Decision 17-03-026 March 23, 2017

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues. | Rulemaking 13-11-005<br>(Filed November 14, 2013) |

# DECISION ADDRESSING ENERGY EFFICIENCY FINANCING PILOT PROGRAMS ORIGINALLY ORDERED IN DECISION 13-09-044

**Table of Contents**

## DECISION ADDRESSING ENERGY EFFICIENCY FINANCING PILOT PROGRAMS ORIGINALLY ORDERED IN DECISION 13-09-044

### Summary

This decision reiterates the Commission's support for the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) as the program administrator for the financing pilot programs originally authorized in Decision (D.) 13-09-044, as later modified by D.15-06-008 and D.15-12-002. These financing pilots were designed to test new and innovative financing strategies with consumers, contractors, and lenders, to help leverage ratepayer and private financing to assist in achieving our aggressive energy efficiency goals, as later articulated in Senate Bill 350 (DeLeon, 2015) which calls for a doubling of energy efficiency in buildings by 2030.

In this decision, we further commit to continued funding for CAEATFA to administer the pilot programs throughout the life of the pilots, including servicing of loans and credit enhancements throughout the life of those products, beyond the original two-year test period of each individual pilot, during the repayment period for all loans. We anticipate that our support for energy efficiency programs, including financing programs, will be ongoing, and our partnership with CAEATFA will continue throughout the life of the pilot activities.

We also expect forward momentum to continue and that all financing pilot programs will be launched by no later than December 31, 2019; any remaining pilot programs not launched as of that date will be cancelled.

We also elect to keep the CAEATFA financing pilot programs separate from the much larger energy efficiency rolling portfolio business plans filed on January 17, 2017, in order to separately monitor and evaluate these financing

pilots previously authorized. Should we find the CAEATFA pilot approaches to be successful, we will consider rolling them into the overall energy efficiency rolling portfolio in the future.

In the meantime, we ask Southern California Gas Company (SoCalGas) to continue to be the lead utility partner with CAEATFA. We also authorize incremental administrative, marketing, and information technology budgets, up to $500,000 per year through the end of 2020, for each utility, except for SoCalGas, whose lead utility budget should be capped at $800,000 per year, in order to continue to facilitate successful interfacing between the financing pilot programs and the utility billing and other systems necessary for on-bill repayment and any other features of the pilots.

In addition, we specify that each separate pilot program will be subject to a mid-point evaluation at or around one year of operation, and that each pilot will continue in operation until such time as the Commission makes a determination about its permanent disposition (continue as a full-scale program, modify, or cancel). This is a change from the two-year period originally ordered in D.13-09-044 and will help avoid unnecessary market disruption during regulatory evaluation.

Finally, to facilitate continued marketing, education, and outreach (ME&O) support for the financing pilot programs, we require SoCalGas, as the lead utility partner with CAEATFA, to conduct a competitive solicitation for continuation of the ME&O work to support the financing pilot programs currently being conducted by the Center for Sustainable Energy (CSE). Pacific Gas and Electric Company, the current holder of the contract with CSE, shall ensure that CSE is funded and authorized to continue with any and all ME&O activities consistent with the marketing plan developed to support the CAEATFA pilots, to support

CAEATFA with its current operational pilots and any new pilots launched, until completion of the competitive solicitation and until commencement of financing ME&O activities under a new contract. Note that these ME&O activities to support the financing pilots are separate and distinct from the statewide ME&O activities conducted by the Energy Upgrade California campaign.

## 1. Background

On November 14, 2016, Commission staff hosted a mid-point review workshop, as required by Decision (D.) 13-09-044. Following the workshop, staff also produced a written document recommending release of the contingency funding to California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). On November 22, 2016, the assigned Commissioner and Administrative Law Judge (ALJ) issued a joint ruling releasing contingency funding to the CAEATFA for its continued administration of the financing pilot programs originally authorized in D.13-09-044, as later modified by D.15-06-008 and D.15-12-002. CAEATFA's role is also referred to as the California Hub for Energy Efficiency Financing (CHEEF).[1]

In addition, the ruling authorized a short-term extension to the Center for Sustainable Energy (CSE) to conduct marketing, education, and outreach (ME&O) support to the financing pilots being administered by CAEATFA.

---

[1] Background on CAEATFA can be found at: http://www.treasurer.ca.gov/caeatfa/. It is a part of the State Treasurer's Office with a mission to work "collaboratively with public and private partners to provide innovative and effective financing solutions for California's industries, assisting in reducing the state's greenhouse gas emissions by increasing the development and deployment of renewable energy sources, energy efficiency, and advanced transportation and manufacturing technologies to reduce air pollution, conserve energy, and promote economic development and jobs."

In addition, the November 22, 2016 ruling requested comments from parties on next steps with regard to the financing pilots as well as the ME&O support for those pilots.

On December 12, 2016, CAEATFA sent a letter to the Director of the Commission's Energy Division offering certain recommendations for next steps, from their perspective. CAEATFA served this letter on the service list for this proceeding.

The following parties also filed responses to the November 22, 2016 ruling on December 12, 2016: California Housing Partnership Corporation (CHPC); the County of Los Angeles, on behalf of the Southern California Regional Energy Network (LA County on behalf of SoCalREN); CSE; the Office of Ratepayer Advocates (ORA); Pacific Gas and Electric Company (PG&E); Southern California Edison Company (SCE); and Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E), jointly.

On December 19, 2016, CAEATFA responded to parties' comments in a letter to the Director of Energy Division, which CAEATFA also served on the service list for this proceeding.

Also on December 19, 2016, the following parties filed reply comments in response to the November 22, 2016 ruling: CHPC; CSE; ORA; PG&E; SDG&E and SoCalGas, jointly; and SCE.

The November 22, 2016 ruling posed nine specific questions, which can be organized into the following general categories:

1. Roles and responsibilities of CAEATFA, utilities, and Commission staff;
2. CAEATFA's current recommended program design changes;
3. Future process for changing pilot design and budgets, including relationship to business plans;

4. Evaluation of pilots, including timing, and criteria for extension or full-scale launch; and
5. ME&O support.

We address each of these issues in the sections below.

## 2. Pilot Program Roles and Responsibilities

Since the initial Commission approval of the financing pilot programs under the CHEEF umbrella in 2013, a great deal of activity has occurred and some uncertainty has been removed, which allows us to further clarify the Commission's intentions and preferences with regard to the running of the financing pilot programs.

At the time of D.13-09-044, there was uncertainty about whether CAEATFA could secure Legislative approval to launch the CHEEF activities. SoCalGas was poised to continue as administrator of the financing pilot programs in the event that CAEATFA did not take over. At the time of this decision, however, the administrative uncertainty has been removed; CAEATFA has launched one of the pilots and is working on the others. The November 22, 2016 ruling articulated the current status, as part of one of the questions to parties, as follows:

"The original design for the pilot programs envisioned CAEATFA as the statewide administrator; a statewide ME&O entity to provide services to contractors and borrowers, and a primary role for the utilities in providing information technology services for on-bill repayment. The Commission did not provide explicit administration or coordination funding for the utilities or other program administrators, believing they could discuss the financing mechanisms' availability in the context of the energy efficiency program implementation.

