

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID #13023

Resolution E-4663

June 26,

2014

R E S O L U T I O N

Resolution E-4663: Submit for approval by the Commission as amended seven energy efficiency finance pilot program implementation plans (PIPs) to comply with OP 7.a and 7.b of D.13-09-044.

PROPOSED OUTCOME:

- This Resolution approves as amended the seven 2013-2015 PIPs for finance pilots filed by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SCG) and San Diego Gas and Electric Company (SDG&E), and the accompanying PG&E tariff for the Energy Efficiency Line Item Charge sub-pilot.
- Commission approval of this Resolution approves the seven finance pilots to begin immediately.

SAFETY CONSIDERATIONS:

- There are no safety considerations in relation to these financing pilot programs.

ESTIMATED COST:

- There are no additional ratepayer costs associated with this Resolution beyond the \$75,244,931 authorized by D.12-11-015, of which \$65.9 million was allocated by D.13-09-044.

By Advice Letters:

1. Southern California Gas Company Advice Letter (AL) 4562, San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;

2. Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
 3. Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.
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SUMMARY

This Resolution approves as amended the seven 2013-2015 program implementation plans (PIPs) for finance pilots filed by Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas and Electric Company.

By Advice Letter (AL) 4562, 2545-E/2243-G, 3433-G/4320-E, 2969-E, filed on November 19, 2013, SCG, SDG&E, PG&E, and SCE, (subsequently referred to as the “Joint Utilities”), sought to comply with the Ordering Paragraph (OP) 7.a. of Decision (D) 13-09-044 requiring joint utility submission of a statewide PIP consistent with that decision, for “Fast Track” pilots (i.e., Single Family Loan Program, Off-Bill Small Business Lease Pilot), and

By ALs 4581, 2558-E/2253-G, 3439-G/4327-E, 2989-E, and 3441-G/4328-E, filed on December 19, 2013, SCG, PG&E, SCE and SDG&E, sought to comply with OP 7.b. to file PIPs for all pilot programs with an On-Bill Repayment feature, (i.e., Master-Metered Multifamily and Energy Finance Line Item Charge).

This Resolution was necessary because the Joint Utilities informed the Commission that they were unable to file compliant program plans without the Commission issuing a Resolution to clarify the intent of D.13-09-044 (Finance Decision) with regard to marketing, education and outreach (ME&O). In addition, the Joint Utilities requested the Commission use the Resolution to clarify other aspects of the Finance Decision as well. Moreover, our intention in timing this Resolution for a June 26, 2014 vote by the Commission is to have the pilot programs approved and ready to launch pending CAEATFA acquiring necessary Legislative budget authority to act as the California Hub for Energy Efficiency Finance (CHEEF).

This Resolution finds the seven program implementation plans (PIPs) are out of compliance with the Finance Decision, and also with D.12-05-015 (Guidance Decision). The guidance decision provided guidance on the energy efficiency

portfolios for 2013-2014. This Resolution approves PIPs amended for compliance and clarity. The Resolution also resolves the single protest received on the program plans, involving solar domestic hot water measures and the multi-family on-bill repayment pilot. The Resolution directs the Joint Utilities to work with Energy Division to provide more appropriate lists of Eligible Energy Efficiency Measures to the public, including on the utility's website, per the directive on page 30 of D.13-09-044.

The issues covered in this Resolution include:

1. Clarification of the Finance Decision and Related Compliance
 - 1.1 Financing of Demand Response and Distributed Generation
 - 1.2 Financing of Eligible Energy Efficiency Measures
2. Protest of the Multi-Family Pilot
3. PIP Non-Compliance
 - 3.1 Marketing, Education and Outreach
 - 3.2 Retrofits Financed without Rebates or Incentives
 - 3.3 Integrated Demand side Management
 - 3.4 IOUs Provide List of Eligible Energy Efficiency Measures
4. Miscellaneous Modifications
 - 4.1 Updates Due to Delay
 - 4.2 EFLIC PIP & Tariff
 - 4.3 Formatting Problems in PIPs

BACKGROUND

D.13-09-044, the Finance Decision, implemented energy efficiency financing pilot programs to be operated under the statewide California Hub for Energy Efficiency Financing by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), upon CAEATFA's receipt of Legislative budget authority. The decision approved pilots in the single family, master-metered multi-family and small business sectors, as well as one pilot for any size of business. D.13-09-044 was the culmination of years of CPUC-led public scoping for pilots that use ratepayer funds to enhance the terms of private financing.

Besides many day-long public workshops held to develop the pilot framework between 2010 and 2012, major milestones include:

- D.09-09-047 directed Commission staff to explore a wide range of additional financing possibilities and oversee preparation of a report that recommends the most-promising approaches that should be considered in California.
- AB 758 (2009, Skinner and Bass) directed the Commission to investigate the ability of electrical and gas corporations to provide EE financing options for comprehensive energy retrofits for residential and non-residential customers in the existing building stock.
- An ALJ Ruling on January 10, 2012 included a staff proposal suggesting the development of a larger efficiency financing program supported by both ratepayer and private capital funds and including an on-bill repayment structure and the creation of an energy loan and project performance data base.
- D.12-05-015 directed the Investor Owned Utilities (IOUs) to expand EE financing and hire an expert finance consultant to work with them, Commission staff, the CEC and stakeholders to design at least four new financing programs. The consultant filed recommendations in October of 2012. Because it was too late for the November EE portfolio budget decision to fully consider the recommendations, and party comments on them, D.12-11-015 authorized a budget of \$75,244,931 for the finance pilots but left the implementation details to later Commission action, which D.13-09-044 completed.

