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PROPOSED DECISION

Agenda ID #19666 (Rev. 1)

Ratesetting

8/5/2021 Item #15

Decision **PROPOSED DECISION OF ALJ SISTO AND ALJ FITCH**
(Mailed 7/1/2021)

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

DECISION EXTENDING CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PROGRAMS AND CONDITIONALLY APPROVING USE OF PLATFORM FOR NON-RATEPAYER FUNDED PROGRAMS

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Attachment 1 – CAEATFA Comments on July 1, 2021, Proposed Decision

**DECISION EXTENDING CALIFORNIA HUB FOR ENERGY EFFICIENCY
FINANCING PROGRAMS AND CONDITIONALLY APPROVING USE OF
PLATFORM FOR NON-RATEPAYER FUNDED PROGRAMS**

Summary

This Decision grants the California Alternative Energy & Advanced Transportation Financing Authority additional ratepayer funding to continue its existing California Hub for Energy Efficiency Financing Programs which were originally authorized in Decision (D.) 13-09-044, as later modified by D.15-06-008, D.15-12-002, D.17-03-026, and Resolution E-5072. This Decision also conditionally allows for the incorporation of non-ratepayer funds to expand the reach of the programs, extends investor-owned utility support for the programs through June 30, 2027, and requires additional reporting on and evaluation of the programs.

Rulemaking 20-08-022 remains open.

1. Background

The California Public Utilities Commission (Commission) has historically authorized regulated, investor-owned utilities (IOUs) to offer financial support to customers adopting energy efficiency and clean energy technologies in compliance with state and federal legislation.¹ California's Energy Action Plan established a hierarchy of energy resources, with preferred resources such as conservation and energy efficiency at the top of the list.² Before procuring additional energy production resources, the preferred option for both the

¹ A background of the Commission's activities related to clean energy financing was provided as Section 2 of the Order Instituting Rulemaking 20-08-022, as issued by the Commission on September 4, 2020.

² See also Cal. Public Utilities (Pub. Util.) Code § 454.5(b)(9)(C), requiring electrical corporations to "first meet [] unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible."

environment and ratepayer costs is to use less energy, where feasible. To reach the State's energy savings goals, we need to reduce barriers that hinder the adoption of energy efficiency and clean energy technologies, particularly in hard-to-reach market segments such as low- and moderate-income customers' homes or rental units, and residential and commercial building retrofits. Efforts to leverage ratepayer funding to develop innovative programs specifically targeting those hard-to-reach market segments were launched in 2013, when the Commission authorized \$75.2 million in IOU ratepayer funding collected through Public Purpose Program (PPP) surcharges³ to pilot financing programs to test whether ratepayer-funded incentives could attract private capital to scale investment in energy efficiency upgrades.⁴

1.1 Procedural History

In August 2020, the Commission launched the instant proceeding, Rulemaking (R.) 20-08-022, to evaluate the potential efficiencies of providing financing strategies that allow for larger or broader investments in multiple types of energy efficiency and clean energy technologies through a single

³ Pursuant to Public Utilities Code § 381, 381.1, 399 and 890-900, PPP surcharge funds must be spent to deliver energy efficiency benefits to ratepayers in the IOU service territory from which the funds were collected. PPP surcharges must fund energy efficiency programs that benefit gas and/or electric customers within an IOU's service territory, as adopted by the CPUC. However, nothing in these Rules is intended to prohibit or limit the ability of the CPUC to direct the IOUs to jointly fund selected measurement studies, statewide marketing and outreach programs, or other EE programs and activities that reach across service territory boundaries that serve statewide energy efficiency efforts. Further details on the PPP funds and their usage are available in the Commission's Energy Efficiency Policy Manual, Version 6.

⁴ D.13-09-044 authorized \$65.9 million in ratepayer funding, and \$9.3 million in reserved ratepayer funding, for several pilot programs, and authorized the use of ratepayer funds to create credit enhancements intended to incentivize lenders to extend or improve credit terms for IOU ratepayers' energy efficiency projects. The CHEEF pilot program implementation parameters were modified in D.15-06-008, D.17-03-026, Resolution E-4900, and Resolution E-5072.

program.⁵ Specifically, this rulemaking aims to ensure that the financing programs backed by ratepayer funding are targeted to attract investment by third-party partners to increase their efficacy and scope.⁶

Comments on the Order Instituting Rulemaking (OIR) were filed on September 25, 29, and 30, 2020. The differential in comment dates was due to party confusion about the issuance date of the OIR. Reply comments were filed on October 5, 2020.

A workshop was held on January 28-29, 2021, to further define the procedural scope.⁷ During the workshop, Commission staff and parties heard from panels that provided information on clean energy financing programs offered by other California state agencies and programs available to residents and business and property owners in other states across the country. Discussion during the workshop aimed to identify some best practices from existing clean energy financing programs and prioritize issues to help narrow the procedural scope for R.20-08-022.

Following the workshop, a prehearing conference (PHC) was held on February 5, 2021, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and other matters, as necessary.

The Scoping Memo issued on March 5, 2021, included a list of initial issues that must be resolved no later than August 2021 to enable the California

⁵ R.20-08-022 at 1-2. The Rulemaking was launched during the August 27, 2020, Commission meeting, and the Order Instituting Rulemaking was formally issued on September 4, 2020.

⁶ R.20-08-022 at 2.

⁷ The recording of the first day of the workshop can be accessed at <http://www.adminmonitor.com/ca/cpuc/workshop/20210128/>; the second day's recording is at <http://www.adminmonitor.com/ca/cpuc/workshop/20210129/>.

Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to continue operating its already-approved California Hub for Energy Efficiency Financing (CHEEF) programs.⁸ Specifically, CAEATFA requires an extension of its operational budget to continue implementing the programs and seeks authority to leverage its existing program platforms to use non-investor-owned utility (IOU) funding resources to expand access to the CHEEF programs and operate them more efficiently.

The CHEEF includes the Residential Energy Efficiency Loan assistance program (REEL), the Small Business Financing program (SBF), and Affordable Multi-Family (AMF) program.⁹ These were first designed as pilots, to test new and innovative financing strategies with consumers, contractors, and lenders. The programs aim to leverage ratepayer and private financing as part of the state's effort to achieve aggressive energy efficiency goals, including those articulated in Senate Bill (SB) 350 (DeLeon, 2015) which calls for a doubling of energy efficiency in buildings by 2030. Resolution E-5072 expanded the REEL pilot into a full-scale program administered by CAEATFA and adopted specific

⁸ CAEATFA has provided a full status update on its CHEEF programs, which was included as Attachment A to the April 1, 2021, Assigned Commissioner's Ruling on Track 1 Issues.

⁹ CAEATFA in comments on the proposed decision dated July 21, 2021, noted that it intends to change the names of its CHEEF programs (at 10). REEL will become "GoGreen Home Energy Financing," or "GoGreen Home;" SBF will become "GoGreen Business Energy Financing," or "GoGreen Business;" and AMF will become "GoGreen Affordable Multifamily Financing," or "GoGreen Multifamily." Because CAEATFA, as a state agency, is not a party to this proceeding, its comments were not filed and served, but instead provided as a letter to the Energy Division Executive Director and copied to the service list of this proceeding. The letter is attached as Appendix A of this decision.

requirements and authorizations for CAEATFA's administration and implementation of REEL.¹⁰

The SBF program is still in early deployment stages, after being slowed by the economic disruptions of the COVID-19 pandemic, among other issues.¹¹ The AMF program has not fully launched but is expected to be available to customers by July 2022.¹² CAEATFA must seek additional authority to staff the ongoing work related to the CHEEF programs in the fiscal year 2022 budget and/or beyond, but cannot do so until we determine whether to continue using IOU ratepayer energy efficiency funding to support the programs. Along with requesting additional funding to continue implementing the CHEEF, CAEATFA has asked for permission to expand the scope of the CHEEF programs' financing beyond the energy efficiency sectors and to provide financing to customers that do not currently receive service from an IOU.

On April 1, 2021, Commissioner Genevieve Shiroma issued an Assigned Commissioner's Ruling (ACR) seeking additional party feedback on specific issues identified as part of Track 1 of this proceeding, which are solely focused on the CHEEF programs and CAEATFA's administration of them.

There are several additional important issues raised in the Scoping Memo, which have been allocated into Tracks 2 and 3. This decision focuses on the

¹⁰ R.20-08-022 at 16-18. Resolution E-5072 required Southern California Edison Company, San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Gas Company to continue providing funds for administration of the CHEEF programs and pilots as authorized in prior Commission decisions but provided CAEATFA the flexibility to shift funds from the credit enhancement pool to the REEL program budget if necessary to continue administering the program prior to another Commission decision providing additional funding.

¹¹ Attachment A of the April 1, 2021, ACR at 13.

¹² *Ibid.* at 15-16. There is one lender participating in the AMF program, but no loans have been enrolled.

two main issues identified as Track 1 of the OIR's scope, as well as several of the additional issues raised in the April 1, 2021, ACR. As stated, *supra*, the issues that are not raised and considered in this decision will be addressed in separate, future decisions in this OIR.

1.2 Track 1 Issues

The Track 1 Issues to be determined associated with CAEATFA's existing CHEEF programs are:

1. Should the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) be authorized to extend the operating budgets for its existing California Hub for Energy Efficiency Financing (CHEEF) program to run through the 2021-2022 calendar year, or beyond?¹³
 - a. Should CAEATFA be authorized to use the CHEEF program's operational platforms, developed with IOU ratepayer funds, to offer similar programs to non-IOU customers, such as those receiving service(s) from publicly owned utilities?
 - b. If so, what metrics, key performance indicators, and evaluation efforts should be adopted to ensure adequate tracking of IOU and non-IOU funding for CAEATFA's program infrastructure?
2. Should CAEATFA be authorized to, using its already-approved budget, expand the financing options available through the Affordable Multifamily Energy Efficiency Financing Program (AMF) to offer subordinate debt or

¹³ CAEATFA currently has budgetary authority to administer the CHEEF through fiscal year 2021-22. As previously noted, Resolution E-5072 authorized the use of \$7.7 million in funds previously allocated for credit enhancement to continue operations if necessary. CAEATFA needs to begin its pursuit of further state budgetary authority by August 2021 to continue its current operations beyond July 2022.

engage in co-lending, with the goal of reducing interest rates for participating customers?¹⁴

The April 1, 2021, ACR asked specific questions of parties to inform the Commission's consideration of CAEATFA's request to continue its CHEEF programs and evaluate the costs and benefits of using non-IOU ratepayer funding to expand the programs to non-IOU customers.

Specifically, parties were asked to respond to the following questions:

1. What are the potential costs and benefits of authorizing CAEATFA to leverage its existing CHEEF operations and platforms, which were built largely with IOU ratepayer funds, to ensure their programs are available to customers that may switch fuel providers, with incremental costs allocated to non-ratepayer funds CAEATFA identifies?¹⁵
 - a. If a clean energy project occurs that transitions a customer from an IOU fuel source (for example, natural gas) to a separately-provided fuel source (such as municipally-offered electricity), which entity should fund the cost of financing that project? Explain any legal considerations associated with your answer.
 - b. Would the cost-sharing methodology proposed by CAEATFA adequately track and report the cost sharing between IOU and non-IOU funding resources supporting the CHEEF programs?¹⁶ If not, please

¹⁴ CAEATFA would not receive any additional ratepayer funds for this effort but the agency has suggested its existing authorized funding could be better leveraged if additional debt options were offered.

