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November 19, 2013

**Advice 4562**
(Southern California Gas Company U 904 G)

**Advice 2545-E/2243-G**
(San Diego Gas & Electric Company U 902 M)

**Advice 3433-G/4320-E**
(Pacific Gas and Electric Company U 39 M)

**Advice 2969-E**
(Southern California Edison Company U 338 E)

Public Utilities Commission of the State of California

**Subject: Implementation of Energy Efficiency (EE) Finance Program "Fast Track" Pilots in Compliance with Decision (D.) 13-09-044**

Southern California Gas Company (SoCalGas), on behalf of itself, San Diego Gas and Electric Company (SDG&E), Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E) (together the "Investor Owned Utilities", or "IOUs") hereby submit this Tier 2 Advice Letter (AL) for approval by the California Public Utilities Commission (Commission) to implement the "Fast Track" pilot programs approved in D.13-09-044, the Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. The "Fast Track" pilots specified in D. 13-09-044 are the a) Single Family Loan Program (SFLP) and b) Off-Bill Small Business Lease Providers (OSBLP) Program.

## Purpose

The IOUs were ordered in D.13-09-044 to perform a number of compliance-related activities to implement seven different Finance Program pilots. These activities are sequenced in a manner to allow the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to assume the role of the California Hub for Energy Efficiency Financing (CHEEF) and establish regulations for the seven pilots.

This filing complies with Ordering Paragraph (OP) 7a of D.13-09-044 requiring the IOUs to file Program Implementation Plans (PIPs) for the Energy Efficiency (EE) Finance Program "Fast Track" pilots within 60 days of the date the decision was issued. D.13-09-044 was issued on September 19, 2013, and thus this submission is made in a timely manner.

**Organization**

This filing is organized as follows:

- The AL contains a description of the background and compliance requirements associated with submitting the "Fast Track" PIPs. The IOUs have complied with these requirements, as described herein.
- Attachment B of the AL contains the SFLP PIP. In consultation with the Commission's Energy Division staff (ED), the IOUs provide one statewide version of the PIP that is applicable for each utility.
- Attachment C of the AL contains the OSBLP PIP. This document is also prepared as a single statewide version applicable for each utility.
- Attachment D contains information regarding the consultation process with Financial Institutions (FIs) regarding the PIPs.

**Background**

In D.12-05-015, the Decision Providing Guidance on 2013 – 2014 Energy Efficiency Portfolios and 2012 Marketing, Education and Outreach, the Commission ordered the IOUs to design a new set of financing programs to be offered as pilot programs on a consistent and statewide basis. To perform this activity, they IOUs were ordered to hire an expert financing consultant to design the new financing programs for 2013 – 2014.[1]

In D.12-11-015, the Decision Approving 2013 – 2014 Energy Efficiency Programs and Budgets, the Commission indicated that in order to allow time for sufficient review and consideration, the financing pilots were deferred to a separate proceeding with authority delegated to the assigned Commissioner to finalize the design and launch of the pilots.[2]

D.13-09-044 was issued at the conclusion of the assigned Commissioner's review process, which included the provision of supplemental information, comments, and a public workshop, among other events. The decision approves seven pilot programs to be deployed in phases, according to the proposed Implementation Plan,[3] which takes into account the potential timing for deployment of each pilot.

- "Fast Track" pilots: Includes two off-bill pilots, the SFLP and the OSBLP. Fast Track PIPs are due within 60 days of the issuance of D.13-09-044, and the pilots are expected to be operational by March 2013.

- On-Bill Repayment Pilots: Includes five on-bill pilots. The OBR pilot PIPs are due within 90 days of the issuance of D.13-09-044, and the pilots are expected to be operational by July 2014.

In addition, the decision authorizes "pre-development" of two of the OBR pilots (Energy Financing Line Item Charge and Master-Metered Multifamily) for certain IOUs. These pilots are expected to be operational by December 2013.

[1] D.12-05-015, Ordering Paragraphs 21 and 22, p. 400.
[2] D.12-11-015, Ordering Paragraph 22, p. 135.
[3] D.13-09-044, Appendix G.

The PIPs submitted herein are for the following “Fast Track” pilots:

- Single Family Loan Program (SFLP) Pilot

  The SFLP is a loan program with a Loan Loss Reserve (LLR), which sets aside a certain amount of money to cover potential losses in the event of customer default. The LLR acts as a credit enhancement (CE), which uses ratepayer funds to support repayment of the financing products. Key program attributes include:

    - Direct lending with FIs and indirect lending through an intermediary party, such as a contractor.
    - The program does not require service of debt collection (of the SFLP loan) through the utility bill.
    - CEs are not to exceed 20 percent of the total principal amount of the eligible loan value; FI loan loss recovery is limited to no more than 90 percent of the original loan value.
    - Approximately one-third of the LLR funds to further support loans to low- and moderate-income participants.

- Off-Bill Small Business Lease Providers (OSBLP) Program Pilot

  The OSBLP enables lease companies to offer leases to the small business sector to acquire equipment. The pilot utilizes a CE to favorably influence the availability and terms of the financing products. CAEATFA will undertake a competitive request for proposals (RFP) process with a goal of selecting at least two lease originators to participate in the program.

  The Commission authorized the off-bill version of this pilot in acknowledgment that some lease providers prefer their own billing systems. The on-bill version of this pilot will be submitted as part of the On-Bill Repayment PIPs due 90 days after issuance of D.13-09-044.

**Role of CAEATFA as Finance Pilot Programs CHEEF**

Concurrent with the development of the PIPs submitted herein, CAEATFA is undertaking activities to establish itself as the CHEEF to run the finance pilots. The CHEEF role is to structure the CEs; develop broad terms and conditions for financial products offered through the pilot programs; coordinate and track the deal flow between qualified FIs, IOUs, and customers; protect the integrity of ratepayer funds held as CEs; provide transparency; and ensure program compliance by the FIs and the IOUs.

After receiving the necessary approvals to fill this role, CAEATFA will develop regulations for each pilot. Because the pilot regulations will be developed after the PIPs are submitted, the IOUs consulted with CAEATFA to ensure that the PIPs address the framework of each pilot as adopted by D.13-09-044, but do not overstep the authority of CAEATFA to institute regulations. These circumstances were communicated to ED during the PIP consultation process and are reflective of the progression of program implementation outlined in D.13-09-044 (see the Preliminary Implementation Plan in Appendix G).

**Additional PIP Considerations**

Other elements of Appendix G of D.13-09-044, the Preliminary Implementation Plan, involve milestones that sequentially follow submission of the “Fast Track” pilot PIPs. Noteworthy circumstances are as follows:

- Ordering Paragraph 15 requires the submission of a workpaper (December 1, 2013) containing a jointly proposed methodology to estimate incremental energy savings delivered by the Finance Programs, including a proposal for evaluation and data collection. Thus, certain elements of the PIPs are “To Be Determined.” Those steps include projections of cost effectiveness (Section 7), Net Energy and Demand Impacts (Sections 9.b and 9.d), workpaper status (Section 9.e), and certain of the pilot criteria (Section 12, regarding cost effectiveness and Evaluation, Measurement and Verification plan).

- Ordering Paragraph 15c requires the submission of the final Data Working Group (DWG) report on December 15, 2013. The DWG is in the process of developing the final report, including reflecting input from a public workshop held on November 13, 2013. Per D.13-09-044, the “Fast Track” PIPs are directed to reference data protocols from the DWG final report. Because the report is not final at this time, this will be marked as “To Be Determined”.

**Summary of Compliance Requirements**

This AL is provided to implement the two “Fast Track” pilots and complies with the Commission’s order to file a PIP for the “Fast Track” pilots within 60 days of the date the decision is issued. Additional requirements prescribed by the decision are addressed within the PIPs. CAEATFA and the IOUs have addressed the following issues as described below:

***General PIP Requirements***

1. The statewide pilot program PIPs shall include, but not be limited to, detailed schedules for implementation, proposed budgets, marketing, education, and outreach guidelines, and data requirements (Ordering Paragraph 7c).

   These elements are addressed in the PIPs. Schedules are addressed in Section 10.a, budgets in Section 9.b, marketing, education and outreach in Section 10.h, and data requirements in Section 12 (additional information).

2. The IOUs, in consultation with CAEATFA, FIs, and ED, shall develop and submit the “Fast Track” and OBR PIPs which inform CAEATFA’s rulemaking (D.13-09-044, §6.1., p. 69).

   The IOUs used a statewide team to coordinate development of the SFLP and OSBLP PIPs. CAEATFA participated as a member of this team and thus was involved in both a consultative and collaborative role in preparing the PIPs.

   The statewide finance team, through SoCalGas, consulted with ED staff throughout the development of the “Fast Track” PIPs, receiving input on the format, structure, and draft content.

   FIs were also consulted during this process, receiving a draft of the “Fast Track” PIPs with an invitation for comment. The statewide finance team held a webinar on November 13, 2013 to address comments from FIs. The input gathered at that session resulted in substantive enhancements to the PIPs. Certain FIs who could not attend the webinar at the scheduled time were contacted directly by the Finance Program consultants, Harcourt, Brown and Carey (HBC). A phone discussion and interview was conducted to consult with them regarding the PIPs and other program design-related matters.

Attachment D contains a copy of the presentation materials for each pilot shared during the webinar. These webinar materials were developed to provide the FIs with further understanding of the “Fast Track” pilot programs and to increase the likelihood of productive input.

3. The Commission requires that an estimate of bill impacts of the EE project to be financed be presented by the contractor to the customer at the time they are making the commitment to the project to insure an informed decision (D.13-09-044, §8, p. 81).

   This is addressed in Section 10.d.ii of the PIP regarding consumer education and training, and Section 12 (additional information).

4. PIPs to be submitted should include a Marketing and Outreach (M&O) component… ME&O plans shall include training for all pilot programs, including engaging FIs, contractors, and other market participants and borrowers (D.13-09-044, §10, p. 84).

   Please see Section 10.h of the PIPs for sub-program specific marketing and outreach.

5. CAEATFA/SoCalGas reference the data protocols (from the DWG final report) in the pilot PIPs since the data fields could differ by pilot (D.13-09-044, Appendix D).

   This is addressed in Section 12 (additional information), and as noted above is marked as To Be Determined (TBD). Pursuant to D.13-09-044, the data protocols subject to the DWG report are to be submitted on December 15, 2013. Thus, it is not possible to submit the protocols from the final report at this time.

6. The PIPs address the pilot criteria required of such programs (D.09-09-047, pp. 48 – 49).

   The new Finance Programs are pilot programs, and are thus subject to the requirements established by the Commission for such programs, including ten criteria to be evaluated for approval. These are provided in Section 12.a thru 12.j (additional information).

***Single Family Loan Program***

1. For SFLP, we modify this program to also allow indirect loans, if the lender qualifies with CAEATFA, including execution of an LSA (D.13-09-044, §4.1., p. 33).

   The indirect component of the SFLP is acknowledged at Section 9 (parts a, d, and e), Section 10.m, and Section 12.d. LSA provisions will be included within CAEATFA’s program regulations.

2. Approximately one-third of the authorized LLR funds should be utilized to offer higher CEs, as needed, with EE financing for these [low- and middle-income] homeowners…the PIP should establish appropriate program reporting by FIs and marketing steps, particularly with

experienced community-based organizations, designed to achieve this goal (D.13-09-044, §4.1., p. 33).

Program focus on low- and middle-income customers is addressed in Section 9.a, Section 10 (parts d and e), Section 10.h (marketing) and Section 12.c. Program Performance Metrics (PPMs) which are proposed in Section 12.g. relate to program reporting to achieve participation goals for this customer segment.

3. For SFLP, in this decision we set a cap on the CEs not to exceed a maximum of 20% of eligible loan value. Further, we limit the lender's loss recovery to no more than 90% of original eligible loan value, capped by the total available in the FI's LLR portfolio (D.13-09-044, §4.1., p. 35).

   This information is provided at Section 9.a and Section 12.c (additional information) consistent with direction provided in the decision.

After the AL is approved by the Commission, each utility will submit their "Fast Track" PIPs, incorporating all necessary revisions, to the ED for posting to the Commission's California Energy Efficiency Statistics website at http://eestats.cpuc.ca.gov/. The posted PIPs for each IOU would contain any necessary variations for a particular utility associated with their implementation of the pilot program. The IOUs have not identified any substantive variations with the SFLP or OSBLP PIPs at this time.

## Protests

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter, which is December 9, 2013. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attn: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

**For SCG:**

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

**For SDG&E:**

Attn: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1879
E-mail: MCaulson@semprautilities.com

**For SCE:**

Megan Scott-Kakures
Vice President, Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Leslie E. Starck
Senior Vice President, Regulatory Policy & Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com

**For PG&E:**

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

**Effective Date**

The IOUs believe that this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. The IOUs respectfully request that this Advice Letter be approved December 19, 2013, which is 30 calendar days after the date filed.

**Notice**

A copy of this advice letter is being sent to all parties listed on Attachment A, which includes the interested parties in A.12-07-003, et al.

Rasha Prince
Director
Regulatory Accounts

Attachments

# CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

| Utility type: | Contact Person: Sid Newsom |
|---|---|
| ☐ ELC ☒ GAS | Phone #: (213) 244-2846 |
| ☐ PLC ☐ HEAT ☐ WATER | E-mail: SNewsom@semprautilities.com |

| EXPLANATION OF UTILITY TYPE | (Date Filed/ Received Stamp by CPUC) |
|---|---|
| ELC = Electric GAS = Gas<br>PLC = Pipeline HEAT = Heat WATER = Water | |

Advice Letter (AL) #: 4562, et al.

Subject of AL: Joint AL: Implementation of Energy Efficiency (EE) Finance Program "Fast Track" Pilots in Compliance with Decision (D.) 13 09-044

Keywords (choose from CPUC listing): Energy Efficiency

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.13-09-044

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? ☐ Yes ☒ No Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: 12/19/13 No. of tariff sheets: 0

Estimated system annual revenue effect: (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed[1] See Advice Letter

Pending advice letters that revise the same tariff sheets: None

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

| | |
|---|---|
| **CPUC, Energy Division** | **Southern California Gas Company** |
| **Attention: Tariff Unit** | **Attention: Sid Newsom** |
| **505 Van Ness Ave.,** | **555 West 5th Street, GT14D6** |
| **San Francisco, CA 94102** | **Los Angeles, CA 90013-1011** |
| **EDTariffUnit@cpuc.ca.gov** | **SNewsom@semprautilities.com** |
| | **tariffs@socalgas.com** |

[1] Discuss in AL if more space is needed.

**ATTACHMENT A**

**Advice No. 4562, et al.**

**(See Attached Service Lists)**

**ATTACHMENTS B-D**

**Advice No. 4562, et al.**

# ATTACHMENT B

# SINGLE FAMILY LOAN PROGRAM

# PROGRAM IMPLEMENTATION PLAN

2013 – 2015 Energy Efficiency Programs
Statewide Finance Pilot Sub-Program
Program Implementation Plan Template

1) Sub-Program Name: Single Family Loan Program
2) Sub-Program ID number:
    a. SoCalGas: SCG 3787
    b. SDG&E: SDGE 3297
    c. SCE: SCE-13-SW-007D
    d. PG&E: PGE 210931
3) Type of Sub-Program:__ Core __Third Party __Partnership _X_ Pilot
4) Market sector or segment that this sub-program is designed to serve:

    a. _X_ Residential
        i. Including Low Income? _X_ Yes __ No;
        ii. Including Moderate Income? _X_ Yes __ No.
        iii. Including or specifically Multifamily buildings __ Yes _X_ No.
        iv. Including or specifically Rental units? _X_ Yes __ No.
    b. __ Commercial (List applicable NAIC codes: _________________)
    c. __ Industrial (List applicable NAIC codes: ____________________)
    d. __ Agricultural (List applicable NAIC codes: __________________)

5) Is this sub-program primarily a:
    a. Non-resource program __ Yes _X_ No
    b. Resource acquisition program _X__ Yes ___ No
    c. Market Transformation Program ___ Yes _X__No

6) Indicate the primary intervention strategies:

    a. Upstream ___ Yes _X__ No
    b. Midstream ___ Yes __X_ No
    c. Downstream _X__ Yes ___ No
    d. Direct Install __ Yes _X_ No.
    e. Non Resource __ Yes _X_ No

    *Note:* Customers will take out loans, but it is anticipated that contractors will be heavily involved in presenting and offering those loans to customers.

7) Projected Sub-program Total Resource Cost (TRC) and Program Administrator Cost (PAC)
    TRC ___ PAC ___

    TRC and PAC analyses are subject to the development, submission, and final California Public Utilities Commission (CPUC) disposition of the workpaper to be submitted pursuant to D.13-09-044, which will contain the methodology for claiming incremental energy savings for Finance Pilot Programs. The Pilot's TRC and PAC will be studied during the pilot period and assessed ex-post.

## 8) Projected Sub-Program Budget

### Table 1: Projected Sub-Program Budget, by Calendar Year

| SoCalGas | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/ General Overhead ($) | $41,814 | $76,483 | $125,814 | $207,111 |
| Direct Implementation ($) | $19,941 | $52,152 | $43,052 | $115,146 |
| Credit Enhancements (CE) ($) | $0 | $1,019,417 | $2,069,726 | $3,089,143 |
| Marketing & Outreach ($) | $18,194 | $109,165 | $54,582 | $181,941 |
| Total IOU Budget ($) | $79,949 | $1,257,217 | $2,293,174 | $3,593,341 |

| SDG&E | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/ General Overhead ($) | $80,253 | $160,507 | $160,507 | $401,267 |
| Direct Implementation ($) | $160,507 | $321,013 | $321,013 | $802,533 |
| Credit Enhancements (CE) ($) | $0 | $926,923 | $1,881,940 | $2,808,863 |
| Marketing & Outreach ($) | $0 | $133,756 | $133,756 | $267,512 |
| Total IOU Budget ($) | $240,760 | $1,542,202 | $2,497,216 | $4,280,178 |

| SCE | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/ General Overhead ($) | $23,914 | $23,914 | $23,914 | $71,742 |
| Direct Implementation ($) | $54,693 | $91,806 | $91,806 | $238,305 |
| Credit Enhancements (CE) ($) | $0 | $2,786,477 | $4,179,716 | $6,966,193 |
| Marketing & Outreach ($) | $0 | $975,016 | $480,232 | $1,455,248 |
| Total IOU Budget ($) | $78,606 | $3,877,212 | $4,778,667 | $8,731,488 |

| PG&E | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/ General Overhead ($) | $267,792 | $535,584 | $535,584 | $1,338,960 |
| Direct Implementation ($) | $102,997 | $205,994 | $205,994 | $514,985 |
| Credit Enhancements (CE) ($) | $0 | $2,787,098 | $5,658,654 | $8,445,752 |
| Marketing & Outreach ($) | $0 | $662,500 | $662,500 | $1,325,000 |
| Total IOU Budget ($) | $370,789 | $4,191,176 | $7,062,732 | $11,624,697 |

Note: CHEEF implementation costs are reflected in the CHEEF PIP per CPUC direction (Appendix F, D. 13-09-044). There is $3,229,701 in SW ME&O dollars that are included in these budget tables.

## 9) Sub-Program Description, Objectives and Theory

### a. Program Description

The primary goals of the Single Family Loan Program (SFLP) (Decision 13-09-044, 2013)[1] are:

1. To increase the volume of energy efficiency (EE) financing to attract capital providers and attract new market participants;
2. To increase the number and comprehensiveness of EE projects;
3. To increase the rate at which contractors can close a sale of EE equipment;
4. To reach low- and moderate-income customers;
5. To support the new data base that includes project and financial product performance.

The SFLP will test the premise that the availability of more and better financing options increases the overall adoption of energy efficiency in the single family market segment. The program pre-supposes the idea that many customers choose not to engage in EE when confronted with a product that may be more costly than they have anticipated or budgeted. While the customers may understand the value of a particular energy efficiency enhancement, on many occasions they cannot overcome the financial requirements and simply walk away because the first-cost barrier is too high. This decision is made despite the rebates/incentives and financing options currently available through traditional channels. More attractive financing for EE projects may help overcome the upfront EE project cost barrier by allowing customers to pay for upgrades over time. All single family ratepayers that meet the requirements of participating Financial Institutions (FIs) are eligible to participate; customers would not be required to participate in a utility rebate program to be eligible for financing.