CAEATFA was also authorized consulting funds to help them incorporate relevant efficiency matters into the pilots' development and design.

a. For all parties: Should the original roles and thus funding authority be adjusted in any way? If so, how?

b. For Investor-Owned Utilities (IOUs): Will IOUs need to request additional funding for their administrative costs? If so, how much is requested?

c. For all parties: Using what process should IOUs request additional administrative or other funding, via the energy efficiency business plan filings, or another filing?"

In this section, we address these questions and clarify more directly our expectations for partnership with CAEATFA in its CHEEF functions. In addition, we address the roles and responsibilities of the utilities and Commission staff.

### 2.1. Positions of Parties

Parties' comments on the roles and responsibilities of various entities vary widely, and discuss many different concepts.

CAEATFA represents in their letter to Energy Division that they have coordinated intensively with the utilities to leverage existing program infrastructure to work with the financing pilots, including such items as measure lists and data collection. CAEATFA in general advocates for more control over real-time program design changes, in order to be able to respond to market demands related to their responsibility for deal flow and program uptake. In addition, CAEATFA asks that the Commission identify a permanent funding source to support the ongoing administrative work that will persist for the life of the credit support agreements, and provide assurances that if CAEATFA staffing levels become too high, those positions could be repurposed with other funding sources in the future.

Most other commenters, including SDG&E and SoCalGas, SCE, and CSE, generally advocate for the status quo, leaving CAEATFA as the administrator for the financing pilots. SDG&E and SoCalGas would add, however, that the Commission should acknowledge a more active role for the utilities in program operations, beyond just information technology services. SDG&E and SoCalGas specifically support CAEATFA's request for identification of long-term funding.

PG&E, on the other hand, advocates for a major change in the roles and responsibilities between CAEATFA and the utility program administrators. PG&E would have a utility program administrator assume administrator duties for the financing pilots, advocating for PG&E to take over these duties as the statewide financing program administrator. Then, PG&E recommends that CAEATFA act as the third-party implementer for the pilots. This proposal would also bring the financing pilots under the umbrella of the business plans just filed January 17, 2017.

PG&E also proposes that the "program details adopted by D.13-09-044 are unnecessary, can interfere with the program optimization, and should be retired in favor of public review through [the public rulemaking authority] of CAEATFA's exercise of implementer discretion."[2]

PG&E further proposes that program participation and savings responsibility shift to the overall business plan program administrators with the help of their third party implementers. The concept would be that utility program administrators solicit implementers, who may be the same entities as those who deliver and install energy efficiency measures, to design programs to deliver financing tools.

---

[2] *See* PG&E comments filed December 12, 2016, at 2-3 and 7.

PG&E would also transfer current database responsibilities from CAEATFA to the utility program administrators, under the leadership of the statewide financing lead (proposed to be PG&E) and says that the task of maintaining both finance transactions data and project energy data could undermine the success of the pilots by deterring lender participation, instead suggesting there may be alternative ways to evaluate project and loan performance.

In addition, all of the utility program administrators have submitted estimates of ongoing funding needed to continue their interface activities with the financing pilots. PG&E estimates that funding of approximately $2 million would be needed through 2020, SCE estimates $2.9 million through 2020, and SoCalGas and SDG&E have filed advice letters requesting supplemental funds.

Finally, the majority of commenters reference the need for more consistent involvement of Commission staff to ensure smooth rollout and operation of the pilot programs. Some parties, including ORA, suggest that final detailed decision-making about pilot design be delegated to Energy Division staff. CAEATFA suggests the need for regular meetings, at least monthly, between CAEATFA and Energy Division staff, and notes that CAEATFA currently submits quarterly progress reports. The utilities would prefer regular meetings to include utility staff, and occur at least monthly, or possibly bi-weekly, as suggested by SCE. PG&E also suggests including ORA, at its option, in the regular meetings. Finally, CSE suggests the addition of quarterly in-person meetings, plus monitoring of activity metrics.

### 2.2. Discussion

At this time, we reiterate our commitment to rely on our state agency partner, CAEATFA, as the administrator of these financing pilot programs. Our intent with these pilots has always been to test whether a statewide strategy for innovative financing support can supplement and leverage activities of the other program administrators. Our partnership with CAEATFA is premised on its commitment to our shared energy efficiency goals for the state, its expertise in the arena of financial markets, and its broad geographic reach, none of which can be matched by utility program administrators.

With these principles in mind, our intent is now, and has always been, to vest CAEATFA with program administrator responsibilities for all aspects of the pilot programs, within a reasonable set of parameters established by the Commission's authorizing decisions (including this one). Thus, now or in the future, where there is ambiguity or the absence of explicit direction, CAEATFA is fully authorized as the decision-maker for these pilots, utilizing its own public input and rulemaking processes, as needed. Indeed, the availability of CAEATFA's public rulemaking process is one reason we continue to have confidence in the public interest nature of CAEATFA's stewardship of these pilot programs and funding. Consistent with the comments of SoCalREN on the proposed decision, we also encourage CAEATFA to compile ideas or suggestions for alternative finance models, and ask that these ideas be addressed in the pilot evaluation process to assess how market actors view the effectiveness of the pilots.

To be clear, CAEATFA has authority over the pilot program design, financing mechanism designs, finance credit support, measure eligibility, on-bill repayment implementation including lender enrollment, outreach to contractors and lenders (as further discussed later in this decision), coordination with the third party ME&O support contractor for consumer outreach (also discussed later in this decision), and database tasks. In addition, CAEATFA has final authority over the interface required with other utility programs, and may partner as much or as little as it finds useful to fulfill its mission in the administration of the pilot programs.

We request that CAEATFA continue to utilize its own separate rulemaking process via workshops and public meetings, as needed and appropriate, to seek public input on aspects of the design and launch of the energy efficiency financing pilot programs.

This means we are explicitly rejecting PG&E's proposed approach to changing the roles for administration and implementation of these pilot programs. We will address the role of the utilities further below.

In addition, due to the passage of time since the original authorization for the pilot programs in 2013, and the urgency of testing financing approaches with the hope of full-scale implementation, we set a time limit for the launch of the remaining pilot programs by CAEATFA. We expect that the remaining pilot programs can be launched by December 31, 2019. If there are any pilots that have not been launched by that date, we will cancel any further pilot launches and focus our attention and funding (and those of CAEATFA, in partnership with us) on the pilots that have been launched by that time.

With respect to CAEATFA's request that we identify a permanent source of funding for the ongoing work associated with these pilot programs, we clarify that it has always been our intention, and continues to be our intention, to provide for energy efficiency program funding to support the pilot programs for their full lifecycle. 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. Our intention is to fund those activities out of energy efficiency program funding, with the expectation that this Commission will continue to authorize ratepayer funds for investment in energy efficiency throughout the entire period of pilot program operation and loan servicing, primarily through funding already authorized in D.13-09-044.

It is our expectation that the funding already authorized for CAEATFA, both for loan purposes and CAEATFA administrative expenses, should cover the costs of pilot program launch and servicing at least through the end of 2020. If additional funding is needed after that time, we will continue to work with CAEATFA to ensure that funding is adequate to cover the required activities to ensure successful completion of the pilot programs.

We will further address the process for what may happen after the initial two-year pilot period for each program below in Section 5.2 of this decision.