¹⁵ The examples provided in these questions are illustrative and clean energy projects could result in a transition from municipally-provided fuel to an IOU-provided fuel, or vice versa. Parties' responses should focus on how the cost of financing programs should be split if a customer is transitioning between fuel sources (IOU to/from non-IOU) to improve efficiency and support increased adoption of cleaner technologies.

¹⁶ CAEATFA's proposed cost-sharing methodology was included as Attachment B of the April 1, 2021, ACR.

- describe what you would change and provide proposed modifications to the tables provided in Attachment B.
- c. Should incremental costs to expand the CHEEF programs to non-utility customers be covered solely by non-IOU funding sources? Why or why not?
 - d. Should CAEATFA be authorized to extend its credit enhancement to cover total eligible outstanding loans, or should the credit enhancement only cover that portion of the loans that supports measures/projects funded by IOU ratepayers?
2. CAEATFA's program and operating costs vary considerably depending on whether they are supporting the administration of ongoing financing programs or simply servicing loans already issued. For what period of time should the Commission authorize CAEATFA's operating costs to support administration of ongoing and potentially new programs? When developing your response, recognize that D.17-03-026 clarified that the Commission intends to provide energy efficiency funding to support the "full lifecycle" of the loan programs.¹⁷
- a. If you recommend CAEATFA be authorized to administer programs on an ongoing basis, should the previously approved budget be re-authorized, granting another ~\$75 million to support all expenditures needed to operate the CHEEF programs over the next three, five, or 10 years?¹⁸
 - b. Explain your rationale.

¹⁷ D.17-03-026 at 11 finds that "Full lifecycle must entail any applicable on-bill payment remittance structures and credit enhancement support mechanisms for the full duration (*e.g.*, 10, 15, or 20 years) agreed to in CAEATFA's CHEEF regulations and participation agreements with financial institutions."

¹⁸ D.13-09-044, as later modified by D.15-06-008, D.15-12-002, and D.17-03-026, defines the previously approved budgets and parameters for the CAEATFA CHEEF programs. CAEATFA's CHEEF budget and expenditures are detailed on pages 19-20 of Attachment A to the April 1, 2021, ACR.

3. Would authorizing the use of existing, already-approved funding to provide subordinate debt or co-lending options in CAEATFA's Affordable Multi-Family (AMF) program be appropriate under CAEATFA's existing authority?¹⁹
 - a. If so, does it have the potential to reduce participants' interest rates?
 - b. If not, why not?
 - c. Should the Commission authorize additional funding for this purpose, and if so, how much and why?
4. Does subordinate debt or engaging in co-lending result in interest rate reductions for the CHEEF's program customers? Does subordinate debt or engaging in co-lending lower or raise the risk of default or affect the affordability of participating in CHEEF programs? Are there examples of programs in which offering a subordinate debt or co-lending mechanism led financial institutions to lower interest rates significantly enough to make monthly customers loan payments more affordable?
 - a. Are there reliable data confirming the viability of a subordinate debt or co-lending mechanism? If so, what are the risks to participating and non-participating ratepayers and what are the safeguards that financial institutions would have in place to mitigate that risk?
 - b. If co-lending and subordinate debt financing proved to be viable options, should they be made available to all financing programs including small business and residential?
 - c. Are there any other financing options (such as interest rate-buy-downs) CAEATFA should consider offering to better implement its AMF or other CHEEF programs?
5. Do you think D.17-03-026 provided a broad authority for CAEATFA to modify its CHEEF programs, including those that are no longer pilots, as necessary to improve

¹⁹ Details about the AMF program history and its current status are included in Attachment A to the April 1, 2021, ACR, at page 15.

implementation and program success, or is additional authority or guidance necessary on this issue?

- a. How would program implementation changes affect the existing contracts administered by the IOUs, specifically, Southern California Gas Company (SoCalGas), if at all?²⁰
 - b. Should the same level of autonomy be provided for CAEATFA to expand its programs to accommodate non-utility ratepayer funding and participation?
6. Should CAEATFA be authorized to expand its list of eligible measures for which its CHEEF financing mechanisms can be used, to other non-energy-efficiency clean energy and/or distributed energy resource measures, in advance of a Commission decision on additional funding sources?
- a. If so, how?
 - b. And with what limits, if any?
7. How could existing administrative contracts be expanded to allow for incorporation of non-ratepayer funds?
- a. What metrics, key performance indicators, and evaluation efforts should be adopted to ensure adequate tracking of IOU and non-IOU funding for CAEATFA's CHEEF program infrastructure?
 - b. How should the administrative costs be shared? Parties were encouraged to provide comments on this question that directly refer to the proposed CAEATFA methodology included in Attachment B of the April 1, 2021, ACR.
8. How often should a formal evaluation of CAEATFA's ongoing CHEEF programs occur?

²⁰ The contract for the statewide CHEEF marketing implementer is held by SoCalGas. Resolution E-5072 authorized the execution of a new contract with spending capped at previously-authorized levels.

- a. Should the Commission authorize additional funding for this purpose, and if so, how much and why?
 - b. Should CAEATFA be required to host annual workshops providing parties to this proceeding an opportunity to receive updates about the program status and provide feedback on potential implementation changes?
 - c. Should a cost-sharing mechanism for evaluation costs be instituted based on CAEATFA's proposed methodology included in Attachment B of the April 1, 2021, ACR? Or is there another preferable method for sharing specific evaluation costs?
 - d. Should an evaluation or workshop noticed to this Rulemaking's service list be required before CAEATFA is able to propose CHEEF program modifications? Why or why not?
9. Should a budgetary cap or time limit be set on the program administration role CAEATFA plays?
 - a. Which, if any, of the CHEEF program designs could eventually operate through lenders and contractors without a third-party administrator?
 - b. How long should the administrative contracts continue to be held by IOUs?
 10. Are any additional customer protections needed for CHEEF pilots or programs?

The ACR also adopted a revised, more detailed schedule for Track 1, setting the deadline for opening comments on the questions listed above as April 16, 2021, with reply comments due on April 30, 2021.

Opening comments on the ACR were filed by Enervee, Gridium, the Renewables 100 Policy Institute, San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), Wild Tree Foundation, Pacific Gas and Electric Company (PG&E), the National Diversity Coalition (NDC), The

Utility Reform Network (TURN), the Utility Consumers' Action Network (UCAN), the Environmental Defense Fund (EDF), The Public Advocates Office at the California Public Utilities Commission (Cal Advocates), SoCalGas, the Vermont Energy Investment Corporation (VEIC), California Low Income Consumer Coalition (CLICC), California Coast Credit Union, Ascentium Capital LLC, First U.S. Community Credit Union, Renew Energy Partners, Matadors Community Credit Union, Rabobank Subsidiary De Lage Landen (DLL), East Bay Community Energy (EBCE), and the Protect Our Communities Foundation (PCF).

Reply comments on the ACR were filed by Enervee, Small Business Utility Associated (SBUA), Gridium, NDC, Wild Tree Foundation, PG&E, TURN, SDG&E, SoCalGas, Cal Advocates, UCAN, CLICC, VEIC, and SCE. CAEATFA also submitted reply comments to the Energy Division Executive Director and the service list of this proceeding. CAEATFA is a sister state agency and therefore not a party to this proceeding, so its comments were attached as Appendix A of the proposed decision to be made part of the procedural record.

2. CHEEF Programs and Funding Issues

The April 1, 2021, ACR, solicited party feedback on a number of outstanding questioning related to the Track 1 issues, with specific questions about the CAEATFA's future implementation of the existing CHEEF programs as detailed in Section 1.1 above. In this section, we address issues related to the CHEEF program extension, and the potential expansion to non-IOU ratepayers, in detail.

2.1. CHEEF Program Extension

The Scoping Memo's Track 1, Issue 1, asks whether CAEATFA should be authorized to extend its current CHEEF programs through fiscal year 2022 or

beyond. The April 1, 2021, ACR asked for additional party input on whether and how CAEATFA should be authorized to continue implementing the CHEEF programs, particularly as it relates to CAEATFA's program and operating costs which vary considerably depending on whether they are supporting the administration of ongoing financing programs or simply servicing loans already issued.

Parties' response to the ACR was broadly supportive of authorizing a continuation of the existing programs, particularly from the IOUs and the credit unions and lenders that are already participating in the programs.²¹ Renew Energy Partners noted that lenders participating in CHEEF have each "made a significant investment to join these programs" and urged the Commission "to extend the program budgets for a significant period of time."²² However, several ratepayer advocates, including Cal Advocates and TURN, requested the Commission require a thorough evaluation of the current programs' success and effectiveness, which would lead to the establishment of additional implementation requirements for the CHEEF programs.²³

As CAEATFA highlighted in Attachment A of the April 1, 2021, ACR, the process of establishing the CHEEF programs and implementing appropriate customer and lender protections was very time-consuming and thorough.²⁴ We

²¹ See, for example, SDG&E opening comments on the ACR at 1; TURN opening comments on the ACR at 2; PG&E opening comments on the ACR at 8.

²² Renew Energy Partners opening comments on the ACR at 3-4.

²³ See, for example, Cal Advocates' opening comments on the ACR at 12-15; Cal Advocates' reply comments at 3-4; TURN opening comments on the ACR at 7; TURN reply comments at 2-4; CLICC opening comments on the ACR at 4-8.

²⁴ In its reply comments to the April 1, 2021 ACR, CAEATFA further explained its public process at 3: "As a governmental agency, CAEATFA has publicly-noticed monthly Board meetings, adheres to the Administrative Procedures Act (APA), requires legislative

Footnote continued on next page.

find that CAEATFA's administration of the CHEEF programs is adequate, based on the parameters and program requirements the Commission established.²⁵ We have already eliminated the sunset date for the CHEEF programs. In addition, we acknowledged that the CHEEF programs may have ongoing administrative costs for up to 15 years after the conclusion of a pilot. Further, last year, the Commission authorized the expansion of REEL to a longer-term program, after thorough evaluation of CAEATFA's implementation of the pilot.²⁶ Therefore, it is unreasonable to require an additional evaluation before authorizing a five-year continuation of ratepayer funding to support the administration of the existing CHEEF programs.

Instead, we find it reasonable to authorize CAEATFA to receive up to an additional \$75.2 million to support its existing CHEEF programs for IOU ratepayers through June 30, 2027.²⁷

CAEATFA shall continue providing monthly statistics and quarterly reports and regularly updating Energy Division staff on program successes and unforeseen issues. CAEATFA should continue, at a minimum, tracking and

approval to expend any funds for operations - even those approved by the Commission, and must follow state contracting rules. Through the public rulemaking process, CAEATFA issues regulations for each of the CHEEF Programs, which means the rules for these programs become part of government code. The public rulemaking process is robust with ample opportunity for public comment through workshops, notices, APA-required public comment periods, and extensive documentation and approval processes. The tradeoff to these robust processes is the amount of time and staff resources required to undertake the mandated steps - there is an intentional amount of "slowness" built in."

