Commission clarify its intention around future evaluations for REEL and other CHEEF Programs. Does the Commission intend for CAEATFA and the IOUs to budget for and/or procure an evaluation? Will this be in addition to, and independent of, an evaluation ordered by Energy Division staff?

7. *Reporting Metrics:*

   The Decision calls for CAEATFA to provide "annual estimated energy savings from installed measures funded through CHEEF programs.[16]" While we understand the desire for parties to be able to evaluate the CHEEF Programs' effectiveness in delivering energy savings, we wish to raise for consideration the practicality of CAEATFA undertaking this reporting. Commission-approved methodologies for calculating energy savings are incredibly complex; an entire industry is devoted to understanding and following them. As a financing authority, CAEATFA has no in-house capacity to become proficient in Commission-approved savings methodologies and attribution rates; we would have to hire an outside contractor to attain this capacity. CAEATFA could certainly hire a contractor to help us quantify the energy savings and decarbonization benefits from the Programs, but it is not clear to us that this would necessarily meet the Commission's rigor for IOU "claimed savings" or be part of cost-effectiveness calculations. **We request that**

[12] Decision, Page 43
[13] Decision, Page 47
[14] Decision, Page 38
[15] Decision, Conclusions of Law #9 and #10
[16] Decision, Page 39

the Commission clarify its objectives in obtaining energy savings data from the Programs, which will help determine the best party to undertake it.

We also hope that the word "estimated" does not imply that savings must be deemed. **Regardless of who calculates the savings for the Program, we believe a metered approach should be allowed and request the word "estimated" be struck from the text.** The IOUs are able to provide 12 months of pre- and post-installation metered data. Opinion Dynamics relied on this metered data to calculate savings for REEL's evaluation, released in 2020.

8. *AMF Program launch:*

The Decision states that the AMF program is expected to be available to customers by July 2022.[17] **We want to clarify that AMF has been available to customers since Renew Energy Partners enrolled in the Program and made financing available in September 2019.** The Program has not officially "launched," as that term is defined by enrolling the first loan.

9. *Other financing mechanisms and AMF Program:*

In Section 2.4.1, the Decision notes that "CAEATFA was unable to identify instances where additional financing mechanisms, such as subordinate debt, interest rate buy-downs, or co-lending options, led to reduced interest rates for similar programs."[18] CAEATFA wishes to point out that Ascentium Capital, in the introduction to their opening comments on the Assigned Commissioner's Ruling, referred to Michigan Saves, National Grid, and Con Edison programs as examples in which an interest rate buy-down was used, in these cases to bring the interest rate down to 0%. Ascentium also referenced a co-lending structure with NYSERDA as an example of using co-lending effectively to bring down interest rates.[19] Renew Energy Partners also provided comments stating, "The ability to combine our project equity…with low-cost debt maximizes the savings for the customer…As noted, Renew is working with co-lenders on a number of projects and in that regard our own program nationally is an example of the benefits of this approach in lowering our ESA rate and increasing savings to the customers."[20]

The Decision then notes that parties had concerns about subordinate debt and co-lending and that the Commission finds the concerns have merit. The Decision states, "Therefore, should CAEATFA decide to offer more complex financing mechanisms, such as co-lending or subordinate debt as part of its AMF pilot it must, within 30 days of the issuance of this decision, submit an informational letter to the Energy Division Executive

[17] Decision, Page 5
[18] Decision, Page 29
[19] "Opening Comments of Ascentium Capital to Assigned Commissioner's Ruling Seeking Party Feedback on track 1 Issues Related to California Hub for Energy Efficiency Financing Programs." Page 3.
[20] "Opening Comments of Renew Energy Partners to Assigned Commissioner's Ruling Seeking Party Feedback on track 1 Issues Related to California Hub for Energy Efficiency Financing Programs." Page 4.

Director…"[21] CAEATFA continues to believe there is an important distinction between interest rate buy-downs, which are funds that are expensed as part of a promotion, and subordinate debt or co-lending, which are financial mechanisms through which ratepayer capital would be lent directly. We are not sure if the absence of "interest rate buy-downs" in this paragraph is deliberate. **CAEATFA requests that the Commission clarify that the Decision does not require CAEATFA to notify the Executive Director and Service List were we to offer interest rate buy-downs through the Programs.** CAEATFA likely plans to utilize interest rate buy-downs in the SBF Program.

Additionally, CAEATFA is concerned that 30 days is too short a timeline under which to outline plans for co-lending through the AMF Program. We have not yet devoted resources to exploring inclusion of co-lending in AMF as we had been awaiting authorization from the Commission prior to doing so. **CAEATFA requests that this timeline be extended to at least 90 days from the adoption of this Decision.**

10. *Program name changes:*

The statewide marketing implementer, IOUs and CAEATFA have all agreed to change the names of the three CHEEF Programs in operation as follows:

- REEL will become "GoGreen Home Energy Financing," known as "GoGreen Home" for short;
- SBF will become "GoGreen Business Energy Financing," known as "GoGreen Business" for short; and
- AMF will become "GoGreen Affordable Multifamily Financing," known as "GoGreen Multifamily" for short.

The name changes were initiated by CAEATFA's interest in aligning the names of the Programs with the "GoGreen Financing" web platform, which houses all public-facing Program information, to reduce confusion for participants. The changes follows the results of market research conducted by a subcontractor of the statewide marketing implementer, which found support for the above names. CAEATFA is in process of changing the names of the Programs in its Regulations to match those stated above. **We request that the Commission acknowledge the new Program names in this Decision to make it easier for the public and parties to connect this Decision back to the CHEEF Programs.**

11. *Characterization of loans:*

We have a suggestion to modify Finding of Fact 4 to make it clear that CHEEF does not currently engage in direct lending: "The loans offered through CHEEF <u>are supported by</u> ~~use~~ <u>Public Purpose Surcharge Ratepayer funds for administration and as credit enhancements. Loans</u> ~~and~~ are available to IOU ratepaying customers to support energy efficiency projects at their homes and businesses."

[21] Decision, Page 30

CAEATFA recognizes the significant attention the CHEEF is receiving as part of the Clean Energy Financing Proceeding, especially while the Commission has several critical Proceedings underway. We appreciate all the efforts on your part and on that of the other parties in making these financing programs successful. Thank you for the opportunity to provide the suggestions above.

Sincerely,

Derek Chernow
Executive Director