D.13-09-044 ordered the Joint Utilities to file compliant PIPs on November 19 and December 19 of 2013. The Finance Decision ordered the November 19, 2013 filing to include PIPs for pilots that would operate off of the utility bill, including the single family loan loss reserve program, and the off-bill small business lease program. The Finance Decision ordered the December 19, 2013 filing to include on-bill pilots including: the small business on-bill repayment pilot, the small business on-bill repayment lease pilot, the multi-family on-bill repayment pilot, the non-residential on-bill repayment pilot without credit enhancement, and a sub-pilot of the single family loan loss reserve pilot called Energy Efficiency Line Item Charge (EFLIC), which PG&E alone among the IOUs will operate. The EFLIC PIP includes a tariff for on-bill collection for that pilot.

NOTICE

Notice of AL 4562 et al. was made by publication in the Commission's Daily Calendar. The four Joint Utilities state that a copy of each of the three Advice

Letters was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letters 4581, 2558-E/2253-G, 3439-G/4327-E, 2989-E, were timely protested jointly by California Housing Partnership Corporation (CHPC) and Build it Green on January 8, 2014. Marin Clean Energy provided a letter of support for the protest.

Southern California Gas Company filed a response on behalf of all IOUs to the protest of California Housing Partnership and Build it Green on January 15, 2014.

The following is a summary of the protest and reply:

The protest addressed only the multi-family PIP, out of the five PIPs included in the joint ALs. The CHPC/Build it Green protest explains that Solar Domestic Hot Water systems are commonly recommended for multi-family retrofits, result in substantial savings, but require substantial upfront cost.

CHPC protested the Commission's categorization of Solar Domestic Hot Water systems as energy generation systems not eligible for financing in the energy efficiency multi-family pilot. They also protested the fact that neither D.13-09-044 nor the multi-family PIP provided "a clear path" to finance that measure through the pilot, as long as the ratepayer credit enhancement were not used for its financing. The protest argues that the Finance Decision allows financing of solar measures in all pilots if there is no credit enhancement used. It points to the pre-development phase of the multi-family pilot, which does not use ratepayer credit enhancements, arguing that as a result the Finance Decision allows the projects in the pre-development phase to finance an expanded list of measures.

In its reply, SCG says the Joint Utilities do not agree that Solar Domestic Hot Water (DHW) measures could be categorized as energy efficiency measures eligible for the multi-family pilot, per D.13-09-044. The IOUs also disagree that D.13-09-044 authorizes funding of non-eligible energy efficiency measures, such as distributed generation (DG) and demand response (DR) for the majority of any loan – except in the non-credit enhanced on-bill repayment pilot. (i.e., the majority of any loan is the minimum of 70% of the loan required to be used for eligible energy efficiency measures.)

However, SCG said the Joint Utilities do support the Commission including solar DHW as a measure eligible for the multi-family pilot as long as there is no ratepayer credit enhancement support for these measures. The IOUs believe the savings from DHW systems could help multi-family customers overcome barriers to viable EE projects.

DISCUSSION

This Resolution organizes the issues into four areas: 1) clarification of the Finance Decision and related compliance, 2) the Multi-Family pilot protest, 3) PIP non-compliance, and 4) miscellaneous modifications needed in the PIPs.

1. Clarification of the Finance Decision, and Related Compliance

1.1 Financing of Demand Response and Distributed Generation

As the CHPC/Build it Green protest (above) illustrates, there is some confusion over which of the seven pilots the Finance Decision allows to finance demand response and distributed generation. In their protest reply, the Joint Utilities did not agree with CHPC's interpretation that any of the seven pilots can finance DR and DG, as long as no credit enhancement is applied.

In Section 3.4, D.13-09-044 makes clear that there can be no cross subsidy where energy efficiency funds are used to support loans made for DG or DR.

In the Guidance Decision, we said, "financing offerings need not be limited to energy efficiency, and can support all types of demand-side investment." We clarified this statement in D.12-11-015, when we stated, "To be clear, this statement was intended to apply to OBR or other types of pilot activity where the funding for the loans themselves come from sources other than ratepayers. For other types of financing, such as OBF, credit enhancements, etc., where [ratepayer] energy efficiency funds are being utilized, they should be used for energy efficiency projects only at this time, unless a budget contribution can be shared from other sources.