²⁵ CAEATFA provides quarterly reports and monthly statistics about the CHEEF programs for Energy Division and public review.

²⁶ D.15-06-008 at 12, D.17-03-026 at 3, and Resolution E-5072.

²⁷ ACR Attachment A at 20 identified \$35 million available in the credit enhancement pool as of December 30, 2020, but CAEATFA has further committed that funding in the six months since its budget was provided to parties.

reporting the metrics adopted in Resolution E-4900 Attachment 1, as discussed further in Section 2.7 below. CAEATFA may be subject to an audit at any time during the five-year cycle, if Energy Division staff identify any issues that raise concerns about CAEATFA's ongoing implementation of the programs or administration of the budgets. Furthermore, evaluations of the financing programs and pilots may be scoped into the annual evaluation workplan, which is standard through the energy efficiency budgeting process.

2.1.1 CHEEF Program Budgets

To better understand whether the existing program designs meet the needs of loan customers and attract private lenders, we believe providing CAEATFA additional funding to support continued administration of the CHEEF programs for IOU customers, as previously authorized, is reasonable for another five years. As noted by SoCalGas and CAEATFA in comments on the proposed decision, CAEATFA is seeking this incremental funding to support the existing CHEEF programs beginning in fiscal year 2022.²⁸ We find it reasonable to commit up to an additional \$75.2 million dollars from IOU energy efficiency funds to support the CHEEF programs over the next five years, from the start of fiscal year 2022, July 1, 2022, to the end of fiscal year 2026, June 30, 2027. This incremental funding should be split among the four large IOUs – PG&E, SCE, SDG&E, and SoCalGas – using the same cost allocation percentages adopted in D.13-09-044.²⁹

²⁸ SoCalGas comments on the proposed decision dated July 21, 2021, at 4; CAEATFA comments at 1-2.

²⁹ D.13-09-044 established the following funding allocation for the initial \$75.2 million energy efficiency financing budget: PG&E – 41.2%; SCE- 29.1%; SDG&E – 16.05%; SoCalGas – 13.65% (at 95).

We agree with TURN that the incremental ratepayer funding should not only go to support CAEATFA administrative costs.³⁰ The incremental funding should be used to support additional loans and successfully implement the existing CHEEF programs through fiscal year 2026. CAEATFA retains the authority to reallocate funding across its CHEEF budgets as necessary and shall ensure to maintain its REEL program funding for IOU ratepayers at or near the previously authorized levels during fiscal year 2021-2022, in accordance with Resolution E-5072.³¹

Our approval of the incremental \$75.2 million in this decision is intended to provide CAEATFA the capacity to prepare its budget request for legislative expenditure authority for fiscal years 2022-2026 and should be used solely to support ongoing CHEEF program offerings for IOU ratepayers. CAEATFA shall coordinate with the IOUs to identify the amount of incremental ratepayer funds necessary to bring its current budget up to \$75.2 million, based on the current available credit enhancement pool as of the issuance of this decision.

In comments on the proposed decision, Cal Advocates argued that CAEATFA and the IOUs should be directed to submit a Tier 3 Advice Letter identifying the amount of incremental ratepayer funds that will be needed to bring CAEATFA's current budget up to \$75.2 million.³² We disagree. As noted in SCE's reply comments on the proposed decision, this decision is authorizing

³⁰ TURN opening comments on the ACR at 3-4.

³¹ Resolution E-5072 Ordering Paragraph 3 "Budget for the administration of the REEL program and the energy efficiency pilots is authorized as described in this resolution for fiscal years 2020-2021 and 2021-2022, and CAEATFA is authorized to make enhancements to the REEL and the financing pilots for maintenance and improvement of information technology and administrative needs during the interim period before the next CPUC decision."

³² Cal Advocates comments on the proposed decision dated July 21, 2021, at 1-2.

the use of up to \$75.2 million in incremental ratepayer funds to support the existing CHEEF programs through fiscal year 2026, “and the required Tier 2 advice letter is solely to provide the Commission with an accounting of the incremental ratepayer funding to be contributed based on the already-approved funding.”³³ It is therefore appropriate to allow for Commission staff review of the final IOU budget amounts up to the Commission-authorized amount of \$75.2 million. Also, staff have the authority to escalate the disposition of the Tier 2 Advice Letter to a Resolution, if needed, which would require Commission consideration and approval.

No later than 60 days following the issuance of this decision, the IOUs and CAEAFTA shall file a joint Tier 2 Advice Letter identifying the amount of incremental funding each IOU will be contributing, up to a total of \$75.2 million in additional ratepayer funding. The Tier 2 Advice Letter shall include more detailed budget scenarios from CAEATFA illustrating its expected use of the authorized funding and projections of future program costs and projected loan enrollment growth, as recommended by TURN and Cal Advocates.³⁴ Further, the IOUs should include the estimated ratepayer bill impacts associated with the incremental funding, up to \$75.2 million total, that will be recovered from their various customer classes annually over the five-year period of fiscal years 2022-2026.

This incremental \$75.2 million in IOU ratepayer funding cannot be used by CAEATFA to (1) fund staff time attributed to seeking any additional funding

³³ SCE reply comments on the proposed decision dated July 26, 2021, at 2. SCE continues to state that “a Tier 2 advice letter filing also comports with the Commission’s General Order 96-B, Industry Rule 5.”

³⁴ TURN opening comments on the ACR at 2; Cal Advocates reply comments on the ACR at 4.

resources to expand the CHEEF programs to non-IOU customers; (2) offer any financing options to non-IOU customers; or (3) cover any administrative or operational costs of expanding the CHEEF programs to non-IOU customers.

2.1.2 Marketing, Education, and Outreach Budgets

Consistent with D.13-09-044, up to \$8 million of the \$75.2 million in additional ratepayer funding approved in this decision may be used to support a statewide marketing, education, and outreach (ME&O) program, inclusive of “integration of financing pilot information with the statewide umbrella outreach for all EE and demand side management programs.”³⁵ In comments on the proposed decision, SoCalGas and CAEATFA requested clarification on when the incremental \$8 million in additional funding for ME&O will be available.³⁶ Because CAEATFA is seeking expenditure authority for fiscal years 2022-2026, we find it reasonable to align the additional ME&O funding with the extension of funding for the existing CHEEF programs. The incremental ratepayer funding for ME&O shall be available to support the existing CHEEF programs beginning July 1, 2022, through June 30, 2027.

NDC noted that “given that clean energy and efficiency programs would often involve transitioning customers off of natural gas, this seems to create a conflict of interest for SoCalGas to promote CHEEF programs.”³⁷ We find this concern to be merely cosmetic, because SoCalGas has been successfully implementing the administrative contracts for the CHEEF programs thus far, and the goals of the programs are not altered by this decision.

³⁵ D.13-09-044 at 85-86.

³⁶ SoCalGas comments on the proposed decision dated July 21, 2021, at 3-4; CAEATFA comments on the proposed decision at 2.

³⁷ NDC opening comments on the ACR at 13.

We find the simplicity of continuing to work with SoCalGas as the lead IOU, and other utilities as contributors, provides the best path to extend the existing CHEEF programs. The current contracts have been operating smoothly and have been a cooperative effort between the four large IOUs.³⁸ Therefore, SoCalGas may continue to hold the contract for a vendor to conduct a statewide ME&O program. As noted by SoCalGas, these programmatic and implementation changes do not necessarily require a change in the current CHEEF program ME&O contract, beyond a modification to reflect the additional amount of authorized funding.³⁹

The four large IOUs and CAEATFA should host a joint workshop no later than November 1, 2021, to evaluate the success of the current statewide ME&O strategies related to the existing CHEEF programs and receive feedback on potential improvements that could be implemented in the new and/or extended third-party ME&O contract. SoCalGas shall submit a report summarizing the workshop to the service list of this proceeding no later than December 1, 2021. The report should also describe any programmatic changes SoCalGas, the other three IOUs, and CAEATFA will adopt for the ME&O contract to support the ongoing CHEEF programs through June 30, 2027, and the timeline for implementing those changes, if any.

³⁸ SoCalGas opening comments on the ACR at 7. "SoCalGas believes there would be minimal changes to the existing administrative contracts. SoCalGas serves as the lead IOU partner and contract administrator for CHEEF and would only need to amend the existing contract for new budget authorization approved by the CPUC. Today, programmatic and implementation changes do not affect the existing contract nor require contract amendments. This should continue to be the case in the future." PG&E opening comments on the ACR at 7 "PG&E suggests leaving the administrative and contractual details for CAEATFA to determine in coordination with the IOU finance lead."

³⁹ SoCalGas opening comments on the ACR at 7-8.

Beyond the \$75.2 million in ratepayer funding allocated to CAEATFA to support its ongoing administration of the CHEEF programs, we have previously authorized each IOU to spend up to \$500,000 annually to support their participation in the development and deployment of information technology (IT) and marketing strategies.⁴⁰ The lead IOU, currently SoCalGas, was authorized to spend up to \$800,000 to cover the costs of its same participation in IT and marketing development, along with contract administration costs. The tasks these funds were authorized to cover include IT related to billing systems associated with the CHEEF; operational costs; marketing costs as requested by CAEATFA, SoCalGas, or the financing marketing vendor; or other administrative costs associated with coordination across the IOUs and CAEATFA. Resolution E-5072 authorized the IOUs to continue requesting this additional funding until the Commission provides additional direction. In the proposed decision, we confirmed the IOUs may continue annually requesting up to \$500,000, or up to \$800,000 for the lead IOU, currently SoCalGas, to continue participating in and supporting the development of IT solutions and marketing strategies for the CHEEF programs offered to IOU ratepayer customers. In comments, SoCalGas provided marketing strategist Lux & Stoke's analysis of the current CHEEF statewide marketing efforts, which was conducted in coordination with CAEATFA. The Lux analysis suggests that the IOUs should "consider enhancing the presence of the GoGreen Financing program on utility company

⁴⁰ D.17-03-026 at 14 found that the IOUs' costs of supporting the CHEEF program administration should be recovered separately from the budgets for the programs themselves: "These funds are in addition to the funding already allocated to the financing pilots prior to this decision, and may be proposed to come from other energy efficiency program funds already authorized to each utility, or be incremental; we will not specify this at the outset."

websites and technical sources.”⁴¹ Further, PG&E suggested that some portion of the statewide ME&O budget discussed above should be allocated to support IOU-led marketing efforts.⁴² We find this recommendation for the IOUs to update their financing websites and outreach efforts to be reasonable. However, SoCalGas and PG&E’s comments do not persuade us that an additional budget of up to \$1 million, or any carve-out from the statewide ME&O budget, is necessary for the IOUs to update their existing financing websites associated with the CHEEF programs to “provide more education and content for customers prior to driving them to the [GoGreen Finance] site to search for contractors and lenders.” As noted by TURN, the utilities’ request for additional funding for utility-specific ME&O is neither supported by report nor the factual record related to Track 1 of this proceeding.⁴³ The updated customer content should be consistent across the utilities and developed in coordination with CAEATFA and the current statewide marketing implementer, and within the annual, incremental budget of up to \$1.8 million in combined IOU funding associated with ME&O authorized in D.17-03-026 and continued in this decision.