[1] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 31-32.

Additionally, this Pilot seeks to attract low-to-moderate income customers to the EE upgrade market.[2] Approximately one-third of the total credit enhancement funds will be designated to serve low-to-moderate income single family residents. These customers can also participate in the IOUs' Energy Savings Assistance (ESA) programs, which address easy to install weatherization, lighting, and appliances. The addition of a finance option could encourage deeper market penetration of energy savings measures by providing the means to these consumer segments to achieve more comprehensive changes that are not addressed through the ESA program. Details of this credit enhancement structure will be developed in the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) rulemaking process. In the end, the key to a successful pilot program is to create a seamless integration to EE projects that leverage utility Direct Install (DI) funding and EE financing. The benchmark for low and moderate income limits shall be the current annual limits published by the California Department of Housing & Community Development, by county and family size.

This pilot will allow FIs to access credit enhancements for eligible loans that meet program criteria. Eligible loans can be either direct or indirect loans from FIs.

i. Credit Enhancement Mechanism

Ultimately, the pilot is designed to test the effectiveness of financing and credit enhancements (CEs) to enhance customer and FI uptake.

Guidelines for the authorized CEs are included in (Decision 13-09-044, 2013)[3] The CE funding for the single family market segment is not to exceed a total of $25 million statewide. The Decision requires that approximately one-third of the CE funds for this pilot be utilized to offer CEs for EE financing for low- and moderate-income households.[4] All financial institutions that participate in the program will have access to the pool of CEs, offered on a first come-first served basis. CAEATFA will be establishing the details of the credit enhancements through its emergency regulations process, and it is expected that a loan-loss reserve (LLR) will be the primary CE tool used in this market segment:[5]

1. Loan Loss Reserve – is a fund in a trust account established by the California Hub for EE Financing (CHEEF) at the bank or other financial institution, used to cover a portion of defaulted loans. The LLR is expected to be the primary credit enhancement used in the Single Family Loan Program. The details of the LLR will be established in CAEATFA regulations. Pursuant to the Decision, credit enhancements in the SFLP

[2] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 33.
[3] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. APPENDIX A page 1-2.
[4] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 33.
[5] The Decision did not preclude the use of a "debt service reserve" CE.

cannot exceed 20% of the total eligible loan value in the portfolio and the lender's loss recovery is limited to no more than 90% of the eligible value of any individual loan's outstanding principal amount. In general, FIs will receive an allocation of credit enhancement only after loans close. CAEATFA rules will establish certain details, such as the possible prefunding of financial institutions for credit enhancements that enable them to receive 90% coverage for early-stage loans that are funded prior to those financial institutions having reached the point at which the 20% cap on their loan portfolio reaches the 90% amount on an individual loan.

ii. Financing

Although financing is already available to customers through several different instruments, existing instruments are generally not well-suited for some customer segments to finance EE projects. One of the most common methods of financing efficiency projects in the single family sector is the credit card. For example, credit card-based revolving products are convenient and inexpensive to originate but, due to extremely high interest rates, generally come at a high long-term cost. Base interest rates on most revolving credit card instruments generally exceed 20%; the only reason that consumer might see lower rates is when contractors or manufacturers buy down the interest rate to more attractive levels. Buy-down costs are typically approximately 8-10% of the project cost. The costs of this buy-down may be hidden in the form of a higher project cost.

The financing approach supported through the SFLP is to use both direct and indirect loans:

<u>Indirect vs. Direct Lending</u>

This pilot allows the testing and comparison of two types of single family financing products: indirect financing and direct loans.

Indirect financing, also known as dealer financing, incorporates the contractor tightly into the financing process – meaning that the customer gives the contractor a credit application and the contractor transmits the application to a finance company for credit review, loan documentation and closing. After the customer signs a completion certificate, the finance company pays the contractor directly. That finance company then transmits that closed loan to an investor, who either holds that loan through the loan term, or bundles that loan with other loans and sells to another investor. The direct involvement of contractors in the financing process exposes investors to certain financial and regulatory risks that do not exist for direct loans (described below). Investors and finance companies manage these risks by controlling contractor networks tightly to control the representations that contractors make to customers, the quality of work performed, customer satisfaction and other elements of bringing energy efficiency jobs to completion.

The credit performance of indirect financing has not shown any marked difference from the credit performance of direct lending.

Direct loans are the more typical type of financing product offered to consumers through credit unions or banks in California. Direct loans differ from indirect financing in that the contractor is minimally involved in the financing process, primarily encouraging the consumer to contact a designated financial institution such as a credit union or bank.

In many cases, the loan origination process is somewhat longer for a direct loan than for indirect financing, and the direct loan process may not be as convenient for the customer or contractor. As a result, it is likely that indirect financing may be most appropriate for single-measure efficiency projects that are typically quite time-sensitive. Direct loans, with somewhat longer origination times, may be more appropriate for multi-measure or whole-house retrofits. In addition, direct loans rely on credit union or bank depositor capital which is currently available at rates that are near historic lows. This means that direct loans may tend to have easier access to extremely low cost capital, although the availability of such capital will be more limited than other investor capital available through the investor markets that typically fund indirect financing.

iii. Lenders

The pilot stimulates financial institutions to offer attractively priced, fast-origination direct and indirect loans that are appropriate for the single family market. The pilot will provide a credit enhancement and other offerings (contractor networks, marketing, etc.) to attract private capital and to progressively build loan volumes.

The lenders who are expected to participate in this program fall in to five major categories.

1. Credit Unions that have been well-engaged already in financing programs through American Recovery and Reinvestment Act (ARRA)-supported programs, offering direct loans.
2. Banks, including (1) local or statewide community banks, some of which have engaged in financing programs, particularly through the efforts of the California Housing Partnership (CHP), offering direct loans (2) larger regional or national, banks that may participate as retail lenders offering direct loans, but are more likely to participate as investors that purchase portfolios of loans originated by others.
3. Non-profit lenders and their funders, who may focus on hard-to - reach populations.
4. Community Development lenders, offering direct loans to hard-to-reach populations.
5. Other Finance companies, many of which have been heavily engaged in California and nationally in financing energy efficiency, offering indirect loans.

## Sub-Program Energy and Demand Objectives

Note: The IOUs will submit a workpaper containing a proposed methodology for calculating energy savings for Finance Programs (including the pilots) in the fourth quarter of 2013. Demand impacts will be evaluated during the pilot period and assessed ex-post.

### Table 2: Projected Sub-Program Net Energy and Demand Impacts, by Calendar Year[6]

| SoCalGas | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | *TBD | *TBD | *TBD | *TBD |
| Peak MW | *TBD | *TBD | *TBD | *TBD |
| Therms (millions) | *TBD | *TBD | *TBD | *TBD |

| SDG&E | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | *TBD | *TBD | *TBD | *TBD |
| Peak MW | *TBD | *TBD | *TBD | *TBD |
| Therms (millions) | *TBD | *TBD | *TBD | *TBD |

| SCE | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | *TBD | *TBD | *TBD | *TBD |
| Peak MW | *TBD | *TBD | *TBD | *TBD |
| Therms (millions) | *TBD | *TBD | *TBD | *TBD |

| PG&E | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | *TBD | *TBD | *TBD | *TBD |
| Peak MW | *TBD | *TBD | *TBD | *TBD |
| Therms (millions) | *TBD | *TBD | *TBD | *TBD |

* TBD = "to be determined." Savings for 2013 - 2015 will be subject to the disposition of the workpaper to be submitted to the Commission for review by December 1, 2013.

[6] Individual utility specific information to be provided in this table

b) Program Non-Energy Objectives:

The primary goals of the Single Family pilot program are to (i) increase the volume of EE financing to attract capital providers and attract new market participants; (ii) provide a reliable, one-stop mechanism which provides attractive rates and terms for consumers; (iii) a relatively quick turn-around for payments to contractors; and (iv) develop a robust and consistent data set on the energy and financial performance of loans in the single family market.

Successful implementation of the pilot will help improve consumer home comfort. Through reduced energy consumption, installations will also contribute to a reduction in greenhouse gas emissions and will help conserve natural resources that would otherwise be necessary to produce energy used by the consumer

One sub-goal of the SFLP is to compare how well indirect and direct financing offerings perform in the marketplace, and to test how well each of the two products serves the whole house or the single-measure markets.

The pilot results will offer useful perspectives on the effectiveness of these approaches, best practices, lessons learned, and expected benefits of expanding the pilots to become full-scale programs.

c) Cost Effectiveness/Market Need:

Since the finance pilots have energy and demand objectives, the methods contained in the Standard Practice Manual will be used to determine cost effectiveness.

d) Measure Savings/Work Papers:

i. Indicate data source for savings estimates for program measures (DEER, custom measures, etc.).

Data sources for these measures are consistent with the rebate/incentive programs the measures are offered through.

ii. Indicate work paper status for program measures:

See response to section 9.e.i. above for measure level detail. In addition, the IOUs will submit a workpaper containing a proposed methodology for claiming energy savings for financing pilot programs in the fourth quarter of 2013. Demand impacts will be evaluated during the pilot period and assessed ex-post.

Table 3: Workpaper Status

| # | Workpaper Number/Measure Name | Approved | Pending Approval | Submitted but Awaiting Review |
|---|---|---|---|---|
| 1 | TBD by EM&V | | | |

10) Program Implementation Details

a) Timelines:

Table 4: Sub-Program Milestones and Timeline

*Note*: The expected dates for several of these milestones are sequential and dependent on milestones to be met by State agencies, financial institutions and/or other parties, and are subject to adjustment necessitated by any delays beyond the IOU's direct control.

| Milestone | Date |
|---|---|
| Lender recruitment and contractor training | Ongoing |
| CAEATFA/SCG develop Credit Enhancement protocols | Ongoing; will be included in emergency regulations |
| CAEATFA develops emergency regulations | Proposed regulations posted online by 1/10/14 |
| CAEATFA Board approves emergency regulations | January 2014 |
| Office of Administrative Law (OAL) approves emergency regulations | February 2014 |
| Integration of financing with IOU incentive program delivery defined and implemented (see ME&O) | Early 2014 |
| CE funds for pilot transferred to trustee | February 2014 |
| Lenders seek/receive internal board or management sign-off to offer loan product | March 2014 |
| First loan funds | March / April 2014 |

b) Geographic Scope:

Table 5: Geographic Regions Where the Program Will Operate

| Geographic Region | SDG&E | SCG | SCE | PG&E |
|---|---|---|---|---|
| CEC Climate Zone 1 | | | | X |
| CEC Climate Zone 2 | | | | X |
| CEC Climate Zone 3 | | | | X |
| CEC Climate Zone 4 | | X | | X |
| CEC Climate Zone 5 | | X | | X |
| CEC Climate Zone 6 | X | X | X | |
| CEC Climate Zone 7 | X | X | X | |
| CEC Climate Zone 8 | | X | X | |
| CEC Climate Zone 9 | | X | X | |
| CEC Climate Zone 10 | X | X | X | |
| CEC Climate Zone 11 | | | | X |
| CEC Climate Zone 12 | | | | X |
| CEC Climate Zone 13 | | X | X | X |
| CEC Climate Zone 14 | X | X | X | |
| CEC Climate Zone 15 | | X | X | |
| CEC Climate Zone 16 | | X | X | X |

c) Program Administration

The IOUs will enter into a contract with CAEATFA who will serve as the California Hub for Energy Efficiency Finance (CHEEF) for the pilot programs.

As CHEEF, CAEATFA will develop regulations to provide specific details on the credit enhancement structure and other requirements for program participation. CAEATFA will also subcontract with a Trustee bank to facilitate the transfer of credit enhancement funds to Financial Institutions participating in the pilot.

In coordination with CAEATFA and RENs, the IOUs will train and educate the contractors, CBO's, and local governments to help promote and explain the pilot offerings to potential customers.

Table 6: Program Administration of Program Components

| Program Name | Program Component | Implemented by IOU Staff? (X = Yes) | Implemented by contractors to be selected by competitive bid process (if Yes then enter type of contractor/other market actor possibly used) | Implemented by contractors NOT selected by competitive bid process (list prime contractor and sub-contractor names) | Implemented by local government or other entity [CAEATFA] ( X = Yes) |
|---|---|---|---|---|---|
| SFLP | Program Application Process | | X (Master Servicer) | X | X |
| SFLP | IOU Participant* | X | | | X |
| SFLP | IOU Non-Participants | X | | | |
| SFLP | Credit Review | | | X (participating financial institutions - enrolled through CAEATFA regulations) | |
| SFLP | Loan Origination | | | X (participating financial institutions - enrolled through CAEATFA regulations) | |
| | Loan Payments | | | X (participating financial institutions - enrolled through CAEATFA regulations) | |
| SFLP | Credit Enhancements | | | | X |
| SFLP | Marketing, Education, & Outreach (ME&O) | X | | X (contractors and participating financial institutions - enrolled through CAEATFA regulations) | X (CAEATFA to coordinate outreach efforts for contractors and financial institutions) |
| SFLP | Evaluation, Measurement, & Verification (EM&V) | X | | | |

Note: IOU participant reflects customer that received a rebate / incentive.

## d) Program Eligibility Requirements:

CAEATFA may set forth program eligibility requirements, in addition to those addressed below, during its public process for developing program regulations.

i. Customers:

This program is designed to support the single family residential market and is available to residential customers on a residential rate. Customers must install measures that are eligible for IOU/RENs rebate/incentive programs (as defined below), but participation in an IOU/REN program is not required to be eligible for the SFLP. Eligible EE measures that are financed must be installed on a fully-constructed single family residential dwelling within the IOU service area (i.e. this is not a new construction program). Also see Section 10.f, below.

Low- and moderate-income utility customers are also eligible to participate in this pilot. D.13-09-044 requires that the benchmark for low and moderate income limits align with the current annual limits published by the California Department of Housing & Community Development, by county and family size.[7] [8]

CAEATFA may further define or clarify customer eligibility requirements within its public process for developing regulations.

Table 7: Customer Eligibility Requirements (Joint Utility Table)

| Customer Eligibility Requirement (list of requirements) | PGE | SCE | SDGE | SCG |
|---|---|---|---|---|
| Single Family Residence | X | X | X | X |
| Fully Constructed dwellings | X | X | X | X |
| Residential customers on a residential rate | X | X | X | X |
| Low- and moderate- income that meet the California Department of Housing & Community Development current annual limit, by county and family size | X | X | X | X |

ii. Contractors/Participants:

Qualified Contractors must hold active licenses with the California Contractors State License Board for the work they perform, and must complete all work according to all applicable laws, rules, and regulations.

(1) For any project participating in a CPUC-approved IOU/RENs incentive program(s), the contractor must meet any specific requirements laid out by that program.
(2) For any project not participating in a CPUC-approved IOU/RENs incentive program(s), the contractor must meet specific contractor eligibility requirements for

[7] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 33.
[8] http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html

the program that the installed Eligible Energy Efficiency Measures (EEEMs) are a part of. CAEATFA will create guidelines for the process of verifying these qualifications.

Contractor Participation Requirements

Contractors will provide in writing a bill impact estimate for the proposed energy efficiency project to the customer before the customer makes a decision about whether to pursue the project.

Table 8: Contractor Eligibility Requirements (Joint Utility Table)

| Contractor Eligibility Requirement (list of requirements) | PGE | SCE | SDGE | SCG |
|---|---|---|---|---|
| For any project participating in a CPUC-approved IOU incentive program(s), the contractor must meet any specific requirements laid out by that program. | X | X | X | X |
| For any project not participating in a CPUC-approved IOU incentive program(s), contractor qualifications will be determined in CAEATFA's rulemaking process. | X | X | X | X |
| Contractors will provide in writing a bill impact estimate for the proposed energy efficiency project to the customer at the time that the customer is making a decision about the project. | X | X | X | X |

iii. Financial Institutions:

Pursuant to D.13-09-044, both direct and indirect lending will be eligible for this pilot. Additional eligibility requirements for FIs participating in this program will be determined through CAEATFA's public process for developing program regulations. These requirements will establish minimum qualifications, set standards for financial products, and ensure FIs conform with the terms of the pilot program in which they are participating (including data collection and privacy requirements), and for any additional requirements related to the use of CEs.

Minimum qualifications for FIs are they: a) possess all required state and federal licenses, and b) be in good standing with regulators. FIs will also be required to conform to pilot program requirements, CE protocols, and data collection and sharing requirements.

Table 9: Financial Institution Eligibility Requirements (Joint Utility Table)

| Financial Institution Eligibility Requirement (list of requirements) | PGE | SCE | SDGE | SCG |
|---|---|---|---|---|
| Pursuant to D.13-09-044, both direct and indirect lenders will be eligible to participate in this pilot. Additional eligibility requirements for financial institutions (FIs) participating in this program will be determined through CAEATFA's public process for developing program regulations. | X | X | X | X |

e) Program Partners:

a. Program coordination partners:

- Contractors – Numerous types of contractors are expected to participate in the program including: HVAC, insulation, weatherization, refrigeration, lighting, energy management systems, water efficiency, and electrical and home performance/whole house. The contractors will propose a scope of work to a customer, often based on the results of a home audit, and will provide information on payment options according to the financing terms.

- Distributors – Contractors acquire products from manufacturers through distributors. Distributors protect manufacturers from credit risk and provide product information and marketing tools. Distributors can be more knowledgeable of financing and may review financing programs for their member contractors. Distributors may be supportive of financing and could be helpful in promoting the program.

- Retailers – Single family residents often procure major appliances directly from retailers or home improvement stores. These retailers are partners to existing rebate programs through mechanisms such as Point-of-Sales Rebates. This could also be a channel for the finance program if the same customer is purchasing multiple major appliances at the same time.

- California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) – CAEATFA as CHEEF will serve as the interface between the utilities and FIs. CAEATFA will also subcontract with a Trustee to hold credit enhancement funds. CAEATFA will direct the transfer of CE funds between program and FI accounts in order to process loan enrollment requests and pay loss claims to the FIs.

- Financial Institutions – The FIs will fund and service loans under the CE terms. FIs will originate either direct loans (loans made to the customer) or indirect financing (an alternative option where the contractor/dealer acts as an intermediary between the customer and FI, which is assigned to a finance company). The FIs may include the following types of entities.

- Credit Unions: non-profit financial institutions that exist for the benefit of their members. Credit unions have been well-engaged already in financing programs through ARRA-supported programs, offering direct loans.
- Banks, including (1) community banks: local, for-profit financial institutions that serve certain communities. Some community banks have engaged in financing programs, particularly through the efforts of the California Housing Partnership (CHP), offering direct loans; (2) Large, multi-state banks that operate on a regional or national basis, often described as money center banks, will be eligible to participate in the program, although the expectation is that they are unlikely to participate in large numbers as direct lenders and will participate largely as investors in loan portfolios originated by other.
- Community Development lenders: offering direct loans to hard-to-reach populations.
- Other Finance companies: local, regional or national FIs that finance retail transactions (e.g., home improvements, automobile purchases, etc.) and their investors. Many finance companies have been heavily engaged in California and nationally in financing energy efficiency, offering indirect loans.

- Local Government Partnerships – The local governments will assist with engaging their residential constituents to utilize the program's financing offerings.

- Community Based Organizations (CBOs) – The CBOs will assist with engaging low- and moderate-income customers that will utilize the program's financing offerings for the sector.

- California Center for Sustainable Energy (CCSE) – CCSE and program implementers will coordinate to ensure the marketing of financial products is done in coordination with the larger umbrella platform the Commission is expected to adopt in the Statewide ME&O proceeding.