We agree with CAEATFA and SoCalGas that these pilot programs are best supported by permanent staffing at CAEATFA for the CHEEF functions, to ensure continuity and expertise on financing-related aspects of these pilots. The promise of a financing supplement or replacement, backed by the State of California, to other utility-supported energy efficiency programs, requires focused and sustained attention that cannot be successful with short-term staff turnover. Therefore, we will support CAEATFA's requests through the state budget process to secure the staffing support it deems necessary to successfully implement these pilot programs and test whether they merit full-scale and long-term commitment by the state. If the pilots are successful, we suspect the Legislature may want to ensure permanent support for this supplemental set of mechanisms via authorizing legislation.

Finally, with respect to CAEATFA's role, we see the quarterly progress reports currently submitted by CAEATFA as valuable and direct those to continue. These will also help us continue to assess the funding situation relevant to the continued successful launch and operation of the financing pilot programs.

Next, we turn to the role of the utilities in these financing pilot programs. There is no doubt we need at least one utility to serve as the fiscal agent to hold the contract with CAEATFA to facilitate flow of funding and to handle any necessary regulatory filings such as advice letters. Since 2013, that lead utility has been SoCalGas and we see no reason for a change. Thus, we continue to designate SoCalGas as the lead utility for purposes of these financing pilot programs, serving as the fiscal agent and utility liaison with CAEATFA.

D.13-09-044 also emphasized the need for utility involvement in the information technology realm primarily because of the interface between these pilot program designs and the utility billing systems, especially for on-bill repayment options. We continue to see the need for funding to support these activities.

In addition, a modest level of technical coordination is needed from all utility program administrators to ensure no gaps or conflicts with other energy efficiency programs and the financing pilots, with a larger proportional amount available to SoCalGas as the lead utility liaison with CAEATFA.

Based on the estimates the utilities submitted in the November 14, 2016 workshop and subsequently in comments in response to the November 22, 2016 ruling, we will authorize no more than $500,000 annually, through the end of 2020, in incremental funds to each of the utility program administrators to utilize to support the financing pilots, with the exception of SoCalGas, whose budget is authorized not to exceed $800,000 annually. The exact funding shall be determined in Tier 2 advice letter filings similar to the one already submitted by

SDG&E in July 2016 and SoCalGas in December 2016, and as further discussed below in Section 4.2 on the process for ongoing modifications to the financing pilot programs.

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. The funding approach may be proposed by each utility in its advice letter filing and will be evaluated by the Commission on the merits of each proposal, based on the funding availability within each utility's current authorization.

Now we turn to the role of Commission staff in the Energy Division to facilitate launch and operation of the pilot programs. We agree that Commission staff should play a coordination role with all parties, but particularly CAEATFA and SoCalGas, and the other utilities as needed. Commission staff also has a role to play in the mid-point review process for each pilot program, as well as the overall evaluation of the programs, including setting of evaluation metrics.

Staff have committed to continuing to host monthly meetings, and more frequently, if needed, with CAEATFA and SoCalGas. Other utilities may be included, at the discretion of staff. Staff may also need to coordinate more frequently with CAEATFA, at its discretion.

We decline to delegate final program design and implementation decisions to staff, however, though we do ask that CAEATFA and SoCalGas consult closely with staff. As we have clarified above, it is CAEATFA's role, within the parameters set by our approval of the pilot programs, to make final determinations about pilot program launch and operation. If ambiguities or disputes arise, CAEATFA or Commission staff may bring those issues to our attention for resolution in this proceeding, if further formal decision-making is warranted. We expect that will not be necessary and encourage all parties to work together to solve detailed issues not addressed in Commission decisions in ways that are both practical and streamlined. The purpose of pilot programs in general is to test options and approaches, so we encourage CAEATFA and the utilities to keep things simple and err on the side of letting experiments play out and gaining useful insight and lessons learned for future iterations of financing offerings.

## 3. CAEATFA's Current Recommended Program Design Changes

In the November 14, 2016 workshop, CAEATFA presented a number of recommended design changes to the existing pilot programs, and requests Commission consent to these changes. The changes are numerous, and include the following issues:

- Long-term funding commitment;
- Streamlining the list of energy efficiency measures;
- Using credit support for projects with measures that bring buildings up to existing code levels;
- Allowing financing for small business pilot in an off-bill configuration, in addition to on-bill financing;
- Phasing in on-bill financing after off-bill financing;
- Design of a multi-family pilot for affordable master metered projects;
- Removing restriction on master meter configurations;
- Allowing credit enhancement funds to backstop performance outcomes, with related issue of guaranteeing bill neutrality;
- Authorization for energy efficiency service agreements;

- Allowing solar and distributed generation repayment on-bill for small business, in addition to other non-residential customers;
- Allowing a single customer data energy release form across all utilities;
- Removing quarterly true-up requirement on credit enhancement funds;
- Removing need for separate credit enhancement pools for each IOU;
- Reallocating budget funds across different pilot programs; and
- Allowing data flexibility, especially for support of savings calculations, uniform customer information form, and central database.

### 3.1. Positions of the Parties

SoCalGas and SDG&E support allowing CAEATFA to make modifications to the pilot program designs now as long as they meet the following three criteria: 1) changes that will not delay the pilots; 2) changes that are not overly burdensome; and 3) modifications that do not change Commission policy. For changes that do not meet these criteria, they suggest deferring consideration until after pilots are launched.

SCE agrees with allowing changes that will not delay the pilots, and would also add that changes should not create substantial additional costs (especially in the area of information technology). SCE would use the pilot period to collect information and evaluate whether other changes should be implemented in the future to improve program performance.

CSE suggests that the Commission design an expedited mechanism to implement program changes during the pilot phase, suggesting advice letters. CSE also suggests lenders and contractors are seeking simplicity and flexibility to engage in the pilot programs.

CAEATFA asserts that it is seeking simplicity and standardization to be able to attract lenders, rather than settle for expedient compromises and work-arounds that actually complicate program execution and inhibit lender enrollment and contractor engagement.

ORA did not comment on this aspect of the ruling.

In addition to these general comments summarized above, PG&E, SCE, SDG&E, SoCalGas, CAEATFA and CSE all commented on many of the specific proposals on CAEATFA's list.

CHPC commented only on the issue of bill neutrality, which it asserts should be required for the multi-family pilot.

### 3.2. Discussion

As discussed in Section 2.2 above, we view CAEATFA as the decision-maker with respect to most aspects of financing pilot program design and implementation, with the exception of any policy issues framed by the Commission. Those policy issues are recognizable mainly as items that implicate either the level or appropriate use of ratepayer funding, the overall goals of the effort, or both.

The majority of CAEATFA's requested changes are items we consider within their purview to effectuate without the need for explicit direction from the Commission. There are three exceptions, all of which we consider policy-level decisions to be made by the Commission:

1. Long term funding commitment.
2. Whether to allow credit enhancements for to-code projects.
3. Whether to allow credit enhancements to backstop performance outcomes.

We have already discussed the issue of long-term funding in the previous section and will not repeat those considerations here. We do address the second and third issue.

On the question of whether to allow credit enhancements for to-code projects, we see no reason to set a different standard for financing programs than we set in D.16-08-019 for the overall energy efficiency portfolio baseline policy. Therefore, we will allow credit enhancements for to-code projects with the same exceptions and restrictions discussed in D.16-08-019. We do, however, require that this issue be explicitly addressed in the pilot program metrics and evaluation criteria, so that we may learn about the importance and effectiveness of allowing credit enhancements for these types of projects or measures from the perspective of the customers, lenders, and contractors.