As provided in D.17-03-026, the IOUs may each file a separate Tier 2 Advice Letter proposing whether their annual costs of supporting the CHEEF programs offered to their ratepayers will be paid for with previously-authorized

⁴¹ SoCalGas comments on the proposed decision dated July 21, 2021, at 2-3 and Attachment 1.

⁴² PG&E comments on the proposed decision dated July 21, 2021, at 2-3.

⁴³ TURN reply comments on the proposed decision dated July 23, 2021, at 2. TURN noted that “no record has been established to support SoCalGas’s request to increase the funding for IT and marketing.” TURN further noted that SoCalGas did not raise this as a concern when filing responses to the April 1, 2021 ACR.

energy efficiency program funds or new, incremental PPP funding with a rationale to back up their proposed source(s).⁴⁴

In comments on the proposed decision, CAEATFA requested the Commission specifically adopt new program names that are being developed for the CHEEF programs.⁴⁵ We find this clarification unnecessary for the purposes of this decision because we have granted CAEATFA and the IOUs flexibility in developing and implementing ME&O strategies related to the CHEEF programs. However, we request that CAEATFA and the IOUs coordinate on any new programming names and include updates on the ME&O strategies, as necessary, in the quarterly reporting discussed further in Section 2.7 below.

2.1.3 CHEEF Funding Beyond Fiscal Year 2026

Resolution E-5072 authorized CAEATFA to shift funding from the amount authorized for credit enhancement to support any ongoing administrative costs related to offering the CHEEF programs to IOU ratepayers. We find this is a reasonable amount of flexibility to apply to the new funding authorized today. Due to the allocation of additional funding to support the administrative operation of the CHEEF programs, CAEATFA should not need to shift any funding from its credit enhancement programs in the near term. The proposed decision proposed authorizing CAEATFA to continue shifting the new funding across the CHEEF programs as necessary to ensure successful implementation of the programs for IOU ratepayers through fiscal year 2026.

⁴⁴ D.17-03-026 Ordering Paragraph 10 directed each utility to submit a Tier 2 Advice Letter proposing whether the incremental IT and administrative costs would come from previously-authorized energy efficiency budgets or from incremental funding, with a rationale provided for the proposed source.

⁴⁵ CAEATFA comments on the proposed decision dated July 21, 2021, at 7. The new program names are listed on page 5, footnote 9 above.

In comments on the proposed decision, NDC recommended establishing a cap on the amount of funding could be used to support CAEATFA's administrative activities related to the CHEEF programs, based on operational data.⁴⁶ We agree that CAEATFA should be able to estimate its projected, annual operational budgets for fiscal years 2022-2026, based on operational data from prior years. CAEATFA should provide information on its projected annual administrative costs as line items in the budget amounts included in the Tier 2 Advice Letter described above. However, we decline to limit CAEATFA's ability to shift credit enhancement funding to other CHEEF programs and/or administrative costs, because it could cause delays in the continuation of the CHEEF programs through fiscal year 2026. Commission staff will monitor the CHEEF program's spending and loan volumes and can order an audit of CAEATFA's CHEEF program administration costs at any time.

We expect to address the longer-term future of the CHEEF programs in the next two tracks of this Rulemaking. However, should a decision on the future of the CHEEF programs be delayed beyond fiscal year 2026, CAEATFA is authorized to shift program funds from the credit enhancement budget to support ongoing administrative operations related to offering the CHEEF programs to IOU ratepayers until a Commission decision on the future of the CHEEF programs is adopted.⁴⁷

⁴⁶ NDC comments on the proposed decision dated July 21, 2021, at 2-3.

⁴⁷ This mirrors the flexibility provided to CAEATFA for implementation of the CHEEF program adopted in Resolutions E-5072.

2.2. Conditional Approval for Statewide CHEEF Program Expansion

Issue 1(b) in the Scoping Memo asked whether CAEATFA should be authorized to use the CHEEF program's operational platforms, developed with IOU ratepayer funds, to offer similar programs to non-IOU customers, such as those receiving all of their energy service(s) from publicly owned utilities.⁴⁸ Consistent with the Commission's Energy Efficiency Policy Manual, "an IOU ratepayer is a customer who receives service from an electric IOU, a gas IOU, or both."⁴⁹

The April 1, 2021, ACR further asked how the Commission should establish parameters surrounding this potential program extension to non-IOU customers. Further, Attachment B of the April 1, 2021, ACR detailed CAEATFA's request and proposal for strategies to incorporate non-ratepayer funds to expand its existing CHEEF programs. The ACR asked parties to consider the potential benefits and costs of authorizing CAEATFA to utilize the CHEEF program administrative and operational platforms, which were developed with the use of IOU ratepayer funds, to leverage non-ratepayer funding to offer similar programs to non-IOU customers.

According to CAEATFA, Commission approval is necessary to (1) incorporate non-ratepayer funding into the existing programs; (2) facilitate broader participation from both lenders and customers; and (3) remove

⁴⁸ In comments on the proposed decision, VEIC requested clarification that customers that receive gas service from an IOU be considered IOU customers eligible for the existing CHEEF programs. We confirm that a gas IOU customer would be eligible for CHEEF program participation without the proposed expansion discussed in this section.

⁴⁹ CPUC Energy Efficiency Financing Manual, Version 5, at 49.

complexity from the programs' administration.⁵⁰ We approve CAEATFA's request to expand its existing CHEEF programs to non-IOU customers with the unnegotiable condition that CAEATFA must secure non-IOU ratepayer funding, and develop an accounting system that separately tracks the non-ratepayer funding, before it offers the CHEEF programs to any non-IOU customers.

Many parties were supportive of CAEATFA's proposed CHEEF program expansion, including SCE, which stated "CAEATFA's proposal to leverage existing CHEEF operations and platforms, funded by IOU customers, to provide financing for measures associated with a non-IOU service provider's fuel-type will likely increase CHEEF Program participation with minimal additional investment."⁵¹ NDC also suggests that "[r]egardless of whether customers switch to [or] from IOU [or] non-IOU fuel sources, the result will generally be that more Californians increase their energy efficiency, save on energy costs, and utilize grid resources more effectively."⁵²

Further, DLL notes that "[t]he CHEEF program is exemplary in demonstrating that State Government, utilities, and the financing community can work collaboratively to help achieve energy conservation and decarbonization goals, while improving safety and productivity."⁵³

⁵⁰ See Attachment B of the ACR at 2. While CHEEF financing could support installation of heat pumps for both air and water heating, and any associated costs for electric panel upgrades and water heater relocation, many customers receive electric service from POUs and are excluded from financing decarbonization measures like efficient heat pump technology through the CHEEF.

⁵¹ SCE opening comments on the ACR at 4.

⁵² NDC opening comments on the ACR at 2.

⁵³ DLL opening comments on the ACR at 3-4.

However, we must address parties' concern about the implementation issues and methods to ensure non-IOU customer financing is recovered exclusively from non-IOU ratepayer funding.⁵⁴ As noted by Cal Advocates, "incremental costs associated with expanding the program to non-IOU ratepayers must be recovered from non-IOU ratepayers. This should include both initial costs associated with the expansion and ongoing costs associated with any incremental program activity driven by non-IOU ratepayers."⁵⁵ Further, UCAN encouraged CAEATFA to seek adequate non-ratepayer funding to no longer require ratepayer funding to support the CHEEF programs.

"UCAN is supportive of CAEATFA's proposals to separate IOU and non-IOU funds in any program expansion and believes this is necessary to protect IOU ratepayers, but clearly this is not the perfectly efficient way to manage the overall program."⁵⁶

The challenges CAEATFA is facing in implementing the authorized CHEEF financing programs are well known by the Commission and were recognized even with the initial authorization of ratepayer funding for the programs in 2012, when two of the five commissioners at the time expressed concerns about the coordination and accessibility of the programs.⁵⁷

⁵⁴ See, for example, SCE (opening comments on the ACR at 5-6), SoCalGas (opening comments on the ACR at 2), Cal Advocates (opening comments on the ACR at 3-4).

⁵⁵ Cal Advocates opening comments on the ACR at 3-4.

⁵⁶ UCAN opening comments on the ACR at 3.

⁵⁷ Commissioners Michael R. Peevey and Timothy Alan Simon filed a belated concurrence to stating their approval of D.12-05-015, which provided guidance for the IOUs' energy efficiency pilots and third-party partnerships, but highlighted concerns about the prescriptive nature of the decision and its potential limitations. (Concurrence of Commissioner Peevey and Simon on D.12-05-015 as issued on May 24, 2012.) D.12-05-015 authorized the establishment of the energy efficiency financing programs under consideration today, but the design of the programs was deferred and established in D.13-09-044.

The Commission in 2013 selected CAEATFA as the entity to administer the authorized programs, using IOU ratepayer funds to launch a technology platform and operational and administrative processes for both attracting lenders and supporting customers.⁵⁸ This platform was and is intended to be a “Hub” that increases access to the programs to any customer or lender interested in participating in the CHEEF financing offerings. It was created with not only the support of IOU ratepayer funding, but input and feedback from the IOUs to create a more holistic platform.

CAEATFA believes that the CHEEF programs will attract more lenders and customers if there are not service-territory related barriers that complicate the lending process and has requested approval to use the CHEEF to offer statewide clean energy financing programs, for all IOU and non-IOU customers. CAEATFA’s argument, which was reiterated by some parties in comments on the April 1, 2021, ACR, is that statewide programs would provide more streamlined financing options that may be more attractive to third-party lenders, because they would have fewer administrative hurdles and a broader potential customer base, and to customers because the programs’ eligibility requirements would be less complex.⁵⁹ Further, as noted by TURN, “CAEATFA’s proposal to expand the CHEEF programs to include projects that serve non-IOU fuel sources could impact the share of administrative costs borne by IOU ratepayers, reducing

⁵⁸ D.13-09-044 at 11-14.

⁵⁹ Attachment B of the April 1, 2021 ACR, at 1-4; Enervée opening comments at 3 and reply comments at 3-4; California Coast Credit Union opening comments at 3; DLL opening comments at 4; EBCE opening comments at 3; UCAN opening comments at 2-3; VEIC opening comments at 6; PG&E opening comments at 3; SoCalGas opening comments at 1; SCE opening comments at 4; Cal Advocates opening comments at 1; NDC opening comments at 2.

such costs through greater economies of scale as CHEEF serves a larger base of eligible customers, such as POU customers.”⁶⁰

CAEATFA has indicated that Technology and Equipment for Clean Heating (TECH) Initiative funds associated with Senate Bill 1477 (Stern, 2018) may be leveraged to support the CHEEF programs specifically to help customers finance heat pump upgrades.⁶¹ We note that the California Air Resources (ARB) board oversees the cap-and-trade funds and has established spending requirements limiting the TECH Initiative to gas IOU territories, and the associated TECH funding must be spent in proportion to the amount of cap and trade revenue collected by each gas IOU. VEIC’s comments on the proposed decision noted that TECH funding would represent non-energy efficiency related IOU ratepayer funding, and suggested we clarify whether these funds would be eligible for CAEATFA to use to support expansion of the CHEEF programs to non-IOU ratepayers. We find this recommendation does not align with legislative spending requirements for the TECH Initiative.⁶² SB 1477 specifically directs that the TECH funding be used by gas IOUs to support the adoption of low-emission space and water heating equipment and other statewide building decarbonization and greenhouse gas reduction policy goals. Consistent with D.19-08-009 and D.20-03-027, we find any TECH funding utilized by CAEATFA to expand the CHEEF programs should be applied to IOU gas customers, as

⁶⁰ TURN opening comments on the ACR at 3.