Table 10: Program Coordination Partners

| Coordination Partner Information | PGE | SCE | SDGE | SCG |
|---|---|---|---|---|
| Contractors | X | X | X | X |
| Distributors | X | X | X | X |
| CAEATFA | X | X | X | X |
| Financial Institutions | X | X | X | X |
| Community-based Organizations | X | X | X | X |
| CCSE | X | X | X | X |

f) Measures and incentive levels:

To be eligible to access a credit enhancement under this pilot, Eligible Loans must consist of Eligible Measures.

Eligible Measures can consist of Eligible Energy Efficiency Measures (EEEMs) and may include Non-EEEMs, each of which are both defined herein.

EEEMs are measures that have been approved by the Commission for an IOU/REN EE rebate/incentive program, although the customer need not receive an incentive or rebate to qualify for the loan.[9] EEEMs will be inclusive of measures that are approved as part of the utility EE programs. Pursuant to D.13-09-044, the utilities have made publicly available the list of EEEMs on their websites at the following address:

SoCalGas – http://www.socalgas.com/for-your-home/rebates/financing-tax-credits.shtml
and http://www.socalgas.com/for-your-business/energy-savings/
SCE - https://www.sce.com/wps/portal/home/residential/rebates-savings/rebates
SDG&E - http://www.sdge.com/buyers-guide/
PG&E - http://www.pge.com/obf

D.13-09-044 determined that customers may be more likely to add EE projects while undertaking other improvement activities. For the 2013 – 2015 pilot period, the Commission deemed it reasonable and adopted a requirement that authorized EE pilot program financing qualifying for CEs must apply a minimum of 70% of the funding to EEEMs. Financing eligible for CEs may include funds for non-EEEMs totaling up to 30% of the loan total.

[9] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 30.

Table 11: Summary Table of Measures, Incentive Levels and Verification Rates

| Measure Group | Program Number | Market Actor Receiving Incentive or Rebate | PGE | | SCE | | SDGE | | SCG | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate |
| | | | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] |
| Water Heater - Gas | | | $200 | 2%* | n/a | see note | $100 | 5% | $30-75 | 5% random inspection |
| Water Heater - Electric .93 | | | n/a | 2%* | $30 | see note | $100 | 5% | n/a | n/a |
| Tankless Water Heater | | | n/a | n/a | n/a | see note | n/a | n/a | $150-$200 | 5% random inspection |
| Thermostatic Valve and 1.6 GPM SH | | | | | | | | | $15 | 5% random inspection |
| Water Saving Kit | | | | | | | | | $12.11 | 5% random inspection |
| Hybrid electric Heat Pump =2.0 | | | $500 | 2%* | $200 | see note | $250 | 5% | n/a | n/a |
| Attic/Wall Insulation | | | n/a | n/a | n/a | see note | $0.15/SF | 5% or 100% if self-installed | $0.15/SF | 5% random inspection |
| Refrigerator Tier 2 & 3 | | | $75 only Tier 3 | 2%* | n/a | see note | $50 | 5% | n/a | n/a |

| Measure Group | | Market Actor Receiving Incentive or Rebate | PGE | | SCE | | SDGE | | SCG | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Program Number | | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate |
| | | | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] |
| Energy Star Refrigerator (PG&E) | | | n/a | n/a | $35 | see note | n/a | n/a | n/a | n/a |
| Energy Star Most Efficient Refrigerator | | | n/a | n/a | $75 | see note | n/a | n/a | n/a | n/a |
| Clothes Washer | | | $50 | 2%* | $50 | see note | $50 | 5% | $35-50 | 5% random inspection |
| Furnace | | | n/a | n/a | n/a | see note | $100 | 5% | $38-200 | 5% random inspection |
| Variable speed pump (Customer) | | | $100 | 2%* | $200 | see note | $200 | 5% | n/a | n/a |
| Appliance Recycling Refrigerator $10ft^3$ < size < $32ft^3$ | | | $35 | 2%* | $35 | see note | $35 | 5% | n/a | n/a |
| Appliance Recycling Freezer $10ft^3$ < size < $32ft^3$ | | | $35 | 2%* | $35 | see note | $35 | 5% | n/a | n/a |
| Whole House Fan | | | n/a | n/a | $35 | see note | | | n/a | n/a |

| Measure Group | Program Number | Market Actor Receiving Incentive or Rebate | PGE | | SCE | | SDGE | | SCG | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate |
| | | | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] |
| Ducted Evaporative Cooler | | | n/a | n/a | up to $400 | see note | | | n/a | n/a |
| Energy Upgrade California | | | $1000-4500 | Tiered by contractor (5%-60%) | $1,000 - $4,500 | see note | $2500-4500 | 100% initially | $1000-$4500 | Varies depending on measure and contractor performance |
| Middle Income Direct Install Program | | | n/a | n/a | n/a | see note | N/A | 10% | n/a | Varies depending on measure and contractor performance |

| Measure Group | | Market Actor Receiving Incentive or Rebate | PGE | | SCE | | SDGE | | SCG | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Program Number | | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate | Incentive Level | Installation Sampling Rate |
| | | | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] | [indicate the expected incentive level or range by measure grouping] | [indicate the rate at which the utility samples for verification of installation of measures] |
| Energy Savings Assistance Program | | | n/a | n/a | n/a | see note | N/A | 10% | n/a | Varies depending on measure and contractor performance |

All measure rebates/incentives are subject to change. Please refer to each IOU's website to view the EEEM list.
Inspection rates may vary based on project cost / measure.

SoCalGas – http://www.socalgas.com/for-your-home/rebates/financing-tax-credits.shtml
SCE - https://www.sce.com/wps/portal/home/residential/rebates-savings/rebates
SDG&E - http://www.sdge.com/buyers-guide/
PG&E - http://www.pge.com/obf

g) **Additional Services:**

The single family financing pilot will offer a series of additional services that will benefit a variety of market actors. These will include:

- Consumer education and training: The marketing, education and outreach component of the pilot will provide local utility consumers with information about available financing offerings that can make EE upgrades more affordable. Customers will also be educated and encouraged to view EE projects as longer term investments in their homes, generate potential utility bill savings, and improve home comfort. Local education efforts will be coordinated with the Energy Upgrade California statewide marketing brand campaign.

- Contractor education and training: Contractor education may include but is not limited to assisting contractors understand how to integrate financing products into their sales process (including understanding cash flow impacts when moving from cash sales to financed sales), informing them of the available options, and how to help customers leverage the available finance offerings. Based on need, contractor education may also provide tools for contractors to support the sales process (e.g., marketing materials, calculator tools).

- Lender education and training: The education, and outreach component of the pilot will include training events and materials for FIs and lenders that will assist them in participating in this pilot. Additional information on lender training plans will be provided in the CHEEF PIP.

- Call center support: IOU's call center will be able to provide general information about the SFLP.

Table 12: Additional Services

| Additional Services | To Which Market Actors | PGE | SCE | SDGE | SCG |
|---|---|---|---|---|---|
| | | [indicate the level at which the service will be incented or funded] | [indicate the level at which the service will be incented or funded] | [indicate the level at which the service will be incented or funded] | [indicate the level at which the service will be incented or funded] |
| Consumer education and training | Consumers | TBD | TBD | TBD | TBD |
| Contractor education and training | Contractors | TBD | TBD | TBD | TBD |
| Lender education and training | Lenders | TBD | TBD | TBD | TBD |
| Call center support | IOU call center employees | TBD | TBD | TBD | TBD |

h) Sub-Program Specific Marketing and Outreach:

Upfront costs of entry and affordability are major market barriers to participation in some utility demand side management programs[10]. In order to break down these barriers, it is necessary for the program to integrate existing channels of interaction with the customer, such as IOU statewide programs and to coordinate with the statewide Energy Upgrade California campaign. To further promote customer messaging, benefits, and more action, the program will rely on local and statewide marketing to maximize customer engagement and gain participation. In addition the IOUs will work through their workforce education & training offerings (WE&T). ME&O targets/objectives for this program include:

- Consumer
    - Target: Customers interested in EE projects or who have high bills
    - Objective: Educate and encourage customers to act on EE projects because financing is now available

    - Target: Low to Mid-income customer (1/3 of LLR funds allocated)
    - Objective: Educate and encourage customers on the benefits of financing and the long term benefits of EE projects (i.e., home comfort, utility bill savings, home value)

- Contractor/Retailer
    - Objective: Train, educate, and offer marketing support for contractors on the benefits of financing, the options available and how to integrate the product into sales process

- Lender
    - Objective: Train, educate, and offer marketing support for financial institutions and lenders to assist them on the products and what customers could benefit from the program

- Internal Operations (Call center and IOU employees support)
    - Objective: Provide internal support for general external questions/concerns that arise surrounding the program. All employees should be aware of the program to act as ambassadors for the program.

In order to maximize customer engagement and gain participation we plan to use the following tactics.

- High Level Strategy- Awareness messaging, through a variety of channels, which drives targets to appropriate utility website to learn specifics of the program.
    - Coordinate with statewide partners to integrate the benefit-oriented financial assistance messaging through appropriate marketing and outreach
        - Benefit-oriented financial assistance messaging

[10] Statewide Whole House Program Survey Report, Hiner & Partners, June 2010

        - Energy bill discounts (CARE/FERA)
        - Energy-efficient upgrades (Energy Savings Assistance Program (“ESA”), Middle Income Direct Install Program (“MIDI”), Energy Upgrade California- Home Upgrade)
        - Ways to Finance (Financing Pilot)

  High Level Tactics
  - Coordination with CCSE for messaging in regards to Energy Upgrade California to ensure coordination with the statewide ME&O effort
  - Collaboration with California Department of Community Services and Development to ensure low income customers that are eligible for the Weatherization Assistance Program (WAP) are made aware of the program prior to exploring the financing option. WAP provides additional home improvements at no cost.

- Mid-Level Strategy- Region specific messaging and integration, within appropriate channels, marketing and partners that leverage the financing program to increase target participation.
  - Apply IOU customer segmentation to understand the motivations, demographics and psychographics in order to develop and integrate customized messaging/creative
  - Create material using customer segmentation to reach out and target low and moderate income customers
  - Collaborate with regional retailers to integrate messaging into existing (or new) customer facing marketing
  - Coordinate with current appropriate multicultural marketing efforts to incorporate messaging to assist in targeting the hard-to-reach residential customers
  - Find opportunities to partner with existing regional solar providers and regional water authority partners to leverage financing messaging and maximize benefits of EE improvements
  - Synchronize media and community relations colleagues to integrate, where possible, and find new avenues to “spread the word”
  - Review and segment, with intent to act, on current and past customer information which could include, but is not limited to:
    - CARE high usage customers
    - Past ESA Program participants and identify any measures they could benefit from but were not available through the ESA program
    - Past EUC (EUC-home upgrade) program decliners
    - High usage customers (non-CARE)
    - High bill or bill payment assistance call center contacts
    - Participants in the MIDI pilot program

Mid Level Tactics
  - Direct mail piece targeted towards customer segmentation of those with highest propensity to be in the market for a new appliance and thereby maximize program collaboration between Appliance Recycling, Home Energy Efficiency Rebates and the financing program
  - Bill insert targeted towards CARE customers

- Coordination with CCSE for messaging in regards to Energy Upgrade California to ensure coordination with the statewide ME&O effort
- Development of customized marketing piece(s) towards those targeted customers mentioned above:
  - CARE high usage customers
  - Past Energy Savings Assistance Program participants and the measures they might not have received
  - Past EUC (EUC-home upgrade) program decliners
  - High usage customers overall
  - Calls to the call center regarding high bills or bill payment help

- Local interaction Strategy - In order to create a personalized discussion, with the customer, about the financing program, capitalize on training and educating in existing partner/outreach relationships and exploring new partnerships as needed.
  - Identify and target appropriate existing CBO's and local governmental partners with education and training related to program eligibility, terms and conditions etc., for SFLP
  - Coordinate SFLP materials with other available financing programs (i.e., Multi-family, Small Business) information to ensure that customers understand the different financing offerings and program requirements. Collaborators will be able to explain the full suite of financing options available to different customers.
  - Select appropriate events in order to convey and educate customers on available options
  - Coordinate, with CAEATFA, the training/education for third party vendors, such as FIs and contractors (both assessment and installation).
  - Create opportunities to educate and train existing partners such as regional solar collaborators, the water authority, city and county authorities and retailers on the basics and benefits of the program

### Local Customer Interaction Tactics

- To target the low/mid-income customer, via the ESA Program & Middle Income Direct Install Program, we will collaborate with CAEATFA to train and educate outreach and assessment contractors on the program as well as provide them with materials to educate the customer
- Coordination with CCSE for messaging in regards to Energy Upgrade California to ensure coordination with the statewide ME&O effort
- Leverage relationships with existing EUC-home upgrade contractors to develop training and education in order to educate the customer on the benefits of financing a portion of the EE upgrade instead of just refusing to have the work done because of the cost or paying for just half
- Integrate messaging into existing workshops/trainings for contractors
- Leverage retail opportunities such as Home Energy Efficiency Rebate program to integrate messaging into materials,
- Coordinate internal training to educate employees on the financing program
- Collaborate with FI's and CAEATFA to understand the needs to help them "market" the program to potential customers

Timing
In order to meet the program launch target of end of 1st Quarter in 2014, marketing pieces must be developed, coordinated from a statewide level, and ready to give the customer the best experience possible. Marketing will be conducted according to the following schedule if other milestones are met according to the targeted timeline:

- SFLP with Credit Enhancement (CE)

| | |
|---|---|
| Development and collaboration of messaging, target facing marketing and education/training materials | Dec '13/Jan '14 |
| Coordinate on a strategic approach with SW ME&O through CCSE, the statewide ME&O implementer | Jan./Feb. 14 |
| Development of Financing area within current IOU websites (encompassing the three programs | End of Jan/Feb |
| Upon completion of materials, Training and Education provided to partners, contractors, CBOs, and government partners | Feb |
| Public Relations and Community relations launch | Late February |
| Customer Marketing, Education & Outreach Launch | March |

i) Sub-Program Specific Training:

See Section 10.h. above for description of training including engaging FIs, contractors, and other market participants and borrowers.

j) Sub-Program Software and/or Additional Tools:

a. Contractors with a customer participating in an IOU program will be required to use the software and additional tools when applicable. Software and tool requirements for customers not participating in an IOU/REN incentive program will be identified during CAEATFA's rulemaking process.
b. Pre-implementation audit required ___ Yes ___ No (See a, above.)
   Post-implementation audit required ___ Yes ___ No (See a, above.)
c. As applicable, indicate levels at which such audits shall be rebated or funded, and to whom such rebates/funding will be provided (i.e. to customer or contractor)? There will not be any additional audit requirements directly from the financing program for projects that participate in a CPUC-approved program(s). CAEATFA will address audit requirements for projects not participating in a CPUC-approved incentive program during its rulemaking process.

Table 13: Program Related Audits

| Levels at Which Program Related Audits Are Rebated or Funded | Who Receives the Rebate/Funding (Customer or Contractor) |
|---|---|
| N/A – Residential programs do not provide rebates for audits | N/A |

k) Sub-Program Quality Assurance Provisions:

The Financing Pilots are being offered concurrently with existing EE incentive programs. Therefore, when both programs are at-play, Quality Assurance of all projects participating in the Financing Pilots will be driven by the relevant rebate/incentive program requirements. CAEATFA will address quality assurance requirements for projects not participating in a CPUC-approved incentive program during its rulemaking process. Pursuant to D.13-09-044 (p. 79), the borrower is responsible for the QA/QC of non-energy measures.

Table 14: Quality Assurance Provisions

| QA Requirements | QA Sampling Rate (Indicate Pre/Post Sample) | QA Personnel Certification Requirements |
|---|---|---|
| QA requirements #1 - Refer to existing utility program | Refer to existing utility program | Refer to existing utility program |
| QA requirements –non utility program | Refer to CAEATFA | Refer to CAEATFA |
| QC requirement #1 - Refer to existing utility program | Refer to existing utility program | Refer to existing utility program |
| QC requirement - non utility program | Refer to CAEATFA | Refer to CAEATFA |

l) Sub-program Delivery Method and Measure Installation /Marketing or Training:

The following sequence illustrates how this program could be delivered to customers[11].

1. IOUs integrate financing with their incentive offerings.
2. CAEATFA/IOUs provide contractor training on how to integrate financing with their product offerings.
3. Contractor and customer meet, driven by contractor marketing or customer inquiry.
4. Contractor interviews customer, collects site information (including results of energy audit).
5. Contractor proposes a project scope, price, and incentives (typically utility or manufacturer rebates) and provides payment options, including loans, revolving credit and dealer financing.
6. Customer makes purchase and payment decision.
7. If Customer selects financing option, customer or contractor contacts source of financing with or without assistance of contractor.
8. FI collects application information from Customer, makes underwriting decision and informs Customer and/or contractor depending on direct versus dealer financing process.
9. Contractor installs improvements.
10. Customer signs completion certificate.
11. Inspections performed (if required by rebate/incentive programs).

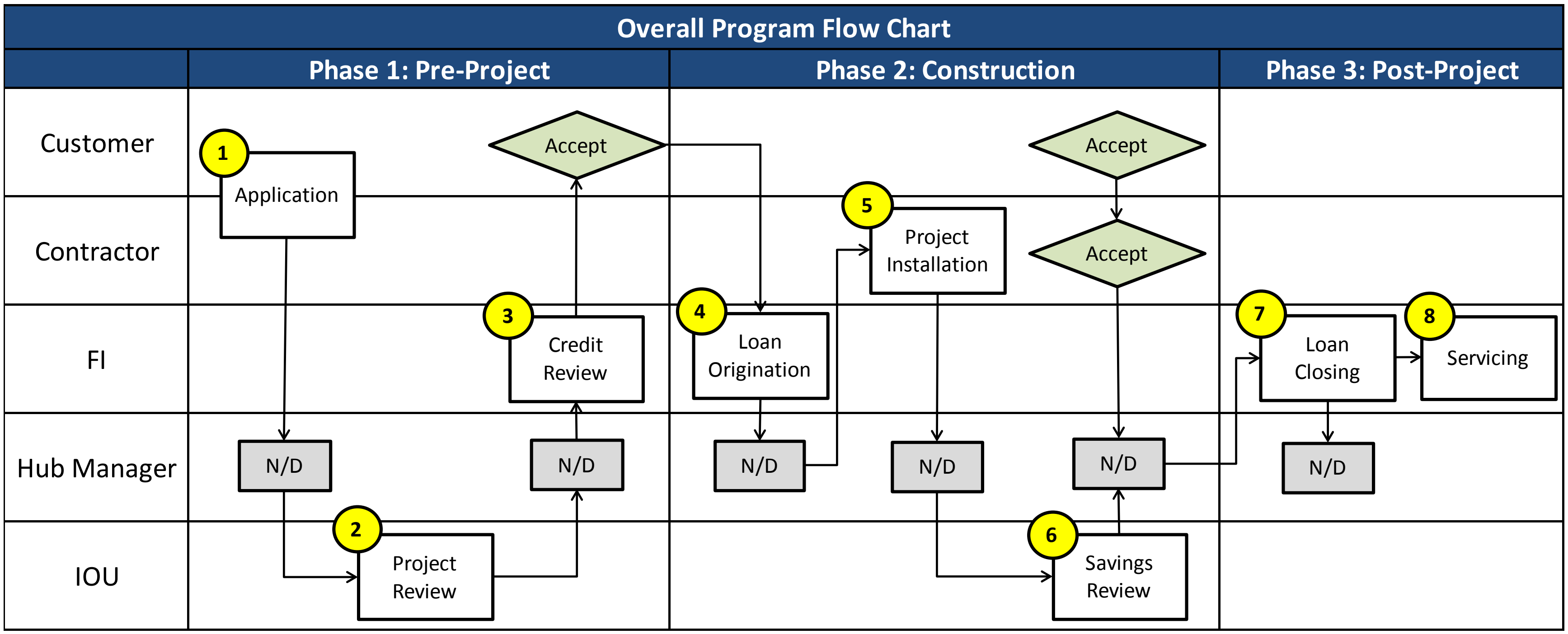
[11] Credit enhancement funds will be allocated to appropriate financial institution trustee account at the point of loan closing (7).