Six of the seven pilots framed in the Finance Decision have credit enhancements, making them ineligible to finance DR or DG given this prohibition of cross subsidy. The decision identifies two specific types of credit enhancement, and allocates a credit enhancement budget for each of the six pilots (the six includes EFLIC, a sub-pilot of the single family loan program that has its own PIP). The decision leaves it to CAEATFA to determine the credit enhancement design for each of the pilots within its rulemaking. The only pilot specifically designed without any credit enhancement, or associated budget, is referred to in

Section 5.5 of the Finance Decision as "On Bill Repayment for Non-residential Customers without Credit Enhancement." In this section, the Finance Decision specifically says that loans made through this pilot can include DR and DG.

There is no discussion in the Finance Decision of the potential to use, as CHPC argues, one of the six credit enhanced pilots, *without a credit enhancement*, for any reason, including to finance DG and DR measures. Since the entire loan or lease is credit enhanced, this includes the portion of the loan or lease that can be

used for other improvement activities. (There is more discussion of this in the next section.) Therefore, the one pilot the Finance Decision identifies for financing of DR and DG – On Bill Repayment for Non-residential Customers without Credit Enhancement – is the only pilot that can finance DR and DG measures.

While the Finance Decision constrains financing of DR and DG to this one pilot, it does not specify any other limits on the financing of DR and DG. For example, the Finance Decision does not set limits on 1) which DR and DG measures can be financed, 2) the number of loans that can finance DR and DG through this pilot, or 3) the percent of a loan that can be dedicated to financing DR or DG.¹ For this reason we find there is no reason to limit the DG and DR measures that can be financed in the On Bill Repayment for Non-residential Customers without Credit Enhancement Pilot at this time. The Joint Utilities will change their PIPs to reflect our findings.

1.2 Financing Eligible Energy Efficiency Measures

There seems to be some confusion over exactly which costs and measures a loan can finance.

We seek to clarify three aspects here:

First, the Finance Decision requires that a minimum of 70% of any loan or lease made through one of the six credit-enhanced pilots consist of eligible energy efficiency measures (EEEMs). The decision defines EEEMs as measures that have been approved by the Commission for a utility EE rebate and incentive program – though a borrower need not use a rebate or incentive. Some of the finance PIPs the Joint Utilities filed have used existing rebate programs to identify costs associated with the eligible EE measures such as audits, design and engineering, construction, equipment and materials, overhead, tax, shipping, and labor on a per measure basis. The PIPs say that EEEMs costs may include these costs. The Finance Decision did not detail whether these associated costs might be eligible for financing. We find that costs directly associated with the EEEM can be financed in the minimum of 70% portion of the loan. This should be stated clearly in all PIPs.

Commission Staff is preparing a staff approved guidance document on the Cost Basis for custom EE projects and which costs can be counted in the calculation of an incentive. This will provide further detail on what costs directly tied to an EEEM can be and cannot be included within the minimum 70% portion of the loan or lease. The guidance in that document will provide guidance to CAEATFA, the Joint Utilities, lenders, contractors and others. While deemed projects are simpler, this guide should also provide a reference for which costs to include in the 70%-100% portion of loans or leases for deemed projects. We

1. This list is illustrative and not exclusive.

direct Energy Division to post this guide to its Public Documents Area by the end of August, 2014.

Second, the Finance Decision allows use of up to 30% of the loan or lease amount for costs that support the retrofit. *The entire loan or lease, including both types of costs, is credit enhanced.* The Finance Decision rationale for allowing this category of costs, explained on Pages 30-31, is this:

We find that customers may be more likely to add EE projects while undertaking other improvement activities. Therefore, for purposes of the pilot period, the Commission finds it reasonable and adopts a requirement that authorized EE pilot program financing qualifying for CEs must apply a minimum of 70% of the funding to Eligible EE Measures (EEEMs). Therefore, financing eligible for CEs may include funds for non-EEEMs totaling up to 30% of the loan.

The Finance Decision also says: “Many related improvements may support EE or be necessary to maximize the benefits of EE improvements (e.g., asbestos removal, concrete boiler pads.)”

Some stakeholders have informally requested more information on what costs can be financed in the up-to-30% of the loan or lease, which the Finance Decision calls non-EEEMs. Given the Finance Decision stance of financing “related improvements,” and “other improvement activities” to “support” and make it more “likely” that customers accomplish EE retrofits, it seems prudent to take a flexible stance here, and monitor the need for and uptake of non-EEEMs, as the Finance Decision says, “for the purposes of the pilot period.” We leave it to CAEATFA to further define allowable costs here in its rulemaking and pilot implementation, as needed to inform participating lenders, or for other purposes.

Third, the Joint Utilities have requested clarification on whether the Finance Decision intended to include DR and DG measures in this up-to-30% portion of the loan or lease, or exclude them. It is important to note that since the Finance Decision provides a credit enhancement for the entire loan or lease in the six credit enhanced pilots, including this non-EEEM portion – we find that DR and DG measures are not eligible in the up-to-30% portion of the loan or lease. This should be clearly stated in the PIPs.