⁶¹ Attachment B of the April 1, 2021, ACR at 2.

⁶² See Title 17 of the California Code of Regulations Section 95893(d)(3): “Allowance value, including any allocated allowance auction proceeds, obtained by a natural gas supplier must be used for the primary benefit of retail natural gas ratepayers of each natural gas supplier, consistent with the goals of Assembly Bill 32, and may not be used for the benefit of entities or persons other than such ratepayers.” Also see D.20-03-027 at 92.

required by statute and CARB's regulations.⁶³ As noted by SoCalGas in reply comments on the proposed decision, POUs may also receive allowance allocations the funds from which could be used to support incremental loans under the CHEEF programs.⁶⁴ Should CAEATFA leverage TECH funding, we leave it up to CAEATFA to determine, based on the statutory and regulatory requirements associated with the TECH Initiative, whether any incremental funding related to POU allowance allocations would best be used to cover the 70% of IOU gas customers' loans that might go uncovered under the current practice, because, for example, the measures result in the transfer of energy usage from IOU gas service to POU electric service.⁶⁵

CAEATFA also suggested some federal funding may be available to expand the programs beyond the IOU service territories.⁶⁶ These federal or other funding streams could be used to support expansion of the CHEEF programs to non-IOU ratepayers or to support loans for fuel-switching measures that result in and IOU customer's energy usage switching to a non-IOU service, beyond the current practice of covering 30% of such measures with IOU ratepayer funds.

⁶³ D.20-03-027 at 3 found that "Any spending for the BUILD Program and the TECH Initiative with statewide or cross-territory benefits, including but not limited to administrative and evaluation spending, shall be attributed to the gas corporation service territories in proportion to their original funding contribution. To the extent that there are unspent GHG allowance proceeds allocated for an individual gas corporation's service territory, and no remaining eligible projects within that service territory, the remaining GHG allowance proceeds may be spent outside of that gas corporation's service territory, starting two years after implementation." D.19-08-009, Ordering Paragraph 5 (at 59), found that "Fuel substitution measures and associated program costs shall be funded by the ratepayers of the new fuel, not ratepayers of the fuel being substituted."

⁶⁴ SoCalGas reply comments on the proposed decision dated July 26, 2021, at 2-3. "SoCalGas is aware that POUs also receive allowance allocations and suggests exploring if this proposal can be funded through revenues generated from the allowances allocated to POUs."

⁶⁵ See SDG&E reply comments on the proposed decision dated July 26, 2021, at 1-3.

⁶⁶ Attachment B of the April 1, 2021, ACR at 2.

We agree with NDC that “[a]lthough there is limited information on the incremental costs, risks and other options to including non-IOU funding sources, the Commission can still approve the use of non-IOU ratepayer funds, it does not create a potentially large ratepayer financial exposure to major financial risk.”⁶⁷ Therefore, it is reasonable to allow non-IOU customers to participate in the existing CHEEF programs with funding from non-IOU ratepayer sources.

In comments on the proposed decision, CAEATFA suggested the Commission should clarify its position on measures that result in fuel substitution, such as the transfer of an IOU gas customer’s water pump energy usage to a POU’s electric service.⁶⁸ We find that issue is better addressed in the later tracks of this rulemaking which will consider other funding streams beyond the IOUs’ energy efficiency funding. For the purposes of this decision, which authorizes an extension of IOU energy efficiency funding through fiscal year 2026 and allows for the incorporation of non-IOU ratepayer funding to support these types of fuel substitutions, we find that CAEATFA should continue its existing practice of using IOU ratepayer funding to cover up to 30% of IOU customers’ claim-eligible loan amounts when financing measures that result in a transfer of energy usage to a POU. The additional 70% of such a customer’s loan could be covered by CHEEF program financing options if CAEATFA is successful in identifying non-IOU-ratepayer funding.

Within 180 days of this issuance of this decision, CAEATFA should file an informational letter to the Energy Division Executive Director, copied to the service list of this Rulemaking, that describes if it identified non-IOU ratepayer

⁶⁷ NDC opening comments on the April 1, 2021, ACR at 12.

⁶⁸ CAEATFA comments on the proposed decision dated July 21, 2021, at 2-3.

funding to pay for an expansion of CHEEF programs for non-IOU customers, and, if so, what funding streams it will be incorporating into the CHEEF programs.

The informational letter to the Energy Division's Executive Director and the service list of this proceeding should explain, at a minimum, the amount of non-ratepayer funding that will be available, and how and who will administer the non-IOU customer portion of the CHEEF programs. We do not set any parameters surrounding the dollar amount or type of non-ratepayer funding CAEATFA should deem sufficient to expanding the eligibility of the CHEEF programs, nor do we prescribe how CAEATFA should administer non-IOU ratepayer funds. However, CAEATFA must provide a detailed budget and plan within in its informational letter identifying the amount and source of non-ratepayer funding. At a minimum, the detailed budget and plan must explain how CAEATFA will ensure that:

1. Any operational or administrative costs associated with providing loans to non-IOU customers shall be covered entirely by non-ratepayer funding.
2. Any non-IOU ratepayer funding and loans it supports shall be clearly tracked and accounted for through a separate account, as discussed in more detail in Section 2.5 below.
3. Any incremental funding shall not require changes to the current administration and eligibility requirements of the CHEEF programs, beyond offering the programs to customers that are not within an IOU service territory. For example, CAEATFA should not accept incremental funding resources that would require it to modify any existing contract terms, technology types, or eligibility requirements for the existing CHEEF program loans that are paid for, and made available to, IOU ratepayers. Additional flexibility for new and/or broader clean energy

financing programs will be considered in a later decision in this proceeding.

4. Specific targets and metrics by which the costs and benefits of offering the CHEEF programs on a statewide basis can be evaluated.
5. How CAEATFA will be administering any contracts using the non-IOU ratepayer funds. Prior to filing the letter, CAEATFA should meet and confer with SoCalGas and the other IOUs to ensure the implementation plan of the CHEEF expansion to non-IOU customers aligns with the implementation plan(s) associated with the CHEEF extension discussed in Section 2.1 above.

2.3. Eligible Technologies and CHEEF Programs

Question 6 of the April 1, 2021, ACR asked parties to consider whether CAEATFA should be authorized to expand its list of eligible measures for which its CHEEF financing mechanisms can be used, to other distributed energy resource measures such as on-site solar or storage, in advance of a Commission decision on additional funding sources. Party responses to this question varied widely.

SCE and TURN noted that the current operating costs of the CHEEF programs are funded through the IOUs' energy efficiency portfolios, which are intended to provide energy savings.⁶⁹ Cal Advocates further argued that "[i]t is inappropriate for ratepayer funds intended for energy efficiency to fund anything besides energy efficiency measures."⁷⁰ However, PG&E supported the idea of expanding the list of eligible measures to include "any demand-side energy management measures that are currently promoted through IOU programs, such as demand response, electrification, electric vehicle

⁶⁹ SCE opening comments on the ACR at 18; TURN reply comments on the ACR at 1-3.

⁷⁰ Cal Advocates opening comments on the ACR at 11-12.

infrastructure, and clean storage and generation through IOU programs,” and EDF suggested that the CHEEF programs should cover electrical panel upgrades and equipment swaps that help buildings achieve the state’s building decarbonization goals.⁷¹

The Commission has considered this issue several times in prior Decisions related to the loan and financing programs that are under the CHEEF umbrella and has consistently agreed that energy efficiency funding should largely be used to support energy-saving investments. In D.12-11-015, the Commission found that “[i]ncentives for distributed generation, including solar photovoltaic and solar thermal (water heating), installations should not be directly funded out of energy-efficiency budgets. Separate incentives are available for those technologies.”⁷² D.13-09-044 further clarified that up to 30% of an eligible project for financing can be for non-energy efficiency related measures.

We do agree with many parties, including EBCE and Matadors, that establishing a “one-stop-shop” for clean technologies, including energy efficiency, on-site solar generation, and battery systems, could increase participation from both customers and lenders.⁷³ However, we do not believe it is feasible, with the budget and time allocated in this decision, for CAEATFA to expand the current CHEEF programs beyond the energy efficiency technologies that have already been vetted and made available through the programs. As Cal Advocates notes, “[e]xpanding the list of eligible measures also requires careful analysis to ensure expansion complements existing programs, rather than

⁷¹ PG&E opening comments on the ACR at 6; EDF opening comments on the ACR at 5-6.

⁷² D.12-11-015 Conclusion of Law 43 and Ordering Paragraph 15.

⁷³ EBCE opening comments on the ACR at 4; Matador’s opening comments on the ACR at 3-4.

duplicating them.”⁷⁴ Gridium further notes that “we are concerned that those other measures – we have solar in mind – would almost immediately absorb the entirety of the CHEEF credit support budget.”⁷⁵

Therefore, CAEATFA should continue implementing the existing CHEEF programs with the existing technology eligibility and budget parameters that have already been adopted by the Commission, at least for the programs offered to and funded by IOU ratepayers. Further consideration of developing a broader suite of eligible technologies in future clean energy financing programs will be conducted later in this rulemaking.

For this allocation of \$75.2 million in additional ratepayer funding, for a five-year period, up to 30% of a customer’s loan can be used to fund non-energy efficiency related aspects of a project, pursuant to D.13-09-044.⁷⁶ As noted above in Section 2.2, this 30% cap continues to apply to instances where a CHEEF-funded measure results in an IOU gas customer transitioning energy usage to non-IOU electric service.

While we recognize the potential benefits of offering financing for a broad suite of clean energy options, the IOUs and the state offer several other programs that support solar, storage, and other clean energy technologies.⁷⁷ For this decision, we are only considering extension of the existing CHEEF programs, with the parameters and limits previously adopted by the Commission related to

⁷⁴ Cal Advocates opening comments on the ACR at 12.

⁷⁵ Gridium opening comments on the ACR at 6.

⁷⁶ D.13-09-044 at 31. We do not anticipate CAEATFA would apply this restriction to any expansion of the program with non-ratepayer funds, unless the incremental funding resources it identifies have similar energy efficiency-specific eligibility requirements.

⁷⁷ See, Cal Advocates reply comments at 1-3; SDG&E reply comments at 6-7; TURN reply comments at 1; Gridium reply comments at 4.

financing of any project costs that are not related to energy efficiency technologies. Further consideration of increased loan and financing options for other non-energy efficiency technologies or fuel substitution measures that are not already covered by existing CHEEF programs will be addressed later in this proceeding, when we have more information about other potential funding sources and may consider additional or new administrators for clean energy financing programs.