12. FI receives completion certificate and any other required documents.
13. FI funds loan to Customer, Contractor or both (two-party check).
14. FI provides appropriate documentation to CAEATFA.
15. CAEATFA directs trustee to transfer credit enhancement from IOU account to FI's account at the Trustee.
16. A verification of the customer IOU account will be conducted to verify status. This step could be part of the approval process or may be streamlined to be verified in batches at a later stage.

m) Sub-program Process Flow Chart:

The process flowcharts below illustrate the process flow for the indirect and direct single family loan programs are expected to operate. The first of the Flow Charts illustrates how the program is expected to operate for multi-measure retrofits (e.g. Home Upgrade) and the second two illustrate how the single family direct and indirect financing is expected to operate. Specific details of how the programs will operate will vary in actual implementation. Note that in each of these programs, that the process flow is designed to be as easy as possible from the perspective of the customer, the contractor and the financial institution. The priority is to develop programs that function with sufficient oversight to be able to assure compliance with Decision orders while also keeping the program as simple as possible, in order to stimulate maximum participation.

**Single Family Direct Loan Program Flow Chart**



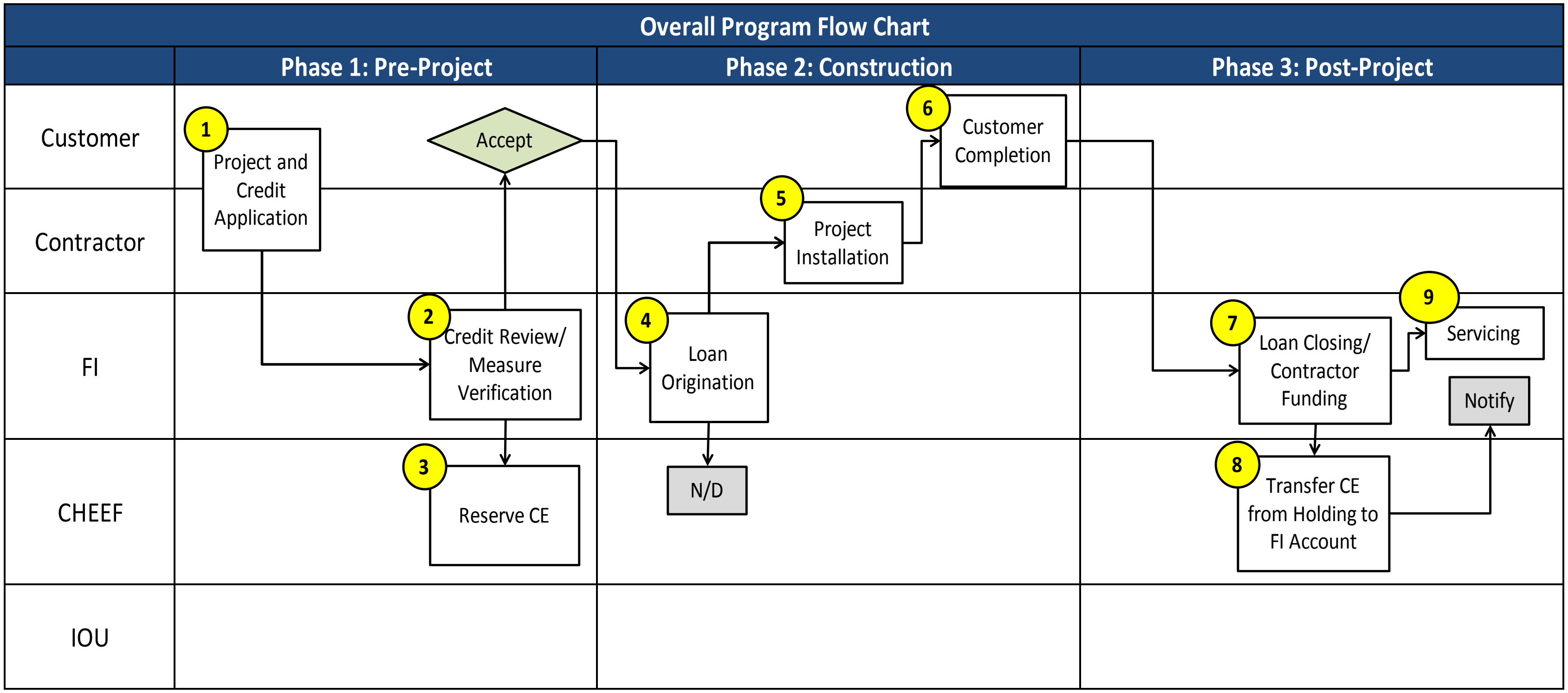

**Key**

# **Stage Indicator =** Designates Process Flow Stage

N/D **Notify/Data =** Hub notified of Stage completion and data normalized

Accept **Accept and Move to Next Phase =** Acceptance required before project moves to next Phase

**Direct Financing - Single Measure - Single Family Loan Program**



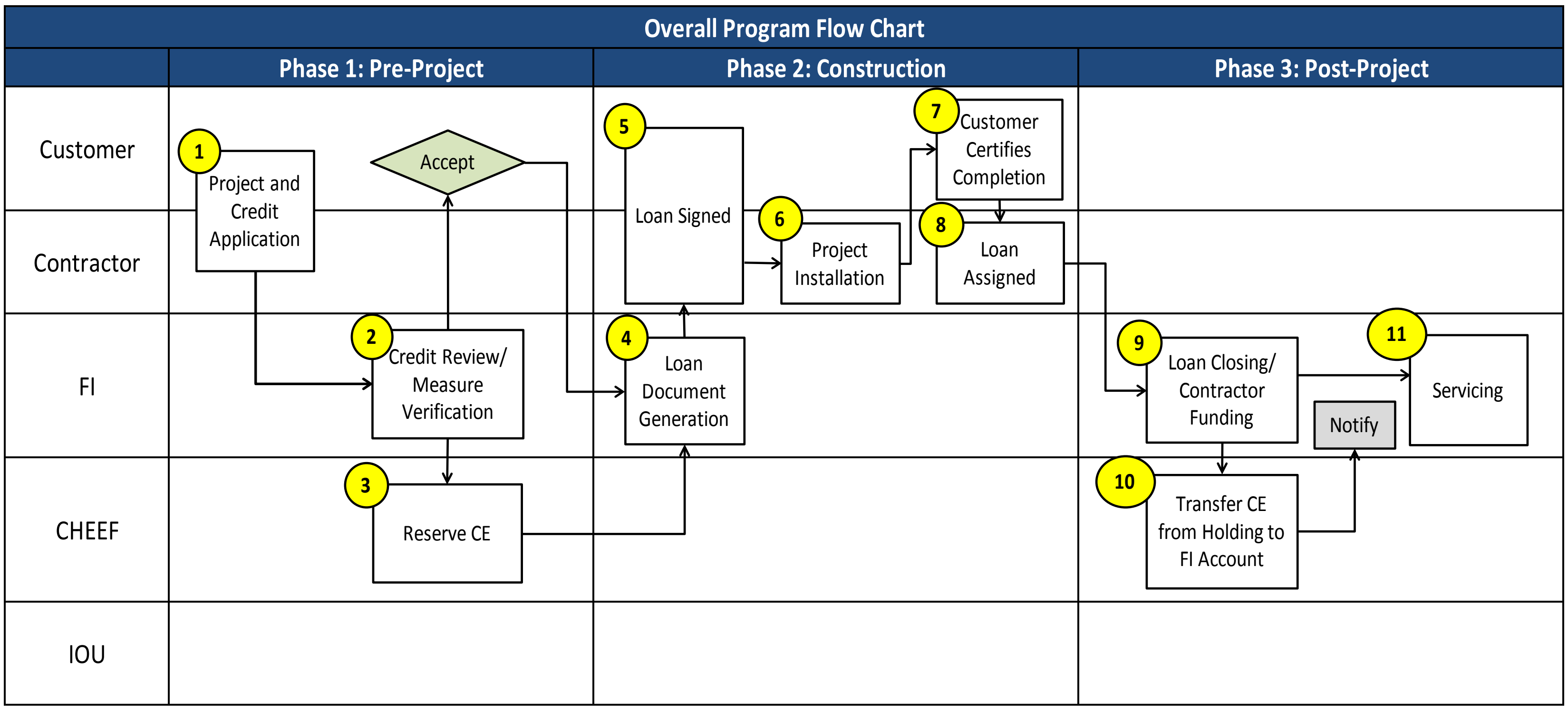

**Key**

**Stage Indicator =** Designates Process Flow Stage

**Notify/Data =** CHEEF notified of Stage completion and applicable energy and finance data normalized

**Accept and Move to Next Phase =** Acceptance required before project moves to next Phase

**Indirect Financing - Single Measure - Single Family Loan Program**




**Key**

\# **Stage Indicator =** Designates Process Flow Stage

N/D **Notify/Data =** CHEEF notified of Stage completion and applicable energy and finance data normalized

Accept **Accept and Move to Next Phase =** Acceptance required before project moves to next Phase

n) **Cross-cutting Sub-program and Non-IOU Partner Coordination:**[12]:

The Single Family Loan Program will coordinate with all IOU/REN residential rebate/incentive programs, as well as the Statewide ME&O Program.

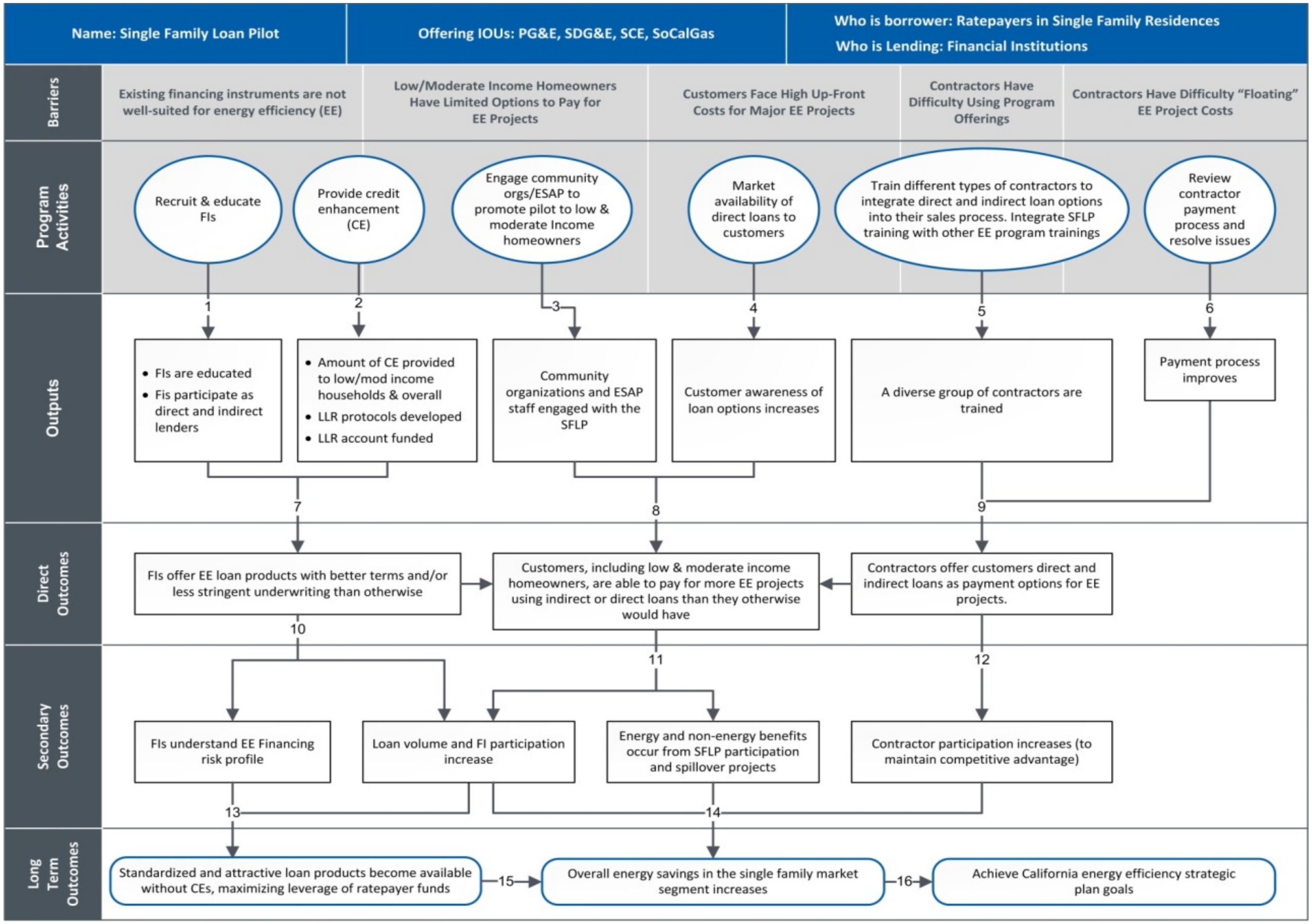
Table 15: Cross-cutting Sub-program and Non-IOU Partner Coordination

| Sub-Program Name | | |
|---|---|---|
| Other IOU Sub-program Name | Coordination Mechanism | Expected Frequency |
| Coordination Partners Outside CPUC | | |
| Contractors | ME&O | Quarterly |
| Distributers | ME&O | Quarterly |
| CAEATFA | ME&O | Quarterly |
| Financial Institutions | ME&O | Quarterly |
| Community Based Organizations | ME&O | Quarterly |

Note: "Mechanisms" refers to communication methods (i.e. quarterly meetings; internal list serves; monthly calls, etc.) and/or any cross-program review methods (i.e., feedback on program plans; sign off on policies, etc.) or harmonization techniques (i.e. consistent certification requirements across programs, program participant required cross trainings, etc.)

[12] This does not mean there would be mutual understanding of the on the mechanism or a known frequency of coordination; rather, just provide enough information to give a general sense of the coordinate efforts.

o) Logic Model:




SFLP = Single Family Loan Pilot ESAP = Energy Savings Assistance Program FI = Financial Institution CE = Credit Enhancement LLR = Loan Loss Reserve EE = Energy Efficiency

Direct loans are made by the FI to the customer. Indirect loans are offered by contractors.

11) Additional Sub-Program Information

a) **Advancing Strategic Plan Goals and Objectives**:

As underscored by the California Long Term Energy Efficiency Strategic Plan (the "Strategic Plan"), innovative financing is a major EE strategy for California's single family sector. A key strategy in the Strategic Plan's Residential and Low Income section is "**5. Financing**: Work with the financial community to develop innovative and affordable financing options for [EE] buildings and retrofits" (p. 2-12), a goal that is directly advanced by this sub-program. Furthermore, this sub-program makes important contributions to the Strategic Plan's call to:

- Identify "needed tools, instruments, and information necessary to attract greater participation of capital markets in funding efficiency transactions" (p. 2-16),
- "[D]evelop financial products and programs…to encourage demand for energy efficiency building products, home systems and appliances" (strategy #2-4, p. 2-21),
- "Investigate the feasibility of [EE] lending products"(p. 2-21), and
- Use EE financing to meet closely related goals, namely HVAC and lighting efficiency.

b) **Integration**

i. **Integrated/coordinated Demand Side Management**:

- See Sub-Program Specific Marketing and Outreach

Table 16: Non-EE Sub-Program Information

N/A

ii. **Integration across resource types**

Table 16: Non-EE Sub-Program Information

| Sub-Program Name | | |
|---|---|---|
| Non-EE Sub-Program | Budget | Rationale and General Approach for Integrating Across Resource Types |
| N/A | | |

c) **Leveraging of Resources**:

- See Sub-Program Specific Marketing and Outreach

d) Knowledge Transfer:

Best practices will be identified and shared through frequent communication between the statewide IOUs, CAEATFA, and other stakeholders. Additionally, the statewide IOUs and the consultants engaged to help with the financing pilot programs will monitor developments in other EE Financing programs nation-wide and outside of the U.S. The IOUs will also work with industry experts on a quarterly basis to ensure that program partners provide feedback concerning best practices and lessons learned.

Commission Decision (D.)13-09-044 also requires CAEATFA, with assistance from the Southern California Gas Company, to submit quarterly reports on the pilot program uptake. These quarterly reports will aid in evaluating the pilots to determine any necessary program or budgetary changes.

12) Additional information as required by Commission decision or ruling or as needed:

Decision 09-09-047, pp. 48 – 49 provides instruction regarding information to be submitted for pilot programs. The following addresses the 10 criteria required for pilot programs.

a. A specific statement of the concern, gap, or problem that the pilot seeks to address and the likelihood that the issue can be addressed cost-effectively through utility programs.

The pilot seeks to overcome the first-cost barrier of acquiring EE in the Single Family residential market and, therefore, to increase overall savings from EE. Current rebate programs pay a portion of the cost of the EE upgrade. Financing pilots, on the other hand, help a customer finance 100% of the initial EE cost of the upgrade, net of any applicable and selected rebates, and subject to repayment. As a result, it is anticipated that customers who do not otherwise have the funds readily available will be able to use financing to pay for EE upgrades.

The areas of concern for the pilot are:

- *Financial institutions may not participate in large numbers.*

  To mitigate this concern, the IOUs reached out to financial institutions at the very early developmental stages of the program to build a program that will be attractive to them.

- *Customers may not use the pilot offering.*

  The pilot is designed to invite loans with attractive interest rates and terms from FIs to customers through CEs. Further, this pilot includes a marketing and outreach campaign that is well integrated with existing rebate/incentive programs and contractor networks.

b. Whether and how the pilot will address a Strategic Plan goal or strategy and market transformation.

The SFLP significantly addresses numerous Strategic Plan goals and strategies. As detailed above in Section 11 A., EE financing is a very important pillar of the Strategic Plan's approach, specifically including the Single Family residential sector.

Additionally, the Strategic Plan describes five "policy tools" for Market Transformation, the first of which explains that "*Customer Incentives* including…innovative or discounted financing…are the 'carrots' that help *pull* consumers into choosing the efficient option." (p. 1-5).

c. Specific goals, objectives and end points for the project.

The SFLP seeks to:

a. Stimulate financial institutions to provide capital to EE upgrade markets in the Single Family sector.
b. Increase overall energy savings from EE via EE financing.
c. Leverage with private capital.
d. Provide for specific outreach and CE funding for low and moderate income customers; approximately one-third of authorized LLR funds should be used to offer higher credit enhancements for these single family residents.

The pilot seeks to deploy CEs during the program period. These credit enhancements will come in the form of a loan loss reserve for the single family residential market, meaning that for every loan closed, no more than 20% of the outstanding value of that loan will be held in reserve for the life of that loan.

Lenders will be able to recover at least 70%, but no more than 90%, of the total principal amount of the eligible loan value, with the specific percentage to be determined through CAEATFA's regulations.

d. New and innovative design, partnerships, concepts or measure mixes that have not yet been tested or employed.

Financing is a well-established method to boost purchases of many types of products including real estate, vehicles and other equipment, and other upgrades to homes such as windows and kitchen upgrades.

The pilot relies on several innovative design features that have not been extensively tested in California. These include:

- Credit enhancements: Credit enhancements can reduce interest rates, increase the duration of loans, or make credit underwriting terms more flexible than they otherwise would be. The pilot will enable testing of the effect of credit enhancements on loan features.

- Contractor engagement in financing: Several financing programs have operated in California to support EE, although many of them have operated through a direct loan process, whereby consumers apply directly to a financial institution for loan financing. By contrast, this pilot allows an indirect loan financing mechanism, whereby contractors can take a loan application and submit it on behalf of the consumer to a financial institution for approval.

  Home improvements are traditionally sold using this indirect loan process, and this pilot will test the relative effectiveness of these indirect and direct lending processes for EE.

- Integration of financing and incentive programs: This pilot will help test the most effective ways for customer rebate/incentive programs to be integrated effectively with third party financing. The pilot is designed to leverage requirements from existing rebate/incentive programs to help streamline the process for customers seeking to access both rebates and financing for installed EE measures.

e. A clear budget and timeframe to complete the project and obtain results within a portfolio cycle - pilot projects should not be continuations of programs from previous portfolios.