2. Protest Regarding Multi-Family Pilot

As explained in Section 1 above, the Finance Decision makes clear that DG measures such as Solar Domestic Hot Water (DHW) are not eligible in the six credit enhanced pilots including the Multi-Family pilot.² In addition, Public Utilities Code Sections 2851(b) and 2863(b) lay out the funding limits for the

3. *Financing Decision, at § 3.4: “For other types of financing, such as OBF, credit enhancements, etc., where [ratepayer] energy efficiency funds are being utilized, they should be used for energy efficiency projects only at this time.”*

California Solar Initiative-Thermal Program, which supports both natural gas-displacing and electric-displacing DHW technologies.

However, the protest raises concern about the success of our small (\$2.9 million) Multi-Family pilot. CHPC and Build it Green say in their protest that these systems are commonly recommended for multi-family retrofits, result in substantial savings, but require substantial upfront cost. In their protest response, the Joint Utilities say the savings from DHW systems are an important element of a multi-family retrofit and that the Commission should allow these systems, without credit enhancement, in the Multi-Family pilot. According to the joint IOU protest response: “Clearly, the multifamily customer market segment has specific issues to address in making energy efficiency projects viable, and the savings from the solar DHW may help overcome some of those barriers. If solar DHW is allowed by the Commission in this pilot, the Joint Utilities could assess the impacts of this exemption and recommend a longer-term solution” The protest response recommends the Multi-Family PIP add DHW without credit enhancement.

According to the Finance Decision in Section 4.3, the Joint Utilities’ expert finance consultant had recommended this pilot would accomplish roughly 25 projects. We are not sure how many of these projects would go forward without allowing financing for DHW given its importance and cost, as described in the protest and response. Given the limited nature of this pilot, and the fact that it may be difficult to identify viable and comprehensive EE projects absent solar DHW, solar DHW systems should be permitted in the Multi-Family pilot only, provided there is no credit enhancement of the DHW system. This applies to the pre-development phase of the pilot as well, given that no more than five projects will be financed and there is no ratepayer credit enhancement provided for those loans. We leave it to CAEATFA to determine in its rulemaking whether there should be no credit enhancement for the entire loan if a solar DHW system is financed, or for just the portion of the loan that the solar DHW system makes up.

3. Program Implementation Plan Non-Compliance

3.1 Marketing, Education and Outreach

The Joint Utilities’ PIPs are out of compliance because they fail to adequately recognize the Finance Decision’s designation of the program administrator and implementer for the statewide ME&O program for 2014 and 2015 as the *statewide* coordinator of the finance pilots’ ME&O. The Joint Utilities are *regional* implementers for ME&O programs, yet they have improperly asserted claims on funds that should go to statewide programs.

Each PIP has a section on ME&O, as required by the Finance Decision, as well as many other references to outreach, training, and partnerships. These plans show IOU-led local or regional marketing tactics, such as working through non-

finance IOU programs, account executives and existing contractors. The budgets in the PIPs allocate the marketing funds to each of the Joint Utilities to perform these and related tasks. The plans position the Joint Utilities as the marketing leads. The PIPs mention CCSE, but only as an entity the Joint Utilities will coordinate with. The PIPs do not elaborate on how the Joint Utilities will integrate their regional ME&O activities with CCSE's statewide efforts and the Energy Upgrade California brand. For example, in a section on program partners, the PIPs say: "The IOUs and CAEATFA will coordinate with CCSE to ensure that the marketing of financial products is done in coordination with the Energy Upgrade California statewide marketing brand campaign."

The Finance Decision provides a short history of the Commission's efforts to consolidate demand side marketing efforts. For instance, the Guidance Decision (D.12-05-015) on the 2013-2014 Energy Efficiency portfolio moved to leverage ME&O activities into one integrated approach, and move away from separately authorized marketing and outreach programs, in part to eliminate duplicative and potentially contradictory efforts and spending, as discussed in Section 10 of D.13-09-044. The Guidance Decision also directed the Joint Utilities to consolidate marketing efforts using the brand "Energy Upgrade California," to create a common umbrella platform for demand side activities for residential and small business customers.

Section 10 of D.13-09-044 discusses the "natural synergies" between the ME&O needed for the finance pilots and under the Energy Upgrade California platform, given financing is a strategy to reduce the first cost barrier to taking demand side management action.

In a separate proceeding, D.13-12-038 ultimately designated CCSE as the program administrator and implementer for the statewide ME&O program for 2014 and 2015. The Finance Decision acknowledges this pending decision on Page 85:

The Commission is currently considering statewide ME&O budgets and plans for "Energy Upgrade California," in 12-08-007 et al. Although the outcome of those proceedings is currently unknown, we think it makes sense to coordinate marketing efforts discussed in this proceeding with the larger umbrella platform the Commission is expected to adopt therein, subject to some specific direction as to these pilots.

The Finance Decision section on marketing goes on to authorize funds for finance marketing, and orders the Joint Utilities to "release" the funds for finance pilot promotion through the statewide EE ME&O efforts. The Finance Decision, in Section 10, was not able to directly name CCSE because of the pending marketing decision, but instead refers to the coordinator of statewide ME&O.