2.4. CHEEF Financing Mechanisms

CAEATFA has requested authorization to modify the financing mechanisms available for customers and lenders participating in its AMF pilot and the REEL program. We find these requests fall under CAEATFA's broad authority to implement the CHEEF pilots as it was granted in D.13-09-044 and D.17-03-026.

2.4.1. Affordable Multi-Family Pilot

Although the AMF pilot has been available since September 2019, it has no loans enrolled as of the mailing of this decision, so there is not any data available to understand whether the proposed additional financing mechanisms will reduce interest rates or make the pilot program more successful. 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. The utilities expressed concerns that the proposed incremental financing options could lead customers to take on greater debt than they are able to service, and could increase the financial risks and administrative costs of the CHEEF programs without necessarily providing

lower interest rates.⁷⁸ As PG&E explained, “[s]ubordinate debt is structured such that if loans (or a loan pool) are only partially repaid, the subordinate debt absorbs losses prior to senior sources.” PG&E further stated that the results of this financing structure are “comparable to the credit enhancements in the CAEATFA pilots, which are also in a first loss position, protecting the private capital from initial losses.” SoCalGas “understands that subordinate debt and co-lending will add an additional layer of risk to the credit enhanced funds and may not lead to interest rate reductions for customers.”

Further, as CLICC noted, “[c]onsumers do not need instant approvals for an expensive new loan: on the contrary, they need a lender to consider their application carefully and specifically, to be sure that they are able to repay the loan.”⁷⁹

We find these concerns hold merit. Therefore, should CAEATFA decide to offer more complex financing mechanisms, such as interest rate buy-downs, co-lending, or subordinate debt as part of its AMF pilot, it must, within 60 days of the issuance of this decision, submit an informational letter to the Energy Division Executive Director, copied to the service list of this proceeding, that (1) describes how these more complex financing mechanisms are expected to attract more participants to the AMF program, and (2) defines a list of metrics and targets it will use to evaluate the effectiveness and popularity of the various financing mechanisms offered. At a minimum, this letter should describe:

1. Which additional financing mechanism(s) it intends to offer, and the rationale and analysis CAEATFA undertook to select them;

⁷⁸ PG&E opening comments on the ACR at 4-5; SDG&E opening comments at 5; SCE opening comments at 12; SoCalGas opening comments at 5.

⁷⁹ CLICC opening comments on the ACR at 15.

2. What parameters CAEATFA will adopt to ensure the additional financing mechanisms are successfully targeting low- and moderate-income customers and/or small commercial property owners and small business tenants;
3. What proportion of the already-approved AMF pilot budget will be allocated to additional financing mechanisms when the pilot launches on or before June 30, 2022;
4. Goals, metrics, and performance indicators that it will add to the pilot evaluation plan to understand which financing mechanisms were most successful for targeting financing to multi-family units, and which were most attractive for low- and moderate-income customers and small commercial property owners and small business tenants.

In comments on the proposed decision, CAEATFA expressed concerns about the short timeframe we provided for it to submit this letter, because it has “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.”⁸⁰ However, as CAEATFA also pointed out, parties including Ascentium Capital and Renew Energy Partners have identified and even participated in programs in which co-lending and other more complex financing mechanisms were utilized in other states.⁸¹ We find that CAEATFA should have had ample time to work with interested parties to explain why and how these new financing measures would improve implementation of the AMF and/or SBF programs prior to proposing to utilize them for the CHEEF programs. Still, we extend the deadline for the filing of this letter to 60 days after the issuance of this decision to allow for this evaluation and analysis to occur, since it has not already.

⁸⁰ CAEATFA comments on the proposed decision dated July 21, 2021 at 6.

⁸¹ Ascentium Capital opening comments on the ACR at 3; Renew Energy Partners opening comments on the ACR at 4.

2.4.2. REEL Program

REEL was only recently converted into a full program, and the Commission's authorization of the REEL program provided CAEATFA the same implementation authority and discretion as granted in D.13-09-044 and D.17-03-026. If CAEATFA is able to attract non-ratepayer funding and expand the accessibility of the REEL program to non-IOU customers, it hopes to scale it into a broader program with lower borrowing costs.⁸²

CAEATFA suggests creating a "single originator" for the REEL loans could attract and utilize private capital, while sparing lenders the complexity of program rules.⁸³ We agree with CAEATFA that it already has the authority as implementer of REEL to pursue the single originator model so long as it maintains the current option for customers to enter directly into a contract with a lender, and does not use ratepayer funds to create any pool of upfront seed capital to support the single originator.⁸⁴

This issue was not directly addressed in comments from the parties. However, we do not believe CAEATFA should allocate any of its authorized IOU ratepayer REEL funds to create a pool of seed capital to pursue this option at this time. This decision is focused on supporting the existing CHEEF programs, including the REEL program, which was evaluated and found to be appropriate

⁸² CAEATFA reply comments at 6. (Attached as Appendix A of this PD)

⁸³ As CAEATFA explains, "[s]everal successful state and utility energy financing programs around the country rely on an organization with expertise in screening for program eligibility requirements to serve as an originator for loans. These "single originators" may then sell loans directly to lenders, like credit unions, who then take over the ongoing relationship with the customer. Alternatively, the originators may continue to service customers but assign the loans, or their repayment streams, to another investor." CAEATFA reply comments at 6.

⁸⁴ *Ibid.*

to extend in Resolution E-5072.⁸⁵ Should CAEATFA identify non-ratepayer funds and choose to utilize a portion of them to create a seed pool to launch a single originator solely for a non-IOU customer funded portion of the REEL program, it could track, evaluate, and report on the success of that model for further Commission consideration in the future.

In comments on the proposed decision, PCF argued the Commission should authorize CAEATFA and the IOUs to offer on-bill financing for each of the existing CHEEF programs.⁸⁶ We find this proposal to be beyond the scope of this Track 1 decision. As noted by NDC, “it is appropriate to wait until there is more information to evaluate before expanding programs and financing mechanisms, which was not available in Track 1 of this proceeding.”⁸⁷ Further consideration of on-bill financing options may occur in future tracks of this rulemaking.

2.5. Consumer Protection in CHEEF Programs

The Commission is committed to ensuring that customers do not take on loans they are unable to service. Further, the CHEEF programs were developed with an emphasis on supporting low- and moderate-income customers’ adoption of clean energy and energy-efficiency technologies.⁸⁸

While the existing REEL program offers loans of up to \$50,000 per unit, or up to \$35,000 for borrowers with credit scores between 580-640, even the lower

⁸⁵ Resolution E-5072 Ordering Paragraph 8 states “This resolution does not address any expanded scope for the REEL program nor for any other financing pilot beyond practical enhancements for maintenance or improvement of functions to allow for scaling of the program and pilots, such as provision of information technology, data gathering, or administration.”

⁸⁶ PCF comments on the proposed decision dated July 21, 2021, at 2.

⁸⁷ NDC reply comments on the proposed decision dated July 26, 2021, at 2.

⁸⁸ D.13-09-044 at 4; 33-38; 97; and Appendix E.

interest rates provided by the ratepayer-backed financing could present a significant financial burden to individual customers. As TURN, Cal Advocates, and CLICC noted, additional consumer protections may reduce risks to financing customers.⁸⁹ For example, TURN's reply comments supported the recommended additional customer protections, such as ability-to-pay determinations, proposed in CLICC's opening comments.⁹⁰ However, this decision is focused exclusively on extending the existing CHEEF pilots and programs, which have not seen any significant default rates.⁹¹ As noted by CAEATFA in Attachment A of the ACR and its reply comments, the Commission's process for authorizing new or expanded programs is lengthy, and CAEATFA must also conduct its own rulemaking and budgetary requests to support the CHEEF programs.⁹² We agree with PG&E that CAEATFA's public process is appropriate to determine the appropriate customer protections for the CHEEF pilots and programs.⁹³

Based on the detailed data CAEATFA provided about its loan programs in Attachment A of the ACR, and the statistics reported in its quarterly reports which illustrate that less than 0.02% of the current loan portfolio is past due, we find that CAEATFA's existing consumer protection requirements are sufficient to

⁸⁹ TURN opening comments on the ACR at 7 and reply comments at 4; CLICC opening comments on the ACR at 3 and reply comments at 4.

⁹⁰ TURN reply comments on the ACR at 3.

⁹¹ The most recent monthly statistics from the REEL program which reflects the portfolio's performance through April 30, 2021, show that less than 0.02% of the loan portfolio are either past due, or considered charged off, meaning the lender no longer expects to collect from the borrower due to payment delinquency.

⁹² April 1, 2021, ACR Attachment A at 8; CAEATFA Reply Comments (Attachment A of this Decision) at 4.

⁹³ PG&E opening comments at 8.

support a five-year extension of the current CHEEF programs.⁹⁴ However, as CLICC notes, the lenders participating in CHEEF currently are largely credit unions, which have higher regulations and fiduciary obligations to their members than other lender types, such as private financing companies, may not face.

CLICC argues that “[t]he current data, based exclusively on lending by credit unions, does not accurately predict what will happen if CAEATFA expands the REEL program to include other kinds of financial products provided by lenders governed by other regulations, many of them less protective of consumers.”⁹⁵

Therefore, CAEATFA shall continue to include information about customer participation and loan performance statistics in its monthly and quarterly reporting, and inform Energy Division staff if it sees any increase in customer defaults or other issues that could adversely affect CHEEF program participants. We expect CAEATFA to adopt mirroring consumer protection requirements for any non-IOU customers if non-ratepayer funding is identified and CAEATFA chooses to offer CHEEF programs to non-IOU customers.

2.6. Cost Allocation Methodology

CAEATFA proposed several strategies for parties and the Commission to consider as an appropriate cost allocation methodology to track and recover costs associated with any potential CHEEF program extension and expansion, especially as it relates to non-IOU ratepayer funding and offering loans to

⁹⁴ CAEATFA provides quarterly reports to the Commission on CHEEF program activity, including outstanding loan balances and loan performance statistics. These reports are accessible on the CAEATFA CHEEF website.

⁹⁵ CLICC reply comments at 4-5.

non-IOU customers.⁹⁶ Option 1 of CAEATFA's proposed cost allocation methodology intends to ensure that all additional transaction costs and loss reserve contributions for the existing CHEEF programs are allocated first to the non-IOU ratepayer funding sources it identifies.⁹⁷

However, CAEATFA's proposed cost allocation methodology, as described in Option 1 of Table 4 in Attachment B to the ACR, could result in the use of IOU ratepayer funding to support up to 30% of loans offered to non-IOU customers, if necessary.⁹⁸

IOU ratepayers should not bear any of the incremental costs associated with offering access to the CHEEF program to non-IOU customers.⁹⁹ Should CAEATFA be successful in securing a source of funding other than the IOU ratepayer funds, 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. For IOU customers, CAEATFA may revert to the practice of allowing IOU ratepayer funds to cover the credit enhancement of up to 30% of the claim-eligible amount of a loan to cover non-IOU fuel saving

⁹⁶ See Attachment B to the ACR for CAEATFA's request and rationale. Table 4 (starting on page 9) describes the specific cost allocation methodologies parties were asked to review.