On the issue of whether to allow credit enhancements to backstop project performance, we decline to allow CAEATFA to make this change at this time. We explicitly rejected this concept in D.13-09-044 and we do not have sufficient record here about incremental costs, risks, and other options that should be explored, in order to make an informed decision in the affirmative at this stage. This is potentially a much larger ratepayer financial exposure to major financial risks. This is especially true in the multifamily pilot program area. We would want to coordinate our policymaking here with other activities occurring in the context of the Energy Savings Assistance Program and potentially with other agencies addressing low-income and disadvantaged communities barriers in a comprehensive way. Therefore, we prefer to consider this question after the initial pilot programs have launched and do not allow this change now.

There are three other areas where we believe CAEATFA should have flexibility but where the Commission's prior decisions provide some direction and may also create barriers. We clarify our intent in these three areas:

1. Quarterly true-up requirement for credit enhancement funds.
2. Credit enhancement pools separated by IOU.
3. Fund shifting flexibility across different pilots and aspects of pilots (such as credit support, etc.).

In all three cases, we agree that CAEATFA should have the flexibility it seeks. In the case of the quarterly true-up for credit enhancement funds, true-ups may be more appropriately annual or less frequent, at the discretion of CAEATFA. Credit enhancement pools need not be handled separately for each IOU. In comments on the proposed decision, SoCalGas and SDG&E seek to require CAEATFA to track the funds by IOU even if the funds are pooled. We are explicitly rejecting that requirement. The amount of funding at stake here is small in comparison to the overall portfolio. If these programs become successful and offered at full scale in the future, we may need to revisit this question, but for pilot program purposes, the funds may be pooled without the need for separate tracking and handling by IOU.

Finally, CAEATFA shall have the flexibility to shift funds among the various pilot programs during the pilot period, and subject to reporting and advice letter requirements described in more detail in Section 4.2 below. In response to CAEATFA's request for clarification, we agree that this flexibility does not include shifting across the marketing funding, since those funds will be managed separately via a contract between SoCalGas and a marketing vendor.

Finally, CAEATFA specifically asks for Commission affirmation of energy efficiency service agreements, affirmation which we already granted in D.13-09-044 and reaffirmed in D.15-12-002.[3] While D.15-12-002 does not speak to service agreements in off-bill arrangements, we clarify that we approve of their use in all circumstances in which CAEATFA sees fit to use them.

We are not certain why CAEATFA or the utilities feel the need for us to weigh in again on this authorization. In general, we implore all parties to proceed with maximum speed and flexibility on these pilots.

All other aspects of CAEATFA's proposed pilot design changes are within their control and we do not specifically address them further here. For any changes requested that we do not explicitly address, CAEATFA may make the changes they have suggested, in consultation with Commission staff and SoCalGas.

In comments on the proposed decision, SCE and SoCalGas/SDG&E argue that CAEATFA should not have complete flexibility with respect to their "streamlining" proposal for energy efficiency measures that can be financed. D.13-09-044 already spends considerable time articulating the rules for energy efficiency measure eligibility for financing programs. That decision's rules govern the percentage of measures that must be energy efficiency investments as distinct from other types of financed assets.

We do not agree with SCE and SoCalGas/SDG&E that the financing pilots should be limited to utility incentive-eligible measures. As with many aspects of these pilot programs, our intent here is to test various strategies to increase customer and lender participation in energy efficiency. Requiring complex and

---

[3] *See* Discussion in D.15-12-002 at 8-10.

changing eligibility rules will work counter to this purpose. As suggested by CAEATFA in their reply letter, actual energy savings and project performance are ultimately matters to be handled in pilot program evaluation.

## 4. Future Process for Changing Pilot Design and Budgets, and Relationship to Business Plans

The previous section covered CAEATFA's current requests for program design changes. The November 22, 2016 assigned Commissioner and ALJ ruling also released contingency funding that D.13-09-044 reserved for CAEATFA's use. We affirm that ruling in this decision.

Now we turn to the general process for future such program design and budget changes, including whether or not to integrate ongoing program and funding decisions into the rolling portfolio business plan process.

### 4.1. Positions of the Parties

On the funding front, both ORA and SCE advocate for an advice letter process for the pilots throughout their life, without integration into the rolling portfolio business plan process. ORA specifically suggests a Tier 2 advice letter process for funding shifts, and a Tier 3 advice letter for new funding requests. CSE also suggests an advice letter process in general.

SoCalGas, PG&E, and CAEATFA also suggest possible integration with the annual budget advice letter process required every September as part of the rolling portfolio process.

CSE also advocates that we approve explicit marketing funds for the utilities, regional energy networks, and community choice aggregators to leverage the statewide financing pilots with other program administrator programs and for "buy-in."

For program design changes, we have already addressed this in the section above, giving CAEATFA administrator responsibilities to make program changes, utilizing their public rulemaking process and within the parameters set by the Commission.

Several parties specifically emphasized the importance of CAEATFA's public rulemaking process in their comments, including ORA, PG&E, and SCE. CAEATFA, in their reply comments, suggests that in the event of disputes, the Commission's Energy Division staff should be the final arbiter. SDG&E and SoCalGas also suggest that an addendum could be made to the program implementation plan, if necessary.

### 4.2. Discussion

The decision about whether to roll the financing pilot programs into the rolling portfolio business plan process will dictate other aspects of the ongoing procedural approach for handling the financing pilots. Because these pilot programs pre-date the rolling portfolio process, involve another state agency, and were designed to test out specific approaches to separate financing activities beyond the incentive programs of other program administrators, we prefer at this time to continue to handle the financing pilots under the CHEEF umbrella, as administered by CAEATFA, outside of the rolling portfolio business plan process.

Once we are much further down the road and we are able to evaluate whether to make some of the pilot programs permanent, we will consider at that time whether to bring them under the umbrella of the business plans. But for now, the financing pilot programs will continue to be handled on a separate track.

While several parties suggested an annual advice letter process for ongoing issues, we do not find this to be necessary. As discussed above in this decision, we are giving CAEATFA permission to make program design changes, utilizing its own separate rulemaking process. In this decision, we also grant fund-shifting flexibility to CAEATFA within the current budget for the financing pilots. With this decision, we expect that most of the known issues with pilot program launch are now resolved. We expect the budget authorized to last at least through 2020, when we expect all pilot programs to be launched. We can reevaluate with CAEATFA any additional budget needs at that time. The situations where an advice letter may be needed would be in the event of the need for either 1) Commission approval of program design changes that change the general parameters previously given by the Commission for the financing pilots, including in this decision, or 2) funding increases.

In either case, an advice letter is not the appropriate vehicle and we would need to address those circumstances in the open rulemaking proceeding. If such circumstances arise, we will work with Commission staff and CAEATFA to identify an appropriate venue and vehicle for considering such changes, depending on their timing and nature.

## 5. Evaluation of Pilots, Including Timing and Criteria for Extension or Full-Scale Launch

The November 22, 2016 ruling asked a number of questions for comment relating to the evaluation of the pilot programs and what to do with the evaluation information. In particular, parties were asked to address:

- The best way to monitor and evaluate the pilots in general;
- How to keep momentum on the pilots if they are successful, relative to evaluation timing;
- How to signal the market on performance benchmarks; and

- Criteria for extension of pilots or launch of full-scale versions of the programs.

This section addresses how these issues will be handled.