In furtherance of the goals of this decision, the Commission finds it reasonable to allocate up to \$10 million for customized ME&O. However, up to \$8 million of authorized EE pilot funds should be released by the Joint Utilities to explicitly promote the specific EE finance pilots authorized here through the statewide EE ME&O efforts, including integration of financing pilot information with the statewide umbrella outreach for all EE and demand side management programs. We also find it reasonable to direct the Joint Utilities to release up to an additional \$2 million to CAEATFA to perform contractor and FI outreach and training.

The Finance Decision allocates up to the entire marketing budget to CCSE net of what CAEATFA will need for its efforts to recruit and train lenders and train contractors. The PIPs must reflect this in the section on marketing (10.h), and other areas of the PIP, such as Table 6, Section 10.g., Table 12, etc. To facilitate this we have attached a high-level ME&O plan in Attachment A. The Joint Utilities shall replace Section 10.h in each of the PIPs with Appendix A.

While the Finance Decision anticipates that CAEATFA would also handle contractor training, we understand that CAEATFA's expertise might not be best suited take on this role. Consequently, the utilities should allocate up to \$8 million in finance marketing funds to CCSE, as well as a portion of the balance of \$2 million the Finance Decision allocated for CAEATFA's use - net of funds CAEATFA will need for financial institution outreach and training. We expect CCSE to draw up an integrated statewide plan, with the collaboration and input of the Joint Utilities, CAEATFA and Commission. We expect the plan will include multiple components with assigned roles and responsibilities. The Joint Utilities shall carry out the roles that CCSE's plan assigns them using the budget CCSE assigns.

Even before CCSE develops an ME&O plan with role and budget assignments, we anticipate that CCSE will need \$750,000 of these funds through 2015 to convene stakeholders, develop the finance ME&O plan, oversee the plan implementation, and develop the contractor training. Depending on other tasks the ME&O plan assigns to CCSE, the Joint Utilities will release further budget allocations to CCSE. The Joint Utilities shall follow, implement and support the finance ME&O plan that CCSE develops.

In order to facilitate CCSE's development of the ME&O plan ahead of pilot implementation, the Joint Utilities shall begin releasing payments to CCSE no later than July 10, 2014. The Joint Utilities shall continue to release to CCSE funds for work it will perform through 2015, including further tasks the ME&O plan assigns to CCSE. PG&E shall provide these funds through its existing contract with CCSE, including by adding Appendix A as CCSE's initial scope of work for this financing portion of the overall integrated statewide marketing, and updating it as necessary based on the results of the marketing plan.

3.2 Retrofits Financed without Rebates or Incentives

The decision makes clear on Page 30 in its definition of eligible measures that a pilot participant does not need to *use* an IOU rebate or incentive for a measure to be eligible: “EEEMs are measures that have been approved by the Commission for a Utility’s EE rebate and incentive program, although the customer need not get an incentive or rebate to qualify for the loan.”

The IOUs have included in their PIPs certain requirements that are inconsistent with this direction. One example is this requirement in multiple PIPs:

For instances where projects do not take the rebate / incentive but participate in the financing pilot, the utility will apply any necessary data collection requirements and/or perform the equivalent post installation activities as required by the Commission. These may support savings associated with utility programs(s).

In this particular case, we think a requirement to submit to IOU inspections would eliminate any time-saving or other benefit a customer might obtain by foregoing a rebate or incentive. (This does not mean these projects are exempt from the need to provide data specified by the Data Working Group plan, and CAEATFA.)

Another example is in the Single Family Loan Program PIP:

For any project not participating in a CPUC-approved IOU/REN incentive program(s) the contractor must meet specific contractor eligibility requirements for the program that the installed Eligible Energy Efficiency Measures (EEEMs) are a part of.

There are no such requirements or limitations in the Finance Decision. Such limitations on projects that do not use rebates and incentives are out of compliance except as developed by CAEATFA in its future administrative action envisioned by the Finance Decision.

The Finance Decision does include a section on quality assurance and in it finds it reasonable to have minimum standards for qualified contractors and allows CAEATFA acting as the CHEEF to either adopt standards based on existing utility rebate programs, or include them with program rules it will develop. The Finance Decision also finds in this section that finance pilot data collection and required reporting will provide most of the information to ensure whether program participants, and the energy improvement projects, are sufficiently performing their functions.

Commission staff shall work with CAEATFA to explore options for developing quality assurance processes for projects that do not use utility programs, including data collection.

3.3 Integrated Demand Side Management (IDSM)

The Joint Utility PIPs all have a short section that says the finance pilots will support the CPUC's IDSM goals by coordinating with IOU IDSM programs. This PIP section also says that integration with other resource types including but not limited to water and air quality, "or other resource goals," will be fostered by allowing customers to use the up-to 30% portion of their loan or lease to finance them. This section in multiple PIPs refers to financing of "non-EE measures," even though as we have clarified above, only one pilot can finance DR and DG.

In a subsection on "Integration across resource types (energy, water, air quality, etc.)," the PIPs indicate: "Specific programs are to be determined based on discussion with appropriate program managers." It is not clear which programs this is referring to. In addition, a table is provided for listing non-energy-efficiency subprograms and the rationale for integrating across resource types. The table is left blank with an indication that it is not applicable.