⁹⁷ Table 4 of Attachment B to the ACR (at 9). "CAEATFA would use non-ratepayer funds first, whenever available, to pay for the pro-rata cost corresponding to the non-IOU measures. If non-ratepayer funds aren't available, CAEATFA would revert to rate-payer funds to allow for up to 30% of loan to support non-IOU fuel measures. Allowed additional related costs (*e.g.* landscaping) would have to pro-rata allocated based on overall gas versus electric composition."

⁹⁸ See Attachment B of the April 1, 2021 ACR, Table 4. CAEATFA states: "CAEATFA would use non-ratepayer funds first, whenever available, to pay for the pro-rata cost corresponding to the non-IOU measures. If non-ratepayer funds aren't available, CAEATFA would revert to rate-payer funds to allow for up to 30% of loan to support non-IOU fuel measures."

⁹⁹ Enveree opening comments at 4; PG&E opening comments at 3; UCAN opening comments at 3; SCE opening comments at 5 and reply comments at 2, Cal Advocates opening comments at 4; NDC opening comments at 4; SDG&E reply comments at 3-4.

measures. However, we agree with NDC that the use of the limited CHEEF resources and finite non-IOU ratepayer funding to support non-IOU customers' projects could reduce CHEEF program capacity to execute on IOU fuel source projects.¹⁰⁰

To ensure IOU ratepayers are not paying incremental administrative or operational costs for the expansion of CHEEF to non-IOU ratepayers, "SCE supports allocating [operational] costs based on a formula that can be trued-up or re-assessed each year," based on the number of loans financed by non-IOU funding.¹⁰¹ We find this to be a reasonable solution that supports the requirement that non-IOU ratepayer funding should cover the full costs of offering financing options to non-IOU customers, including the pro-rata share of administrative and operational costs. Further, as NDC notes "[a]s the CHEEF continues to operate, the proportion can be rebalanced over time to account for actual non-IOU project participation levels."¹⁰²

SCE and NDC also suggest that, should CAEATFA identify non-ratepayer funding and decide to expand the CHEEF to non-IOU customers, some portion of the new funding should go toward offsetting the sunk costs IOU ratepayers have covered to develop and implement the CHEEF pilots and programs to date.¹⁰³ This proposal would be counterproductive: CAEATFA has requested the option to expand the CHEEF programs to help scale the existing financing offerings. We find that using any portion of the additional funds CAEATFA

¹⁰⁰ NDC opening comments at 6.

¹⁰¹ SCE opening comments on the ACR at 5.

¹⁰² NDC opening comments on the ACR at 6.

¹⁰³ SCE opening comments at 7, NDC opening comments at 7, Cal Advocates reply comments at 5.

identifies to provide back-payments to the IOUs and their ratepayers for technology systems and program designs that are also still benefitting IOU customers is not reasonable. It would reduce the funding available to any newly eligible, non-IOU customers, and reduce the scalability of the programs.

CAEATFA should finalize a cost methodology that aligns with Option 1, provided in Table 4 of Attachment B of the April 1, 2021, ACR, which allocates transaction costs and loss reserve contributions directly to measure costs.

CAEATFA should also propose a strategy for updating the pro-rata shares of administrative and operational costs, based on the ratios of IOU ratepayers vs. non-IOU customers participating in the CHEEF programs over time.

CAEATFA should include its cost allocation and tracking methodology, which should ensure the costs associated with non-IOU customer loans are wholly separately tracked and paid for with non-ratepayer funds, in the informational letter submitted to the Energy Division Executive Director and the service list of this proceeding if it expands its CHEEF programs to non-IOU customers using non-IOU ratepayer funding sources, as described in Section 2.2 above.

2.7. Evaluation

Question 7(c) of the ACR focused on metrics, accounting, and tracking of the CHEEF programs. Specifically, parties were asked to consider and provide feedback on how evaluation costs should be split and whether additional metrics, reporting, and evaluation(s) should be required for any extension or expansion of the existing CHEEF programs.

As TURN notes, CAEATFA's intent to extend the programs for IOU customers and expand the programs using non-IOU ratepayer funding sources will change how the CHEEF programs are administrated and may require

additional evaluation in the future.¹⁰⁴ We agree with WTF that evaluation of the CHEEF should consider critical regional differences when evaluating the success of the programs, to account for the different energy savings impacts of energy upgrades supported by CHEEF loans across California.¹⁰⁵

Further, we support Cal Advocates' recommendation that any evaluation that incorporates data from non-IOU ratepayer funded loans should be paid on a pro-rata basis that reflects the ratio of IOU funding and non-IOU ratepayer funded dollars expended.¹⁰⁶

However, when considering the need for evaluation as a contingency on the continued implementation of the CHEEF programs, it is prudent to revisit what the Commission determined in D.17-03-026: "we want to keep successful programs operating while we continue to evaluate, in order to avoid undermining market participants' commitment to the programs."¹⁰⁷ 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. Evaluation of the SBF and AMF programs, which are still in nascent stages of implementation, should occur through CAEATFA's regular reporting process. The program results reported by CAEATFA in the quarterly and annual reports are subject to audit at any time.

Resolution E-5072 directed CAEATFA to offer a REEL program, following a detailed evaluation of the pilot program, with a budget in line with its pilot program authorizations through fiscal year 2021-2022. We find it reasonable to

¹⁰⁴ TURN opening comments on the ACR at 2-3.

¹⁰⁵ WTF opening comments on the ACR at 6-8.

¹⁰⁶ Cal Advocates opening comments on the ACR at 14.

¹⁰⁷ D.17-03-026 at 27.

require Energy Division to work with CAEATFA and the IOUs conduct another evaluation for the REEL program launching in January 2024, and due to the Commission by no later than April 30, 2024, that describes, at a minimum:

1. Any changes CAEATFA made from the REEL pilot to attract additional funding;
2. The number and types of financial institutions that are participating in the REEL program;
3. The amount of private capital attracted, if any;
4. Whether the incremental funds from this Decision's additional ratepayer funding were needed to implement the program, and if so, how much;
5. Any REEL program modifications CAEATFA has implemented or proposes to implement to improve consumer protections and attract additional lenders.
6. Whether and how CAEATFA is meeting the REEL program goals identified in Resolution E-4900, including:
 - a. Growth in the number of loans on a month-by-month basis;
 - b. Total amount of financing generated by the program since Resolution E-5072 was adopted;
 - c. Geographic distribution of loans;
 - d. Aggregated data on the credit scores of participating customers and the average length of time allowed for loan pay-back;
 - e. Percentage of customers deemed "underserved" as defined by CalEnviroScreen data, area median income, or other relevant poverty statistics, to the extent this information is volunteered by participating customers or is otherwise easily measurable;¹⁰⁸

¹⁰⁸ CalEnviroScreen is a mapping tool hosted on the California Office of Environmental Health Hazard Assessment's website that uses environmental, health, and socioeconomic information

Footnote continued on next page.

- f. Whether the financing is tool is resulting in energy savings, as measured by aggregated customer meter data and/or a normalized metered energy consumption analysis.¹⁰⁹

This evaluation should be provided to the service list of this proceeding and used to inform CAEATFA's ongoing implementation of the REEL program. As noted by TURN in comments to the proposed decision, the evaluation should focus on whether and how: (i) The financing tool is scalable; (ii) The financing tool is leveraged by private capital and support; (iii) The financing tool reaches underserved Californians who would not otherwise have participated in [energy efficiency] upgrades; and (iv) The financing tool produces energy savings."¹¹⁰

Further, as discussed in Section 2.1 above, CAEATFA should continue its current tracking and reporting of specific metrics. Its quarterly reports must include the metrics adopted in Resolution E-4900. We agree with Cal Advocates, SCE, and TURN that CAEATFA should begin including the following specific metrics and key performance indicators in its quarterly reports:¹¹¹

1. Administrative costs of the CHEEF, in nominal dollars;
2. Administrative costs, as a percentage of program spending;
3. Annual estimated energy savings from installed measures funded through CHEEF programs;

to produce scores for each California census tract to help identify communities that are most affected by sources of pollution and where people are most vulnerable to pollution's effects.

¹⁰⁹ Resolution E-4900 adopted metrics in Attachment A that apply to the REEL program because other energy efficiency financing pilots had not yet been launched. The Commission found that "[d]epending on the scope and participants of future not-yet launched energy efficiency financing pilots, and based on lessons learned through the use of the pilots in Attachment 1, additional or substitute metrics can be contemplated for assessing future pilots."

¹¹⁰ TURN comments on the proposed decision dated July 21, 2021, at 3-4.

¹¹¹ Cal Advocates opening comments at 12; SCE reply comments at 2; TURN comments on the proposed decision at 5.

4. Annual estimated non-energy benefits from installed measures funded through CHEEF programs;
5. A geographic breakdown or map of the locations where CHEEF program financing has resulted in new installed measures that includes, to the extent possible and on an aggregated level, ethnicity and socioeconomic demographic data related to loan recipients;¹¹²
6. Mean and median loan values; and
7. Mean and median Annual Percentage Rates offered.

For the purposes of this decision, any reported CAEATFA-estimated energy savings are not intended to count towards IOU savings goals because they are estimates that will be based on CAEATFA and/or the evaluator's own methodology.¹¹³ As noted by SCE, "counting [energy efficiency] savings within the CHEEF financing programs, in addition to or instead of counting them through the IOU's core resource program, could result in double counting or other accounting complexities that have not been considered."¹¹⁴ We clarify, as recommended by PG&E, that if CAEATFA requires support of a third-party evaluator to develop a methodology to estimate energy savings associated with

¹¹² As suggested by TURN, CAEATFA should track loan participants' race and ethnicity, to the extent the customers are willing to volunteer such information, to better evaluate whether the programs are supporting historically underserved communities. TURN comments on the proposed decision dated July 21, 2021, at 5. This aligns with a key goal identified in R.20-08-022, which found that "[t]o help ensure long-term programmatic success, it will likely be necessary to track data on the performance of energy projects... in order to show the financial industry that there is a large and viable market in California for financing energy projects." (at 31.)

¹¹³ In comments on the proposed decision, PG&E requested clarity on whether the intent was to allow CAEATFA's estimated energy savings associated with the CHEEF programs to count toward the IOUs' individual energy savings goals (at 1). We find that is beyond the scope of this decision and may be considered later in this rulemaking.

¹¹⁴ SCE reply comments on the proposed decision dated July 26, 2021, at 3.

the CHEEF programs, that cost would be an eligible administration cost.¹¹⁵ The development of a coordinated methodology to estimate energy savings related to clean energy financing programs across the IOUs and other statewide administrators, including CAEATFA, may be considered in a later track of this proceeding.

If CAEATFA is able to identify non-ratepayer funding and expands the existing CHEEF programs to non-IOU customers, it shall also include the following metrics in its quarterly reports:

1. Ratepayer funding spend percentage of total CHEEF financing programs; and
2. Average ratepayer funding spend percentage for loans for shared-fuel measures.