### 5.1. Positions of the Parties

CAEATFA's comments suggest that the status quo is sufficient on monitoring the programs, citing the public workshops and quarterly reports. CAEATFA also notes the phased nature of the pilot implementation, and supports reviewing each pilot separately after its launch.

PG&E presents some fairly detailed proposals for how to structure the program evaluation, including suggesting the conduct of a second mid-term review and/or a mid-term review process for each of the pilot offerings, and recommending the use of "indicators" it has specifically suggested to measure pilot program success. ORA agrees with conducting a second mid-point review once all of the pilot programs have launched.

SCE suggests that metrics should be developed one year after the launch of each pilot program.

SoCalREN suggests that the Commission should adopt principles and standard metrics for evaluation of the pilots. Then, they suggest that we create a "dashboard" with monthly and quarterly review information.

SDG&E and SoCalGas suggest that we require CAEATFA to submit a Tier 2 advice letter with proposed metrics for approval, followed by a semi-annual status report from CAEATFA. They also cite to the metrics already included in the approved program implementation plan for the pilots. Further, they suggest that the pilots should be continued in operation until the evaluations are completed.

ORA's comments focus on the fact that these pilot programs have required reasonably large upfront investments and market infrastructure, with buy-in from market participants. Therefore, ORA argues it would be optimal to continue the pilots without forcing a stop in the program in order to evaluate each one. Instead, ORA recommends establishing benchmarks and milestones, to be adopted by the Commission in early 2017, and then track progress while the pilots are being conducted, with a focus on making a decision on whether to continue or discontinue after the second year of operation. In the meantime, ORA recommends continuing to run programs that are passing their benchmarks. In its reply comments, SDG&E and SoCalGas generally concur with ORA's recommendations in this regard.

CSE recommends that the evaluation, measurement, and verification (EM&V) evaluators be involved early and during pilot implementation, giving immediate feedback. CSE and SoCalREN also suggest that performance metrics be established up front, based on more than just loan closing numbers.

PG&E suggests that lenders be given contingency plans in the event that a pilot program closes while loans and credit support are outstanding.

SoCalGas and SDG&E also comment that a two-year pilot approach is generally anathema to attracting market participants. They suggest that we focus on developing some general criteria to evaluate whether or not to transition a pilot to full-scale.

### 5.2. Discussion

From parties' comments, it appears that no one has been focusing on the existence and content of the energy efficiency finance EM&V roadmap and the evaluation design work that has already been completed.[4]

To ensure that we avoid reinventing any wheels, we will ask Commission staff to convene a public meeting to review the finance EM&V roadmap, to ensure that the existing activities already planned for pilot evaluation are clear. A workshop will also allow discussion of progress and planned activities, to ensure they support the timeframes outlined herein for evaluating the pilots. We may also want to explore other analysis that could be useful to our deliberations, such as a comparison with other financing programs and transactions, such as under the property assessed clean energy program.

Beyond that, we agree with ORA and SDG&E/SoCalGas that it would be counterproductive to artificially stop an apparently successful pilot program at the two-year mark (or sooner) in order to evaluate whether to continue it or take it to full-scale. The original concept of a two-year timeframe for each pilot was to allow enough time for testing, not necessarily to create a time limit on successful approaches. Thus, it seems more logical to allow programs to be continued during the evaluation stage, until such time as a firm determination is made to continue them, take them to full-scale implementation, or discontinue them. Therefore, we clarify that for the pilot programs, we will commence evaluation efforts after one year of operation, and begin a full evaluation after two years. But, will not stop pilot implementation until the Commission has made a determination, in consultation with CAEATFA and all other parties, about the long-term disposition of a pilot program.

---

4 *See* the 2013-2017 Evaluation, Measurement, and Verification Plan Version 7 (Final), Section 2.12 at 267-287, available at the following link: http://www.cpuc.ca.gov/General.aspx?id=5399.

In part, we want to keep successful programs operating while we continue to evaluate, in order to avoid undermining market participants' commitment to the programs.

This approach seems to carry minimal risk, in part because it seems likely that many pilot approaches that are not successful will be inherently self-limiting. That is, if the market is not responding to a particular pilot, it seems unlikely that a large number of transactions will be occurring in the program. If the program is deemed unsuccessful for other reasons, CAEATFA and Commission staff will be able to bring it to the attention of the Commission sooner.

In order to bring additional rigor to the evaluation process, we will require Commission staff to work with CAEATFA and other parties to propose a set of metrics for each pilot program that will begin to be evaluated after one year of operation. The metrics need not be numerous, but should focus on the definition of success for each of the pilot approaches, beyond just the sheer number of transactions, with an ultimate focus on value-added toward achieving energy savings. The metrics should be proposed in one resolution or several, to be brought before the Commission at or near the end of the first year of operation of each pilot.

In addition, we agree with the parties who suggested that each pilot program should have a mid-point review process commencing after one year of operation. This should consist of at least one public workshop hosted by Commission staff. Each pilot may then be evaluated against the evaluation criteria identified in the financing EM&V roadmap, as well as the metrics suggested by staff and ultimately adopted by the Commission.

After the second full year of operation of each pilot and the completion of evaluation activities, the Commission will consider the long-term disposition of each pilot program. We request that staff bring us a resolution for consideration of each pilot program that summarizes CAEATFA's most recent reporting information about the pilot, the evaluation results, staff's recommendation for disposition, and any other information that will allow us to consider and decide the long-term fate of each pilot.

For the sake of efficiency, staff may group several pilot programs together, if timing allows (such as if the pilots begin within approximately six months of each other), for all purposes including scheduling of workshops, suggestion of metrics, and recommendations for ultimate disposition of each pilot program.

For pilots that are considered good candidates for full-scale implementation, the Commission can evaluate whether to require incorporation into the rolling portfolio business plan process at that time. The staff resolution should contain a recommendation for full-scale incorporation in the business plan process, but the exact nature of that incorporation may require formal action in the relevant energy efficiency proceeding, depending on business plan timing. We will not make an upfront generic determination for how this will happen, but instead will evaluate for each pilot on a case by case basis to determine what process is appropriate.

For example, CAEATFA initiated its first pilot program, the Residential Energy Efficiency Loan (REEL) assistance program in April 2016, and enrolled its first loan in July 2016. According to guidance in D.15-06-008, the program was therefore officially launched in July 2016. Thus, under the guidance offered in this decision, the REEL program metrics should be developed around July 2017, when mid-point evaluation activities should also commerce. After July 2018, and following evaluation results, Commission staff should bring a recommendation to the full Commission in the form of a resolution, recommending the long-term disposition of the program.

## 6. ME&O for Financing Pilot Programs

The November 22, 2016 ruling acknowledged that the existing pilot programs have benefited from ME&O support from CSE, but that CSE's contract was coming to an end, authorizing a short-term stop-gap contract extension to ensure ongoing support while a longer-term arrangement is put in place.

The ruling indicated an intent to conduct a competitive solicitation for long-term support for the financing pilots. The ME&O support involves two distinct dimensions: 1) recruiting and support of participating contractors; and 2) fostering consumer (borrower) financing awareness and understanding of financing options.

The two basic long-term options for which we sought comment in the November 22, 2016 ruling were to 1) combine financing pilot program ME&O support with the statewide ME&O efforts being overseen largely in Application (A.) 12-08-007 et al., or 2) keep financing pilot ME&O efforts on a separate track. Each of these options implies a different utility program administrator to conduct the competitive solicitation.