   See Table 1 and Item 10a.

f. Information on relevant baselines metrics or a plan to develop baseline information against which the project outcomes can be measured.

   The Statewide Research Roadmap specifies the mechanism for which energy and demand savings will be determined for the Finance Pilots. In addition, the IOUs are conducting research to develop various requirements of the Pilots including logic models, Program Performance Metrics and related design parameters.

g. Program performance metrics.

Table 17: Single Family Loan Program Performance Metrics

<table>
<tr><th>Short-term Program PPMs:</th><th>Measurement Approach</th><th>Data Source</th><th>D. 13-09-044 Considerations</th><th>Metric Type</th></tr>
<tr><td>PPM 1:<ul><li>Loan principal outstanding</li><li>Total lent</li></ul></td><td>The data working group will determine how to track total lent and total principal outstanding at all times for two customer categories*<ul><li>Low to Moderate Income</li><li>Greater than Moderate Income</li></ul></td><td>CHEEF and/or Data working group</td><td>Page 31 “increase the volume of EE financing”</td><td>2a</td></tr>
<tr><td>PPM 2: Types of measures installed in projects getting financing</td><td>Project information should be tracked by the pilot or applicable rebate program. For purposes of reporting this PPM, program managers should consider categories such as:<ul><li>HVAC (central heating and cooling, fans, motors)</li><li>Envelope (air seal, insulation)</li><li>Plug Load (Washer)</li></ul>The table below shows an example of a project tracking table for this PPM. When reporting this metric, the aggregated distribution of measure types can be provided.<table><tr><th>Category</th><th>Project 1</th><th>Project 2</th></tr><tr><td>1</td><td>✓</td><td></td></tr><tr><td>2</td><td></td><td>✓</td></tr><tr><td>3</td><td></td><td>✓</td></tr></table></td><td>Leverage existing program tracking systems, or require as part of the loan application.</td><td>Page 10 “In the Guidance decision, we committed to developing scalable and leveraged financing products to lead consumers to engage in deeper, more comprehensive EE projects than available through current programs</td><td>2a</td></tr>
</table>

* http://www.hcd.ca.gov/hpd/hrc/rep/state/inc2k13.pdf

On June 3, 2013, the IOUs filed Advice Letter (AL) 3389-G/4234-E which advised the Commission that the IOUs are working to assess financing utilization in the EE portfolio and developing PPM recommendations. The pilot metrics shown above were designed to meet criteria defined by the CPUC as fulfilling the EE Strategic Plan, portfolio development, and program specific evaluation efforts.

The IOU's will analyze the data collected during the 2013-2015 pilot period to better assess future projections for these PPMs if the pilots are converted into "mainstream" programs. As such, the IOUs do not establish targets for these PPMs at this time.

h. Methodologies to test the cost-effectiveness of the project.

Since the finance pilots have energy and demand objectives, the methods contained in the Standard Practice Manual will be used to determine cost effectiveness. The EM&V studies will provide major inputs for final cost effectiveness calculations.

i. A proposed EM&V plan.

The Statewide Research Roadmap specifies the mechanism for which energy and demand savings will be determined for the Finance Pilots. The Research Roadmap is a detailed plan which describes each of the studies being conducted on the financing pilots by each of the IOUs. Included in the plan are allocated budgets, key research questions and information needs of the program managers and other stakeholders. In addition, the IOUs are conducting research to develop various requirements of the Pilots including logic models, Program Performance Metrics and related design parameters.

j. A concrete strategy to identify and disseminate best practices and lessons learned from the pilot to all California utilities and to transfer those practices to resource programs, as well as a schedule and plan to expand the pilot to utility and hopefully statewide usage.

See Section 11.e.

Decision 13-09-044, Fast-Track / OBR PIPs

- The single credit enhancement pool for each pilot program made available to all Financial Institutions is to draw down from on a first-come-first-served basis (pp. 23 – 24).

  This requirement will apply to the Single Family Loan Program Pilot and will be further addressed in CAEATFA's regulations.

- Up to $10 million from EE funds allocated as necessary costs are documented and invoiced to fund marketing, education, and outreach (ME&O) plans customized for the authorized EE finance pilots, as follows: (1) up to $8 million to be expended in coordination with the statewide ME&O plans under consideration in Application 12-08-007, et al., and (2) up to $2 million to the CHEEF to perform non-duplicative ME&O for contractors and financial institutions (Ordering Paragraph 1.vi.).

  See Table 1 for the portion of the $8 million allocated by the IOUs to the Single Family Loan Program "Fast Track" pilot. As directed, the IOUs will expend these amounts as proposed in Section 10.h, which describes the local marketing plan for the pilot. The local marketing plan will be done in coordination with the statewide ME&O plan, which is developed and funded under Application 12-08-007 et. al. The IOU budget for local marketing activities in total will not exceed the $8 million designated expenditures provided under D.13-09-044.

- CPUC requires an estimate of bill impacts of the EE project to be financed be presented by the contractor to the customer at the time they are making the commitment to the project to insure an informed decision (p. 81).

  See Section 10.d.ii. for the contractor requirements for this pilot program.

- ME&O plans shall include training for all pilot programs, including engaging FIs, contractors, and other market participants and borrowers (p. 84).

  See Section 10.h. for the ME&O plan for this pilot program.

- The PIP should establish appropriate program reporting by FIs and marketing steps, particularly with experienced community-based organizations, designed to achieve this goal (p. 33).

  See Section 10.h. for marketing steps.

- CAEATFA/SoCalGas reference the data protocols (from the DWG final report) in the pilot PIPs since the data fields could differ by pilot (D.13-09-044, Appendix D).

  This is addressed in Section 12 (additional information), and is noted as To Be Determined (TBD) at this time. Pursuant to D.13-09-044, the data protocols subject to the Data Working Group (DWG) report are to be submitted on December 15, 2013. Thus, it is not possible to submit the protocols from the final report at this time.

ATTACHMENT 1

## Program Non-Energy Objectives

For New or Substantially changed programs and sub-programs, provide the following information for Program Non-Energy Objectives and follow the format used for the previous cycle Program Performance Metrics found in Resolution E-4385.

i. **List the primary SMART[13] non-energy objectives of the program.** These should correspond to key methods identified above to overcome the market barriers, areas of concern or gaps, and to the outputs and short, mid- and long-term non-energy outcomes identified in the logic model requested below.

   The SFLP will evaluate its influence on the market actors that support single family loans. This includes examining the number of educated and trained contractors that are participating in the program, in addition to FIs and other market actors. This pilot will also evaluate processing time for receiving a loan (from start to finish) as well as loan values based on EE work. The pilot participation results will offer useful perspectives on the effectiveness of these pilot approaches, best practices, and lessons learned, and expected benefits of expanding the pilot to become a full-scale program.

   This pilot introduces a mechanism to test and compare two types of single family financing products: indirect financing and direct loans. Training will be conducted to educate both FI's and contractors on overcoming financing barriers.

ii. **For each SMART objective, identify the quantitative targets, direction or percent of change that you hope to achieve during the program cycle.**[14]

   The IOUs will work to determine the baseline for existing participation within the statewide financing programs. This will allow for the IOUs to measure incremental single family loan participation. The IOU's will analyze the data collected during the 2013-2015 pilot period to better assess future projections for non-energy objectives if the pilots are converted into "mainstream" programs. As such, the IOUs do not establish targets at this time.

iii. **For each proposed SMART objective, describe any relevant baseline data on current market conditions that you have assembled or plan to assemble and the sources.**

   The utilities will develop meaningful baseline and market transformation concepts and metrics for programs that do not currently have them, and then propose to design and

[13] A SMART objective is one that is **S**pecific (i.e. quantitative and quantifiable generally, in terms of the results to be achieved**), M**easurable, **A**mbitious, **R**ealistic, and **T**ime-bound.
[14] Please also add any new program objectives and quantitative targets for statewide programs to the portfolio PPM/MTI reporting template.

administer studies to gather and track consistent, reliable and valid baseline and market effects data.

Each IOU will look at past program participation rates of other similar programs, current market conditions, current economic conditions, available work-paper/studies, baseline data, and customer mix and penetration.

iv. Quantitative program targets (PPMs): If not already provided above, indicate estimates of the number of measure units, buildings, etc. projected to be treated by the sub-program.

On June 3, 2013, the IOUs filed Advice Letter (AL) 3389-G/4234-E which advised the Commission that the IOUs are working to assess financing utilization in the EE portfolio and developing PPM recommendations. The pilot metrics shown above were designed to meet criteria defined by the CPUC as fulfilling the EE Strategic Plan, portfolio development, and program specific evaluation efforts. The IOU's will analyze the data collected during the 2013-2015 pilot period to better assess future projections for these PPMs as pilots are converted into statewide programs.

# ATTACHMENT C

# OFF-BILL SMALL BUSINESS LEASE PROVIDERS PROGRAM

# PROGRAM IMPLEMENTATION PLAN

2013 – 2015 Energy Efficiency Programs
Statewide Finance Pilot Sub-Program
Program Implementation Plan Template

1) Sub-Program Name: Off-Bill Small Business Lease Providers Pilot
2) Sub-Program ID number:
   a. SoCalGas: SCG3788
   b. SDG&E: SDGE 3296
   c. SCE: SCE-13-SW-007F
   d. PG&E: PGE_210936
3) Type of Sub-Program: __Core __Third Party __Partnership _X_ Pilot
4) Market sector or segment that this sub-program is designed to serve[1]:

   a. __ Residential
      i. Including Low Income? __ Yes __ No;
      ii. Including Moderate Income? __ Yes __ No.
      iii. Including or specifically Multifamily buildings __ Yes __ No.
      iv. Including or specifically Rental units? __ Yes __ No.
   b. _X_ Commercial (List applicable NAIC codes: ________________)
   c. _X_ Industrial (List applicable NAIC codes: ____________________)
   d. _X_ Agricultural (List applicable NAIC codes: _________________)
   *Note:* No NAICS codes included because this pilot applies across the full commercial, industrial, and agricultural sectors.

5) Is this sub-program primarily a:
   a. Non-resource program ___ Yes _X_ No
   b. Resource acquisition program _X__ Yes ___ No
   c. Market Transformation Program ___ Yes _X__ No

6) Indicate the primary intervention strategies:

   a. Upstream ___ Yes _X__ No
   b. Midstream ___ Yes _X__ No
   c. Downstream _X__ Yes ___ No
   d. Direct Install __ Yes _X_ No
   e. Non Resource __ Yes _X_ No

7) Projected Sub-program Total Resource Cost (TRC) and Program Administrator Cost (PAC) TRC ___ PAC ___

   TRC and PAC analyses are subject to the development, submission, and final California Public Utilities Commission (CPUC) disposition of the work paper to be submitted pursuant to D.13-09-044. The work paper will contain the methodology for calculating incremental energy savings for the Finance Pilot Programs. The Pilot's TRC and PAC will be studied during the pilot period and assessed ex-post.

[1] Check all that apply

8) Projected Sub-Program Budget

Table 1: Projected Sub-Program Budget, by Calendar Year

| SoCalGas | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/General Overhead ($) | $4,814 | $31,931 | $35,361 | $72,107 |
| Direct Implementation ($) | $19,941 | $52,152 | $43,052 | $115,146 |
| Credit Enhancements (CE) ($) | $0 | $128,390 | $260,670 | $389,060 |
| Marketing & Outreach ($) | $18,194 | $109,165 | $54,582 | $181,941 |
| Total IOU Budget ($) | $42,950 | $321,638 | $393,666 | $758,254 |

| SDG&E | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/General Overhead ($) | $11,235 | $22,471 | $22,471 | $56,177 |
| Direct Implementation ($) | $22,471 | $44,942 | $44,942 | $112,355 |
| Credit Enhancements (CE) ($) | $0 | $178,269 | $346,052 | $524,321 |
| Marketing & Outreach ($) | $0 | $133,756 | $133,756 | $267,512 |
| Total IOU Budget ($) | $33,706 | $379,438 | $547,221 | $960,365 |

| SCE | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/General Overhead ($) | $7,971 | $7,971 | $7,971 | $23,914 |
| Direct Implementation ($) | $108,844 | $199,234 | $59,668 | $367,745 |
| Credit Enhancements (CE) ($) | $0 | $495,143 | $742,715 | $1,237,858 |
| Marketing & Outreach ($) | $0 | $130,002 | $64,031 | $194,033 |
| Total IOU Budget ($) | $116,815 | $832,350 | $874,385 | $1,823,550 |

| PG&E | Program Year | | | |
|---|---|---|---|---|
| Sub-Program | 2013 | 2014 | 2015 | Total |
| Admin/General Overhead ($) | $49,988 | $99,976 | $99,976 | $249,939 |
| Direct Implementation ($) | $19,226 | $38,452 | $38,452 | $96,131 |
| Credit Enhancements (CE) ($) | $0 | $520,258 | $1,056,282 | $1,576,540 |
| Marketing & Outreach ($) | $21,112 | $253,344 | $147,784 | $422,240 |
| Total IOU Budget ($) | $90,326 | $912,030 | $1,342,494 | $2,344,850 |

Note: CHEEF implementation costs are reflected in the CHEEF PIP per CPUC direction (Appendix F, D.13-09-044).

## 9) Sub-Program Description, Objectives and Theory

### a) Sub-Program Description and Theory:

i. Financing

The goal of the Off-Bill Small Business Lease Providers Pilot (Pilot) is to test the premise that a lease option with a credit enhancement will increase the number and comprehensiveness of energy efficiency (EE) projects in the small business market segment. Offering Equipment Leases as an off-bill option allows for the launch of the Pilot prior to the availability of the On-Bill Repayment option and will test the premise that some leases for small business customers, due to their small size will be more effectively administered through traditional, off-bill methods.

The pilot is premised upon the idea that, despite the incentives and general financing options currently available, many customers choose not to engage in EE because the first-cost barrier is still too high. The Pilot will test whether a more attractive lease option can help overcome barriers to financing EE projects.

The leases under this pilot will primarily be capital leases. The equipment leases allowed under this pilot will be defined by CAEATFA in its rulemaking for equipment leases.

ii. Market Gaps and Means to Address Gaps

Small business customers often rent/lease their space and can be cash constrained. Although financing tools are already available in the market to customers through several different financial instruments, these existing instruments may not be well-suited to financing for EE for some customers. For example, credit card-based revolving products are convenient and inexpensive to originate but generally come at a high cost to the business owner. Some business owners may have access to lines of credit through their banks, or to other bank-based small business lending products, however, they tend to be used primarily for core business activities such as equipment used in the course of revenue-generating business, and are infrequently used for EE upgrades. Business loans are available to some businesses, but the size of most EE upgrades – often less than $50,000 -- are often too small to incent most lessors to offer loans for these types of projects. As a result, these basic finance products tend to add too much cost to an EE project and create a disincentive for customers to do EE upgrades.

The commercial lease offering that this pilot is testing offers several features that are well-suited to the small business market. This sector is often characterized by small deal sizes, which require streamlined and efficient origination processes.

A key goal of the Pilot is to stimulate lease originators to offer attractively priced, fast-origination capital leases off the utility bill (off-bill) that are appropriate for the small business market. Leases may be attractive to customers because of the following characteristics of lease originators:

- Lease originators operate a streamlined lease origination process, typically involving a single-page application and fast approval times for those applications that are less than approximately $100,000. These sub-$100,000 projects are typical of the small business EE market.
- In many cases, lease companies are able to close financing on the basis of simpler documentation than is possible in other financing structures, thus reducing transaction costs and time for the applicants.
- The streamlined and standardized application processes for lease originators should enable them to originate financing at a low cost – and thus to fund small projects that are challenging for more typical bank lessors.
- Lease originators often have access to sources of capital that can enable greater flexibility in financing terms than are available for other financial products.
- Lease originators are able to match capital leases to the expected useful life of the EE measures being installed by the customer.

iii. Credit Enhancement Mechanism

The Pilot will provide a credit enhancement and a variety of programmatic supports (contractor networks, marketing, etc.) to attract private capital and to build lease volumes. These credit enhancements are expected to come in the form of a "loan loss reserve" (LLR) of up to 20%. Details of the credit enhancement structure are to be developed through the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) public rulemaking process.

Ultimately, all of the Finance Program pilots are designed to test the effectiveness of financing and credit enhancements that are integrated with utility incentive programs to enhance customer and financial institution uptake. The pilot results will offer useful perspectives on the effectiveness of these approaches and on the usefulness of potentially expanding the pilots to become full-scale programs.

iv. Data collection

The Pilot will coordinate its data collection efforts with the Data Working Group's goals. The specifications of this effort will take into consideration the public workshop on the Finance Pilots' data collection that took place on November 13, 2013. The final determination for specific data to be collected from this Pilot will be based on the Data Working Group's Final Report due by December 15, 2013.

v. The following are areas of concern for this Pilot:

- *Will financial institutions participate in the pilot?*

  This concern has been addressed by reaching out to financial institutions at the development stages of the program to build a program that will be attractive to them. The Pilot is designed to attract two to four financial institutions to create a viable pilot that tests the premise described above.

- *Will customers use the pilot offering?*

  It is important to note that the lease Pilot is a market-based financial offering, in contrast to the 0% loans available through the On-Bill Financing (OBF) sub-program. As a result, the Pilot may have less participation than OBF. A credit enhancement to reduce rates and improve terms, broader terms than OBF, and a marketing and outreach campaign that is well integrated with existing IOU rebate/incentive programs and contractor networks, are included to address this issue.

b) Sub-Program Energy and Demand Objectives - The IOUs will submit a work paper containing a proposed methodology for claiming energy savings for Finance Program pilots in the fourth quarter of 2013. Demand impacts will be evaluated during the pilot period and assessed ex-post.

Table 2: Projected Sub-Program Net Energy and Demand Impacts, by Calendar Year

| SoCalGas | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | TBD | TBD | TBD | TBD |
| Peak MW | TBD | TBD | TBD | TBD |
| Therms (millions) | TBD | TBD | TBD | TBD |

| SDG&E | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | TBD | TBD | TBD | TBD |
| Peak MW | TBD | TBD | TBD | TBD |
| Therms (millions) | TBD | TBD | TBD | TBD |

| SCE | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | TBD | TBD | TBD | TBD |
| Peak MW | TBD | TBD | TBD | TBD |
| Therms (millions) | TBD | TBD | TBD | TBD |

| PG&E | Program Years | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Total |
| Sub-program Name | | | | |
| GWh | TBD | TBD | TBD | TBD |
| Peak MW | TBD | TBD | TBD | TBD |
| Therms (millions) | TBD | TBD | TBD | TBD |

* TBD = "to be determined." Savings for 2013 - 2015 will be subject to the disposition of the work paper to be submitted to the Commission for review by December 1, 2013.

c) Program Non-Energy Objectives:

The Pilot's main Non-Energy Objective is to test the premise that a capital lease option with a credit enhancement will drive increased uptake of energy efficiency (EE) projects in the small business market segment.

The Pilot intends on accomplishing this goal by stimulating financial institutions to provide capital to EE upgrade markets in the small business market segment. These objectives will be monitored through the collection of data on lease transaction volume, both dollar amount and number of leases.

An additional Non-Energy Objective for this Pilot is to decrease EE implementation costs for small businesses by providing a way for Lease Originators to provide more attractive leases by gaining a better understanding of the EE lease risk profile and through more deal volume.

d) Cost Effectiveness/Market Need:

Since the finance pilots have energy and demand objectives, the methods contained in the Standard Practice Manual will be used to determine cost effectiveness.

e) Measure Savings/ Work Papers:

Table 3: Workpaper Status

| # | Workpaper Number/Measure Name | Approved | Pending Approval | Submitted but Awaiting Review |
|---|---|---|---|---|
| 1 | TBD by EM&V | | | |

TBD: The IOUs will submit a work paper containing a proposed methodology for claiming energy savings for financing pilot programs in the fourth quarter of 2013. Demand impacts will be evaluated during the pilot period and assessed ex-post.

10) Program Implementation Details

a) Timelines:

Table 4: Sub-Program Milestones and Timeline

*Note:* The expected dates for several of these events are sequential and dependent on milestones to be met by State agencies, financial institutions and/or other parties, and are subject to adjustment necessitated by any delays beyond the IOUs' control.

| Milestone | Expected Date |
|---|---|
| Lessor recruitment and contractor training begin; Development of marketing program begins | December 2013 – January 2014 |
| CAEATFA develops emergency regulations | Proposed regulations posted online by January 2014 |
| CAEATFA Board approves emergency regulations | January 2014 |
| CAEATFA issues Request for Proposal (RFP) to select lease companies | January 2014 |
| RFP response period deadline | January 2014 |
| CAEATFA reviews RFP responses from lease companies | January / February 2014 |
| Office of Administrative Law (OAL) approves emergency regulations | February 2014 |
| CAEATFA Board considers contracts with lease companies for approval | February 2014 |
| Integration of financing with IOU incentive program delivery defined and implemented (see Marketing, Education, and Outreach (ME&O) section) | First Quarter 2014 |
| Department of General Services (DGS) approves CAEATFA contracts with lease companies | March 2014 |
| CAEATFA directs trustee to establish accounts for lease companies | March 2014 |
| First lease funds | April 2014 |
| Mid-Term CPUC Pilot Review | January or February 2015 |

b) Geographic Scope:

Table 5: Geographic Regions Where the Program Will Operate

| Geographic Region | SDG&E | SCG | SCE | PG&E |
|---|---|---|---|---|
| CEC Climate Zone 1 | | | | X |
| CEC Climate Zone 2 | | | | X |
| CEC Climate Zone 3 | | | | X |
| CEC Climate Zone 4 | | X | | X |
| CEC Climate Zone 5 | | X | | X |
| CEC Climate Zone 6 | X | X | X | |
| CEC Climate Zone 7 | X | X | X | |
| CEC Climate Zone 8 | | X | X | |
| CEC Climate Zone 9 | | X | X | |
| CEC Climate Zone 10 | X | X | X | |
| CEC Climate Zone 11 | | | | X |
| CEC Climate Zone 12 | | | | X |
| CEC Climate Zone 13 | | X | X | X |
| CEC Climate Zone 14 | X | X | X | |
| CEC Climate Zone 15 | | X | X | |
| CEC Climate Zone 16 | | X | X | X |

### c) Program Administration

Table 6: Program Administration of Program Components

| Program Name | Program Component | Implemented by IOU Staff? (X = Yes) | Implemented by contractors to be selected by competitive bid process (if Yes then enter type of contractor/other market actor possibly used) | Implemented by contractors NOT selected by competitive bid process (list prime contractor and sub-contractor names) | Implemented by local government or other entity [CAEATFA] ( X = Yes) |
|---|---|---|---|---|---|
| Off-Bill Sm. Bus. Lease Providers Pilot | Program Application Process | | | | X |
| Off-Bill Sm. Bus. Lease Providers Pilot | IOU Participant | X | | | X |
| Off-Bill Sm. Bus. Lease Providers Pilot | IOU Non-Participants | | | | |
| Off-Bill Sm. Bus. Lease Providers Pilot | Credit Review | | Lease Originators | | |
| Off-Bill Sm. Bus. Lease Providers Pilot | Lease Origination | | Lease Originators | | |
| Off-Bill Sm. Bus. Lease Providers Pilot | Lease Payments | | Lease Originators | | |
| Off-Bill Sm. Bus. Lease Providers Pilot | Credit Enhancements | X | | | X |
| Off-Bill Sm. Bus. Lease Providers Pilot | Local Marketing, Education, & Outreach (ME&O) (See note below) | X | Lease Originators | | X |
| Off-Bill Sm. Bus. Lease Providers Pilot | Evaluation, Measurement, & Verification (EM&V) | X | | | |

Local ME&O will be done in coordination with the Energy Upgrade California statewide marketing campaign.

d) **Program Eligibility Requirements:**

CAEATFA may set forth program eligibility requirements, in addition to those addressed below, during its public process for developing program regulations.

i. Customers:

Table 7: Customer Eligibility Requirements (Joint Utility Table)

| Customer Eligibility Requirement (list of requirements) | PG&E | SCE | SDG&E | SCG |
|---|---|---|---|---|
| Small business customer as defined by the Small Business Administration found at 13 C.F.R. 121 | X | X | X | X |
| Project site within utility territory on a non-residential meter/rate | X | X | X | X |

ii. Contractors/Participants:

Contractor Eligibility Requirements

Qualified contractors must hold an active license with the California Contractors State License Board for the work they perform, and must complete all work according to all applicable laws, rules, and regulations.

(1) For any project where the customer is participating in a CPUC-approved IOU incentive program(s), the contractor must meet the specific requirements of the program(s).

(2) For any project not participating in a CPUC-approved IOU 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. CAEATFA will create guidelines for the process of verifying these qualifications.

Table 8: Contractor/Participant Eligibility Requirements (Joint Utility Table)

| Contractor Eligibility Requirement (list of requirements) | PG&E | SCE | SDG&E | SCG |
|---|---|---|---|---|
| For any project where the customer is participating in a CPUC-approved IOU incentive program(s), the contractor must meet the specific requirements of the program(s). | X | X | X | X |
| For any project not participating in a CPUC-approved IOU 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. CAEATFA will create guidelines for the process of verifying these qualifications. | X | X | X | X |
| Contractors will be required to provide an estimate of potential energy bill (dollar) savings for the proposed EE project to the customer before the customer makes a decision about whether to pursue the project. | X | X | X | X |

Contractor Participation Requirements

Contractors will be required to provide and document an estimate of potential energy bill (dollar) savings for the proposed EE project to the customer before the customer makes a decision about whether to pursue the project.

iii. Lease Originators

Only Lease Originators selected through CAEATFA's competitive process will be eligible to participate in the Pilot. D.13-09-044 requires that CAEATFA enter into contracts with a minimum of two, and no more than four, Lease Originators. For projects in which the customer is receiving a rebate or incentive, leases will have to comply with IOU rebate and incentive guidelines for the installed life of incentivized products.[2] Additional details on requirements will be defined within the scope and evaluation criteria of CAEATFA's Lease Originator Request for Proposal.

[2] For example, the Statewide Customized Retrofit Manual specifies that "new equipment or system retrofit must guarantee energy savings for the effective useful life of the product or for a period of five years, whichever is less."

Table 9: Contractor/Participant Eligibility Requirements (Joint Utility Table)

| Financial Institution Eligibility Requirement (list of requirements) | PG&E | SCE | SDG&E | SCG |
|---|---|---|---|---|
| Only Lease Originators selected through CAEATFA's competitive process will be eligible to participate in the Pilot. D.13-09-044 requires that CAEATFA enter into contracts with a minimum of two, and no more than four, Lease Originators. | X | X | X | X |
| For projects in which the customer is receiving a rebate or incentive, leases will have to comply with IOU rebate and incentive guidelines for the installed life of incentivized products. | X | X | X | X |
| Additional details on requirements will be defined within the scope and evaluation criteria of CAEATFA's Lease Originator Request for Proposal. | X | X | X | X |

e) Program Partners:

a. Program coordination partners:

- CAEATFA – CAEATFA will serve as the interface between the lease originators and the credit enhancement fund. Since this program is off-bill, CAEATFA's role will be to receive data information from the Lessors on projects funded, to administer the credit enhancement funds and to report on the Pilot.
  - Pursuant to D.13-09-044, CAEATFA will subcontract with a Trustee Bank to hold credit enhancement funds allocated to this pilot program.
  - Pursuant to D.13-09-044, CAEATFA will subcontract with a Data Manager to aggregate data from the Finance Program pilots and prepare it for public consumption and program evaluation.

b. Other key program partners: Indicate any research or other key program partners:

- Contractors – Various types of contractors will participate in the program including: HVAC, insulation, mechanical, electrical, and plumbing. The contractor will propose a scope of work to a business owner, and will provide payment options including financing. The IOUs will leverage existing channels working with contractor partners. The IOUs will work with CAEATFA and participating lease providers to deliver contractor training.
- Distributors – Contractors acquire products from manufacturers though distributors. Distributors protect manufacturers from credit risk and

provide product information and marketing tools to contractors. Distributors are knowledgeable about financing and will review financing programs for their contractor customers. Distributors are expected to be supportive of credit enhanced, state-wide lease financing and will be helpful in promoting the pilot.

- Lease Originators – Two to four Lease Originators will be selected to participate in this Pilot. The Lease Originators will originate and service leases. The Lease Originators will be selected by CAEATFA's competitive RFP process, and will be further governed by the regulations CAEATFA will develop.
- California Center for Sustainable Energy (CCSE) – The IOUs and CAEATFA will coordinate with CCSE to ensure marketing financial products is done in coordination with the Energy Upgrade California statewide marketing brand campaign.

Table 10: Program coordination Partners

| Coordination Partner Information | PG&E | SCE | SDG&E | SCG |
|---|---|---|---|---|
| Contractors | X | X | X | X |
| Distributors | X | X | X | X |
| CAEATFA | X | X | X | X |
| Lease Originators | X | X | X | X |
| CCSE | X | X | X | X |

f) Measures and incentive levels:

To be eligible to access a credit enhancement under this pilot, Eligible Leases must consist of Eligible Measures.

Eligible Measures can consist of Eligible Energy Efficiency Measures (EEEMs) and Non-EEEM's which are both defined herein.

EEEMs are measures that have been approved by the Commission for a utility's EE rebate / incentive program, although the customer need not participate in the rebate / incentive program or receive an incentive or rebate to qualify for the lease.[3] EEEMs will be inclusive of measures that are approved as part of the utility EE programs.

Pursuant to D.13-09-044, the utilities have made publicly available the list of EEEMs on their websites at the following address:

[3] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 30.

SoCalGas – http://www.socalgas.com/for-your-business/energy-savings/ and http://www.socalgas.com/for-your-home/rebates/financing-tax-credits.shtml

SCE – https://myedison.sce.com/wps/portal/home/business/Energy-Efficiency-Financing

SDG&E – http://www.sdge.com/buyers-guide/

PG&E – http://www.pge.com/eef

D.13-09-044 determined that customers may be more likely to add EE projects while undertaking other improvement activities. For the 2013 – 2015 pilot period, the Commission deemed it reasonable and adopted a requirement that authorized EE pilot program financing qualifying for CEs must apply a minimum of 70% of the funding to EEEMs. Financing eligible for CEs may include funds for non-EEEMs totaling up to 30% of the loan total.

Table 11: Summary Table of Measures, Incentive Levels and Verification Rates

| | | | PGE | | SCE | | SDGE | | SCG | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Measure Group** | **Program Number** | **Market Actor Receiving Incentive or Rebate** | **Incentive Level** | **Installation Sampling Rate** | **Incentive Level** | **Installation Sampling Rate** | **Incentive Level** | **Installation Sampling Rate** | **Incentive Level** | **Installation Sampling Rate** |
| EEEMs | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Non-EEEMs | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Note: The categories shown in Table 11 do not apply to the broad grouping of EEEMs and non-EEEMs. Please refer to the IOU EEEMs lists at the company website addresses provided above.

g) Additional Services:

The Pilot will include a series of additional services.

- Customer education: The marketing and outreach component of the Pilot will provide local utility customers with information about available financing offerings that can help make the up-front cost of EE upgrades more affordable. Local education efforts will be coordinated with the Energy Upgrade California statewide marketing brand campaign.

- Contractor education / training: The marketing, education, and outreach component of the Pilot will help contractors in understanding how to integrate financing products in to their sales processes, and will provide new tools for presenting the long-term cost and energy savings of various finance offerings. The contractor education efforts, to be coordinated with CAEATFA, will also provide information on approaches to working with lease originators, including how to best complete lease paperwork.

- Lessor education: The education and outreach component of the Pilot will include training events and materials for financial institutions and lease originators that will assist them in participating in this pilot. The education and outreach will help lease originators understand the EE market, EE investments, project QA/QC requirements, and data on lease performance. Additional information on lessor training plans will be provided in the CHEEF PIP.

Table 12: Additional Services

| Additional Services | To Which Market Actors | PG&E | SCE | SDG&E | SCG |
|---|---|---|---|---|---|
| Customer education | Customers | TBD by ME&O Plan | TBD by ME&O Plan | TBD by ME&O Plan | TBD by ME&O Plan |
| Contractor education | Contractors | TBD by ME&O Plan | TBD by ME&O Plan | TBD by ME&O Plan | TBD by ME&O Plan |
| Lessor education | Lessors | TBD by ME&O Plan | TBD by ME&O Plan | TBD by ME&O Plan | TBD by ME&O Plan |

h) Sub-Program Specific Marketing and Outreach:

Recognizing that many small business customers lack the capital to invest in EE projects, financing can remove a barrier that impedes business customers from taking advantage of EE programs.

To that end, in order to raise awareness of financing opportunities, messaging will be incorporated into relevant integrated campaigns and program-specific marketing and outreach. Tactics may include, but not limited to: email, direct mail and online marketing.

The utilities will coordinate marketing and outreach activities with the Statewide ME&O implementer in order to maximize customer engagement and opportunity, and to adhere to relevant financing-related legal requirements.

Marketing and Outreach Guidelines:

1. Objectives:
   a. Generate awareness, understanding of financing options available
   b. Drive participation in EE measures

2. Target Audiences:
   a. Small Business as defined by the Small Business Association definitions found at 13 C.F.R.§ 121.
      i. Utilizing IOU customer segmentation, the program will target business customers that have a propensity to engage in energy management programs, but have not been saturated.
      ii. Customers who have projects that exceed OBF loan terms ($e.g., loans larger than $100,000).
   b. Contractors
      i. Working in conjunction with CAEATFA, utilities will raise awareness of financing offerings with existing contractor base.

3. Key Messaging:
   a. Develop a standardized EE financing messaging framework
      i. Use internal and external partners to promote finance messaging
      ii. Messaging will be developed to focus on clear benefit statements, consistent copy and ease of use (e.g., convenient financing options are available to qualified applicants for a limited time)
      iii. Messaging will be coordinated with the umbrella Energy Upgrade California marketing brand to ensure coordination with the statewide ME&O effort

4. Strategies:
   a. Focus on high propensity targets in a specific area, deploy a multi-channel strategy to raise awareness and adoption of EE financing
   b. Utilize existing outreach channels to retarget customers who show interest in EE financing
   c. Integrate EE financing options throughout the “customer journey”

5. Promotion Channels:
   a. IOU Customer Relationship Managers
   b. Trade Professional Alliances, Contractors and Third Party Program Administrators
   c. Participating Banks and Lease Originators (see CAEATFA PIP)
   d. IOU and Bank Websites
   e. Community Based Organization (CBOs)
   f. Direct (e.g., email, direct mail and online)

6. Keys to Success:
   a. Messaging within relevant IOU integrated campaigns and program-specific marketing and outreach
   b. Integration within relevant Statewide marketing and outreach activities through coordination with CCSE
   c. Coordination with third parties such as contractors, local governments, and CAEATFA
   d. Engaging knowledgeable sales base and customer facing channels

Timing

Upon the approval of the Off-Bill Small Business Lease Pilot Program Implementation Plan (PIP), the following activities will be completed.

- Coordinate on a strategic approach with SW ME&O through California Center for Sustainable Energy (CCSE), statewide ME&O implementer, +45 Days

- Public Relations and Community Relations Launch, +60 Days

- Customer Marketing, Education and Outreach Launch, +90 Days

i) Sub-Program Specific Training:

See Section 10.g. above for description of training including engaging Lease Originators, contractors, and other market participants and borrowers.

j) Sub-Program Software and/or Additional Tools:

a. List all eligible software or similar tools required for sub-program participation.

Not applicable to this Pilot.

b. Indicate if pre and/or post implementation audits will be required for the sub-program. ___ Yes ___ No (See note.)
Pre-implementation audit required ___ Yes ___ No (See note.)
Post-implementation audit required ___ Yes ___ No (See note.)

Note: Auditing requirements are dependent on the associated IOU program, and/or regulations that may be developed by the CHEEF.

c. As applicable, indicate levels at which such audits shall be rebated or funded, and to whom such rebates/funding will be provided (i.e. to customer or contractor).

There will not be any additional audit requirements from the financing program if the customer is participating in a CPUC-approved IOU incentive program(s). CAEATFA will address audit requirements for projects where the customer is not participating in a CPUC-approved incentive program during its rulemaking process.

Table 13: Program Related Audits

| Levels at Which Program Related Audits Are Rebated or Funded | Who Receives the Rebate/Funding (Customer or Contractor) |
|---|---|
| Auditing requirements and funding are dependent on the associated IOU incentive program, and/or regulations that may be developed by CAEATFA. | Customer |

k) Sub-Program Quality Assurance Provisions:

The Financing Pilots are being offered in support of the IOUs' existing EE incentive programs. Therefore, Quality Assurance of all projects participating in the Financing Pilots will be driven by incentive program requirements. CAEATFA will address quality assurance requirements for projects where the customer is not participating in a CPUC-approved incentive program during its rulemaking process. Pursuant to D.13-09-044 (p. 79), the borrower is responsible for the QA/QC of non-energy measures.

There may be some opportunity to track and monitor expenditures related to non-EEEM project costs (which are limited to 30% of the total eligible lease amount). The extent to which such expenditures may be included in the tracking and monitoring efforts will depend upon: 1) the capability of software modeling systems to include assumptions around these non-EEEMs; 2) the accuracy of those modeled estimates; and 3) the ability to collect this information from the participating contractor who will issue these modeling estimates.

Table 14: Quality Assurance Provisions

| QA Requirements | QA Sampling Rate (Indicate Pre/Post Sample) | QA Personnel Certification Requirements |
|---|---|---|
| QA requirements are dependent on the associated IOU incentive program, and/or regulations that may be developed by CAEATFA. | Dependent on program / measure. | Dependent on program / measure. |

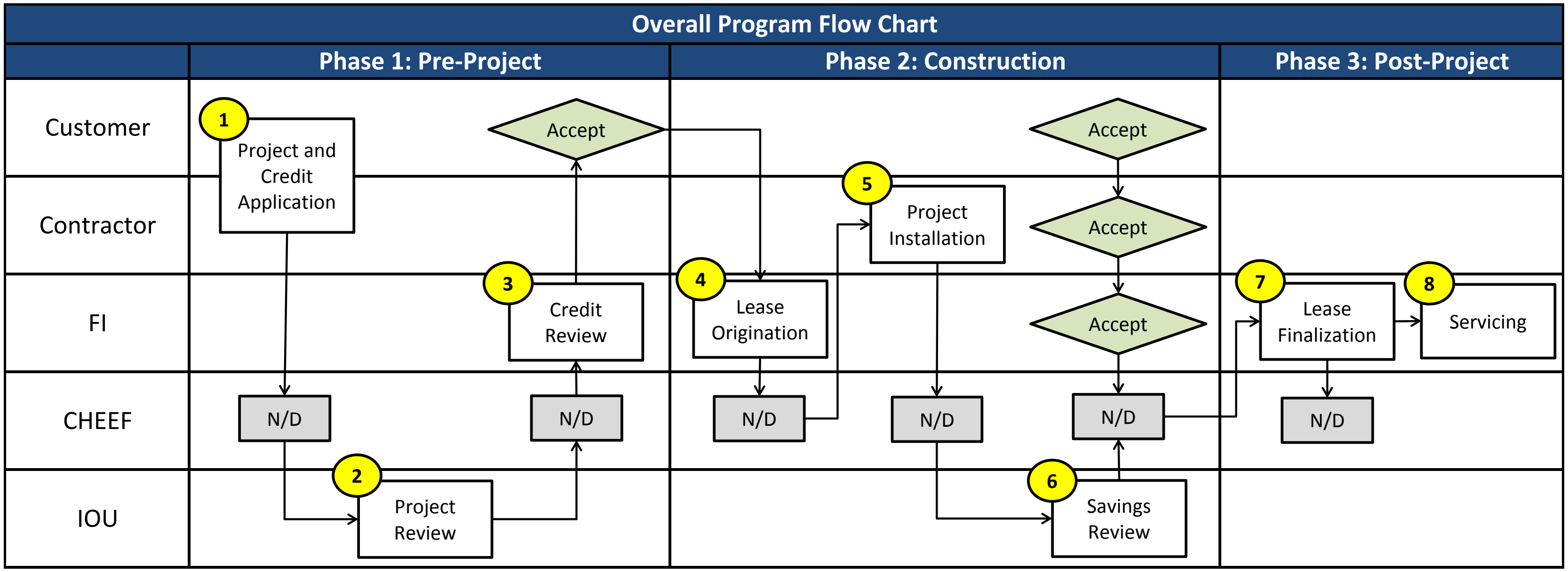
l) Sub-program Delivery Method and Measure Installation /Marketing or Training:

The following sequence illustrates how this program will be delivered to customers.