There is even less information in some of the PIPs, and instead a reference to the marketing section.

A section on integration is standard in PIPs for building retrofit programs, audit programs, and other more traditional IOU programs. Energy Division management had requested the Joint Utilities customize these statewide finance program PIPs so they were organized to better present information on these pilots. As the Finance Decision shows on Page 85, the finance pilots are designed as a "key strategy to help reduce the first cost barrier to taking this type of demand side management action," and so to support traditional IOU building retrofit programs.

Integration of resource types is not an objective of D.13-09-044. In fact the term IDSM is not used in the 124-page decision, and the word "integration" is used only four times, twice in reference to data, once in reference to marketing, and a final time to describe the process of consolidating pre-development pilots under the CHEEF. The Finance Decision does not mention air quality, and does not directly address water measures.

In addition, as written, the section is vague and open ended - which invites misinterpretation and confusion. For the purposes of compliance and clarity, this section and any similar references should be eliminated from the PIPs.

3.4 IOUs Provide List of Eligible Energy Efficiency Measures

The Finance Decision directs each utility to make a list of EEEMs publicly available, including on the utilities' websites.

The information provided on the utilities' websites via links in the PIPs – including rebate catalogues - is inadequate. It is important to consider the needs of lenders and others who are taking a statewide approach. For instance it might be more

effective to provide them with a single statewide measure list that identifies measures recognized across IOU territories by category, with easy-to-understand descriptions. Based on discussions with Commission staff, CAEATFA, lenders and others, the Joint Utilities are to provide a more appropriate list of EEEMs on their websites by August 31, 2014.

4. Miscellaneous Modifications

4.1 Updates Due to Delay

A number of elements of the PIPs are dated since the pilots did not launch in early 2014 as planned:

1. Timelines for implementation of each pilot are out of date and need to be updated to reflect the timing of their implementation based on the number of months after CAEATFA receives Legislative budget authority. (e.g. A+ 1)
2. Due to the delay, budgets in the PIPs filed in 2013 reflect spending that has not occurred and so need to be updated. The Joint Utilities also need to provide a single statewide budget for each of the seven pilots in addition to the four IOU budgets that are currently in each PIP. The statewide budget for each pilot should be provided before, or just in front of, the individual IOU budgets, so that stakeholders can easily see spending statewide. The Joint Utilities shall provide a footnote to the statewide budget table for the direct implementation line item, identifying the tasks that that will be funded through that line item. The Joint Utilities shall list these tasks in order from those that will receive the largest share of that budget line item to those that receive the smallest share. (These tasks particular to these finance programs, instead of the typical spending categories specified in the Policy Manual.)
3. The PIPs should reflect Energy Division's disposition of the Joint Utilities' workpaper on energy savings. (Energy Division determined there was not sufficient information to estimate the proposed energy savings and will evaluate them on an *ex post* basis.)
4. The PIPs should reflect disposition of the Data Working Group report, which the CPUC approved as filed.

4.2 EFLIC PIP & Tariff

In addition to the changes described in 4.1 above, the following minor changes to the PIP, tariff, and associated customer agreement form are necessary for clarity, compliance and accuracy:

Section 9.a:

Sentence in the subsection on “Differences between the CHF and CHEEF EFLIC offering” should read: “PG&E will work with CHF and CAEATFA to ensure that the terms and conditions are as similar as possible.”

Subsection on “Transition of the program from CHF to CHEEF,” should include: “As part of its pre-development pilot work with CHF, PG&E will develop knowledge on processes needed to implement EFLIC. This knowledge will be captured in the form of an implementation guide and transferred to the CHEEF. This transfer of knowledge should help in making the CHEEF EFLIC launch smoother and faster by incorporating all the lessons learned from the CHF EFLIC pre-development pilot.”

Table 6: Program Administration of Program Components, shall be edited so that the top row label is “customer application process.”

The following definition of direct implementation costs for the EFLIC pilot shall be provided in a footnote under the budget table: EFLIC Pilot Implementation costs include Billing analyst support – direct interaction with lenders/servicers, Training of lender/servicers to utilize EFLIC functionality, EFLIC specific IT (lender setup, any necessary system updates) IT license fees (e.g. access to GXS third party interface services) Program management time on planning and design and project management – working with multiple stakeholders to design program parameters.

PG&E’s EFLIC Tariff shall be slightly modified for clarity and compliance:

- Electric Schedule EFLIC Sheet 3 (and the analogous gas sheet) shall be re-worded as: “If a Customer makes only partial payment on a Bill, the partial payment will be applied to the following components of the Bill according to the order listed below.”
- Electric Schedule EFLIC Sheet 5 (and the analogous gas sheet) shall be re-worded as Table 6, top row label: Change to customer application process: “If a Customer has exhausted attempts to resolve a dispute with the financial institution and PG&E, the Customer will be referred to the CPUC's Consumer Affairs Branch (CAB) for assistance through its dispute resolution process.”

PG&E's Residential Loan Charge Customer Agreement shall be updated for clarity.