### 6.1. Positions of the Parties

PG&E proposes to conduct the competitive solicitation for ME&O support for the financing pilots in coordination with its role as the statewide contracting program administrator for the Energy Upgrade California statewide ME&O

program.[5] In this proposal, PG&E appears to focus on the consumer awareness function of the ME&O support for the financing pilots.

ORA appears to agree with this approach, emphasizing the need to integrate the financing ME&O work with other statewide ME&O approaches under the Energy Upgrade California umbrella. ORA would prefer, however, to simply add financing program ME&O as a task under the statewide ME&O contract just awarded by PG&E. SCE also agrees with this idea in its comments.

CSE strongly opposes the idea of adding financing ME&O as a task under the statewide ME&O contract, because this was not explicitly sought as part of the scope in the original solicitation for that contract. CSE also points out that there is already an approved Marketing Plan that was developed specifically to support these pilots, along with a separate brand being utilized: Go Green Financing.

SoCalREN suggests that SoCalGas conduct a new competitive solicitation for a ME&O contractor to support only the CHEEF pilots. SoCalGas and SDG&E appear open to this suggestion.

However, in their comments, SDG&E and SoCalGas emphasize an option not put forth in the November 22, 2016 ruling, of having each utility program administrator conduct ME&O to support the financing pilots through their "local marketing" programs, including trade ally relationships. It appears that SDG&E and SoCalGas do see a role for a statewide approach to the CHEEF pilots web site, if not necessarily customer and contractor engagement.

[5] In its December 12, 2016 comments, PG&E states: "PG&E will be proposed as the statewide program administrator for the New Financing Offerings [which includes the CAEATFA pilots] as part of its Business Plan application, filed January 17, 2016. As the contracting program

*Footnote continued on next page*

PG&E also emphasizes its desire to conduct "local marketing" via utility-directed activities, proposing that each utility program administrator do direct marketing to customers, not necessarily via contractors.

CSE strongly opposes PG&E's proposal, and includes in its comments details of many specialized, integrated (with lender and contractor partners), and innovative roles that are needed to support the financing pilots. CSE also points out that the original ME&O plan for the financing pilots included a marketing component, with reserved funds, for coordination with utility local marketing, and those funds have yet to be utilized. CSE supports utilizing those funds for coordination and consistency purposes.

### 6.2. Discussion

In keeping with our discussion earlier in this decision to keep the financing pilots on a separate track from the overall rolling portfolio business plans, we extend that logic to the ME&O support for the financing pilots as well. We do not believe it is necessary or advisable at this stage to integrate the financing pilot ME&O activities with the overall statewide ME&O campaign under the Energy Upgrade California umbrella. This is particularly true since the contract for those services was solicited very recently and without provision for the financing ME&O support tasks in the scope.

In addition, the ME&O support for the financing pilots is likely more specialized, involving more direct interaction with contractors, lenders, and customers than the overall statewide ME&O activities, which emphasize more advertising-style engagement. Though we wish to keep the financing ME&O

---

administrator for both the statewide ME&O and financing ME&O providers, PG&E should issue the solicitation."

activities separate, the contractor selected to handle the financing ME&O should coordinate with the statewide ME&O contractor handling the Energy Upgrade California campaign. However, it is worth noting that the current vendor for the statewide Energy Upgrade California campaign is not prohibited from participating in the competitive solicitation for the new financing ME&O contract, if they so choose. Similarly, the incumbent for marketing of CHEEF pilots also is not prohibited from competing for the successor contract.

We also strongly disagree with the statements by the utilities that the financing ME&O was designed to be largely engaged with IOU local marketing activities. D.13-09-044 explicitly endorsed a coordinated approach under a centralized umbrella, which CSE has been supporting to date, and did not approve separate individual local marketing efforts. While it is true that there is some value in coordination with IOU local marketing activities, this is not to be the central focus of the ME&O support to the financing pilots. Instead, the role of the IOU local marketing activities should be to help steer any interested customers, borrowers, or contractors toward the statewide financing ME&O information and financing enrollment system of CAEATFA.

We also agree with SoCalREN's comments on the proposed decision suggesting that it is appropriate for ME&O activities on the financing pilots to be coordinated with REN efforts on local marketing and outreach as well.

In order to keep the financing pilot ME&O activities as close as possible to the actual CAEATFA activities in launching the CHEEF pilots, we will require that SoCalGas, as the lead utility partner, conduct the competitive solicitation for a new contract to support ME&O for the financing pilots, in consultation with Commission staff. As previously ordered in the November 22, 2016 ruling, with a budget filed by advice letter CSE-74, CSE will continue to provide support to the CHEEF pilots until such time as a new contract is awarded and in effect, as required by this decision. PG&E should continue to consult with Commissions staff, as needed, in the conduct of the ongoing ME&O support by CSE in the interm.

In response to comments from SoCalGas and SDG&E on the proposed decision, we also allow for a potential increase in budget for ME&O to support the financing pilots, if SoCalGas, in consultation with Commission staff, deems this necessary. Such a budget request may be filed by a Tier 2 advice letter.

In response to comments from CSE on the proposed decision, we require PG&E to continue funding for activities that support financing marketing generally, including for the Go Green Financing brand and web site generally, as well as any other activities contemplated in the original marketing plan developed to support the pilot programs. CSE's activities should not be limited only to information related to the specific CAEATFA pilots. It is appropriate to maintain and enhance information sources for consumers, lending, and conractors generally about financing options and availability, where CAEATFA pilot programs may only be some of the options offered. General awareness and education about financing opportunities is also one of our broader goals.

## 7. Comments on Proposed Decision

The proposed decision of ALJ Fitch in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on March 7, 2017 by CHPC; on March 9, 2017 by Association of Bay Area Governments on behalf of the Bay Area Reginal Energy Network (BayREN), CSE, LA County on behalf of SoCalREN, ORA, SCE, and SoCalGas and SDG&E (jointly); and on March 13, 2017 by PG&E. CAEATFA also sent a letter regarding the proposed decision to the Energy Division on March 9, 2017. Reply comments were filed on March 16, 2017 by LA County on behalf of SoCalREN, PG&E, SCE, and SoCalGas and SDG&E (jointly). Finally, CAEATFA sent a reply letter to the Energy Division on March 16, 2017.

Most parties generally support the proposed decision with some recommended changes.

CAEATFA's letter focuses on seeking several clarifications with respect to its authority for fund shifting, the timetable for full pilot program evaluation, and energy efficiency measure eligibility. Text modifications have been made throughout this decision to reflect these requests. In addition, CAEATFA requests that where there is conflict or ambiguity between this decision and prior Commission decisions, that this decision should explicitly supercede previous ones. We have added a conclusion of law to make this clear.

SoCalGas and SDG&E's comments seek authority to augment the financing ME&O budget, if necessary, with additional funding authority for SoCalGas as the lead utility, and several clarifications to constrain CAEATFA's authority and flexibility with respect to credit enhancement fund pooling and eligibility of energy efficiency measures. We have made modifications on the budget items, including allowing the filing of one advice letter for the additional costs instead of annual advice letters, but decline to make the requested changes on credit enhancement pools and measure eligibility, as further described in the decision text.

PG&E's comments focus on clarifying CAEATFA's role, specifying the funding mechanisms for the pilots, pointing out the urgency of finalizing metrics and pilot goals, and pointing to some existing studies that can help identify evaluation criteria. Several changes to the text have been made to reflect these suggestions.