1. IOUs integrate financing with their incentive offerings.
2. CAEATFA/IOUs will provide contractor training on how to integrate financing with their product offerings.
3. IOU Customer Relationship Manager (CRM)/Contractor and customer meet, driven by IOU/contractor marketing or customer inquiry.
4. CRM/Contractor interviews customer, collects site information (possibly including results of energy audit).
5. Contractor proposes a project scope, estimated cost, anticipated energy savings, anticipated bill impact, and incentives (typically utility or manufacturer rebates) and provides payment options, including the lease.
6. Customer makes lease and payment decision.
7. If customer selects leasing option, CRM/contractor collects application information and provides to lease company.
8. Lease company collects application information from customer, makes underwriting decision and informs customer and/or contractor.
9. Customer executes lease agreement.
10. Contractor installs improvements.
11. Customer signs completion certificate.
12. IOU performs inspection (if required by rebate/incentive programs).
13. Lease company receives completion certificate and other required documents.
14. Lease company funds contractor.
15. Lease company provides appropriate documentation to CAEATFA.
16. CAEATFA directs trustee to transfer credit enhancement from IOU account to lease company's account at the trustee.

m) Sub-program Process Flow Chart:

The flowchart below illustrates the process flow for how the lease pilot is expected to operate. Specific details of how the program will operate will vary in actual implementation. Note that the process flow is designed to be as easy as possible from the perspective of the customer, the contractor and the FI. The priority is to develop programs that function with sufficient oversight to be able to assure compliance with Commission decision orders while also keeping the program as simple as possible, in order to stimulate maximum participation.




**Key**

| | |
|---|---|
| # | **Stage Indicator =** Designates Process Flow Stage |
| N/D | **Notify/Data =** Hub notified of Stage completion and data normalized |
| Accept | **Accept and Move to Next Phase =** Acceptance required before project moves to next Phase |

n) Cross-cutting Sub-program and Non-IOU Partner Coordination:

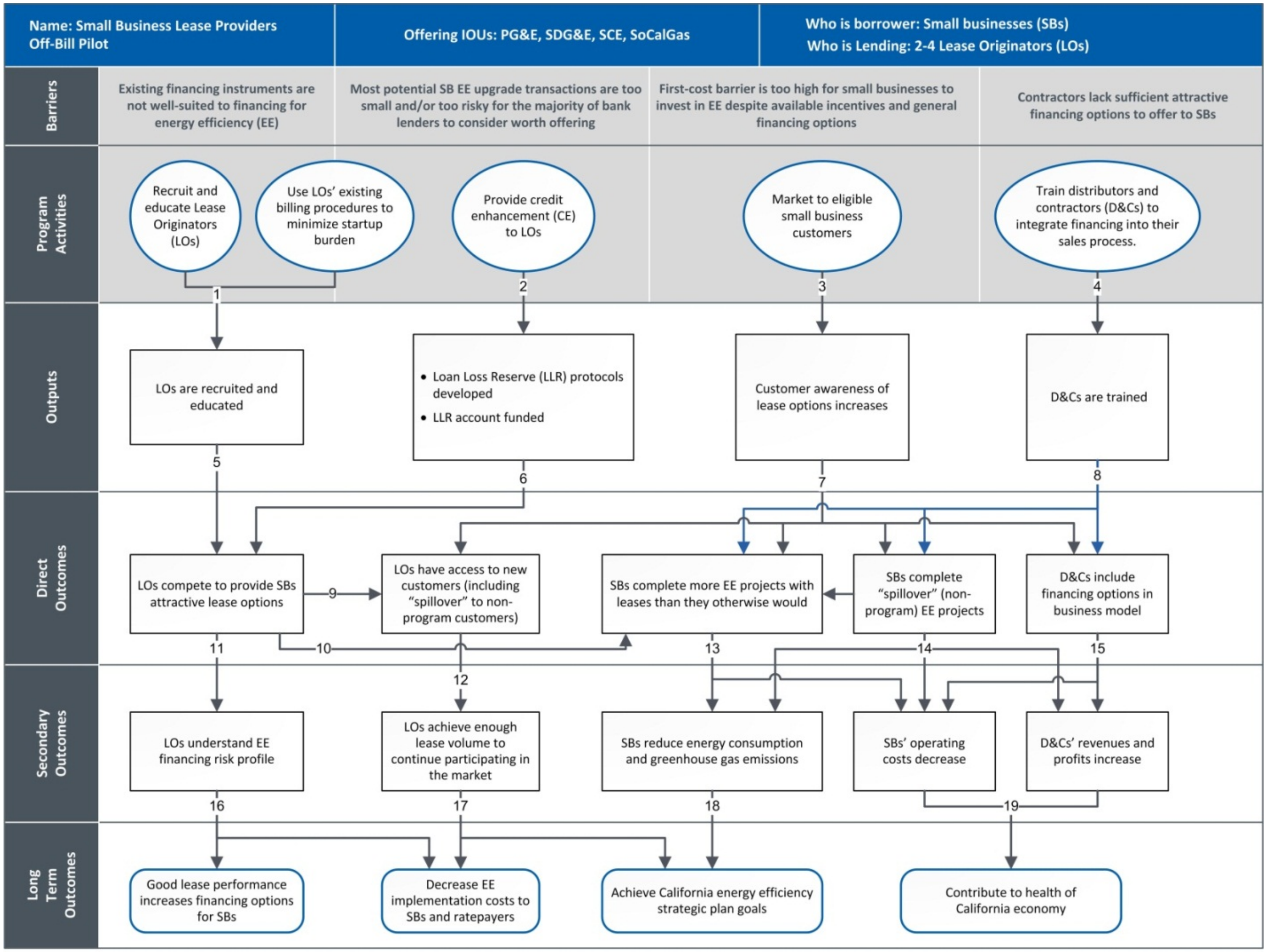
IOU financing programs will leverage the existing incentive and rebate programs.

Table 15: Cross-cutting Sub-program and Non-IOU Partner Coordination

| Sub-Program Name | | |
|---|---|---|
| Off-Bill Small Business Lease Providers Pilot | Coordination Mechanism | Expected Frequency |
| Statewide Commercial, Industrial, and Agriculture Programs | Meetings/Emails/Calls | As Needed |
| Emerging Technology | Meetings/Emails/Calls | As Needed |
| Third Party Programs | Meetings/Emails/Calls | As Needed |
| Institutional Partnerships | Meetings/Emails/Calls | As Needed |
| Local Government Partnerships | Meetings/Emails/Calls | As Needed |
| On Bill Financing | Meetings/Emails/Calls | As Needed |
| Coordination Partners Outside CPUC | | |
| CAEATFA | Form and Data Exchange<br>Meetings/Emails/Calls | Daily<br>As Needed |
| Master Servicer * | Data Exchange | Daily |

Note: Coordination will not occur until Master Servicer is fully functional.

o) Logic Model:




SB = Small Business D&Cs = Distributors and Contractors LO = Lease Originator CE = Credit Enhancement LLR = Loan Loss Reserve EE = Energy Efficiency

11) Additional Sub-Program Information

a) Advancing Strategic Plan Goals and Objectives:

Innovative financing is a major Strategic Plan strategy for non-residential sectors. One key commercial sector strategy in the Strategic Plan is “Financing: Target financing …[including] increased availability and use of innovative and expanded financing…” (p. 3-29), which is directly advanced by this sub-program. Furthermore, this sub-program contributes to the Strategic Plan’s call to:

- “ensure access to financing mechanisms that effectively surmount capital limitations and cash flow requirements. This means attracting the interest of banking and capital industries to the magnitude of investment and borrowing needs, and identifying finance mechanisms…” (p. 3-35)
- identify “needed tools, instruments, and information necessary to attract greater participation of capital markets in funding efficiency transactions” (p. 2-16),
- “pilot innovative financial tools [and e]xpand implementation of innovative financing mechanisms” (strategy #1-4, p. 3-32),
- “Develop effective financial tools for EE improvements to existing buildings” (strategy #2-6, p. 3-34)
- Use financing for closely related goals, HVAC and lighting.

b) Integration

i. Integrated/coordinated Demand Side Management (IDSM):

The pilot supports the CPUC’s IDSM goals by allowing financing projects that have EE and non-EE measures, and also coordinating with the IOU’s IDSM programs.

ii. Integration across resource types (energy, water, air quality, etc.):

While integration with non-energy resource types is not the primary goal of the Pilot, the Pilot will integrate with other resource types where appropriate. Customers can use up to 30% of the capital lease funds for non-EEEMs that may integrate the project with water, air quality, or other resource goals. Specific programs are to be determined based on discussion with appropriate program managers.

Table 16: Non-EE Sub-Program Information

| Sub-Program Name | | |
|---|---|---|
| Non-EE Sub-Program | Budget | Rationale and General Approach for Integrating Across Resource Types |
| N/A | | |

c) Leveraging of Resources:

The Pilot will leverage the IOUs' existing rebate/incentive programs to help customers overcome the up-front cost of the EE projects. In cases where the customer's project will go through an IOU rebate/incentive program in conjunction with participation in this Pilot the rebate/incentive will decrease the total cost of the project that is eligible for credit enhancement funds. For projects in which the customer is receiving a rebate or incentive, leases will have to comply with IOU rebate and incentive guidelines for the installed life of incentivized products.[4]

The Pilot will leverage current equipment capital lease financing offered by a multitude of equipment leasing companies and capital providers. This program will build on a mature commercial market that has extensive experience in providing capital leases for energy improvements. This program will provide a credit enhancement to leverage this current market and expand it to currently underserved Small Business customers.

The IOUs' OBF programs can also be leveraged to provide financing for certain projects that may be a better fit for that program. Coordination with OBF will be required to determine the types of projects that are better suited for OBF or this Pilot. Coordination specifics will be developed by IOU program and marketing teams to help guide customers to the right EE financing program for their project.

d) Knowledge Transfer:

Best practices will be identified and shared through frequent communication between the statewide IOUs and CAEATFA. Additionally, the statewide IOUs and the consultants engaged to help with the financing pilots will monitor developments in other EE Financing programs nation-wide and outside of the U.S.

[4] For example, the Statewide Customized Retrofit Manual specifies that "new equipment or system retrofit must guarantee energy savings for the effective useful life of the product or for a period of five years, whichever is less."

Commission Decision (D.)13-09-044 also requires that CAEATFA, with assistance from the Southern California Gas Company, to submit quarterly reports on the pilot program uptake. These quarterly reports will aid in evaluating the pilots to determine any necessary program or budgetary changes.

12) Additional information as required by Commission decision or ruling or as needed:

Decision 09-09-047, pp. 48 – 49 provides instruction regarding information to be submitted for pilot programs. The following addresses the criteria required for pilot programs.

a. A specific statement of the concern, gap, or problem that the pilot seeks to address and the likelihood that the issue can be addressed cost-effectively through utility programs.

The Pilot seeks to overcome the first-cost barrier of implementing EE improvements in the non-residential market and to increase overall energy savings from EE. Current IOU-based programs rely on a rebate structure to pay a portion of the cost of the EE upgrade. Financing pilots, on the other hand, cover 100% of the initial cost of the upgrade, net of any applicable rebates, and subject to repayment. As a result, it is anticipated customers who do not otherwise have the capital readily available will be able to use lease financing to pay for EE upgrades.

b. Whether and how the pilot will address a Strategic Plan goal or strategy and market transformation.

The pilot program significantly addresses numerous Strategic Plan goals and strategies. As detailed above in Section 11.a., EE financing is a very important pillar of the Strategic Plan's approach, specifically including the non-residential sector.

Additionally, the Strategic Plan describes five "policy tools" for Market Transformation, the first of which explains that "*Customer Incentives* including…innovative or discounted financing…are the 'carrots' that help *pull* consumers into choosing the efficient option." (p. 1-5).

c. Specific goals, objectives and end points for the project.

The Pilot program seeks to:

a. Stimulate financial institutions to provide capital to EE upgrade markets in the small business market segment.
b. Lead to incremental energy savings from EE projects in the small business market segment.
c. Leverage private capital to augment the limited ratepayer funds currently used to provide incentives in the form of customer rebates.

Further details of the credit enhancement structure will be developed through CAEATFA regulations.

d. New and innovative design, partnerships, concepts or measure mixes that have not yet been tested or employed.

This Pilot will test how effective financing will be at stimulating either more comprehensive EE projects or a greater number of EE projects. Furthermore, the Pilot provides mechanisms to test specific elements of financing such as the effect of lowering the costs through lower lease payments, expedited lease approvals by Lease Originators, and differing levels of contractor engagement in the financing process.

The Pilot relies on several innovative design features that have not been extensively tested in California. These include:

- Credit enhancements: Credit enhancements can reduce financing costs, increase the duration of leases, or make credit underwriting terms more flexible than they otherwise would be. The Pilot will enable testing of the effect of credit enhancements on these features.

- Integration of financing and incentive programs: This pilot will help test the most effective ways for IOU customer rebate/incentive programs to be integrated effectively with third party financing. To this point, these rebate/incentive programs have operated in concert with IOU-run OBF programs.

e. A clear budget and timeframe to complete the project and obtain results within a portfolio cycle - pilot projects should not be continuations of programs from previous portfolios.

See Attachment 2, Table 1 and Section 10.a.

f. Information on relevant baselines metrics or a plan to develop baseline information against which the project outcomes can be measured.

The Financing Evaluation Research Plan includes a "Market Characterization" project that is managed by the Energy Division and expected to be fielded early in the program cycle.

g. Program performance metrics.

Table 17: Program Performance Metrics

| Short-Term PPMs: | IOU Target | Metric Type |
|---|---|---|
| PPM 1: Lease transaction volume (dollar amount and number of leases) by IOU | Track and report total dollar amount of lease transactions completed (Decision, p. 62) | 2a |
| PPM 2: End-use categories (HVAC, lighting, etc.) of measures installed through pilot | Track and report end use for each program measure and group end uses by category | 2a |

The IOUs will analyze the data collected during the 2013-2015 pilot period to better assess future projections for these PPMs if the pilots are converted into statewide programs. As such, the IOUs do not establish targets for these PPMs at this time.

h. **Methodologies to test the cost-effectiveness of the project.**

Since the finance pilots have energy and demand objectives, the methods contained in the Standard Practice Manual will be used to determine cost effectiveness. The EM&V studies will provide major inputs for final cost effectiveness calculations.

i. **A proposed Evaluation, Measurement, and Verification (EM&V) plan.**

For finance pilot program EM&V plan, please refer to the revised 2013-2014 M&E Long-term Roadmap. This roadmap is being updated by the statewide M&E team and will not be available at the time IOUs file this PIP.

j. **A concrete strategy to identify and disseminate best practices and lessons learned from the pilot to all California utilities and to transfer those practices to resource programs, as well as a schedule and plan to expand the pilot to utility and hopefully statewide usage.**

See Section 11.e.

Additional Information Regarding Fast-Track / OBR PIP Requirements in Decision 13-09-044

- The single credit enhancement pool for each pilot program made available to all Financial Institutions is to draw down from on a first-come-first-served basis (pp. 23 – 24).

  This requirement will apply to the Off-Bill Small Business Lease Providers Pilot and will be further addressed in CAEATFA's regulations.

- Up to $10 million from EE funds allocated as necessary costs are documented and invoiced to fund marketing, education, and outreach (ME&O) plans customized for the authorized EE finance pilots, as follows: (1) up to $8 million to be expended in coordination with the statewide ME&O plans under consideration in Application 12-08-007, et al., and

(2) up to $2 million to the CHEEF to perform non-duplicative ME&O for contractors and financial institutions (Ordering Paragraph 1.vi.)

See Table 1 for the portion of the $8 million allocated by the IOUs to the Single Family Loan Program "Fast Track" pilot. As directed, the IOUs will expend these amounts as proposed in Section 10.h, which describes the local marketing plan for the pilot. The local marketing plan will be done in coordination with the statewide ME&O plan, which is developed and funded under Application 12-08-007 et. al. The IOU budget for local marketing activities in total will not exceed the $8 million designated expenditures provided under D.13-09-044.

- The CPUC requires an estimate of bill impacts of the EE project to be financed be presented by the contractor to the customer at the time the customer is making the commitment to the project to insure an informed decision (p. 81).

  See Section 10.d.ii. for the contractor requirements for this pilot program.

- ME&O plans shall include training for all pilot programs, including engaging FIs, contractors, and other market participants and borrowers (p. 84).

  See Section 10.h. for the ME&O plan for this pilot program. Additional information on education and outreach to financial institutions (including lease originators) and contractors will be provided in the CHEEF PIP.

- CAEATFA/SoCalGas to reference the data protocols (from the DWG final report) in the pilot PIPs since the data fields could differ by pilot (Appendix D).

  This is addressed in Section 12 (additional information), and is noted as To Be Determined (TBD) at this time. Pursuant to D.13-09-044, the data protocols subject to the Data Working Group (DWG) report are to be submitted on December 15, 2013. Thus, it is not possible to submit the protocols from the final report at this time.

ATTACHMENT 1

## Program Non-Energy Objectives

For New or Substantially changed programs and sub-programs, provide the following information for Program Non-Energy Objectives and follow the format used for the previous cycle Program Performance Metrics found in Resolution E-4385.

i. **List the primary SMART[5] non-energy objectives of the program.** These should correspond to key methods identified above to overcome the market barriers, areas of concern or gaps, and to the outputs and short, mid- and long-term non-energy outcomes identified in the logic model requested below.

Test the premise that a capital lease option with a credit enhancement will drive increased uptake of energy efficiency (EE) projects in the small business market segment. Credit enhancement aim to lower lease originators risks in entering an asset class that does not have a lot of historical data.

Leverage private capital to augment the limited ratepayer funds currently used to provide incentives in the form of customer rebates. Private capital in the EE lease market can help overcome the up-front cost barrier in a way that limited ratepayer funds are unable to.

Decrease EE implementation costs for small businesses by providing a way for lease originators to get a better understanding of the EE lease risk profile and to achieve enough lease volume to interest lease originators to continue participating in the market. Creating a long term, standardized, and low cost EE lease instrument can help overcome the up-front cost and time barrier for small businesses.

ii. **For each SMART objective, identify the quantitative targets, direction or percent of change that you hope to achieve during the program cycle.**[6]

The IOUs will not be providing any quantitative targets for these (or any) pilots.

iii. **For each proposed SMART objective, describe any relevant baseline data on current market conditions that you have assembled or plan to assemble and the sources.**

Each IOU will look at past program participation rates of other similar programs, current market conditions, current economic conditions, available work-paper/studies, baseline data , and customer mix and penetration.

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[5] A SMART objective is one that is Specific (i.e. quantitative and quantifiable generally, in terms of the results to be achieved), Measurable, Ambitious, Realistic, and Time-bound.

[6] Please also add any new program objectives and quantitative targets for statewide programs to the portfolio PPM/MTI reporting template.

iv. Quantitative program targets (PPMs): If not already provided above, indicate estimates of the number of measure units, buildings, etc. projected to be treated by the sub-program.

The IOUs will analyze the data collected during the 2013-2015 pilot period to better assess future projections for these PPMs as pilots are converted into statewide programs.  The IOUs do not project PPM's for these (or any) pilots.

# ATTACHMENT D

# CONSULTATIVE WEBINAR WITH FINANCIAL INSTITUTIONS RE:

# “FAST TRACK” PILOTS

# PROGRAM IMPLEMENTATION PLAN PRESENTATION SLIDES

# CA EE FINANCING PILOTS: FINANCIAL INSTITUTIONS CONSULTATION

*November 13, 2013*

## TOPICS COVERED

- California Hub for Energy Efficiency Financing (CHEEF) Overview
- Single Family Loan Program (SFLP) Overview
- Off-Bill Small Business Lease Pilot (SMB Lease) Overview

# CALIFORNIA HUB FOR EE FINANCING (CHEEF)

# CHEEF Core Functions

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA, housed in State Treasurer's Office) has been requested to act as the CHEEF during the pilot period. The CHEEF will have overall responsibility for carrying out pilots, under contract to the IOUs, and making reports to the CPUC.

CHEEF acts as statewide interface between utilities and FIs; it's responsible for:

- **Finalization, provision & enforcement of pilot guidelines to FIs**
- **Cash & financial data transfer between IOUs & Fis****
- **Data collection, storage & dissemination**
- **Credit enhancement management**

A number of these functions will be sub-contracted to a trustee, master servicer, and data manager.

**Upon launch of on-bill repayment in mid-2014.

# SINGLE FAMILY LOAN PROGRAM (SFLP)

## SINGLE FAMILY LOAN PROGRAM —GOALS

Primary Goal:

- Test the premise that the availability of EE-targeted financing increases overall single family homeowner adoption of energy improvements. Further test the value of offering a statewide, standardized set of loan supports and infrastructure.

Sub-Goals are to test:

- Attractiveness of direct and indirect financial products
- Effect of credit enhancements on rates, terms and underwriting
- Build financial product volume through broad measure eligibility and focus on strong contractor networks
- Measure performance by collecting data on energy and on financial performance
- Mechanisms to deliver attractive capital to low and moderate income households through the provision of larger credit enhancements to FIs.

## SINGLE FAMILY LOAN PROGRAM — BASICS (1)

Up to $25M credit enhancement (CE) administered by CAEATFA (likely in the form of Loan Loss Reserve-LLR)

- Approximately 1/3 of funds available for higher CE to serve low and moderate income homeowners
- Final CE terms & FI eligibility will be set by CAEATFA. General structure allows for:
  - Use of a Loan Loss Reserve to cover defaulted loans
  - Parameters of reserve are similar to federal Title 1 Loans
    - 90% of individual defaulted, qualifying loan up to 10% of registered loan portfolio by financial institution. Provisions to be made through rule-making process to address early stage loan loss coverage.
- CAEATFA will hold credit enhancement funds in a trustee account until eligible charge-offs occur.
- All credit enhancements available on a first-come/first-served basis to financial institutions.
- As loans are funded, CAEATFA will allocate funds to individual financial institutions.

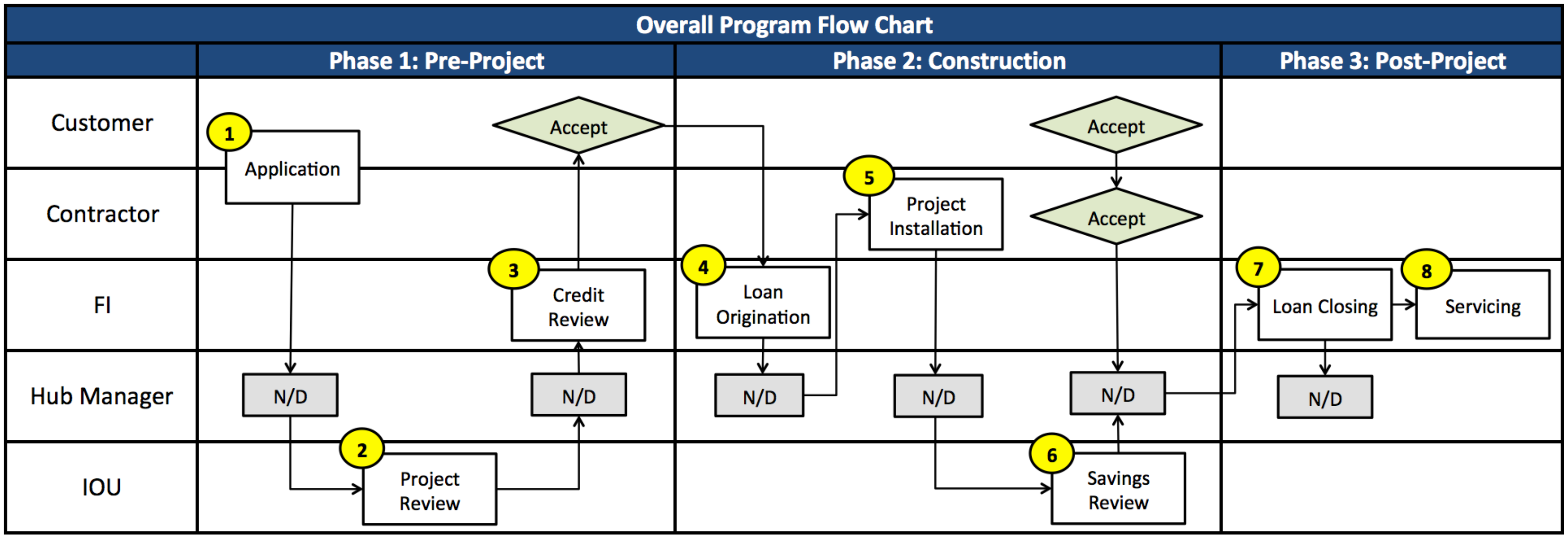
## Single Family Loan Program — Basics (2)

- Finance pilot will operate in all IOU service territories across state.
- Eligibility limited to residential customers in single-family housing who are a customer of one of the IOUs (PG&E, SCE, SDG&E, SoCalGas).
- Contractors need to have certifications, as established through CAEATFA or IOU requirements.
- Direct loans and indirect financing permitted.
- Any EE measure currently eligible for an IOU incentive may be financed through credit enhanced financial products
    - No minimum energy savings requirement
    - Non-energy efficiency measures (e.g., health & safety, deferred maintenance) can comprise up to 30% of financed project costs
    - Individual efficiency measures (eg. emergency replacement of furnace/air conditioner) permitted AND multi-measure efficiency projects permitted
- A marketing, education and outreach budget has been allocated to support this initiative.

## SINGLE FAMILY LOAN PROGRAM — BASICS (3)

- FIs will be required to collect & transmit to a Master Servicer (acting as a subcontractor to CAEATFA) data on financial products and customers (and customers will be required to sign a data release form).
- FIs will receive approval to participate in the pilot by applying to CHEEF. Rules for qualification are to be developed.
- FIs will be able to participate on a qualification-basis; any FI that meets pre-specified criteria will be eligible.
- Program will be open to financial institutions (credit unions, banks, finance companies, community development lenders) that agree to pilot stipulations as developed through a CAEATFA public rulemaking process.
    - Among those stipulations will be a requirement to provide certain data regarding loans to CAEATFA's contract master servicer, in order to track effectiveness of this pilot.
    - This rulemaking process will begin shortly.
    - No RFP will be issued to select participating financial institutions.

# SINGLE FAMILY LOAN — SAMPLE PROCESS FLOW




**Key**

| | |
|---|---|
| # | **Stage Indicator** = Designates Process Flow Stage |
| N/D | **Notify/Data** = Hub notified of Stage completion and data normalized |
| Accept | **Accept and Move to Next Phase** = Acceptance required before project moves to next Phase |

Note that a credit enhancement allocation is made at time of loan closing.

## Single Family Loan Program — Expected Project Sequence

1. IOUs decide how best to integrate financing with their incentive offerings.
2. CAEATFA/IOUs provide contractor training on how to integrate financing with their product offerings.
3. Contractor and customer meet, driven by contractor marketing or customer inquiry.
4. Contractor interviews customer, collects site information (possibly including results of energy audit). Note that audit is *not* required.
5. Contractor proposes a project scope, price, incentives (typically IOU or manufacturer rebates) and provides payment options, including loans, revolving credit or dealer financing.
6. Customer makes purchase and payment decision.

## Single Family Loan Program — Expected Project/Deal Flows

7. If Customer selects financing option, customer contacts source of financing with or without assistance of contractor.
8. FI collects application information from Customer, makes underwriting decision and informs Customer and/or contractor depending on direct versus dealer financing process; credit enhancement reservation made.
9. Contractor installs improvements.
10. Customer signs completion certificate.
11. IOU performs inspection (*optional*).
12. FI receives completion certificate and any other required documents.
13. FI funds loan to Customer, Contractor or both (two-party check).
14. CAEATFA funds credit enhancement to FI account at CAEATFA's trustee bank.

# SINGLE FAMILY LOAN PROGRAM — KEY DATES

| Milestone | Timeframe |
| --- | --- |
| Credit enhancement protocols developed and all CAEATFA regulations developed | Q. 4, 2013 to Q. 1, 2014 |
| Lenders able to apply to participate in pilot | Q.1, 2014 |
| Trustee bank selected and trustee funds for credit enhancements transferred | Q. 1, 2014 |
| First loan funds | Early April, 2014 |

# SINGLE FAMILY LOAN PROGRAM — EXPECTED PROJECT/DEAL FLOWS

- Following are potential guiding questions for discussions with FIs.

## Single Family Loan Program — Questions for FIs (1)

- Credit Enhancements
  - The CHEEF is required to demonstrate that CEs are delivering real results (better rates, terms, more flexible underwriting etc., deeper energy efficiency retrofits). Do you have recommendations for how the CHEEF can meet this requirement for each participating loan originator?
  - What type of performance (financial product volume, pre-pay rate and defaults) over what period of time would motivate and allow you to continue to participate in these pilots without credit enhancement?
- Eligible Measures
  - Do you have any concerns or interest in what customers are funding with the loan capital? If so, is this expanded set of eligible measures a concern?
  - Contractors are required to estimate the bill savings financed projects will deliver. Would you value seeing these estimates and/or be willing to incorporate them into your underwriting practices?

## SINGLE FAMILY LOAN PROGRAM — QUESTIONS FOR FIs (2)

- Direct vs. Indirect Financial Products
  - Are you positioned to deliver one or both?
  - Are there any pilot design features that need to be considered to encourage and advance indirect financial products relative to direct financial products or vice versa?
  - What concerns, if any, do you have about the availability of both product types?
  - Do you expect that one or the other financial product will have a more powerful effect on building loan volume?
- Low & Moderate Income Households
  - In the event that a more substantial credit enhancement is available for FIs/financial products targeting low-to-moderate income households, do you have recommendations for how the CHEEF can best use the tool of additional credit enhancement?

# Single Family Loan Program —Questions for FIs (3)

- Data Collection
  - The pilots require the transmission of data on participant financial characteristics, financial products, installed improvements and energy performance. Loan originators will likely be required to collect and share this data (along with a consumer data release consent form for Confidential and Personally Identifiable Information (PII)). PII will be held and protected by a qualified master servicer). In addition, originators will be required to regularly report to the CHEEF on the performance of financial products that are supported by credit enhancements. How can this challenge be minimized?
- Deal Breakers
  - Based upon your knowledge of the pilot design, are there any pilot features of which you are aware that will be deal breakers for your participation in the pilots?

# SMALL BUSINESS OFF-BILL LEASE PILOT

# SMALL BUSINESS LEASE PILOT—GOALS

Primary Goal:

- Test the premise that the availability of EE-targeted capital leases increases small business customer adoption of EE improvements.

Sub-Goals:

- Increase standardization of EE financing pilot infrastructure with consistent pilot rules and protocols administered by CAEATFA
- Attract lease originators and their investors by:
    - Reducing credit risk with credit enhancements and the threat of shut-off for non-payment;
    - Building financial product volume through a broad definition of small business (based on SBA standards), broad measure eligibility (including changes to OBF to channel some projects to the pilots) and focus on strong contractor networks;
    - Measuring performance by collecting data on energy and financial performance;

## SMALL BUSINESS LEASE PILOT — BASICS (1)

- Competitive selection of at least two (and up to four) lease originators
- Lease originators later permit customers to repay the lease on-bill (with accompanying potential for security enhancement) when this functionality is available
- Up to $14M credit enhancement (CE) administered by CAEATFA (Likely in the form of Loan Loss Reserve-LLR) but possibly in the form of a Debt Service Reserve fund
    - Final CE terms & FI eligibility will be set by CAEATFA
    - CAEATFA will hold funds in a trustee account until defaults occur
    - All credit enhancements available on a first-come/first-served basis to financial institutions
    - As loans are funded, CAEATFA will allocate funds to individual financial institutions' accounts within the trustee.

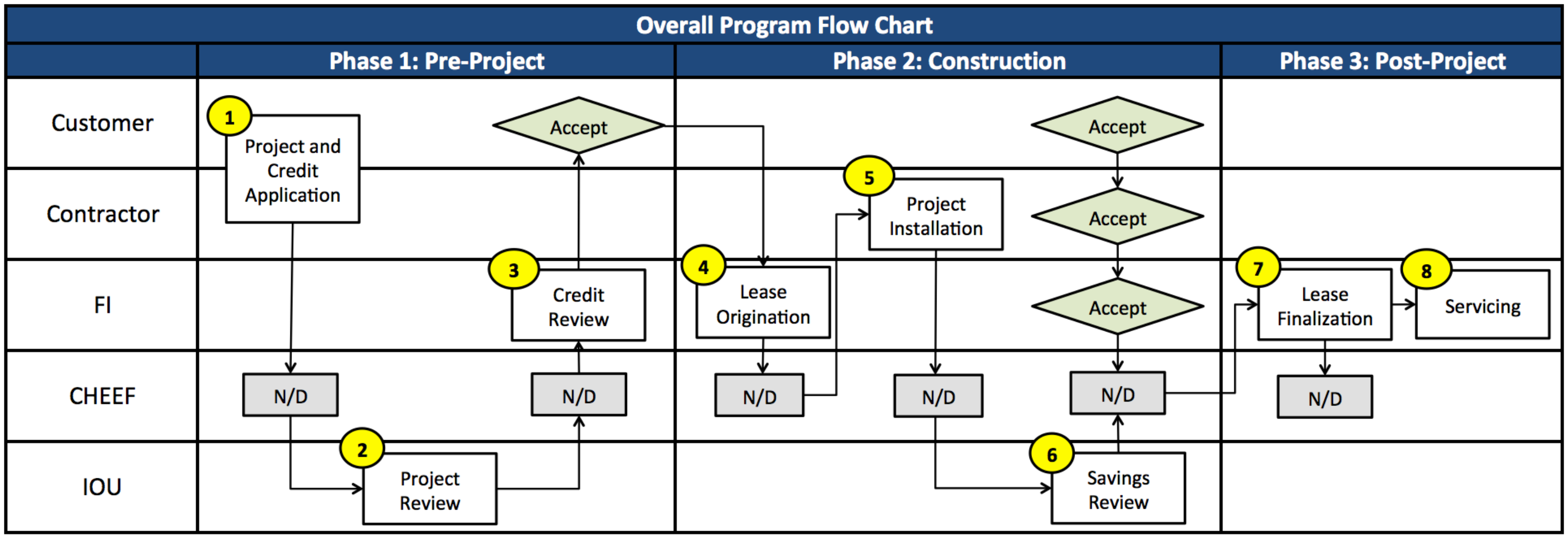
## Small Business Lease Pilot – Basics (2)

- Will operate in all IOU service territories across the state.
- Eligibility limited to small business customers who are a customer of one of the four IOUs.
- Contractors need to have certifications, as established through CAEATFA or IOU requirements.
- All EE measures eligible for an IOU incentive may be financed through credit-enhanced financial products
    - No minimum energy savings requirement
    - Non-energy measures (e.g., related health & safety, deferred maintenance) can comprise up to 30% of financed project costs
    - Individual efficiency measures (eg. emergency replacement of furnace/ air conditioner) permitted AND multi-measure efficiency projects permitted
- A marketing, education and outreach budget has been allocated to support this initiative.

## SMALL BUSINESS LEASE PILOT — BASICS (3)

- FIs will be required to collect & transmit to CAEATFA (or sub-contractor) data on financial products and customers (and customers will be required to sign a data release form).
- Financial Institutions will receive approval to participate in the pilot by applying to CAEATFA. Rules for qualification are still to be developed.
- Program will be open to lease companies selected through an RFP process that agree to pilot stipulations as developed through a CAEATFA public rulemaking process.
    - Among those stipulations will be a requirement to provide certain data regarding loans to CAEATFA's contract master servicer, in order to track effectiveness of this pilot.

# SMALL BUSINESS LEASE PILOT — SAMPLE DEAL FLOW




**Key**

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Note that a credit enhancement allocation is made at time of lease closing.

## SMALL BUSINESS LEASE PILOT— EXPECTED PROJECT SEQUENCE

1. IOUs integrate financing with their incentive offerings.
2. CAEATFA/IOUs will provide contractor training on how to integrate financing with their product offerings.
3. IOU Account Executive (AE)/Contractor and customer meet, driven by AE/contractor marketing or customer inquiry.
4. AE/Contractor interviews customer, collects site information (possibly including results of energy audit).
5. Contractor proposes a project scope, estimated cost, anticipated energy savings, anticipated bill impact, and incentives (typically utility or manufacturer rebates) and provides payment options, including the lease.
6. Customer makes lease and payment decision.
7. If Customer selects leasing option, AE/contractor collects application information and provides to lease company.

## Small Business Lease Pilot — Expected Project/Deal Flows

8. Lease company collects application information from Customer, makes underwriting decision and informs Customer and/or contractor.
9. Customer executes capital lease agreement.
10. Contractor installs improvements.
11. Customer signs completion certificate.
12. IOU performs inspection (if required by rebate/incentive pilots).
13. Lease company receives completion certificate and other required documents.
14. Lease company funds Contractor.
15. Lease company provides appropriate documentation to CAEATFA.
16. CAEATFA directs trustee to transfer credit enhancement from IOU account to lease company's account at the Trustee.

## SMALL BUSINESS LEASE PILOT — ANTICIPATED IMPLEMENTATION

| | |
|---|---|
| • January 3, 2014 | RFP released |
| • January 24, 2014 | RFP responses due |
| • Early 2014 | Contractor training |
| • 2nd Quarter, 2014 | Program launch |

## SMALL BUSINESS LEASE PILOT—EXPECTED PROJECT/DEAL FLOWS

Following are potential guiding questions for discussions with FIs.

# SMALL BUSINESS LEASE PILOT—QUESTIONS FOR FIs (1)

- Credit Enhancements
  - The CHEEF is required to demonstrate what improvements CEs are delivering versus market-rate financial products. Do you have recommendations for how the CHEEF can meet this requirement for each participating lease originator?
  - What type of performance (financial product volume, pre-pay rate and defaults) over what period of time would motivate and allow you to continue to participate in these pilots without credit enhancement?
- Underwriting
  - The IOUs' On-Bill Financing pilot declines less than 5% of applicants (relying on utility bill repayment history) and has experienced a lifetime default rate under 1%. Given the strong OBF pilot performance to date, and the credit enhancement available for this small business lease pilot, would you be likely to modify your underwriting, and is so, how?
  - If not, do you have recommendations for how to transition from 0% OBF to off-bill lease?
  - Contractors are required to estimate the bill savings that financed projects will deliver. Would you value seeing these estimates and/or be willing to incorporate them into your underwriting practices?

## Small Business Lease Pilot—Questions for FIs (2)

- Data Collection
  - The pilots require the transmission of data on participant financial characteristics, financial products, installed improvements and energy performance. Lease originators will likely be required to collect and share this data (along with a consumer data release consent form for Confidential and Personally Identifiable Information (PII)). PII will be held and protected by a qualified master servicer. In addition, originators will be required to regularly report to the CHEEF on the performance of financial products that are supported by credit enhancements. How can this challenge be minimized?
- Deal Breakers
  - Based upon your knowledge of the pilot design (acknowledging that much remains to be determined), are there any pilot features of which you are aware that will be deal breakers for your participation in the pilots?