- Under #3, Partial Payments, the wording shall be: "If you make a partial payment on your utility bill, the partial payment will be applied to the following components of the utility bill in the order listed: (1) Utility charges, which include utility service and credit establishment charges; (2) Energy-related charges, which include charges based on energy consumption and tariff schedules; (3) Other applicable products and services charges, which include all other services billed by the Utility such as Loan Charges."
- Under #4, Overpayments & Prepayments, the wording shall be: "If you attempt to prepay PG&E, amounts over what is due are handled as an overpayment and will be applied to the amounts due in the future to PG&E for energy charges and will not be applied to future Loan Charges. If you want to prepay Loan Charges subject to lender terms and conditions, you must work directly with your Lender."

4.3 Formatting Problems in PIPs

Each page of Table 11 includes a row with detailed instructions for populating the table. The instructions need to be removed to save space and to make it easier to read the table.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today. Comments are due 10 days before the June 26, 2014 Commission meeting. Replies from the utilities are due five days before it.

FINDINGS

1. The Joint Utilities filed Advice Letters listed below in compliance with D.13-09-044:

- Southern California Gas Company Advice Letter (AL) 4562, San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;
 - Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
 - Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.
2. Advice Letters AL 4581, 2558-E/2253-G, 3439-G/4327-E, and 2989-E were timely protested jointly by California Housing Partnership Corp. and Build it Green with support from Marin Clean Energy.
 3. The Joint Utilities' ALs are out of compliance with D.13-09-044 and D.12-05-015 with regard to the budget allocation and lead role for finance pilot marketing, financing of DG and DR, retrofits financed without rebates or incentives, IDSM, and other issues identified in this Resolution.
 4. The Joint Utilities requested Commission clarification of D.13-09-044 through a Commission Resolution. They requested clarification on the pilot marketing, financing of DG and DR, and IDSM sections of the PIPs.
 5. California Housing Partnership Corporation and Build it Green joint protest asserted that Solar Domestic Hot Water systems are integral to a multi-family retrofit and should be allowed in the eligible loan amount for the multi-family pilot, but without credit enhancement. Marin Community Energy supported the protest.
 6. The Joint Utilities' protest response agreed with the importance of Solar Domestic Hot Water systems for multi-family retrofits, and with the inclusion of this measure in the multi-family pilot eligible measures, as long as no credit enhancement is used.
 7. The Commission concludes it is reasonable to allow financing of Solar Domestic Hot Water Systems without ratepayer credit enhancement in the multi-family pilot, including the pre-development phase, but without credit enhancement, pursuant to the statutory limits on funding this measure.
 8. D.13-09-044 prohibits the cross subsidy with EE funds including credit enhancements of demand response (DR) and distributed generation (DG) technologies. The Finance Decision created six credit enhanced pilots where it was envisioned the total amount of each loan or lease would be credit enhanced. No portion of any enhanced loan or lease in these six pilots with credit enhancement can fund DG or DR technologies.

9. D.13-09-044 created a non-credit-enhanced pilot for non-residential customers that can finance DR and DG technologies. The decision did not place any limits on DR and DG technologies financed by this pilot. For instance it did not place limits on which DR and DG technologies can be financed, the percent of a loan that can be dedicated to DR or DG, or the number of loans that could be made to finance DR and DG projects.
10. D.13-09-044 requires that a minimum of 70% of any loan or lease made through one of the six credit enhanced pilots consist of eligible energy efficiency measures, which it defined as measures that have been approved by the Commission for a utility EE rebate and incentive program – though a borrower need not use a rebate or incentive. Costs closely tied to installation of these eligible measures, as guided by the eligible measure cost portions of the Commission’s pending staff approved guidance document on the Cost Basis for custom projects, can be counted in the minimum 70% of a loan or lease.
11. D.13-09-044 allows up to 30% of the loan or lease amount to finance improvement activities that are incidental to the EE portion of the project and make it more likely that customers undertake an EE project. CAEATFA in its rulemaking can further define allowable costs as necessary.
12. D.12-05-015 directed the consolidation of demand side marketing to foster a single integrated approach without duplicative or contradictory efforts and spending, using the brand Energy Upgrade California.
13. D.13-09-044 recognized the natural synergies between the ME&O needed for the finance pilots and the statewide coordinated Energy Upgrade California ME&O effort, recognizing that financing is a strategy to reduce the first cost barrier to taking demand side management action.
14. D.13-12-038 designated CCSE as the program administrator and implementer for the statewide ME&O program. In acknowledgement of this then-pending decision, D.13-09-044 designated the entity so named by D.13-12-038 to be the statewide lead for finance pilot marketing.
15. D.13-09-044 orders the Joint Utilities to release up to \$8 million of the authorized pilot funds to the implementer of the statewide ME&O campaign: CCSE.
16. In view of recent indications that the contractor training may not be within CAEATFA’s realm of specific expertise, the Joint Utilities shall release additional funds to CCSE, as needed, including to accomplish contractor training, in accord with the statewide finance pilot marketing plan that CCSE develops.

17. D.13-09-044 in its definition of eligible energy efficiency measures (EEEMs) makes clear customers do not need to use a utility rebate or incentive to participate in the finance pilots. D.13-09-044 does not place any utility requirements on retrofit projects that are accomplished outside of utility rebate/incentive programs. D.13-09-044 does allow CAEATFA to develop related standards.
18. D.13-09-044 does not set any IDSM objectives for the finance pilots and does not allow the primary IDSM technologies - DG or DR – to be included in six of the seven EE finance pilots.
19. D.13-09-044 directed the Joint Utilities to provide a list of eligible energy efficiency measures available to the public, including on the Joint Utilities' websites. The Joint Utilities must work with the Commission and CAEATFA to develop an EEEM's list in a form that best meets the needs of lenders, contractors, borrowers, and others likely to engage in these pilots.
20. Various miscellaneous modifications are needed to the PIPs for compliance and clarity and should be made as described in this Resolution.
21. The Commission finds it reasonable to adopt PIPs as the Joint Utilities shall amend them to comply with D.13-09-044 and D.12-05-015 and with all compliance information and clarifications detailed in this Resolution. The Commission also finds it reasonable for the finance pilots to begin under CHEEF administration while the Joint Utilities update the PIPs.

THEREFORE IT IS ORDERED THAT:

1. The following Advice Letters including seven program implementation plans for the energy efficiency finance pilots are approved as amended by the clarifications and compliance information in this Resolution:
 - Southern California Gas Company Advice Letter (AL) 4562, San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;
 - Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
 - Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.
2. The Joint Utilities shall file the compliant PIPs within 30 days of the approval of this Resolution. The Joint Utilities shall not take this opportunity to make other unrelated changes to the PIPs. The Joint Utilities shall file the updated

PIPs in redline to easily identify changes, and with accompanying clean copies. Further, future changes to these PIPs, including those made by the PIP addendum process, must first be approved by Commission staff.

3. The finance pilots that are the subject of the three ALs and seven PIPs are approved to begin operation under the CHEEF while the Joint Utilities amend the PIPs.
4. The joint protest by California Housing Partnership Corporation and Build it Green is resolved by allowing the financing of Domestic Solar Hot Water systems without ratepayer credit enhancement in the multi-family pilot, including its pre-development phase.
5. The Joint Utilities shall work with CAEATFA and the Commission to develop public lists of eligible energy efficiency measures that contain sufficient information about the financed measures to meet the needs of lenders and others, including those with a statewide view.
6. The Joint Utilities shall release to CCSE up to \$8 million for statewide marketing, and any funds for contractor training in lieu of CAEATFA performing this role, as needed based on roles and associated budget allocation designated in the statewide finance pilot marketing plan CCSE will develop.
7. The Joint Utilities shall begin releasing funds by July 10, 2014 to CCSE to cover the cost of CCSE's work as detailed in this Resolution, and in the finance pilot ME&O plan CCSE develops.
8. The Joint Utilities shall fulfill the tasks and roles assigned them by the pilot marketing plan CCSE develops, and work under CCSE's direction and coordination.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 26, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A

ME&O Plan for PIPs, Section 10.h

In order to accomplish the statewide integrated approach to promoting the finance pilots envisioned by D.13-09-044, the California Center for Sustainable Energy (CCSE) will create one integrated statewide, multi-sector marketing, education and outreach (ME&O) plan. CCSE is also the coordinator of the statewide ME&O effort under the Energy Upgrade California brand. The finance pilot ME&O plan will identify roles, actors including IOUs, and allocate the marketing budget accordingly.

CCSE will oversee the implementation of its plan. Concurrent to its development of the ME&O plan, CCSE will develop the contractor training and outreach. CCSE will perform any other roles the plan assigns it.

Based on the timeline below, CCSE will convene and lead a “go-to-market” working group comprised of CAEATFA and IOUs in order to develop and finalize the plan. The plan will take a market facilitation approach that at a minimum leverages channels of customer service including contractors and lenders, as well as IOU customer data segmentation, and existing ME&O of appropriate IOU programs.

In order to develop the plan, CCSE will draw on existing market research, the experience of program administrators, and as needed lead research that examines barriers to pilot participation and how to overcome them. CCSE may convene sector and pilot specific financing strategic partner advisory groups.

Major elements of the plan are likely to include contractor outreach and training, including development of educational information and tools for contractors and consumers, and ongoing support to contractors and financial institutions through a variety of channels including cooperative marketing campaigns.

As envisioned by the Finance Decision, the plan will integrate financing education and awareness messaging into the existing statewide Energy Upgrade California marketing, education and outreach, and capitalize on those synergies.

CCSE Timeline for Finance ME&O Plan & Concurrent Activities

Activity	Estimated Timing
Contract for work to commence	July 2014
Convene working group to collaborate on plan	July 2014 + ongoing

Solicit and conduct additional research needed	July-September 2014
Develop contractor training and outreach	August-September 2014
Complete first draft ME&O implementation plan	September 1, 2014
Complete final draft ME&O implementation plan	October 2014
Conduct contractor training and outreach	Oct-Dec 2014+all 2015
Lead implementation of ME&O plan	Q4 2014 + all 2015

(END APPENDIX A)