SCE's comments focus on a desire to keep CAEATFA program design changes from creating additional utility costs, and creating a mechanism to allow utilities to file Tier 3 advice letters if the cost impacts exceed the cost caps imposed in this decision. We decline to make this change at this time, in the hope that the budget authorized in this decision is sufficient. If that proves not to be the case, it is likely that other changes will be needed between now and 2020 and we will address additional budget requests at a later date.

SCE also requests that CAEATFA and Commission staff be required to include all utilities in the monthly coordination meetings. We decline to make this a requirement, but trust that should inclusion be necessary, the lead utility and Commission staff will ensure appropriate representation.

ORA's comments support the decision, specifically noting the aspects that specify evaluation and transition processes for successful pilots, and to allow discontinuation of non-performing pilots. We have not made any changes in response to ORA's comments.

BayREN's comments on the proposed decision make a distinction between the pilot programs administered by CAEATFA and the financing pilot administered by BayREN also included in D.13-09-044. BayREN is correct that this decision is not meant to affect or modify in any way the BayREN financing pilot. We have made the requested clarifications in this decision to confirm this distinction.

SoCalREN's comments focus on opportunities for coordination and support from RENs as local marketing channels for financing, as well as emphasizing the continued opportunities to solicit alternative financing models. We have made text changes to take these suggestions into account.

CHPC's comments on the proposed decision assert that there will likely be limited appeal for financing without a performance backstop in the affordable housing market, and recommend that CAEATFA look to a forthcoming case study of a Santa Monica program when launching the multi-family pilot. We are happy to encourage close coordination on lessons learned from other programs, but do not make any changes in the decision in response to these comments.

Finally, comments of CSE focus on maintaining market momentum for financing programs generally, and the Go Green Financing brand specifically. CSE suggests that a narrow focus only on the specific CAEATFA financing pilots will not necessarily serve the general population of consumers that may be interested in financing options generally, and not just the pilots. We agree with these comments and have made some text changes to ensure continued support for all aspects of the originally designed marketing plan for the financing pilots, including Go Green Financing.

## 8. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Julie A. Fitch and Valerie U. Kao are the co-assigned ALJs in this proceeding.

## Findings of Fact

1. In D.13-09-044, as modified by D.15-06-008 and D.15-12-002, the Commission approved financing pilot programs to be administered by CAEATFA under the CHEEF umbrella, vesting CAEATFA with program administrator authority and responsibility.

2. SoCalGas has served as the contractual partner and lead utility with CAEATFA in its CHEEF duties since 2013.

3. PG&E currently holds contracts for the statewide ME&O activities for energy efficiency overall, as well as separately for CSE to provide ME&O support to the financing pilot programs.

4. On November 22, 2016 a joint ruling of the assigned Commissioner and ALJ was issued releasing contingency funding to CAEATFA for its continued administration of the pilot programs and requiring PG&E to extend the contract with CSE to support ME&O for the financing pilots until such time as a competitive solicitation has been completed for new financing pilot ME&O work.

5. Identification of a permanent funding source for CAEATFA staffing to support implementation and servicing of the pilot programs will facilitate program participation and ultimate success.

6. Funding authorized for CAEATFA's use for the pilot programs and its administrative expenses prior to this decision should last through at least 2020, when we may need to reevaluate the need for additional funding for ongoing support of the pilot programs.

7. CAEATFA has been providing quarterly progress reports on the status of the pilot programs.

8. In the November 14, 2016 mid-point review workshop hosted by Commission staff, CAEATFA proposed numerous pilot program design changes in its PowerPoint presentation, which was attached to the November 22, 2016 joint assigned Commissioner and ALJ ruling in this proceeding.

9. CAEATFA, in the normal course of its business, utilizes its own public rulemaking process for public input.

10. D.13-09-044, as modified by D.15-06-008 and D.15-12-002, authorized each financing pilot program to operate for a two-year period, with phased launch of each pilot.

11. A hard stop of financing pilot program operation after two years would be counterproductive toward keeping momentum for successful programs that should be continued.

12. A deadline of December 31, 2019 for launch of all of the pilot programs authorized originally in D.13-09-044 is reasonable.

13. Allowing credit enhancements to backstop individual project performance in financing products represents an unknown risk to ratepayers.

14. A Financing EM&V Roadmap already exists and contains studies that have suggested some metrics for pilot program evaluation. Similarly, the program implementation plans for the financing pilots may contain information that can guide future evaluation.

15. ME&O functions to support the financing pilot programs have two distinct purposes: recruiting and support of participating contractors and fostering consumer (borrower) financing awareness and understanding of financing options. CSE has been performing both functions to date.

16. ME&O support for the financing pilot programs was not part of the scope of work for the new contractor hired for statewide ME&O implementation by PG&E under A.12-08-007.

17. CSE is currently conducting ME&O work, under contract to PG&E, to support the financing pilots and should be allowed to continue all of its efforts contained in the original marketing plan, including support for the Go Green Financing brand and website, which serve an important educational purpose about financing options.

## Conclusions of Law

1. CAEATFA should continue to be the statewide administrator for the financing pilot programs originally approved in D.13-09-044 and modified by D.15-06-008 and D.15-12-002.

2. CAEATFA's responsibilities as administrator of the pilot programs, with consultation with Commission staff, should include pilot program design, financing mechanism design, finance credit support, on-bill repayment implementation including lender enrollment, project and measure eligibility criteria, outreach to contractors and lenders, coordination with the contractor tasked with outreach to consumers, and database tasks. CAEATFA should be authorized to decide all such issues, within the framework established the Commission in D.13-09-044, D.15-06-008, D.15-12-002, and this decision.

3. CAEATFA should continue to utilize its public rulemaking process for pilot program design changes that need to be examined and vetted prior to adoption.

4. The Commission should retain decision-making authority over any issues that implicate the overall level of ratepayer funding and/or the overall goals of the pilot programs.

5. SoCalGas should continue to be designated as the lead utility and contractual partner with CAEATFA for the CHEEF pilots.

6. PG&E's proposal to serve as the lead utility for the financing pilots, with CAEATFA serving as an implementer, should be rejected.

7. The energy efficiency ratepayer funds overseen by this Commission should serve as a permanent funding source for CAEATFA staffing and support for these pilot programs. The Commission should commit to covering the ongoing

costs of the pilot programs throughout the life of each pilot, up to and including loan servicing over the full term for each project included in a pilot.

8. CAEATFA should continue to provide quarterly progress reports on the status of the pilot programs.

9. Any financing pilot program authorized originally in D.13-09-044 that is not launched by December 31, 2019 should be cancelled.

10. Each utility, except SoCalGas, should be permitted a budget of up to $500,000 per year beginning in 2017 and ending at the end of 2020 for tasks associated with supporting the pilot programs; SoCalGas should be permitted up to $800,000 per year beginning in 2017 and continuing through 2020 because of its additional responsibility as the lead utility. The tasks included may be information technology related to billing systems, operational costs, marketing costs as requested by CAEATFA, SoCalGas, or the financing marketing vendor, or other administrative costs associated with coordination. The exact budget should be included in a Tier 2 advice letter filed by each utility and may be proposed by each utility to come from energy efficiency funding already approved or from incremental funding, with a rationale provided for the proposed source.