Further, should CAEATFA deploy non-IOU ratepayer funding to expand the CHEEF programs to non-IOU customers, it should ensure a pro-rata portion of the evaluation costs are covered by the non-IOU ratepayer funding.

Additional details establishing a more formal programmatic evaluation of the CHEEF programs and other issues related to metrics for and evaluation of broader energy efficiency and similar clean energy financing programs will be provided in the later tracks of this Rulemaking, as prescribed by the Scoping Memo.

3. Conclusion

The CHEEF programs administered by CAEATFA have provided innovative financing options that would not have been created without the initial funding of ratepayer dollars and guidance offered in prior Commission decisions. This decision upholds CAEATFA's broad implementation authority

¹¹⁵ PG&E reply comments on the proposed decision dated July 26, 2021, at 1-2.

but provides new guidance on the amount of additional ratepayer funding available to continue the existing CHEEF programs, adopts new evaluation requirements, and establishes parameters on that additional funding in response to requests made by CAEATFA related to financing mechanisms and technology eligibility. We also conditionally authorize CAEATFA to expand the CHEEF programs to non-IOU customers, only if it is able to cover the full cost of that expansion effort through non-IOU-ratepayer funding. Finally, we confirm several metrics CAEATFA should include in its existing quarterly reporting, to inform future evaluation of the CHEEF programs' success, and set new evaluation requirements for the extended CHEEF program period.

4. Comments on Proposed Decision

The proposed decision of Administrative Law Judges (ALJs) Sisto and Fitch related to these Track 1 Issues in R.20-08-022 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 July 21, 2021, by Cal Advocates, CAEATFA, NDC, PCF, PG&E, SCE, SoCalGas, TURN, and VEIC, and reply comments were filed on July 26, 2021, by SCE, NDC, SoCalGas, TURN, SDG&E, and PG&E. Changes and clarifications have been incorporated throughout the decision in response to these comments.

5. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Julie A. Fitch and Carolyn M. Sisto are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. Funding for the CHEEF pilots and programs comes from the IOUs' energy efficiency budgets, which are recovered from IOU ratepayers.

2. CAEATFA is a government agency that has partnered with the Commission and the IOUs to implement the CHEEF pilots and programs.
3. CAEATFA has broad authority to implement the CHEEF programs through its public rulemaking process.
4. The loans offered through CHEEF are supported by energy efficiency PPP funds, which are recovered from IOU ratepayers. The CHEEF financing programs were developed to support energy efficiency projects at IOU ratepayers' homes and businesses.
5. CAEATFA is authorized to allow up to 30% of a loan to be used for non-energy related costs of a participant's project.
6. IOU ratepayer funds should not be used to support energy efficiency financing for non-IOU customers.
7. Non-ratepayer funding could be used to expand the CHEEF financing options to non-IOU customers.
8. The IOUs provide technical and advisory support to CAEATFA for CHEEF-related IT issues and the development of marketing strategies for the CHEEF programs.
9. SoCalGas currently holds the contract for the statewide CHEEF-related ME&O program.
10. An extended and/or expanded statewide ME&O program may require programmatic or implementation modifications that may not significantly impact the current contract terms.
11. CAEATFA provides quarterly and annual reports on the status of each of the CHEEF programs and publishes them on its public website.
12. CAEATFA is implementing a full-scale REEL program pursuant to Resolution E-5072.

13. The AMF program has one participating lender, but because no customers have enrolled in loans, it has not launched.

14. Additional financing mechanisms may be necessary to successfully implement the AMF pilot.

15. Co-lending, interest rate buy-downs, and subordinate debt are more complex financing models and could increase the complexity of the AMF pilot.

16. A single originator model for the REEL program could make a portion of the budget unavailable in the near term if a pool of upfront seed money is necessary.

17. The existing CHEEF programs have seen low customer default rates to date.

18. CAEATFA requested the option to extend the CHEEF programs to non-IOU customers to scale the impact of the programs.

19. IOU customers will continue to benefit from the technology platforms and administrative work already conducted to implement the CHEEF programs.

Conclusions of Law

1. It is reasonable to continue providing CAEATFA broad authority to implement the existing CHEEF programs, including the SBF and AMF pilots through June 30, 2027, pursuant to prior Commission directives on specific program parameters, ME&O efforts, and evaluation and reporting requirements.

2. It is reasonable to provide an additional amount of ratepayer funding to support the ongoing implementation of the existing CHEEF pilots and program for IOU customers. Statewide programs could provide more streamlined financing options that may be more attractive to third-party lenders because they could have fewer administrative hurdles and a broader potential customer base,

and to customers because the programs' eligibility requirements would be less complex.

3. IOU ratepayer funds should not be used to support energy efficiency financing for non-IOU customers.

4. It is reasonable to require CAEATFA and the IOUs to evaluate the success of the statewide ME&O strategy before extending or modifying the current vendor's contract.

5. It is reasonable to align the additional ME&O funding authorized in this decision with the extension of funding for the existing CHEEF programs, such that both are available starting July 1, 2022 and authorized through June 30, 2027.

6. It is reasonable to require CAEATFA to identify new targets and metrics related to the extension and possible expansion of the CHEEF programs.

7. It is reasonable to require an evaluation of the SBF and AMF pilots before considering whether they should be extended into full programs. The pilots should operate as previously authorized by the Commission through June 30, 2027, with the flexibility provided in Section 2.4.1 above related to additional financing mechanisms.

8. CAEATFA should not use any IOU ratepayer funding to support loans for non-IOU customers beyond its existing practice of covering up to 30% of a customer's loan for non-IOU-related energy measures.

9. CAEATFA should not use any IOU ratepayer funding to cover any costs related to the expansion of the CHEEF program's administrative and IT systems to support loans to non-IOU customers.

10. Evaluations of the IOU-ratepayer funded CHEEF programs could be conducted through the main IOU energy efficiency evaluation budgets.

11. 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.

12. CAEATFA should not use any of the REEL program's IOU ratepayer-funded budget to create a single originator model.

13. It is reasonable for CAEATFA to add specific metrics and key performance indicators to its existing quarterly reports to provide additional information about the success of and participation in the CHEEF pilots and program, consistent with the requirements adopted in Resolution E-4900.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall provide up to an additional \$75.2 million in ratepayer energy efficiency funding to the California Alternative Energy & Advanced Transportation Financing Authority for implementation of the existing California Hub for Energy Efficiency Financing Programs which were originally authorized to be offered to investor-owned utility ratepayers in Decision (D.) 13-09-044, and later modified by D.15-06-008, D.15-12-002, D.17-03-026, and Resolution E-5072 through December 31, 2026.

2. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, San Diego Gas & Electric Company, and the California Alternative Energy & Advanced Transportation Financing Authority shall file a joint Tier 2 Advice Letter within 60 days of this issuance of this decision describing the incremental amount of ratepayer funding to be contributed by each investor-owned utility (IOU) to support the administration

of the existing California Hub for Energy Efficiency Financing (CHEEF) Programs for IOU ratepayer customers through June 30, 2027, based on the current status of the CHEEF programs' budgets.

3. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company may request to recover up to \$500,000 annually from ratepayers to support the development and deployment of information technology and marketing strategies for the California Hub for Energy Efficiency Financing Programs as they apply to investor-owned utility customers.

4. The lead investor-owned utility (IOU) (currently, Southern California Gas Company) may request to recover up to \$800,000 annually from ratepayers to support its lead IOU role in the development and deployment of information technology and marketing strategies for the California Hub for Energy Efficiency Financing Programs as they apply to investor-owned utility customers.

5. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall file a Tier 2 Advice Letter no later than 45 days from the issuance of this decision proposing whether their annual costs associated with development and deployment of information technology and marketing strategies for the California Hub for Energy Efficiency Financing Programs will be paid for with previously-authorized energy efficiency program funds or new, incremental Public Purpose Program funding, with a rationale that explains their funding source(s) for these costs.

6. No later than November 1, 2021, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, San Diego Gas & Electric Company (collectively, the IOUs), and the California

Alternative Energy & Advanced Transportation Financing Authority shall host a workshop to discuss the statewide marketing, education, and outreach (ME&O) that has been conducted for the California Hub for Energy Efficiency Financing (CHEEF) Programs and whether modifications should be made before extending the current statewide ME&O vendor contract, considering the extension of the CHEEF programs for the IOUs' customers and the potential expansion of the CHEEF programs to non-IOU customers.

7. No later than December 1, 2021, Southern California Gas Company (SoCalGas) shall submit a summary of the workshop discussing the statewide marketing, education, and outreach (ME&O) that has been conducted for the California Hub for Energy Efficiency Financing (CHEEF) Programs. SoCalGas shall also report whether there will be modifications made to the existing statewide ME&O vendor contract based on the workshop report, and provide a detailed plan, annual budgets, and a timeline for implementation of the statewide CHEEF ME&O contract through June 30, 2027.

8. No later than 180 days from the issuance of this decision, the California Alternative Energy & Advanced Transportation Financing Authority shall submit a letter to the Energy Division Executive Director, copied to the service list of Rulemaking 20-08-022, describing whether and how it intends to expand the California Hub for Energy Efficiency Financing Programs to customers that do not receive service from an investor-owned utility. The letter shall include all of the information requested in Sections 2.2 and 2.6 above.

9. The California Alternative Energy & Advanced Transportation Financing Authority shall not use any investor-owned utility (IOU) ratepayer energy efficiency funding to support loans for customers that do not receive any energy service(s) from IOUs.

10. The California Alternative Energy & Advanced Transportation Financing Authority shall not use any investor-owned utility (IOU) ratepayer energy efficiency funding to support any administrative or technical costs associated with expanding the eligibility of the California Hub for Energy Efficiency Financing Programs to customers that do not receive service from an IOU.

11. No later than 60 days following the issuance of this decision, the California Alternative Energy & Advanced Transportation Financing Authority shall provide an informational letter to the Energy Division Executive Director, copied to the service list of Rulemaking 20-08-022, detailing the information requested in Section 2.4.1 above if it intends to offer additional, more complex financing mechanisms in the Affordable Multi-Family pilot.

12. No later than April 30, 2024, the California Public Utilities Commission's Energy Division, California Alternative Energy & Advanced Transportation Financing Authority, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company 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 and report on the metrics adopted in Attachment 1 of Resolution E-4900.

13. The California Alternative Energy & Advanced Transportation Financing Authority shall continue to provide quarterly reports and monthly data summaries about the status of the California Hub for Energy Efficiency Financing Programs on its website.

14. The California Alternative Energy & Advanced Transportation Financing Authority shall report on the performance metrics adopted in Attachment 1 of

Resolution E-4900 in its quarterly reports about the status of the California Hub for Energy Efficiency Financing Programs.

15. The Commission's Energy Division staff shall continue meeting with the California Alternative Energy & Advanced Transportation Financing Authority regularly to discuss implementation of the California Hub for Energy Efficiency Financing Programs through June 30, 2027.

16. Rulemaking 20-08-022 remains open.

This order is effective today.

Dated _____, at San Francisco, California.