11. Commission staff should host monthly coordination meetings with CAEATFA and SoCalGas, with more frequent meetings with CAEATFA, as necessary, to ensure continued smooth rollout of the financing pilot programs.

12. CAEATFA should be allowed to offer credit enhancements for, at a minimum, all projects, including but not limited to, all measures that are eligible to claim savings under Commission rules, including to-code projects, consistent with the standards articulated in D.16-08-019 for baseline policy on all energy

efficiency projects. This issue should also be explicitly addressed in pilot program metrics and evaluation criteria.

13. CAEATFA should not be permitted at this time to allow credit enhancements to backstop project performance on energy savings, because this represents an unknown risk to ratepayers.

14. CAEATFA should be allowed to true up its credit enhancement funds less frequently than quarterly, at its discretion.

15. CAEATFA should not be required to maintain separate credit enhancement pools or track spending by IOU service territory.

16. CAEATFA should have fund shifting flexibility across budget line items within and among the financing pilot programs.

17. CAEATFA should be able to utilize energy service agreements in any aspect of the financing pilot programs where it sees fit.

18. CAEATFA should be authorized to make any program design changes it proposed during the November 14, 2016 mid-point review workshop, except as indicated otherwise in this decision.

19. The November 22, 2016 joint ruling of the assigned Commissioner and ALJ in this proceeding should be affirmed.

20. The financing pilot programs originally ordered in D.13-09-044 and administered by CAEATFA should not be rolled into the energy efficiency rolling portfolio business plan process at this time.

21. In the event of the need for Commission decision-making on program design changes and/or the need for additional funding for the financing pilots, expected after 2020, Commission staff should work with CAEATFA to bring such need for changes to our attention.

22. Commission staff should host a public meeting to review the finance EM&V roadmap and focus on the development of additional metrics possibly required for financing pilot evaluation, including recommendations for continuation or termination. Ideally, metrics should be finalized around the one year mark of operation of each pilot program and be directly linked to the goals of the programs. Metrics should focus on definition of success for each of the pilot programs. Metrics should be brought before the Commission in a resolution from staff at or near the one–year mark of each pilot program operation, and multiple programs may be grouped together in workshops and/or resolutions, for the sake of efficiency.

23. To continue momentum of successful pilot programs, a hard stop of program operation after two years should not occur. Pilot programs should continue until such time as the Commission makes a determination about whether a pilot program should be continued, taken to full-scale implementation, or terminated.

24. After the two-year operation of each pilot program, the Commission should evaluate whether to continue, cancel, or launch at full scale each pilot program.

25. The ME&O activities to support the financing pilot programs should be kept separate from the statewide ME&O activities being conducted in A.12-08-007 et al. under the Energy Upgrade California brand umbrella.

26. SoCalGas should be tasked with conducting the competitive solicitation for a new contract for financing pilot ME&O support as the lead utility partner with CAEATFA, and in consultation with Commission staff.

27. PG&E, in consultation with Commission staff, should continue the contract and funding for CSE to support the financing pilot ME&O work, including all

aspects of work included in the original marketing plan such as support for Go Green Financing, until such time as a new contract is signed by SoCalGas for the ongoing ME&O support work and until activities commence under the new contract.

28. ME&O to support the financing pilots may be coordinated with utility local marketing as well as regional energy network local marketing, but should not be driven or controlled by utility local marketing activities.

29. ME&O activities to support the financing pilots should also be coordinated with the Energy Upgrade California campaign.

30. In the event of any ambiguity or conflict among the various Commission decisions on the CAEATFA financing pilots, the language in this decision should supersede any conflicting language in any prior decisions.

## O R D E R

**IT IS ORDERED** that**:**

1. The November 22, 2016 Joint Ruling of Assigned Commissioner and Administrative Law Judge on Financing Pilots and Associated Marketing, Education, and Outreach Activities in this proceeding is affirmed.

2. The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) as part of the State Treasurer's Office is a vital partner with the Commission in conducting financing pilot programs first ordered in Decision (D.) 13-09-044, as further modified in D.15-06-008, D.15-12-002, and this decision. CAEATFA shall continue to serve as a program administrator for the financing pilot programs, via a contract with the Southern California Gas Company, the lead utility partner. CAEATFA's responsibilities as program administrator include final decision-making on pilot program design and

implementation, utilizing its own public rulemaking process, in consultation with Commission staff, and within the parameters established by the Commission's decisions. If any conflict is identified between this decision and prior ones, this decision governs.

3. The California Alternative Energy and Advanced Transportation Financing Authority shall continue to provide quarterly reports on the status of the financing pilot programs originally authorized in Decision (D.) 13-09-004, as modified by D.15-06-008, D.15-12-002, and this decision.

4. The California Alternative Energy and Advanced Transportation Financing Authority shall cancel any financing pilot program originally authorized in Decision (D.) 13-09-044, as modified by D.15-06-008, D.15-12-002, and this decision, if it is not launched by December 31, 2019.

5. The California Alternative Energy and Advanced Transportation Financing Authority shall be permitted to make all suggested financing pilot program design changes it proposed in the slide deck for the November 14, 2016 mid-point review workshop, except it shall not be permitted to utilize credit enhancement funds to backstop project performance outcomes at this time.

6. Commission staff shall conduct monthly meetings with the California Alternative Energy and Advanced Transportation Financing Authority and the Southern California Gas Company to facilitate timely and reasonable implementation of the financing pilot programs, and shall bring any disputed issues back to the Commission for action, as needed.

7. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall be authorized to spend up to $500,000 annually and Southern California Gas Company shall be authorized to spend up to $800,000 annually, beginning in 2017 and ending at the end of 2020

for information technology, marketing, and administrative costs necessary to support the financing pilot programs. Each utility shall file a Tier 2 advice letter containing details of the costs to be covered and proposing the funding source, whether energy efficiency program funding previously authorized or incremental funding, and explaining the rationale for its proposal.

8. Commission staff shall bring before us a resolution for consideration of appropriate metrics for determining the long-term disposition of each financing pilot program at or around one year of each pilot program's operation. Metrics for more than one pilot program may be grouped together, as appropriate. Staff shall also conduct a public workshop around the first year of each pilot's operation and may group several pilot program workshops together, if possible.

9. After the second year of each pilot program operation, Commission staff shall bring forward a resolution summarizing the most recent reporting information about the pilot, the evaluation results, staff's recommendation for long-term disposition, and any other information that will allow the Commission to decide the permanent status of each pilot program. Commission staff may group several pilot program resolutions together for the sake of efficiency.

10. Southern California Gas Company (SoCalGas), in consultation with Commission staff, shall design and conduct a competitive solicitation for a new contract for marketing, education, and outreach activities, including recruiting and supporting participating contractors and fostering consumer financing awareness and understanding of financing options. If SoCalGas determines, in consultation with Commission staff, that additional funding is needed for this purpose, SoCalGas may file a Tier 2 advice letter.

11. Pacific Gas and Electric Company, in consultation with Commission staff, shall continue its contract and funding with the Center for Sustainable Energy for

financing pilot program marketing, education, and outreach support consistent with the original marketing plan, including but not limited to support for the Go Green Financing brand, until such time as a new contract is signed by Southern California Gas Company as described in Ordering Paragraph 10 above and until activities commence under the new contract.

12. Rulemaking 13-11-005 remains open.

This order is effective today.

Dated March 23, 2017, at San Francisco, California.

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners