Date of Issuance: June 27, 2014

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **Resolution E-4663**
June 26, 2014

R E S O L U T I O N

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

PROPOSED OUTCOME:

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

SAFETY CONSIDERATIONS:

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

ESTIMATED COST:

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

By Advice Letters:

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

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

SUMMARY

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

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

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

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

This Resolution finds the seven program implementation plans (PIPs) are out of compliance with the Finance Decision or Decision, and also with D.12-05-015 (Guidance Decision). The guidance decision provided direction on the energy efficiency portfolios for the 2013-2014 program years. This Resolution approves PIPs amended for compliance and clarity. The Resolution also resolves the single protest received on the program plans, involving solar domestic hot water measures and the multi-family on-bill repayment pilot. The Resolution directs the Joint Utilities to work with Energy Division to provide more appropriate lists of Eligible Energy Efficiency Measures to the public, including on the utility's website, per the directive on page 30 of D.13-09-044.

The issues covered in this Resolution include:

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

BACKGROUND

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

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

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

D.13-09-044 ordered the Joint Utilities to file compliant PIPs on November 19 and December 19 of 2013. The Finance Decision ordered the November 19, 2013 filing to include PIPs for pilots that would operate off of the utility bill, including the single family loan loss reserve program, and the off-bill small business lease program. The Finance Decision also ordered the December 19, 2013 filing to include on-bill pilots including: the small business on-bill repayment pilot, the small business on-bill repayment lease pilot, the multi-family on-bill repayment pilot, the non-residential on-bill repayment pilot without credit enhancement, and a sub-pilot of the single family loan loss reserve pilot called Energy

Efficiency Line Item Charge (EFLIC), which PG&E alone among the IOUs will operate. The EFLIC PIP includes a tariff for on-bill collection for that pilot.

NOTICE

Notice of AL 4562 et al. was made by publication in the Commission's Daily Calendar. The four Joint Utilities state that a copy of each of the three Advice Letters was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

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

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

The following is a summary of the protest and reply:

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

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

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

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

DISCUSSION

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

1. Clarification of the Finance Decision, and Related Compliance

1.1 Financing of Demand Response and Distributed Generation

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

Section 3.4, D.13-09-044 indicates that DR and DG can be funded by pilots with third-party financing. However, at the same time this passage excerpted from D-12-11-015 (EE Portfolio Budget Decision) says credit enhancements can be used for EE only:

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

Six of the seven pilots framed in the Finance Decision have credit enhancements, making them ineligible to finance DR or DG given this prohibition of cross subsidy. The decision identifies two specific types of credit enhancement, and allocates a credit enhancement budget for each of the six pilots (the six includes EFLIC, a sub-pilot of the single family loan program that has its own PIP). The decision leaves it to CAEATFA to determine the credit enhancement design for each of the pilots within its rulemaking. The only pilot specifically designed without any credit enhancement, or associated budget, is referred to in Section 5.5 of the Finance Decision as "On Bill Repayment for Non-residential Customers without Credit Enhancement.'' In this section, the Finance Decision specifically says that loans made through this pilot can include DR and DG.

There is no discussion in the Finance Decision of the potential to use, as CHPC argues, one of the six credit enhanced pilots, *without a credit enhancement*, for any reason, including to finance DG and DR measures. Since the entire loan or lease is credit enhanced, this includes the portion of the loan or lease that can be used for other improvement activities. (There is more discussion of this in the next section.) Therefore, the one pilot the Finance Decision identifies for financing of DR and DG – On Bill Repayment for Non-residential Customers without Credit Enhancement – is the only pilot that can finance DR and DG measures.

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

1.2 Financing Eligible Energy Efficiency Measures

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

We seek to clarify two aspects here:
First, the Finance Decision requires that a minimum of 70% of any loan or lease made through one of the six credit-enhanced pilots consist of eligible energy efficiency measures (EEEMs). The decision defines EEEMs as measures that have

[1] This list is illustrative and not exclusive.

been approved by the Commission for a utility EE rebate and incentive program – though a borrower need not use a rebate or incentive.

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

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

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

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

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

2. Protest Regarding Multi-Family Pilot

As explained in Section 1 above, the Finance Decision makes clear that DG measures such as Solar Domestic Hot Water (DHW) are not eligible in the six credit enhanced pilots including the Multi-Family pilot.[2] In addition, Public Utilities Code Sections 2851(b) and 2863(b) lay out the funding limits for the California Solar Initiative-Thermal Program, which supports both natural gas-displacing and electric-displacing DHW technologies.

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

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

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

3. Program Implementation Plan Non-Compliance

3.1 Marketing, Education and Outreach

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

Each PIP has a section on ME&O, as required by the Finance Decision, as well as many other references to outreach, training, and partnerships. These plans show IOU-led local or regional marketing tactics, such as working through non-finance IOU programs, account executives and existing contractors. The budgets in the PIPs allocate the marketing funds to each of the Joint Utilities to perform these and related tasks. The plans position the Joint Utilities as the marketing leads. The PIPs mention CCSE, but only as an entity the Joint Utilities will coordinate with. The PIPs do not elaborate on how the Joint Utilities will integrate their regional ME&O activities with CCSE's statewide efforts and the Energy Upgrade California brand. For example, in a section on program partners, the PIPs say: "The IOUs and CAEATFA will coordinate with CCSE to ensure that the marketing of financial products is done in coordination with the Energy Upgrade California statewide marketing brand campaign.''

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

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

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

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

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

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

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

The utilities, as directed by Commission decision, should allocate up to $8 million in finance marketing funds to CCSE. We expect CCSE, as program administrator, to draw up an integrated statewide plan, with the collaboration and input of the Joint Utilities, CAEATFA and Commission, and drawing on the expertise of market research and best practices in this emerging area of marketing. We expect the plan will include multiple components, roles and responsibilities.

As called for in the Decision, CCSE's work here will be folded under the statewide ME&O effort and follow the governance structure and other tenets of

D.13-12-038, under the direction of Commission staff. CCSE shall file a Tier 1 Advice Letter to submit the plan for Commission staff approval by October 20, 2014.

Even before CCSE develops an ME&O plan, we anticipate that CCSE will need $750,000 of these funds through 2015 to convene stakeholder meetings, develop the finance ME&O plan, and develop the contractor training. Depending on other tasks the ME&O plan assigns to CCSE, the Joint Utilities will release further budget allocations to CCSE. We also direct the Joint Utilities to release 5 percent of the $8 million budget to fund their participation in the marketing plan development.

In order to facilitate CCSE's development of the ME&O plan ahead of pilot implementation, the Joint Utilities shall begin releasing payments to CCSE no later than 15 business days after the adoption of this Draft Resolution. The Joint Utilities shall continue to release to CCSE funds for work it will perform through 2015, including further tasks the ME&O plan assigns to CCSE. PG&E shall provide these funds through its existing contract with CCSE, including by adding Appendix A as CCSE's initial scope of work for this financing portion of the overall integrated statewide marketing, and updating it as necessary based on the results of the marketing plan.

3.2 Retrofits Financed without Rebates or Incentives

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

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

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

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

Another example is in the Single Family Loan Program PIP:

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

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

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

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

3.3 Integrated Demand Side Management (IDSM)

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

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

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

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

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

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

3.4 IOUs Provide List of Eligible Energy Efficiency Measures

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

The information provided on the utilities' websites via links in the PIPs – including rebate catalogues - is not comprehensive. It is important to consider the needs of lenders and others who are taking a statewide approach. For instance it might be more effective to provide them with a single statewide measure list that identifies measures recognized across IOU territories by category, with easy-to-understand descriptions. Based on discussions with Commission staff, CAEATFA, lenders and others, the Joint Utilities are to provide a more appropriate list of EEEMs on their websites by August 31, 2014.

4. Miscellaneous Modifications

4.1 Updates Due to Delay

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

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

4.2 EFLIC PIP & Tariff

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

Section 9.a:

Sentence in the subsection on "Differences between the CHF and CHEEF EFLIC offering'' should read: "PG&E will work with CHF and CAEATFA to ensure that the terms and conditions are as similar as possible.''
Subsection on "Transition of the program from CHF to CHEEF,'' should include: "As part of its pre-development pilot work with CHF, PG&E will develop knowledge on processes needed to implement EFLIC. This knowledge will be captured in the form of an implementation guide and transferred to the CHEEF. This transfer of knowledge should help in making the CHEEF EFLIC launch smoother and faster by incorporating all the lessons learned from the CHF EFLIC pre-development pilot."

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

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

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

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

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

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

4.3 Formatting Problems in PIPs

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

4.4 Other Updates and Corrections

- Single Family Loan Program PIP: Remove duplicative information from Tables 12 and 14, and remove reference to "revolving credit" in Section 10.1;
- Off Bill Small Business Lease Providers Program PIP: Remove term "capital lease" from Section 9.a.i., and remove reference to incorrect pilot program in Section 12;
- Master-Metered Multifamily Program PIP: Remove reference to "installed life" from Section 11.c;

COMMENTS

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

The 30-day comment period for the Draft Resolution was neither waived nor reduced. Accordingly, the Draft Resolution was mailed to parities for comments on May 23, 2014, and was placed on the Commission's agenda on June 26, 2014.

Summary of Comments

Comments on the Draft Resolution were submitted by PG&E, SCE, SDG&E, SoCalGas, Office of Ratepayer Advocates and CCSE on June 16 and 17, 2014. Reply comments were submitted by PG&E, SCE, SDG&E and SoCalGas jointly, and CCSE.

The joint utilities disagree with many of the findings and conclusions in the Draft Resolution. The Office of Ratepayer Advocates strongly disagreed with a finding related to financing of DG and DR. The California Center for Sustainable Energy supported the findings on the Decision's intent for marketing, but offered suggestions for financing of DR and DG, and clarification of other aspects related to measures.

Comments on Marketing from IOUs

The joint utilities rejected the Resolution's clarification of the intention of the marketing section of the Decision (Section 10) for a number of reasons.

The joint utilities believe it is the intent of the Decision to fund the IOUs to perform local marketing in coordination with statewide ME&O efforts directed by D.13-12-038. SCE asserts that the Resolution seeks to take all of the finance ME&O funds and allocate them to CCSE for conceptual statewide messaging, when local marketing is essential, and the statewide finance pilot marketing is already funded by the statewide ME&O decision. While the Joint Utilities support coordinating their local marketing with CCSE's statewide efforts, they see these as two separately funded efforts. In reply comments, PG&E supports SCE's assertion that D.13-12-038 already funds CCSE to perform finance marketing.

The Sempra Utilities make detailed arguments about the intent of the Decision to allocate the marketing funds to IOUs, pointing to use of terminology authorizing the IOUs to "release" funds, and the fact that the IOUs did not find any instances of specific mention of CCSE in the Decision, or dispensation of funds to CCSE, despite the fact that CCSE was already publicly named as the statewide implementer for ME&O in D.12-05-015, the Guidance Decision. SDG&E acknowledges that sections of the Decision address the allocation of funds for statewide marketing activities such as Conclusion of Law 49, dicta at pages 85 and 86 – but the emphasis here, SDG&E argues, is on coordination.

SCE emphasizes that the IOUs have autonomy to develop their own marketing budgets and plans as they are responsible for the success of the pilots, and argues that three decisions (the Finance Decision, the Guidance Decision, and D.13-12-038, the statewide ME&O Decision) affirm the "right" of the IOUs to administer local marketing.

PG&E expressed concern that the Draft Resolution delegates to CCSE, CPUC obligations to establish marketing budgets including for CCSE itself, which PG&E believes is inconsistent with the ME&O decision. Further, PG&E asserts that the Draft Resolution requires CCSE to "supervise" (P. 12, OP8) the IOUs, and the IOUs to work under CCSE's direction. This is inconsistent with past CPUC decisions, PG&E asserts, including D.13-04-030, (P. 13). This conflicts, according to PG&E, with the relationship established by the statewide ME&O decision's requirement that PG&E contract with CCSE and serve as its "fiscal manager.'' SDG&E believes the direction to CCSE to develop an integrated statewide plan with assigned roles and budgets is inconsistent with Section 3 of the CCSE marketing plan (Pages 85-94) adopted by D.13-12-038. In reply comments PG&E asserts that the authority the Draft Resolution gives CCSE is unlawful.

In related recommendations, PG&E suggests that a marketing plan should be developed using a formal voting process, and amended to CCSE's contract. The IOUs and CCSE should have joint responsibility to develop a comprehensive marketing plan, PG&E argues, including roles and responsibilities for outcomes of outreach efforts.

Each of the IOUs identifies the marketing budget they believe the Decision allocated them, for a total of $8,243,090. The Sempra Utilities appear to propose giving more than half of their marketing budgets to CCSE, based on their high level assessment of what they will need for local marketing. PG&E calls for immediate release of 20% of funds to support its early marketing effort, as well as the $750,000 the Draft Resolution directed the IOUs to release to CCSE for initial tasks the Draft Resolution identified for CCSE. SCE requested $1.7 million in marketing funds and further guidance on its funding if the CPUC moves to allocate marketing funds to CCSE. In its reply comments, SCE supports PG&E's request for immediate release of a portion of local marketing funds.

In their joint reply comments, SDG&E and SoCalGas reaffirm these requests that the CPUC allocate local marketing funds for IOUs, and each identify a budget amount. SCE concurs in its reply comments asserting that the adopted Resolution must include a budget for IOU administered local marketing rather than a general marketing budget to be parsed out in what they describe as an undefined process.

CCSE in its reply comments supports utility requests for immediate marketing budget authorization, recommending use of PG&E's formula for 20% of the proposed "initial'' allocations, or $2 million total to the IOUs to facilitate their involvement in marketing plan development and any early pilot marketing such as for the pre-development phase of PG&E's EFLIC pilot. The balance of funds should be allocated through the collaborative process in order to develop an integrated statewide plan, according to CCSE.

CCSE in reply comments agrees with SoCalGas and other IOUs that the planning process will require CPUC staff oversight and engagement.

The Sempra Utilities request that the Draft Resolution direct CCSE to provide a marketing plan for the finance pilots via a Tier II Advice Letter so it can be reviewed.

SDG&E and SoCalGas argue that the finance pilot PIPs do in fact recognize CCSE as the implementer of the statewide ME&O program, and point to a table and a section where CCSE is mentioned.

CCSE Comments on Marketing

CCSE agreed with the Draft Resolution that the IOU PIPs are not in compliance with Commission decisions on ME&O and the financing pilots, and supported the Draft Resolution clarifications and directives for PIP amendments.

CCSE argues that the Guidance Decision set a new vision for marketing under a unified statewide platform and brand that spans across demand-side management opportunities. CCSE asserts that the Guidance Decision while choosing the Energy Upgrade California (EUC) umbrella brand specifically stated its intent to "eliminate duplicative and potentially contradictory spending on separate marketing by utility or by program type."

The statewide ME&O decision, D.13.12.038, went on to implement this vision, CCSE asserts, while Resolution E-4611 approving outreach plans for GHG revenue return did as well. The statewide approach under EUC set out in the Guidance Decision, CCSE argues, clearly applies to future consumer-facing programs including the statewide finance pilots - as directed by the Decision.

CCSE believes the collaborative approach for marketing plan development described in the Draft Resolution is "ideal." CCSE believes rules and procedures for decision-making will be needed, that there are roles for statewide and local actors, including IOUs, and that Commission staff should ensure that those assigned budgets and responsibilities in the plan share program goals "in alignment with roles, responsibilities and budgets outlined in the plan." In its reply comments, SCE questions the intent of the passage, and thinks each implementer should have its own appropriate goals.

SDG&E raises anti-trust issues and together with SoCalGas it requests the Commission provide explicit language in the Draft Resolution requiring the IOUs and CCSE to engage in a joint cooperative process regarding the allocation of the Financing Pilot marketing funds to be supervised at all times by Commission staff. SCE agrees in its reply comments. In reply comments, SDG&E and SoCalGas suggest specific language for insertion into the Draft Resolution.

CCSE accepts that PG&E can't begin releasing funds to CCSE until 15 business days after the final Resolution. SDG&E and SoCalGas in their reply comments agree with allowing PG&E to have 15 business days.

Marketing Reply Comments

In reply comments PG&E disagrees with CCSE that the PIPs are not in compliance and emphasizes its belief that D.13-09-044- and D.13-12-038 do not authorize marketing funds or marketing plan leadership to CCSE but just direct coordination between statewide and local marketing. PG&E requests in reply comments an initial budget of $824,000 for local marketing and a collaborative process that gives CCSE less authority to assign budgets, including its own, and roles.

SDG&E and SoCalGas in joint the reply comments agree the IOUs and CCSE should collaborate but worry piloting a collaborative approach will unnecessarily delay marketing launch.

In its reply comments CCSE disagrees with what it sees as a “perceived dichotomy’’ the IOUs draw between local or regional ME&O on the one hand, and statewide ME&O on the other. CCSE points to SCE’s comments as embodying this by describing statewide ME&O as the “general concept and availability of finance solutions,’’ with CCSE developing messaging and a branding platform for the IOUs to use in their “targeted, program-specific, action-driven and often customized marketing activities,’’ and data driven efforts “directed at customers within each service territory.’’ CCSE argues this dichotomy was rejected by the Commission in D.13-12-038, which describes statewide ME&O as including multiple channel delivery and leveraging community partnerships. Further, CCSE asserts the Commission declines to limit the scope of statewide ME&O channels and tactics in D.13-12-38.

As such, CCSE argues statewide ME&O as approved is a multi-layered social marketing program including education and outreach with on-the-ground outreach through events, community organizations, and retailers that is designed to build a statewide ME&O infrastructure to market programs under the EUC brand. CCSE argues that the IOU comments fail to make a case that D.12-05-015 supports local marketing rather than an integrated, coordinated approach.

CCSE maintains that development of an ME&O plan should consider the full range of market actors including contractors, real estate professionals, lenders, retailers and community based organizations to evaluate which can best support the pilots. The statewide ME&O effort may be better placed to manage these actors, CCSE asserts, given they aren’t organized by IOU service territory.

CCSE disagrees with IOU comments that cite D.12-05-015 as giving them a “right” to administer local marketing efforts. Instead, CCSE notes that D.12-05-015 says only that “nothing in this section is intended to prevent utilities from continuing to conduct local and targeting marketing . . . ‘’.

CCSE rejects the IOU assertion that the statewide ME&O budget authorized in D.13-12-038 includes a budget to promote the financing pilots. While the dicta on Page 64 of D.13-12-038 was modified from the original Proposed Decision, CCSE asserts, OP 2 does not include financing. However, CCSE notes that it will require significant funding to implement the integrated ME&O called for in D.13-09-044.

Further, CCSE disagrees with SDG&E that the 2013-2014 EUC marketing plan has "multiple references to the inclusion of financing pilots.'' Instead, CCSE believes the plan made no references to the financing pilots, which were in development when the plan was written in early 2013. Instead it referred to financing generally as administered by local governments.

CCSE disagrees with SoCalGas' assertion that the Draft Resolution is inconsistent with Section 3 of the EUC marketing plan when it directs collaboration for finance marketing plan development. CCSE points out the D.13-12-038 did not adopt that section of the statewide EUC plan, that D.13-12-038 is the authority on governance, budget, objectives, etc. for the statewide ME&O effort, though does not necessarily speak to governance of finance pilot marketing.

Comments on DR and DG

The Office of Ratepayer Advocates (ORA) recommends the Draft Resolution include DG and DR as eligible measures within the maximum 30% of the loan that can be used to finance non-EEEMs. ORA argues that the Decision does not prohibit their inclusion and that they fit the Decision's description of '"related improvements'' that "may support EE'' and can "maximize the benefit of EE improvements.''' ORA argues that the Decision takes a "flexible'' approach to allowable measures in its framing on Page 31:

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

Further, ORA asserts that the Commission should prioritize financing of DR and DG over other more cosmetic improvements.

ORA detailed an array of California policies prioritizing demand-side resources, and calling for their integration into unified program offerings, ranging from the California Energy Action Plan to the California Long-term Energy Efficiency Strategic Plan, and a DR proceeding. Further, ORA asserts that it would not be a precedent to include DR and DG as it proposes, since EE funds have been used for integration in the case of the $8.2 million IDSM program.

ORA believes the finance pilots are a low-risk vehicle to begin addressing this long-overdue policy gap, and that inclusion of DR and DG in each pilot could promote greater market penetration. The HERO program and the Sonoma County Energy Independence Program both have high levels of customer uptake, ORA argues, and they both have clean energy financing offerings. ORA believes the Sonoma Program's loan applications dropped of sharply during a one-month period when they tried to limit financing to EE only.

ORA calls for the Draft Resolution to require the IOUs to track the costs and measures that are financed to ensure the appropriate measures are designated for the minimum 70% of a loan and the maximum 30%, including closely tracking the costs associated with EEEMs and allowed to be included in the 70%, such as design and engineering, audits, etc. SCE in its reply comments says this requirement is too granular and that it prefers streamlined reporting. SDG&E and SoCalGas in reply comments question whether the proposed tracking would be consistent with current reporting protocols and prefer to consider whether CAEATFA should include it as part of its quarterly reporting.

CCSE argues that the finance pilots, including EFLIC, need to finance DR and DG without credit enhancements in order to be flexible and attractive to consumers investing in energy management. CCSE believes consumers do not compartmentalize DSM approaches. In its reply comments, PGE recommends these two requests be denied and says a petition for modification of the Decision would be required for both. SoCalGas and SDG&E in their reply comments disagree with CCSE and say the Decision does not explicitly allow the financing of DR and DG if no credit enhancement is provided. Moreover, financing DR and DG through the EFLIC pilot would violate the cross-subsidization policy. SCE in its reply comments agrees the CCSE DR and DG proposals would require a petition to modify the Decision, and are premature given there was no substantial discussion of adding DR and DG in the proceeding.

Comments on DR and DG Measures

PG&E argues that without clear definitions of DR and DG the finance pilots are open to abuse by projects that finance technologies that are not approved under the current IOU customer DR and DG programs, such as wholesale generators, diesel back-up generators, gas-fired generators, etc. Instead, the Draft Resolution should adopt the definitions in the draft PIPs, which limit DR and DG measures to those used by IOU programs, unless and until a stakeholder process determines other measures should be eligible. PG&E believes that though the Decision offers no definitions or limits on DG and DR measures, its proposal is a reasonable interpretation of CPUC intent. SCE agrees that the Draft Resolution should use existing definitions of DR and DG measures in order to help the IOUs implement the new pilots without the possible confusion of having duel sets of criteria developed by the IOUs and CAEATFA. SDG&E also believes it is logical that the finance pilots follow the Commission's guidelines for DR and DG projects and that any other measures be developed via a stakeholder process. This would ensure quality and prevent financing of technologies that contrast with EE and emissions objectives. SDG&E believes the terms "DR" and "DG" were incorporated after the decision comment period and as such the Draft Resolution should provide a definition of them. SoCalGas supports SDG&E comments. In reply comments, SCE supports SDG&E and PG&E comments.

Comments on EEEMs Allowed Costs

SDG&E raises concerns that constraints on the costs associated with EEEMs and could significantly constrain the pilots. The Draft Resolution had identified a pending Commission staff approved guidance document on measure costs to be used as a guide for which costs to allow in the 70% category as associated with EEEMs. SDG&E asks that the Draft Resolution include more specific information on the intent of the Decision in this regard, and to allow IOU comment on the document. PG&E agrees, and questions the purview of Commission staff to set these requirements on the pilots. PG&E recommends the Draft Resolution approve the definition used in the PIPs. SCE in its reply comments agrees that IOUs should be included in discussions regarding such pilot requirements.

Comments on EEEMs

CCSE argues that the eligibility of energy efficiency measures for financing must be comprehensible and transparent for lenders. Further, CCSE asserts that the Draft Resolution should clarify that the eligibility of an EEEM for financing without the use of a rebate or incentive should not be dependent upon whether or not the customer has received a rebate or incentive for that EEEM in the past. Any IOU verification requirement to related to this could potentially derail project financing. In its reply comments, PG&E agreed with CCSE saying it would reduce processing time and administrative burden. PG&E added the caveat that CAEATFA regulations should protect vulnerable homeowners from contractors recommending uneconomical equipment replacements and the Commission should clarify that incremental energy savings related to these projects can count towards IOU savings goals for the pilots. SCE in its reply comments said it does not prohibit customers that have received a rebate from participating in programs as long as they don't seek a more than one rebate for the same installed measure. In their reply comments, SDG&E and SoCalGas do not support CCSE's proposal. If the final Resolution includes it, they request it clarify whether any savings from a measure replacing a rebated measure prior to the end of the "non-rebate period" would be attributed to the IOUs.

Finally, CCSE supports the Draft Resolution directive for the IOUs to provide a single statewide measure list with easy-to-understand descriptions, and recommends the Commission further direct the IOUs to include all information regarding the specifications of each EEEM. Without public information on these technical specifications, projects could lose eligibility for financing. PG&E in its reply comments reports that it already provides these technical specifications. SDG&E complains that it fulfilled Decision requirements and that the Draft Resolution should not characterize its posted measure list as "inadequate." In its reply comments, SDG&E and SoCalGas say they are not aware of specific problems with the measure lists. They suggest a stakeholder forum to understand "usergroup needs," rather than a broad Commission directive that might yield too much detailed information.

IOU Verification of Projects Not Using a Rebate or Incentive

CCSE agrees with the Draft Resolution that a requirement to submit to IOU inspections would eliminate any time-saving or other benefit a customer might obtain by foregoing a rebate or incentive. PG&E and SCE believe it is necessary for the IOUs to use existing quality control procedures on financed projects to collect data, review projects after installation, verify savings, etc. – even when the projects do not use IOU rebates or incentives. In its reply comments, PG&E agreed with SCE. SCE notes that data will be needed for the CPUC to determine energy savings attributable to all financed projects and that if the CPUC is concerned about the IOU procedures causing delay, it should consider modifying the process for all projects rather than developing a different standard for one subset of projects. SDG&E argues that the PIP requirements for IOU verification, etc. are actually consistent with the authorized Data Working Group final report, and in reply comments with SoCalGas note that the data would be used for EM&V and provide quality control on par with other programs. If CAEATFA is to develop another standard for qualified contractors and reporting, SDG&E recommends that the IOUs be included in the discussion to ensure the data collection and quality control is consistent with all ratepayer-funded programs. SoCalGas supports SDG&E's comments.

IDSM

PG&E believes that the IDSM portions of the PIP support broad CPUC IDSM policy, are compliant, and should be retained. SDG&E notes that the inclusion of DR and DG measures in one pilot and one DG measure in another are examples of IDSM. It would be inconsistent with other programs and EE overarching objectives, SDG&E argues, to eliminate the IDSM sections of the PIP when water measures that are not EEEMs need to be coordinated to respond to the drought. SoCalGas supports SDG&E comments.

PIP Compliance

SCE requests that the Draft Resolution show that IOU PIPs were in fact compliant in terms of ME&O, DR and DG measure definitions, data collection and quality control for projects that are not rebated or incented, and regarding the IDSM section. PG&E in its reply comments supports SCE and notes that the IOUs did their best to interpret the Decision and followed the correct stakeholder process. In addition, SCE said the IOUs did not inform the Commission that they were unable to file compliant PIPs – instead, the IOUs were unable to agree with Energy Division interpretations of the Commission decisions.

IT Advice Letter

SoCalGas requests that the Commission remove the Decision's requirement that IOUs file a Tier II Advice Letter regarding IT system changes the IOUs had estimated would cost some $8 million. Due to delays in the start of the pilots, they believe the IOUs should be allowed to report on these costs in another manner that isn't tied to the timing set in the Decision. SCE agrees in its reply comments.

PIP Corrections and Approval

SoCalGas requests that final approved PIPs be attached to the adopted Resolution and implemented immediately, rather than requiring the IOUs to re-submit PIPs within 30 days. SoCalGas attached to its comments a partial copy of what it refers to as an "informal data request response,'' which it says are redline and clean versions of PIPs (not including EFLIC) supplied to Commission staff in late May, 2014. It requests the adopted Resolution attach and approve these. (PG&E requests in its reply comments to file a Tier 1 Advice Letter for approval of its EFLIC tariff as described in the Resolution.) SCE and PG&E support SoCalGas in reply comments. SoCalGas believes the Draft Resolution leaves many PIP issues unresolved pending "broad instructions'' in the Draft Resolution that might take additional time for IOUs to interpret as they update PIPs, and for Commission staff to review in re-submitted PIPs. In lieu of attaching the final approved PIPs to the Final Resolution, SoCalGas requests the PIPs first be amended as needed and attached in final format so they can be adopted and implemented in a more timely manner.

SoCalGas believes the Draft Resolution requirement that Commission staff approve any further changes to the finance pilot PIPs be struck as it is an alteration of existing processes that is unnecessary, unclear, and could interfere with regulatory compliance requirements. SCE and PG&E agree in its reply comments. In lieu of striking the requirement, SoCalGas believes it should be caveated to be subject to staff time and availability.

SoCalGas believes the Draft Resolution does not resolve matters that the IOUs requested it resolve, and SCE agrees in its reply comments. SoCalGas reports the "informal data request response'' supplied to Commission staff contained PIP improvements discussed with Energy Division that are not addressed by the Draft Resolution. SoCalGas requests that this be remedied since Order No. 2 indicates the IOUs should not make changes to the PIPs other than those specified in the Draft Resolution. SCE agrees in its reply comments. SoCalGas requests Section 4 of the Draft Resolution include several small changes.

Discussion of Comments

Discussion of Marketing Comments

We disagree with the IOUs' assertion that it is the intent of the Finance Decision to fund them to perform local marketing that coordinates with statewide ME&O funded separately. CCSE share's our rejection of this view.

First, we are not compelled by the argument that the Decision awards the marketing funds to the IOUs.

SoCalGas is correct that the first section of OP 1 orders the IOUs to "release" funds for IOUs' own use. The next section orders "release" of funds to CAEATFA. The use of the term "release" does not alone signify that the funds go to an entity other than the IOUs. However, the operative section of OP 1 does not direct the funds to the IOUs. It directs:

(1) up to $8 million to be expended in coordination with the statewide ME&O plan 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.

Rather the order uses a passive voice "to be expended," which is consistent with the dicta, which does not, as SoCalGas also points out, name CCSE directly. Instead the Decision on Page 85 acknowledges that the Commission was simultaneously considering EUC budgets and plans under another proceeding. Though the Guidance Decision had already named CCSE as the coordinator of statewide ME&O, D.13-09-044 defers to the pending ME&O decision, and instead refers to statewide ME&O, rather than a particular contractor or entity. As such, the Finance Decision allocates the marketing funds to the statewide ME&O administrator ultimately named in D.13-12-038. The Draft Resolution finds the PIPs out of compliance because they do not recognize CCSE as this entity.

Further, Finance Decision Finding of Fact (FOF) 49 allocates up to $10 million for customized ME&O as follows:

Up to $8.0 million to be released to specifically advance the newly authorized EE financing pilots as incorporated into, and complementary of, the statewide EE ME&O efforts;

The dicta on Page 86 is clear in its use of the words "by" and "through:"

. . . up to $8 million of authorized EE pilot funds should be released by the IOUs to explicitly promote the specific EE finance pilots authorized here through the statewide EE ME&O efforts, including integration of financing pilot information with the statewide umbrella outreach for all EE and demand side management programs.

SoCalGas argues that the use of the term "customized ME&O" in FOF 49 signifies the Decision's intent to fund the IOUs' local marketing. We agree with CCSE that the Guidance Decision set a new vision for marketing under a unified statewide platform and brand in order to "eliminate duplicative and potentially contradictory spending on separate marketing by utility or by program type."[3] We further point to the fact that the Finance Decision in Section 10, on marketing, describes the Commission's intent to move to a statewide, integrated approach to marketing:

We acknowledge our previous decision to leverage ME&O activities into one integrated approach, which includes multiple demand side options depending on the needs of the consumer. Our intention is to move away from separately authorized marketing and outreach programs, in part to eliminate duplicative and potentially contradictory efforts and spending.

SCE argues that the statewide ME&O effort under the Energy Upgrade California (EUC) brand already has a budget for marketing the statewide finance pilots. CCSE rejects this assertion saying that OP 2 of D.13-12-038 does not address financing, and that the plan only mentions financing generally, as related to local government. We agree with CCSE. It is our understanding that there is no line item in the statewide ME&O budget dedicated to the finance pilots. Further, we think this line of reasoning – that there are separate budgets for local finance marketing to be performed by the IOUs, and statewide finance marketing under EUC – is faulty.

CCSE calls this a "perceived dichotomy" that it says the IOUs inaccurately draw between local and statewide ME&O, where statewide efforts are limited to "general concept and availability of finance solutions," as well as development of messaging and a branding platform for the IOUs to use in the targeted and customized activities. CCSE argues that the Commission rejected this dichotomy in D.13-12-038, which describes statewide ME&O as including multiple channel delivery, leveraging community partnerships, etc. We agree, and note that in this way D.13-12-038 continued the vision of the Guidance Decision and D.13-09-044 for an integrated statewide approach to marketing. We also agree with CCSE that Resolution E-4611 went on to implement this vision for the

[3] D.12-05-015 at 300-302

marketing of the revenue return related to GHG, and that the approach clearly applied to future consumer-facing programs including the statewide finance pilots.

Consistent with their arguments on Finance Decision intent, the Joint Utilities have each identified marketing budgets and called for allocation of those funds to them, including some immediate release of funds to fuel their participation in formation of a marketing plan, etc. CCSE supports immediate release of 20% of the budget request, or $2 million.

Given our findings above, we are hesitant to authorize marketing funds to the IOUs unless and until an evidenced based marketing plan indicates exactly how the funds will be used and that the IOUs are the best entities to perform those roles. We agree with CCSE that development of an ME&O plan should consider the full range of market actors, including contractors, real estate professional, lenders, retails and community based organizations to evaluate which can best support the pilots.

CCSE in its support of immediate and partial marketing funding for IOUs points to the pre-development phase of the EFLIC pilot and other early marketing needs, and the IOUs need for funding to underwrite their participation in plan development meetings. We authorize 5 percent of the $8 million marketing budget to fund IOU participation in marketing planning during the summer and fall of 2014.

The IOUs raised issues as to the structure of CCSE program administration which we address by following D.13-12-038 and its governance structure. IOUs should file in that proceeding if they disagree with those tenets. We concur with the suggestion that CCSE file the marketing plan by Advice Letter for CPUC approval. We have removed text from OP 7 and Page 12 that PG&E complained of.

PG&E has suggested changes or additions to the proposed collaborative process for marketing plan development including a formal voting process, IOUs jointly leading the effort with CCSE, and attaching the plan to CCSE's contract. CCSE also believes rules are needed for the collaborative meetings. SCE and CCSE expressed thoughts about the alignment of roles assigned in the plan and responsibilities for goals.

We decline to stipulate meeting rules, though we concur that Commission staff must oversee the process and plan, and set the tone for meetings.

We agree with PG&E, CCSE and others that it is appropriate for PG&E to have 15 business days from adoption of the Resolution to begin releasing funds to CCSE.

Discussion of DR and DG Financing Comments

We agree with ORA that the Finance Decision does not explicitly prohibit the financing of DR and DG measures in in its description of costs allowed in the 30% portion of the loan. We also agree with CCSE and ORA that the increased flexibility of financing DG and DR could meet customer needs and promote market penetration.

However, given the Guidance Decision refers to credit enhancements as a cross subsidy, and given our need to further investigate any Public Utilities Code limitations on further funding of solar technologies, we decline to allow DR and DG financing in the credit enhanced pilots at this time. Because the Finance Decision does not speak directly to CCSE's proposal for non-credit-enhanced DR and DG to be finance in all pilots, we decline to address it at this time. Further, we agree with SCE that additional stakeholder input would be beneficial.

Discussion of DR and DG Measures Comments

We acknowledge the Joint Utilities' requests that the definitions of and limitations on eligible DR and DG measures in the PIPs remain. However, we decline to cap eligibility given these are pilots and should be flexible. We also decline to define eligibility in the PIPs given the SoCalGas' concern about whether the "broad" instructions in the Draft Resolution can be translated into amended PIPs in a way that will pass Commission staff review. We too are concerned that the wording of such definitions might be unclear or allude to caps as the draft PIPs do. We think it is implicit that technologies allowed in existing IOU programs are eligible.

Commission staff in consultation with CAEATFA can consider whether it is prudent for CAEATFA to make ineligible the technologies including diesel back-up generators named in comments. However, this should be done in a way that does not cap or limit eligibility for other DR and DG technologies.

The IOUs shall not develop sets of criteria that conflict with or are alternate to the approach developed by the CPUC and CAEATFA, as SCE suggested.

Discussion of EEEMs Allowed Costs Comments

We agree with PG&E that the PIPs should use their existing definition of costs to allow in the 70% category of a loan, as associated with EEEMs. It is our understanding that this definition is drawn from a draft version of the pending Commission staff approved measure cost document. Given SDG&E's concerns that using this document as a guide will constrain the pilots, we remove this requirement.

Discussion of EEEMs Comments

We agree with CCSE, SCE and PG&E that the eligibility of an EEEM for financing without the use of a rebate or incentive should not be dependent on whether or not the customer has received a rebate or incentive for the EEEM in the past. We defer to the CPUC impact evaluation to determine any incremental savings in these situations and the formula for assigning them to the IOUs. We will consider PG&E's caution that contractors might recommend to homeowners uneconomical equipment replacements in our discussions with CAEATFA on quality control for projects that do not use IOU rebate or incentive programs.

We share CCSE's concern that if the essential information on measures is not available to lenders and others, in an easy-to-understand format, projects could lose eligibility for financing. The technical specifications of measures could be essential information. Commission staff will consider this in the process already proposed here for informing IOUs on how to improve the list of EEEMs on their websites.

Discussion of Verification of Projects Not Using a Rebate or Incentive Program Comments

We agree with CCSE that it would have a stifling effect on projects that do not use IOU rebates or incentives if they had to submit to the IOU inspections and other PIP requirements. We disagree with PG&E and SCE that it's necessary for the IOUs to intervene in these projects. We agree with SCE and SDG&E that these IOU efforts yield data for evaluation, assessment of energy savings, and provide quality control on par with other programs. However, as described in the Draft Resolution and allowed by the Finance Decision, CAEATFA in conjunction with Commission staff will be developing alternative processes that accomplish the same ends and will consult IOU expertise as needed.

Discussion of IDSM Comments

Due to the vague nature of this section of the PIP, and the potential for misinterpretation of it, we stand by our directive to remove it, especially given the confusion in interpretation of the Finance Decision that is evidenced by this Draft Resolution. We agree with SDG&E that the financing of DR and DG is IDSM, and think those aspects of the PIPs are more pertinent than this section. We see nothing in the Decision or Draft Resolution that would prohibit financing of non-EEEM water measures in the 30% non-EEEM category and do not understand SDG&E's concern that they would be ineligible when this section of the PIPs is removed.

Discussion of PIP Compliance Comments

The IOUs filed 35 pages of comments on the Draft Resolution, which underscores SCE's assertion that the IOUs did not agree with Commission staff interpretation of Commission decisions. This Draft Resolution illustrates the ways in which the PIPs are not compliant with Commission decision.

Discussion of IT Advice Letter Comments

We recommend the IOUs file a petition to modify the Finance Decision if they wish to eliminate the requirement that they file an Advice Letter regarding the IT system changes for which the Decision allocated some $8 million. We recommend the IOUs request CPUC Executive Director Paul Clanon allow them to change the Decision-ordered timing of the Advice Letter filing given SCE and SoCalGas are concerned it will cause delays.

Discussion of PIP Corrections and Approval Comments

The Commission is unable to adopt informal versions of PIPs. The only PIPs that the IOUs filed following necessary due process were those they filed at 60 and 90 days after the Finance Decision, as ordered. It is those PIPs that the Draft Resolution has ordered the IOUs to amend as directed here, including the EFLIC Advice Letter, which Commission staff has already reviewed and for which we have directed detailed changes.

We are concerned that SoCalGas believes the directives in the Draft Resolution are too "broad" for the IOUs to act on succinctly and would have appreciated examples that we could address here.

We are unclear as to what regulatory compliance requirements would be compromised if IOUs need Commission staff approval to make further changes to the PIPs. Rather than create blanket rules here we recommend IOUs notify Commission staff well ahead of any deadlines of any changes that are needed and contact program and project supervisors if Commission staff are not responsive. We think the staff approval requirement is reasonable given the necessity for this Draft Resolution to approve the PIPs.

We agree with SoCalGas that the draft PIPs should be amended to include the corrections listed on Page 5 of SoCalGas reply comments, with modifications, as reflected in the Draft Resolution Section 4.

FINDINGS

1. The Joint Utilities filed Advice Letters listed below in compliance with D.13-09-044:
    - Southern California Gas Company Advice Letter (AL) 4562, San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;
    - Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
    - Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.
2. Advice Letters AL 4581, 2558-E/2253-G, 3439-G/4327-E, and 2989-E were timely protested jointly by California Housing Partnership Corp. and Build it Green with support from Marin Clean Energy.
3. The Joint Utilities' ALs are out of compliance with D.13-09-044 and D.12-05-015 with regard to the budget allocation and lead role for finance pilot marketing, financing of DG and DR, retrofits financed without rebates or incentives, IDSM, and other issues identified in this Resolution.

4. The Joint Utilities requested Commission clarification of D.13-09-044 through a Commission Resolution. They requested clarification on the pilot marketing, financing of DG and DR, and IDSM sections of the PIPs.
5. California Housing Partnership Corporation and Build it Green's joint protest asserted that Solar Domestic Hot Water systems are integral to a multi-family retrofit and should be allowed in the eligible loan amount for the multi-family pilot, but without credit enhancement. Marin Community Energy supported the protest.
6. The Joint Utilities' protest response agreed with the importance of Solar Domestic Hot Water systems for multi-family retrofits, and with the inclusion of this measure in the multi-family pilot eligible measures, as long as no credit enhancement is used.
7. The Commission concludes it is reasonable to allow financing of Solar Domestic Hot Water Systems without ratepayer credit enhancement in the multi-family pilot, including the pre-development phase, but without credit enhancement, pursuant to the statutory limits on funding this measure.
8. D.13-09-044 prohibits the cross subsidy with EE credit enhancements of demand response (DR) and distributed generation (DG) technologies. The Finance Decision created six credit enhanced pilots where it was envisioned the total amount of each loan or lease would be credit enhanced. It is reasonable to further the Commission's policy of encouraging integrated demand side management by allowing DR-enabled technologies and solutions to be included in energy efficiency projects that will be financed by the credit enhanced pilots in this program.
9. D.13-09-044 created a non-credit-enhanced pilot for non-residential customers that can finance DR and DG technologies. The decision did not place any limits on DR and DG technologies financed by this pilot. For instance it did not place limits on which DR and DG technologies can be financed, the percent of a loan that can be dedicated to DR or DG, or the number of loans that could be made to finance DR and DG projects.
10. D.13-09-044 requires that a minimum of 70% of any loan or lease made through one of the six credit enhanced pilots consist of eligible energy efficiency measures, which it defined as measures that have been approved by the Commission for a utility EE rebate and incentive program – though a borrower need not use a rebate or incentive.

D.13-09-044 allows up to 30% of the loan or lease amount to finance improvement activities that are incidental to the EE portion of the project and make it more likely that customers undertake an EE project. CAEATFA in its rulemaking can further define allowable costs as necessary.

11. D.12-05-015 directed the consolidation of demand side marketing to foster a single integrated approach without duplicative or contradictory efforts and spending, using the brand Energy Upgrade California.
12. D.13-09-044 recognized the natural synergies between the ME&O needed for the finance pilots and the statewide coordinated Energy Upgrade California ME&O effort, recognizing that financing is a strategy to reduce the first cost barrier to taking demand side management action.
13. D.13-12-038 designated CCSE as the program administrator and implementer for the statewide ME&O program. In acknowledgement of this then-pending decision, D.13-09-044 designated the entity so named by D.13-12-038 to be the statewide lead for finance pilot marketing to be folded under the statewide effort approved by D.13-12-038
14. D.13-09-044 orders the Joint Utilities to release up to $8 million of the authorized pilot funds to the implementer of the statewide ME&O campaign: CCSE
15. D.13-09-044 in its definition of eligible energy efficiency measures (EEEMs) makes clear customers do not need to use a utility rebate or incentive to participate in the finance pilots. D.13-09-044 does not place any utility requirements on retrofit projects that are accomplished outside of utility rebate/incentive programs. D.13-09-044 does allow CAEATFA to develop related standards.
16. D.13-09-044 does not set any IDSM objectives for the finance pilots and does not allow the primary IDSM technologies - DG or DR – to be included in six of the seven EE finance pilots.
17. D.13-09-044 directed the Joint Utilities to provide a list of eligible energy efficiency measures available to the public, including on the Joint Utilities' websites. The Joint Utilities must work with the Commission and CAEATFA to develop an EEEM's list in a form that best meets the needs of lenders, contractors, borrowers, and others likely to engage in these pilots.
18. Various miscellaneous modifications are needed to the PIPs for compliance and clarity and should be made as described in this Resolution.

19. The Commission finds it reasonable to adopt PIPs as the Joint Utilities shall amend them to comply with D.13-09-044 and D.12-05-015 and with all compliance information and clarifications detailed in this Resolution. The Commission also finds it reasonable for the finance pilots to begin under CHEEF administration while the Joint Utilities update the PIPs.

THEREFORE IT IS ORDERED THAT:

1. The following Advice Letters including seven program implementation plans for the energy efficiency finance pilots are approved as amended by the clarifications and compliance information in this Resolution:
   - Southern California Gas Company Advice Letter (AL) 4562, San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;
   - Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
   - Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.
2. The Joint Utilities shall file the compliant PIPs within 30 days of the approval of this Resolution. The Joint Utilities shall not take this opportunity to make other unrelated changes to the PIPs. The Joint Utilities shall file the updated PIPs in redline to easily identify changes, and with accompanying clean copies. Further, future changes to these PIPs, including those made by the PIP addendum process, must first be approved by Commission staff.
3. The finance pilots that are the subject of the three ALs and seven PIPs are approved to begin operation under the CHEEF while the Joint Utilities amend the PIPs.
4. The joint protest by California Housing Partnership Corporation and Build it Green is resolved by allowing the financing of Domestic Solar Hot Water systems without ratepayer credit enhancement in the multi-family pilot, including its pre-development phase.
5. The Joint Utilities shall work with CAEATFA and the Commission to develop public lists of eligible energy efficiency measures that contain sufficient

information about the financed measures to meet the needs of lenders and others, including those with a statewide view.

6. The Joint Utilities shall release to CCSE up to $8 million for statewide marketing on an as needed based on roles and associated budget allocation designated in the statewide finance pilot marketing plan CCSE will develop in its role as statewide ME&O administrator under D.13-12-038, as approved by the Commission
7. The Joint Utilities shall begin releasing funds to CCSE no later than 15 business days after the adoption of this Resolution to cover the cost of CCSE's work as detailed in this Resolution, and in the finance pilot ME&O plan CCSE develops.
8. Joint Utilities shall comply with the finance marketing plan approved via an Advice Letter.

This Resolution is effective today.

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

/s/ *Paul Clanon*
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
MICHAEL PICKER
Commissioners

APPENDIX A

ME&O Plan for PIPs, Section 10.h

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

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

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

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

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

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

(BEGIN APPENDIX A)

CCSE Timeline for Finance ME&O Plan & Concurrent Activities

Activity	Estimated Timing
Contract for work to commence	July 2014
Convene working group to collaborate on plan	July 2014 + ongoing
Solicit and conduct additional research needed	July-September 2014
Develop contractor training and outreach	August-September 2014
Complete first draft ME&O implementation plan	September 1, 2014
Complete final draft ME&O implementation plan and File Tier 1 Advice Letter	October 2014
Lead implementation of ME&O plan	Q4 2014 + all 2015

(END APPENDIX A)

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December 19, 2013

Advice 4581
(Southern California Gas Company U 904 G)

Advice 2558-E/2253-G
(San Diego Gas & Electric Company U 902 M)

Advice 3439-G/4327-E
(Pacific Gas and Electric Company U 39 M)

Advice 2989-E
(Southern California Edison Company U 338 E)

Public Utilities Commission of the State of California

Subject: Implementation of Energy Efficiency (EE) Finance Program On-Bill Repayment (OBR) Pilots in Compliance with Decision (D.) 13-09-044

Southern California Gas Company (SoCalGas), on behalf of itself, San Diego Gas & 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 OBR pilot programs approved in D.13-09-044, the Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs.[1] The OBR pilots specified in D.13-09-044 submitted herein are the following:[2]

1) Master-Metered Multifamily Financing Program (MMMFP);
2) Small Business Loan Program (SBLP);
3) On-Bill Small Business Lease Providers (OSBLP) Program; and
4) Non-residential Without Credit Enhancement (NWOCE) 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

[1] Due to the timing of the decision, the financing pilots and associated funds were authorized through calendar year 2015. See D.13-09-044, OP 20.
[2] The PIP for the fifth on-bill pilot approved in D.13-09-044, the Energy Finance Line Item Charge (EFLIC) Pilot, will be addressed in a separate Advice Letter issued by the program implementer PG&E along with the EFLIC Rate Schedule and Customer Agreement.

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) 7b of D.13-09-044 requiring the IOUs to file Program Implementation Plans (PIPs) for the Energy Efficiency (EE) Finance Program OBR pilots within 90 days of the date the Decision was issued. D.13-09-044 was issued on September 20, 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 OBR PIPs. The IOUs have complied with these requirements, as described herein.
- Attachment B of the AL contains the MMMFP PIP.
- Attachment C of the AL contains the SBLP PIP.
- Attachment D of the AL contains the OSBLP PIP.
- Attachment E of the AL contains the NWOCE PIP.
- Attachment F contains information regarding the IOUs' consultation process with Financial Institutions (FIs) regarding the PIPs.

In consultation with the Commission's Energy Division (ED) staff, the IOUs provide one statewide version of each PIP noted above, which will be applicable for each utility.

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, the IOUs were ordered to hire an expert financing consultant to design the new financing programs for 2013–2014.[3]

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.[4]

D.13-09-044 was issued at the conclusion of the assigned Commissioner's review process, and approved seven pilot programs to be deployed in phases, according to the proposed Implementation Plan,[5] which takes into account the potential timing for deployment of each pilot. Authorized pilots included:

- "Fast Track" pilots: Includes two off-bill pilots, the Single Family Loan Program (SFLP) and the Off-Bill Small Business Lease Providers Program. Fast Track PIPs were

[3] D.12-05-015, OP 21 and 22, p. 400.
[4] D.12-11-015, OP 22, p. 135.
[5] D.13-09-044, Appendix G.

submitted to the Commission on November 19, 2013, and the pilots are expected to be operational by March 2014.

- 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 PG&E and SoCalGas, respectively. These pilots are expected to be operational in early 2014.

Through the OBR feature, FIs will be able to finance EE investments with payments collected through the utility bill to test whether this approach can overcome lending barriers and attract large pools of private capital to EE markets. Transferability of the underlying debt obligation is permitted with written consent, and according to the conditions outlined in the OBR Tariff (i.e., the Rate Schedule or Rules proposed by each IOU in separate advice letters to be filed by December 30, 2013). Non-residential pilots also call for service disconnection for non-payment.

D.13-09-044 also required that a minimum of 70 percent of the project loan or lease amount must be associated with Eligible Energy Efficiency Measures (EEEMs) that are contained within the IOU's EE portfolio. Up to 30 percent of the loan or lease amount may be used to finance non-EEEMs. For the OBR without credit enhancement pilot, this Decision also allows Demand Response (DR) and Distributed Generation (DG) measures for at least 70 and up to 100 percent of the total cost of the project to be financed.

The PIPs submitted herein are for the following OBR pilots:

- Master-Metered Multifamily Financing Program (MMMFP) Pilot

  The MMMFP is a loan program that offers multifamily property owners the opportunity to perform EE enhancements on their multifamily properties with repayment on the master utility bill without the risk of disconnection. Program eligibility is limited to affordable housing properties as outlined in the PIP. The program features a Debt Service Reserve Fund (DSRF) as a credit enhancement (CE), which uses ratepayer funds to support repayment of the financing products. CAEATFA will establish the final design of the DSRF through its public rulemaking. Any delinquent financing charges subsequently collected from customers will offset some or all of the DSRF funds paid out. Key program attributes include:

  - An early release version of the program implemented by SoCalGas, limited to up to 5 properties, will be implemented without using CE funds by working with the California Housing Partnership Corporation (CHPC) using certified Community Development Financial Institutions (CDFIs).
  - The program will be transferred to the CHEEF once the Master Servicer is online and the automated OBR system is functional, as part of the full-scale, statewide program available in all IOU service territories.

- Small Business Loan Program (SBLP) Pilot

  The SBLP is a loan program with a Loan Loss Reserve (LLR) that serves as a CE to support repayment of a portion of defaulted loans that are ultimately charged-off by a financial institution. Key program attributes include:

  - Program eligibility is limited to Small Businesses as defined by the United States Small Business Administration (SBA) definitions found at 13 C.F.R. 121.
  - The LLR will cover up to 20 percent of the total eligible loan value in the portfolio with a $200,000 cap on credit enhancement value per loan.
  - Final details of the CE structure are to be developed through the CAEATFA public rulemaking process, but CE funds will be available to support secured and unsecured loans.

- On-Bill Small Business Lease Providers (OSBLP) Pilot

  The OSBLP enables lease companies to offer leases to the small business sector (as defined by the SBA) with monthly payments made through the customers' utility bill. 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 an off-bill version of this pilot to be deployed as a "Fast Track" pilot that will provide some early experience to inform this OBR version.

- Non-residential Without Credit Enhancement (NWOCE) Pilot

  The NWOCE pilot is available to all non-residential customers and offers repayment of loans or leases through the utility bill. This pilot is not supported by a ratepayer funded credit enhancement. NWOCE differs from the other pilots in that it allows for projects that contain DR / DG measures for at least 70 and up to 100 percent of the total cost of the project to be financed.

Role of CAEATFA as Finance Pilot Programs CHEEF

Concurrent with the development of the PIPs submitted herein, CAEATFA is undertaking activities to receive legislative budgetary authority for this fiscal year and establish itself as the CHEEF to run the finance pilots. The role of the CHEEF 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.

As of the date of this letter, CAEATFA has not obtained the required budget authority to serve as the CHEEF. When it obtains such authority, 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).

These PIPs contemplate that CAEATFA will receive the necessary legislative budgetary approval to act as the CHEEF in December 2013; if such approval is delayed the PIPs will be modified accordingly to reflect adjusted timetables.

Additional PIP Considerations

Appendix G of D.13-09-044, the Preliminary Implementation Plan, includes other milestones submitted for Commission approval in close proximity to the OBR pilot PIPs. Noteworthy circumstances are as follows:

- OP 15 required 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. This workpaper was submitted by the IOUs and is currently pending review by Commission staff. Thus, certain elements of the PIPs are not available at this time, including projections of cost effectiveness (Section 7), Net Energy and Demand Impacts (Sections 9.b and 9.d), workpaper status (Section 9.e), and certain pilot criteria (Section 12, regarding cost effectiveness and Evaluation, Measurement and Verification plan).

- OP 13c required the submission of the final Data Working Group (DWG) report on December 15, 2013. Per D.13-09-044, the OBR PIPs are directed to reference data protocols from the DWG final report. In consultation with the Commission's ED staff, the PIP incorporates by reference the data protocols associated with residential / non-residential pilots from the final report.

The IOUs have performed a collective review of the finance pilot budgets, including the "Fast Track" pilot budgets and the OBR budgets (including EFLIC submitted separately by PG&E) to ensure total pilot program budgets reconcile with the authorized budgets at page 95 of D.13-09-044. The IOUs note the following:

- Budgets for each pilot as identified in the Decision are necessarily distributed across the credit enhancement, direct implementation, and administration budget cost categories. This is provided at Table 1 of each PIP.

- The Small Business PIPs were assigned a total $14 million between the three pilots for that sector. The budget was accordingly assigned between the pilots by the IOUs.

- CHEEF implementation costs of $5 million will be represented in the CHEEF PIP (which is separately under development) when submitted.

- A budget of $10 million was identified for Marketing, Education and Outreach (ME&O) activities, $2 million of which is assigned to the CHEEF for certain non-duplicative activities and represented in the CHEEF PIP. The remaining $8 million has been allocated among the pilots.

- Funds associated with Information Technology (IT) enhancements of $8 million are included in the PIPs as a subset of direct implementation costs, and allocated among OBR pilots in a pro-rata methodology. The IT costs will also be detailed in a forthcoming Advice Letter regarding these activities; to be submitted within 30 days after the Master Servicer contract is fully approved and executed by the CHEEF.

- As noted above, the Decision did not approve a credit enhancement for the NWOCE pilot, leaving funds in reserve for potential future use. D.13-09-044 Conclusion of Law 31 directs that "No ratepayer funds, other than implementation and servicing costs should be allocated for the OBR pilot program without CEs." In order to fund the direct implementation non-incentive and administrative costs for the NWOCE pilot (as well as all other pilots), IOUs have made necessary allocations to fund the costs authorized by the Decision.

Summary of Compliance Requirements

This Advice Letter is provided to implement four of the five OBR pilots and complies with the Commission's order to file PIPs for the OBR pilots within 90 days of the date the Decision is issued. Additional requirements prescribed by the Decision are addressed within the PIPs. 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 (OP 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. OBR PIP should set CE guidelines (floor, cap, spread) to incentivize more favorable financing terms for targeted market sectors. For example, the PIP for the Small Business OBR with CEs loan program might include a provision that a loan loss reserve CE be authorized and capped at a certain percentage as applied to the portfolio as a whole, or be set by a spread (e.g., 5% to 10% of total eligible loan value with higher CEs targeted to targeted businesses or project types.) (D.13-09-044, section3.3., p. 22)

   The PIPs include general guidelines and restrictions on the CEs that were established in the D.13-09-044. CAEATFA will establish more specific criteria on the structure and design of each CE with stakeholder input provided during its rulemaking process for each pilot program.

3. 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, section6.1., p. 69).

   The IOUs used a statewide team to coordinate development of each OBR PIP. CAEATFA was consulted during the process of preparing the PIPs.

   The statewide finance team, through SoCalGas, consulted with ED staff throughout the development of the OBR PIPs (building upon earlier consultation regarding the "Fast Track" PIPs submitted on November 19), receiving input on the format, structure, and draft content.

   FIs were also consulted during this process, receiving materials explaining the OBR PIPs with an invitation for comment. The statewide finance team held a webinar on

December 10, 2013 to receive comments from FIs. The input gathered at that session and subsequent written exchanges allowed the IOUs and CAEATFA to develop a better understanding of the interest in the pilots and areas that may require additional clarification through the PIPs and/or the regulations to be established by CAEATFA.

Attachment F contains a copy of the presentation materials for each pilot shared during the webinar (and the OBR Tariff that was also addressed at that session). These webinar materials were developed to provide the FIs with further understanding of the OBR pilot programs and to increase the likelihood of productive input.

4. 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, section8, p. 81).

   This is addressed in Section 10.d.ii of the PIP regarding consumer education and training, and Section 12 (additional information). As stated in the PIPs, contractors will be required to submit written bill impact estimates to FIs upon requesting customer financing.

5. 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, section10, p. 84).

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

6. Reference [to] 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 the PIPs incorporate by reference to the data protocols of the final report.

7. 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).

Master-Metered Multifamily Financing Program Pilot

1. The MMMFP pilot is restricted to properties with deed restrictions that require the owner to keep rents affordable with income qualifying households occupying at least 50% of units, and the owner pays utility bills and charges tenants for energy through their rent…It does not include disconnection as a result of non-payment of the financing. (D.13-09-044, section4.3., p. 38).

   Customer eligibility requirements are provided in Table 7 of the PIP, and consistent with D.13-09-044. Also see Sections 9.a.ii. and 10.h. regarding the target customer market segment.

2. Adopted target for MMMFP is to reach 5000 units through properties with buildings of 20 or more units. (D.13-09-044, section4.3., p. 40).

   See Section 9.a.ii. which establishes this pilot participation target

3. MMMFP does not require bill neutrality (can be an objective); the owner is free to size the project and loan to meet their own objectives and cash flow (D.13-09-044, section4.3., p. 41).

   Acknowledgement of this condition is contained in Section 9.a.

4. After pre-deployment, IOUs shall incorporate the Energy Upgrade California audit protocols for multifamily properties to avoid duplicate effort. Authorized EE finance program funds shall be used for building audits to improve understanding of building science and review contractor performance. Ratepayer funds may also support limited on-going technical assistance to the building manager post-retrofit as a key to maximizing EE savings (D.13-09-044, section4.3., p. 44).

   The MMMFP PIP primarily discusses audit protocols in Section 9.a.vii. and 10.j., and is consistent with the Decision there and as discussed elsewhere in the PIP. Note that the Energy Upgrade California program for multifamily properties is now titled the Home Upgrade / Multifamily program, and is referred to as such in the PIP.

Non-residential Pilots (Applicable to SBLP, OSBLP, and NWOCE Pilots)

1. OBR program shall include non-residential shut-off in general conformity with Commission-approved shut off protocols to be approved in the OBR tariff (D.13-09-044, Conclusion of Law 23, section5.2.2., p. 54).

   See the non-residential OBR PIPs, Section 12 (additional information), which also refer to the OBR Tariff where shut-off is addressed in the IOU rate schedules / rules.

2. Non-residential customers with OBR are not precluded from making partial payments for combined energy and debt bill; partial payments may expose the customer to collections procedures and/or ultimate notice of disconnection (D.13-09-044, section5.2.2., p. 54).

See the non-residential OBR PIPs, Section 12 (additional information), which refer to the OBR Tariff where partial payment and associated conditions are addressed in the IOU rate schedules / rules.

3. Written consent should be part of the OBR tariff in order to achieve transferability (D.13-09-044, Conclusion of Law 23, section5.2.2.1., p. 56).

See the non-residential OBR PIPs, Section 12 (additional information), which refer to the OBR Tariff where transferability and the written consent requirement are addressed in the IOU rate schedules / rules.

4. IOUs are to apply existing OBF practices for application of partial payments and follow Commission-approved disconnection procedures to obtain delinquent payments (D.13-09-044, Conclusion of Law 23, section5.2.2.1., p. 56).

See the non-residential OBR PIPs, Section 12 (additional information), which refer to the OBR Tariff where practices for partial payment are addressed in the IOU rate schedules / rules.

5. For the duration of the pilot period, no fees shall be charged to FIs by the IOUs for the OBR service (D.13-09-044, Conclusion of Law 23, section5.2.2.1., p. 59).

   The non-residential OBR PIPs do not provide for the charging of fees to FIs for the OBR service. See Section 10.l., which describes the sequence how the program will be offered.

6. The IOUs shall consult with CAEATFA, FIs, and ED to develop a comprehensive OBR PIP covering all authorized OBR programs (D.13-09-044, Conclusion of Law 23, section5.2.2.1., p. 59).

   As noted above, the IOUs have consulted with these key entities. PIPs have been developed for each pilot program. Following approval by the Commission, these will be placed in the Statewide Financing Program PIP as sub-PIPs covering each of the authorized programs.

7. The 70 percent / 30 percent ratio for EEEMs/non-EEEMS applies to all OBR pilots, with one exception. For OBR without CEs, the 70% eligible EE measures may include distributed generation and demand response since no ratepayer funds are involved in the loans (D.13-09-044, Conclusion of Law 23, section5.2.2.1., p. 59).

   See Section 10.f regarding eligible measures, where these conditions are addressed in a manner consistent with D.13-09-044. The exception associated with DR and DG for the NWOCE pilot is specifically addressed in that PIP, as noted below.

Small Business Loan Program Pilot

1. For OBR for Small Business w/ CE, eligible customers are small business customers per the United States Small Business Administration (SBA) definitions found at 13 C.F.R. 121 (D.13-09-044, section5.3., p. 60).

   Customer eligibility requirements are provided in Table 7 of the PIP, consistent with D.13-09-044.

Non-residential without Credit Enhancement Program Pilot

1. Eligible financing shall include a 70 percent / 30 percent ratio of EE projects, but the 70% may include DR and DG (D.13-09-044, section5.5., p. 65).

   See Section 10.f regarding eligible measures. The NWOCE PIP contains additional content that addresses the condition unique to this particular pilot that allows projects that contain DR and DG measures for at least 70 and up to 100 percent of the total cost of the project to be financed.

2. Because no CEs are authorized for this non-residential sector, the $7.0 million HBC recommended to be allocated for CEs is reserved and not allocated at this time (D.13-09-044, section5.5., p. 65).

Consistent with the Decision, Table 1 containing the pilot budget does not assign funding to support CEs. The $7 million is part of the $9.3 million total reserved / unallocated budget shown in the budget table at D.13-09-044, page 95.

After the AL is approved by the Commission, each utility will submit its OBR 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 OBR 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 January 8, 2014. 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 January 21, 2014, which is the first business day following 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 Affairs

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 PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: 4581

Subject of AL: Implementation of Energy Efficiency (EE) Finance Program On-Bill Repayment (OBR) Pilots in Compliance with 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: 1/21/14 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. 4581, et al.

(See Attached Service Lists)

ATTACHMENT B

MASTER-METERED MULTIFAMILY FINANCING PROGRAM

PROGRAM IMPLEMENTATION PLAN

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

1) Sub-Program Name: Master-Metered Multifamily Finance Pilot
2) Sub-Program ID number:
   a. SoCalGas: SCG3792
   b. SDG&E: SDGE 3299
   c. SCE: SCE-13-SW-007E
   d. PG&E: PGE_210933

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 _X_ Yes __ 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.

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 submitted pursuant to D.13-09-044. The workpaper contains 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			
MMMF	2013	2014	2015	Total
Admin/General Overhead ($)	$5,497	$41,160	$29,847	$76,504
Direct Implementation ($)[1]	$33,587	$297,773	$56,698	$388,058
Credit Enhancements (CE) ($)	$0	$67,344	$136,729	$204,073
Marketing & Outreach ($)	$18,194	$109,165	$54,582	$181,941
Total IOU Budget ($)	$57,278	$515,442	$277,855	$850,575

SDG&E

	Program Year			
MMMF	2013	2014	2015	Total
Admin/General Overhead ($)	$9,309	$18,619	$18,619	$46,547
Direct Implementation ($)	$82,821	$110,318	$220,968	$414,107
Credit Enhancements (CE) ($)	$0	$108,501	$217,327	$325,828
Marketing & Outreach ($)	$0	$107,005	$107,006	$214,011
Total IOU Budget ($)	$92,130	$344,443	$563,920	$1,000,493

SCE

	Program Year			
MMMF	2013	2014	2015	Total
Admin/General Overhead ($)	$17,953	$17,953	$17,953	$53,860
Direct Implementation ($)	$315,000	$575,103	$156,406	$1,046,509
Credit Enhancements (CE) ($)	$0	$207,923	$311,885	$519,808
Marketing & Outreach ($)	$0	$234,014	$115,261	$349,274
Total IOU Budget ($)	$332,953	$1,034,993	$601,505	$1,969,451

[1] Per the Energy Efficiency Policy Manual version 5.0, "Direct implementation costs are defined as 'costs associated with activities that are a direct interface with the customer or program participant or recipient (e.g., contractor receiving training).'"

PG&E	Program Year			
MMMF	2013	2014	2015	Total
Admin/General Overhead ($)	$7,169	$ 14,337	$14,337	$ 35,843
Direct Implementation ($)	$164,795	$329,590	$329,590	$823,976
Credit Enhancements (CE) ($)	$0	$ 382,444	$776,478	$1,158,922
Marketing & Outreach ($)	$7,541	$90,491	$52,786	$150,818
Total IOU Budget ($)	$179,505	$ 816,863	$1,173,192	$2,169,559

Notes:

- CHEEF implementation costs are reflected in the CHEEF PIP per CPUC direction (Appendix F, D.13-09-044).
- See Section 10h for further information regarding the Marketing & Outreach category, in particular with respect to coordination with Statewide ME&O.

9) Sub-Program Description, Objectives and Theory

a) Sub-Program Description and Theory:

The Master-Metered Multifamily Finance (MMMF) Pilot will use an on-bill repayment (OBR) agreement (without shut-off provision) supported by an OBR tariff with optional transferability feature for the “affordable” housing market segment. The pilot focuses specifically on the sub-set of the affordable housing sector that is substantially master-metered – meaning that only properties in which the property owner pays utility bills for their tenants are eligible to participate.[2] D. 13-09-044 also states that the primary credit enhancement for this Pilot will be a Debt Service Reserve Fund (DSRF).[3] The MMMF Pilot does not require net bill neutrality; however, it will require that the contractor present an estimated bill impact assessment to the customer prior to the time the customer commits to the project.

This Pilot will be used to test the OBR process (e.g. the flow of funds, various stakeholder roles and responsibilities) and its value to the financial community. These OBR process elements will be tested while broader deployment and legal issues around OBR and how it can be deployed in mixed-metered buildings are resolved. Broader scalability beyond the affordable, master metered multi-family sector may or may not be possible, however one goal of this pilot is to demonstrate that financing can offer one pathway to energy efficiency improvements in a narrow sector of the multi-family market, and that success will lead to greater adoption and new experimentation in other parts of the multi-family market such as non-master metered buildings or outside the affordable housing sector.

[2] Owners must also not live on-site to qualify.
[3] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 42

i. The primary goals of the Pilot[4] are to:

- Test the value proposition of OBR in multifamily, master-metered, building environment as a potential pathway to eventually assist with addressing the "split incentive" dynamic of residential rental properties.
- Understand how to better coordinate and streamline the delivery of services across utilities, building auditors, contractors and lenders (benefits for building owners and tenants).
- Gather data to evaluate actual performance of energy efficiency measures in multifamily setting.

ii. Target Market Segment

The target market segment for this Pilot is the affordable multi-family housing sector that is master-metered. For purposes of this Pilot, "affordable" housing properties are defined as those with deed restrictions that require the owner to keep rents affordable for income qualified households (i.e., Energy Savings Assistance Program (ESAP)-eligible), who occupy at least 50 percent of the units.[5] The MMMF Pilot has a target of reaching 5,000 units through properties with buildings of 20 or more units.[6]

Restricting the OBR multifamily pilot to this pool of properties provides two key benefits:

1) The owners of these buildings are "mission" driven non-profits that will likely be more willing than for-profit market rate property owners to absorb the costs and risk associated with participating in a new energy efficiency financing pilot. There are also mission-based Community Development Financial Institutions (CDFI) lenders and foundations that are interested in socially responsible investing for these types of affordable housing properties for the purpose of saving energy.

2) Tenants in these properties are protected by a range of federal and state regulations from any unintended consequences that might result from a finance program. In addition, these properties typically have deed restrictions that require the owner to keep rents affordable. In master-metered buildings (in which building owners pay utility bills), this means that the risk of rising utility bills falls on property owners – making these owners highly motivated to reduce energy and water consumption.

iii. Credit Enhancement Mechanism

[4] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 40.

[5] More information on ESAP and its eligibility guidelines, www.cpuc.ca.gov/PUC/energy/Low+Income/liee.htm.

[6] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 40.

The Pilot will provide a credit enhancement (CE) and various programmatic support (contractor networks, marketing, etc.) to attract private capital. MMMF's credit enhancement is expected to come in the form of a DSRF supported by ratepayer funds. DSRF is used to cover individual monthly delinquent payments before default. California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) will establish the final design of the DSRF through its rulemaking, including a maximum amount of debt service charges to be covered by the DSRF for a particular project and financial institution. Any delinquent financing charges subsequently collected from customers should be credited to the Holding Account to offset some or all of the DSRF funds paid out. This CE provides lenders with the promise of prompt payment if a demand for remuneration is made. Decision 13-09-044 authorizes up to $2.9 million statewide for the MMMF Pilot (net of funding provided by the Investor-Owned Utilities [IOUs] for audits and technical assistance) for funded loans as they are documented and invoiced for credit enhancements for this Pilot[7].

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. Financing

This Pilot is designed to provide a new way to finance energy efficiency projects in the multifamily sector. The DSRF will cover non- or partial payment of monthly financing charges. The program will rely on a loan as its predominant financial instrument. It will be attractive to property owners in addressing rising energy and water operating costs. These transactions are considered to be "commercial" financing by nature, although the tenants of the projects are consumers, ranging from low income to moderate income.

This sector is one in which access to capital is, for many property owners, the *key* (rather than one of many) barrier to investment in energy efficiency. Experience in California and elsewhere has shown that standard "property secured" financing models are very challenging in the affordable housing sector, where complex capital stacks that involve multiple private, federal, state and local government lien holders lead to overwhelming transaction costs. This leaves a highly motivated group of owners without access to capital to make energy improvements to reduce their operating costs and achieve a range of benefits (e.g., enhanced comfort, new equipment) for their tenants. Access to a credit enhancement in the form of a debt service reserve may induce financial institutions to lend more in this sector.

[7] Decision 13-09-044. (2013). Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs. 114.

v. Lenders

Financing for energy efficiency projects is not generally available to property owners of affordable housing properties. One reason is that there often is insufficient equity to provide collateral. The existence of a debt service reserve fund will make lending to these entities more attractive. The on-bill collections will add additional convenience for the property owner and is likely to provide lenders with some additional comfort knowing that finance will be paid by the multifamily housing developer. Lenders in this market sector are primarily Community Development Financial Institutions.

vi. Program Transition

The MMMF Pilot will be rolled-out in two stages: a pre-development version that only Southern California Gas Company (SCG) will launch, and a "regular track" version that will be more broadly available. The pre-development, early release version is a limited, manual version of this pilot, to be coordinated with the California Housing Partnership Corporation (CHPC), and will be implemented without using program funds for credit enhancements, nor any of the other features that are planned for the regular track (except the on-bill feature). Although the early version will not use authorized CEs or FI guidelines, the lenders have already been identified and are certified as "Community Development Financial Institutions" by the U.S. Treasury. CHPC is supporting some or all of these predevelopment projects with foundation funds (for audits and possibly their own credit enhancement), and SCG will provide a manual interface with its billing system for up to five properties during this early phase.

The pre-development MMMF program will be transferred to CAEATFA once the Master Servicer is online and the automated OBR system is functional as part of the full-scale, statewide ("regular track") program available in all IOU territories. In addition, the automated OBR system will be supported by an OBR tariff with optional transferability feature, and will include the DSRF as credit enhancement. Building audits and limited technical assistance will also be provided, as described below. CAEATFA's program rules and Lender Service Agreements (LSAs) will identify additional qualified lenders.

During the manual phase, SCG will work directly with the lenders of the pre-development projects to present loan charges on the Utility bill. SCG will track all written communications between the lenders and the Utility, to provide to the Master Servicer, along with participating customers' energy and bill payment history as part of the records of the Manual MMMF Pilot. Relevant loan and project data, consistent with the Data Working Group's final report, will be collected by the lenders and transferred to the Master Servicer once it becomes operational.

vii. Building Audits and Limited Technical Assistance

During the post-transfer period, the IOUs will incorporate the Home Upgrade / Multifamily program audit protocols for multifamily properties to avoid duplication of effort. Authorized Energy Efficiency (EE) finance program funds will be used for building audits to improve understanding of building science and review contactor performance. IOUs will provide technical assistance utilizing qualified consultants to evaluate energy saving opportunities based on existing Home Upgrade / Multifamily program guidelines. Consultants will perform industry standard audits (e.g., ASHRAE) to identify cost effective energy efficiency measures. Energy audits will consider both prescriptive and performance based measures to address whole building performance. As a key to maximizing EE savings, the Program will also include limited post-retrofit "technical services" support for owners which may include training the owners to use free on-line MF audit tool offered by the Utility as well as guidance for energy benchmarking using U.S. Environmental Protection Agency's (EPA) Portfolio Manager. These post-retrofit resources will help owners sustain ongoing energy savings while reducing operating costs.

viii. Data Protocols

Data collection, subject to relevant privacy considerations, is essential for testing the value of various features of the authorized financing pilots. A data Working Group (WG) was convened to address data collection and dissemination issues. The WG Final Report, filed as a Tier 1 Advice Letter in December 2013, recommends a set of data elements that should be collected for each residential and non-residential project, including borrower, property, project, and financing information at the time of the installation. The data set also includes post-installation information on the performance of both the financing and the project.[8] The data protocols are standardized across all IOUs and the CHEEF will house and manage the energy finance database.

Sub-Program Energy and Demand Objectives

The IOUs submitted a work paper containing a proposed methodology for calculating energy savings for Finance Programs (including the pilots) on December 2, 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
MMMF				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

[8] http://www.caleefinance.com/wp-content/uploads/2013/11/Data-Working-Group-Final-Report-DRAFT-110713.pdf. 8-10.

SDG&E	Program Years			
	2013	2014	2015	Total
MMMF				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

SCE	Program Years			
	2013	2014	2015	Total
MMMF				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

PG&E	Program Years			
	2013	2014	2015	Total
MMMF				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

* N/A = "not applicable." TBD = "to be determined." Savings for 2013 - 2015 are subject to the disposition of the work paper submitted to the Commission for review.

b) Program Non-Energy Objectives:

The primary non-energy objectives of the MMMF Pilot 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 with attractive rates and terms for customers; (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 multifamily market.

Successful implementation of the Pilot will help improve tenant home comfort. Through reduced energy consumption, installation of energy efficiency measures will also contribute to a reduction in greenhouse gas emissions and will help conserve natural resources.

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.

Additional non-energy objectives identified include:

- Improve customer satisfaction driven by an increase in capital for energy efficiency projects helping customers overcome the "first cost" key barrier

- Improve the credibility of energy efficiency investments and provide economic benefits to the state via increased loan volume through a financing program supported by both Financial Institutions as well as the IOUs

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:

Table 3 – Work paper Status

#	Workpaper Number/Measure Name	Approved	Pending Approval	Submitted but Awaiting Review
1	PGECOALL110			X

The IOUs submitted a workpaper according to the process directed in D.13-09-044 containing a proposed methodology for claiming energy savings for financing pilot programs. Energy savings and 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

Milestone	Date
PRE-DEVELOPMENT STAGE	
SCG/Lender (CDFI) sign contract for manual version of MMMF Pilot	December 2013
Develop/coordinate local ME&O plan	December 2013
SCG Set up manual billing system	December 2013
First Loan Funds/Begin billing under manual system	February 2014
"REGULAR TRACK" STAGE	
IOUs submit PIP as part of 90-day PIP for Automated ("regular track") version of program	December 2013
Rulemaking process for MMMFP regulations	May / June 2014
Master Servicer becomes operational (IOU IT changes complete)	July 2014

Milestone	Date
Transfer manual pilot to Master Servicer / CHEEF program. MMMFP under CHEEF launches	July 2014
Mid-Term CPUC Pilot Review	January / February 2015

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.

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

This early development version of this program will be implemented by SCG in collaboration with CHPC. CHPC will support work with a CDFI or CDFIs to provide capital for loans to a limited number (no more than 5) multifamily housing units. SCG will operate the program on this limited basis through manual inputs to its billing system.

Once the Master Servicer is selected, this pre-development financing program will transition into a multi-IOU, automated program supported by ratepayer funds for the credit enhancement and using the Master Servicer as the interface between participating FIs and the IOUs. The IOUs will enter into a contract with CAEATFA who will serve as the California Hub for Energy Efficiency Financing (CHEEF) for the pilot programs to support management of the pilot.

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 between IOU holding accounts and trustee-held program accounts for the Financial Institutions participating in the Pilot.

In coordination with CAEATFA, the IOUs will train and educate the contractors, community based organizations (CBOs), and local governments to help promote and explain the Pilot offerings to potential customers. Local ME&O will also be coordinated with the statewide ME&O marketing campaign.

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)
MMMF	Program Application Process		X (Master Servicer)	X (CHPC for Manual Pilot)	X
MMMF	Project Review	X			
MMMF	Credit Review			X (participating financial institutions - enrolled through CAEATFA regulations)	
MMMF	Loan Origination			X (participating financial institutions - enrolled through CAEATFA regulations)	
MMMF	Loan Repayment Process			X (participating financial institutions - enrolled through CAEATFA regulations)	
MMMF	Credit Enhancements				X

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)
MMMF	Marketing/Outreach	X		X (contractors and participating financial institutions - enrolled through CAEATFA regulations; CCSE)	X[9]
MMMF	Evaluation, Measurement, & Verification (EM&V)	X			CPUC

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
Substantially Master-metered multifamily buildings with at least 20 units.	X	X	X	X
The property owner does not reside on site	X	X	X	X
Properties with deed restrictions that require the owner to keep rents affordable for qualified income households, who occupy at least 50 percent of the units	X	X	X	X
Fully Constructed	X	X	X	X
Project site within utility service territory	X	X	X	X

[9] Pursuant to the Decision, CAEATFA will address additional education and outreach efforts for contractors and lease providers in the CHEEF PIP.

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 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), CAEATFA will work with stakeholders to develop contractor eligibility requirements through its rulemaking process. CAEATFA may also 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.

Contractors engaged in providing service to customers in the IOU low income programs (e.g., the Energy Savings Assistance Program) remain subject to any and all low income program rules and prohibitions related to the promotion / selling / charging for other services to the low income customer. For example, measures available through the ESA Program will be provided at no cost to ESA Program-eligible customers and will not be financed.

Table 8: Contractor/Participant 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:

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 to 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: a) they 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.

In order to access credit enhancements through this pilot, FIs and customers must agree to utilize on-bill repayment and will be subject to compliance with the OBR Tariff.

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, 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
Eligible FIs must comply with all requirements set forth in the OBR Tariff, and execute all necessary agreements to participate in OBR.	X	X	X	X

e) Program Partners:

a. Program coordination partners:

- CHPC – CHPC will support the immediate launch of a limited, manual version of this Pilot. CHPC will identify and support lenders who are certified as CDFIs to participate in the pre-development version of the MMMFP.

- CAEATFA – In its role as CHEEF, CAEATFA will manage flow of funds and data, and provide a simple, streamlined structure to facilitate EE financing in California. Through RFP processes, CAEATFA will competitively select a Master Servicer (MS) and a Data Manager (DM). CAEATFA will also develop, through its rulemaking process, Lender Service Agreements with FIs and will establish qualifications for lenders to participate in the finance pilots. Additionally, CAEATFA will adopt minimum standards for qualified contractors eligible to participate in the EE financing pilot programs.

- Master Servicer (MS) - The MS will provide many of the operating functions for the CHEEF. Specifically, for this Pilot, the MS will (1) accept requests from FIs for fund disbursement from the DSRF; (2) serve as the interface between the IOUs and FIs by transmitting instructions from FIs to utilities on the amount to be placed on the utility bill and receiving cash from IOUs for further transmittal to FIs. The MS will also serve as a central collection point for all data on performance of energy efficiency financing in this sector. The MS will begin operating in mid-2014.

- Data Manager (DM) – The DM will aggregate data from the pilots and prepare it for public consumption and program evaluation. This role may be included as part of the Master Servicer duties.

- Financial Institutions – The FIs will originate and service financing under the program. FIs are expected to primarily be Community Development Financial Institutions in this sector.

- Real Estate Professionals –The IOUs held a session with real estate professionals to learn about the unique needs of the industry in the non-residential sector and identified multiple areas of opportunity to enhance the on bill pilots. This may include additional information on projects being provided (e.g. amortization tables), creating educational materials that explain how measures (technical) translate into financial savings, and helping develop language that communicates the value of EE measures to subsequent buyers or renters.

b. Other key program partners:

- Contractors – Contractors from various trades may participate in the program including: HVAC, insulation, replacement window, electrical, plumbing and Energy Service/Performance Contractors. Based on the audit, the contractors will propose a scope of work to the property 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 financial institutions to deliver contractor training.

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

- Community Based Organizations – The CBOs will assist with engaging qualifying affordable multifamily property owners to utilize the program's financing offerings.

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

- California Center for Sustainable Energy (CCSE) – The IOUs and CAEATFA will coordinate with CCSE to ensure that the marketing of financial products are coordinated with the Energy Upgrade California statewide marketing brand campaign.

Table 10: Program Coordination Partners

Coordination Partner Information	PGE	SCE	SDGE	SCG
CHPC	N/A	N/A	N/A	X
CAEATFA	X	X	X	X
Financial Institutions	X	X	X	X
Real Estate Professionals	X	X	X	X
Contractors	X	X	X	X
Distributors	X	X	X	X
Community-based Organizations	X	X	X	X
CCSE	X	X	X	X

f) Measures and incentive levels:

Eligible Measures can consist of EEEMs and may include Non-EEEMs, each of which are 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.[10] EEEMs will be inclusive of measures that are approved as part of the utility EE programs.

Per existing rebate programs, allowable EEEMs costs may include audits, design, engineering, construction, equipment and materials, overhead, tax, shipping, and labor on a per measure basis. EEEMs projects costs should not include activities unrelated to the installation of energy efficiency measures. Labor costs can be contractor or in-house if proof of direct project hours and costs are provided.

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

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

SoCal Gas	http://www.socalgas.com/for-your-business/energy-savings/ and http://www.socalgas.com/for-your-home/rebates/financing-tax-credits.shtml
SCE	https://www.sce.com/wps/portal/home/business/Energy-Efficiency-Financing/
SDG&E	http://www.sdge.com/node/4326
PG&E	http://www.pge.com/eef

Broad guidelines regarding the inclusion of EEEMs and non-EEEMs were determined by D.13-09-044 (at page 31), as follows:

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

Further details will be defined through the CAEATFA regulation process.

Per D.13-09-044, Conclusion of Law 56, the total loan value eligible for a credit enhancement will be limited to the total project cost net of any utility rebates and incentives received for the project.

In situations where a customer is served by multiple IOUs, refer to the OBR tariff for details on how billing will be treated.

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	Incentiv e 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

Notes:

- Home Upgrade / Multifamily Program is expected to be launched in 1Q 2014. The MF measures will be the same as the MFEER program except the buildings will be modeled with the installation of any combination of measures to increase overall efficiency rather than accounting for savings from a prescriptive approach.

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

SoCalGas http://www.socalgas.com/for-your-home/rebates/financing-tax-credits.shtml and http://www.socalgas.com/for-your-home/rebates/financing-tax-credits.shtml
SCE https://www.sce.com/wps/portal/home/business/Energy-Efficiency-Financing/
SDG&E http://www.sdge.com/node/4326
PG&E http://www.pge.com/obf

g) Additional Services:

The MMMF Pilot will offer a series of additional services that will benefit a variety of market actors. These additional services, where related to marketing and outreach, will be coordinated with Statewide ME&O.

- Property owner education and training: The marketing and outreach component of the pilot will provide multi-family property owners with information about available financing offerings that can make energy efficiency upgrades more affordable. Customers will also be encouraged to view energy efficiency projects as longer term investments that match the terms of the financing offering that helps pay for those investments.

- Contractor education and training: The marketing, education, and outreach component of the pilot will assist contractors to understand how to integrate financing products in to their sales processes, providing new tools for presenting the long-term cost and energy savings of various finance offerings.

- Lender education and training: The education and outreach component of the pilot will include training events and materials for community development financial institutions and other 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 MMMF Pilot.

- Real estate professional education / training: The education and outreach component of the Pilot will include events and materials for real estate professionals on the specifics of this Pilot and how it can benefit customers. The education and outreach will specifically focus on the differences between the financing pilots and pilot features such as transferability, shut-off on nonpayment, and potential impacts on customers' bill

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Table 12: Additional Services

Additional Services	To Which Market Actors	PG&E	SCE	SDG&E	SCG
Customer education	Customers	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Contractor education	Contractors	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Lender education	Lenders	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Call Center Support	Customers	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Real estate professional education	Real Estate Professionals	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan

h) Sub-Program Specific Marketing and Outreach:

Finance marketing and outreach activities will be coordinated with the Statewide ME&O in order to maximize customer engagement and opportunity.

Ordering Paragraph 1.a.vi. of D.13-09-044 states the following:

"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"

Complex ownership structures and different incentives for landlords and tenants have always posed a challenge regarding energy-efficiency financing for multifamily rental properties. However, narrowing the scope to focus on master-metered multifamily properties that offer affordable rent, with at least half of the units being occupied by income-qualified tenants somewhat lessens the challenge. Further narrowing the focus to include only those owners of the aforementioned properties that pay the utility bills and bill their tenants for energy use in their rent, creates a shift from challenge to opportunity. Since these owners are responsible for paying the utility bills, it is in their best interest to seek solutions to reduce energy costs and conserve energy.

Strategic Direction:

High Level

- Direct mail, email, and on-line messaging to ensure target property owners are aware of available finance options
- Direct mail, email and on-line messaging to educate target property owners on how to better manage energy needs and benefits of doing so
- Motivate target property owners through a variety of channels, to drive them to appropriate utility website area to learn specifics of the pilot
- Create customized messaging/creative tailored for target property owners
- Target appropriate existing CBOs and other external organizations with education and training on the terms and conditions, program eligibility, etc., for MMMF Pilot

Mid Level

- Collaborate with statewide partners (e.g., CCSE), appropriate internal sources (Energy Savings Assistance Program , Middle Income Direct Install (MIDI), Energy Upgrade California™ Multifamily and applicable external sources to integrate benefit-oriented financial assistance messaging when possible
- Select events, websites and publications that specifically target MF property owners
- Identify high usage MF master-metered properties

Target Audience:

- Owners of affordable rent, master-metered multifamily properties with 50% of their tenants classified as income-qualified where owner pays utilities and bills tenants for their energy use in their rent.

- Real Estate Professionals: Train and educate real estate professionals on the Pilot and how it can benefit customers. With respect to pilots with an on bill feature, education should carefully educate stakeholders on the differences between pilots in features such as transferability, shut-off for nonpayment, and bill neutrality.

Timing:

Deliverables	Schedule
Data identifying specific master-metered MF property owners that meet all pilot criteria	+30 days
Development of messaging, target facing marketing and education/training materials, including coordination with CCSE, the implementer of the statewide ME&O program	+45 Days
Upon completion of materials Training and Education to partners and all applicable internal and external sources	+ 60 days
Public Relations and Community relations launch	+ 45 days
Customer Marketing, Education & Outreach Launch	+ 90 days

i) Sub-Program Specific Training:

See Section 10.g. above for description of training including engaging FIs, 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. Pre-implementation audit required _X__ Yes ___ No
Post-implementation audit required _X_ Yes ___ No

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).

The MMMF Pilot program will incorporate Home Upgrade / Multifamily program audit protocols for multifamily properties by leveraging the existing IOU/REN programs. CAEATFA, with support from the IOUs, will address specific audit requirements and procedure for financing-only projects during its rulemaking process.

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

Table 13: Program-Related Audits

Levels at Which Program Related Audits Are Rebated or Funded	Who Receives the Rebate/Funding (Customer or Contractor)
TBD	TBD

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.

Table 14: Quality Assurance Provisions

Requirements	QA Sampling Rate (Indicate Pre/Post Sample)	QA Personnel Certification Requirements
QA/QC 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 could be delivered to customers[11].

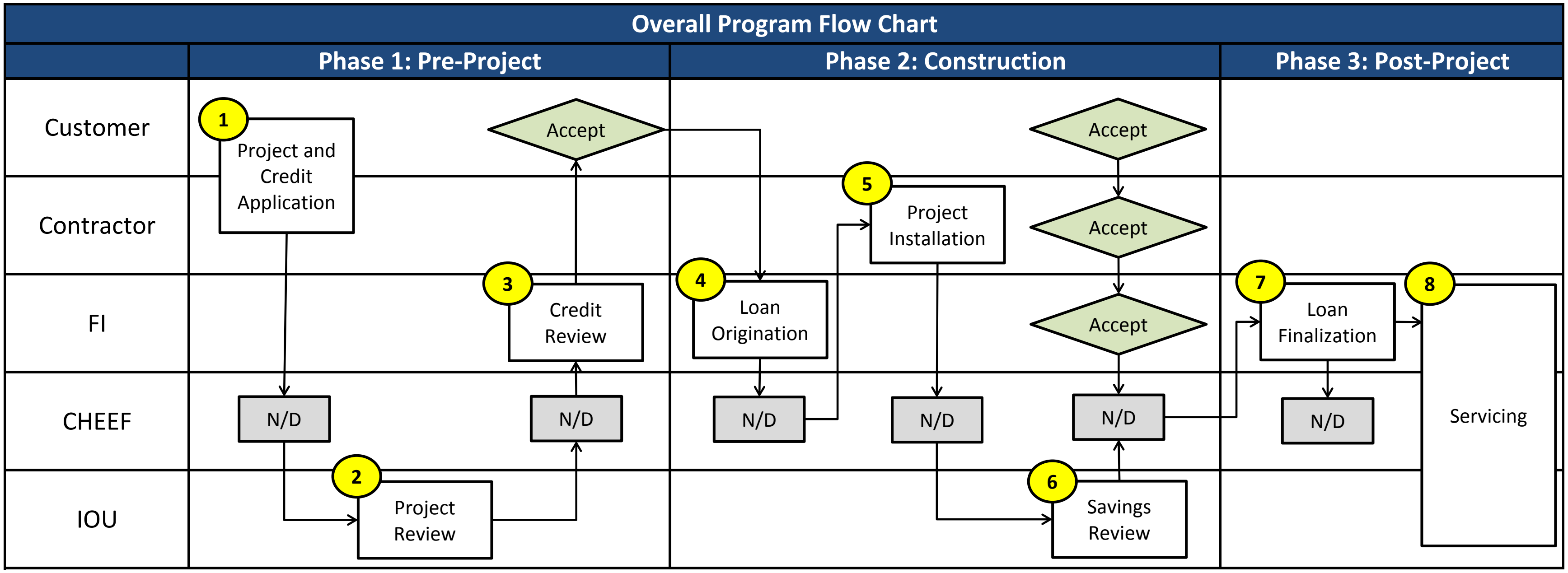
1. IOUs integrate financing with their incentive offerings.
2. IOU Multifamily Programs' Single Point of contact will inform interested multifamily property owner of available incentive/assistance programs in the IOU's portfolio such as Multifamily Energy Efficiency Rebate (MFEER) Program, Home Upgrade / Multifamily Program, ESAP, MIDI or incentive programs/assistance from other sources (e.g. water utility). For customers in overlapping IOU service territories, relevant IOUs involved will work together to guide customer thru the process of leveraging available resources to maximize energy savings.

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

3. Customers/Contractors are informed of assistance available from IOU Multifamily Single Point of Contact through customer/contractor outreach efforts.
4. CAEATFA/IOUs provide contractor training on how to integrate financing with their product offerings.
5. Contractor and customer meet, driven by contractor marketing or customer inquiry.
6. Contractor interviews customer, collects site information (including results of energy audit).
7. Contractor proposes a project scope, price, anticipated energy savings, anticipated bill impact, and incentives (typically utility or manufacturer rebates) and provides payment options, including financing.
8. Customer makes purchase and payment decision.
9. If Customer selects financing option, customer or contractor contacts source of financing with or without assistance of contractor.
10. FI collects application information from Customer, makes underwriting decision and informs Customer and/or contractor.
11. Contractor installs improvements.
12. Customer signs completion certificate.
13. Inspections performed (if required by rebate/incentive programs).
14. FI receives completion certificate and any other required documents.
15. FI funds loan to Customer, Contractor or both (two-party check).
16. FI provides appropriate documentation to CAEATFA.
17. CAEATFA directs trustee to transfer credit enhancement from IOU account to FI’s account at the Trustee.
18. Master Servicer transmits loan information to IOU.
19. IOU verifies customer data transmitted by Master Servicer.
20. IOU places loan on customer’s bill and begins OBR collection process

m) Sub-program Process Flow Chart:

The flowchart below illustrates the process flow for how the multifamily 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 =** CHEEF 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:

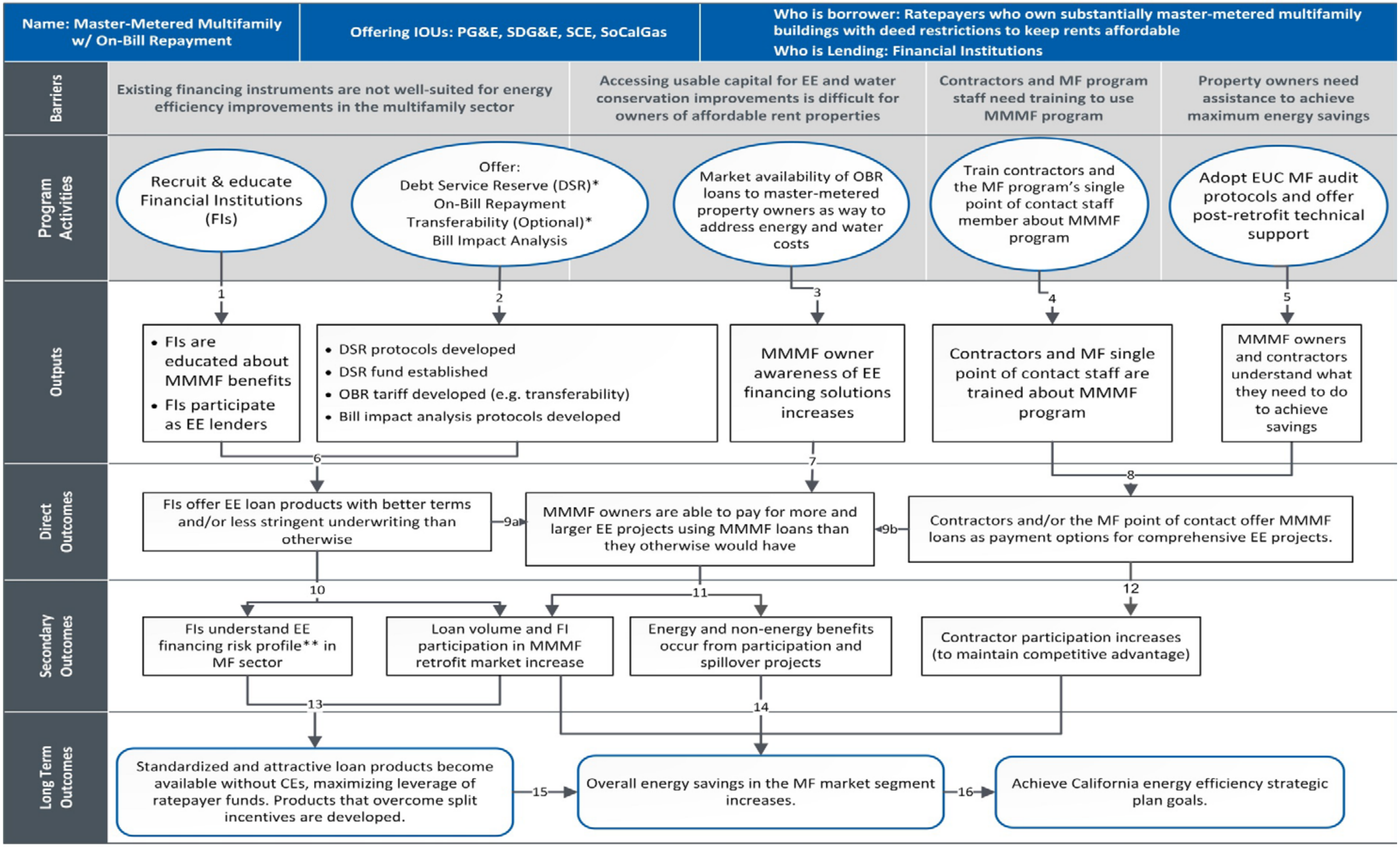
The MMMF Pilot will coordinate with all appropriate IOU/REN rebate/incentive programs, as well as the Statewide ME&O Program.

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

Sub-Program Name		
Other IOU Sub-program Name	**Coordination Mechanism**	**Expected Frequency**
Multifamily Rebate Programs	Meetings/Emails/Calls	As Needed
Energy Upgrade California	Meetings/Emails/Calls	As Needed
Energy Savings Assistance Program	Meetings/Emails/Calls	As Needed
Middle Income Direct Install Program	Meetings/Emails/Calls	As Needed
Multifamily Home Tune-Up	Meetings/Emails/Calls	As Needed
Multifamily Direct Therm Savings	Meetings/Emails/Calls	As Needed
Coordination Partners Outside CPUC		
CAEATFA	Form and Data Exchange Meetings/Emails/Calls	Daily As Needed
Master Servicer*	Data Exchange	Daily

*Coordination occurs after Master Servicer is fully functional

o) Logic Model:



MMMF = Master-Metered Multifamily OBR = On-Bill Repayment FI = Financial Institution DSR = Debt Service Reserve EE = Energy Efficiency EUC = Energy Upgrade California MF = Multifamily

* SoCalGas' early release of the MMMF program will not use credit enhancements and will not include transferability

** Collecting EE financing performance data is an important function of the California Hub for Energy Efficiency Financing (CHEEF)

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 residential sector. Key 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 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" and "attention to issues of multi-family housing" (p. 2-21),
- Use EE financing to meet closely related goals, namely HVAC and lighting efficiency.

b) Integration

i. Integrated/coordinated Demand Side Management:

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 may integrate with other resource types where appropriate. Customers can use up to 30% of loan funds for non-EEEMs that may integrate the project with water, air quality, or other resource goals.

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:

To provide comprehensive services to the eligible multifamily building, including “low cost” or “no cost” tenant measures, the Pilot will integrate with ESAP, MIDI as well as MFEER. In addition, the customer will be guided and encouraged to pursue available incentive programs/assistance from other sources (e.g. water utility). For customers in overlapping IOU service territories, relevant IOUs involved will work together to simplify the overall process from customer’s perspective.

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, loans will have to comply with IOU rebate and incentive guidelines for the installed life of incentivized products.[12]

The IOUs’ OBF programs can also be leveraged to provide financing for certain projects and customers that may be a better fit for that program. This could provide customers with a better “EE Financing” experience and boost customer perception of the financing pilots and programs as a whole. Coordination specifics will be developed by IOU program and marketing teams to help guide customers to the right EE financing program for their project. Additionally, the IOUs’ experience in administering the OBF program can be leveraged for best practices and potential pitfalls of EE financing programs.

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.

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 10 criteria required for pilot programs.

[12] 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.”

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.

Financing for energy efficiency projects is not generally available to property owners of affordable housing properties because they do not have sufficient equity to provide collateral. The existence of a debt service reserve fund will make lending to these entities more attractive. The on-bill collections will add some additional convenience for the property owner and is likely to provide the lenders with some additional comfort that the financing charges will be paid by the multi-family housing developer.

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

The MMMF 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 multi-family 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 MMMF Pilot program primary goals are:

a. Test the value proposition of OBR in multifamily, master-metered, building environment as potential pathway to eventually addressing the "split incentive" dynamic of residential rental properties.
b. Understand how to better coordinate and streamline the delivery of services across utilities, building auditors, contractors and lenders (create strong value proposition for building owners and tenants).
c. Gather data to evaluate actual performance of energy efficiency measures in multifamily setting.

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

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 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 these features.

- On-Bill repayment: The option for IOUs to offer customer on-bill repayment through the utility bill can add convenience for the customer and improved loan performance for the financial institutions while increase the rate of EE adoption in the master-metered multifamily sector.

- 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.

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 budget in Table 1 and timeline in 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 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: Program Performance Metrics

Short-term PPMs:	Measurement Approach	Data Source
PPM 1: Number of loans made	Number of unique loans made should be tracked by the program.	IOUs and/or CHEEF
PPM 2: Number of building owners receiving post-retrofit technical assistance	Number of building owners receiving technical assistance should be tracked by the implementer. The nature of the technical assistance should also be recorded if it varies on a case by case basis. Otherwise, a standardized set of services included in the assistance should be defined.	IOUs and/or implementer

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 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 the 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.d.

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

- 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 Master-Metered Multifamily 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 Master-Metered Multifamily Finance 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 reference the data protocols (from the final report) in the pilot PIPs since the data fields could differ by pilot (D.13-09-044, Appendix D).

  Pursuant to D.13-09-044, the data protocols subject to the WG report are to be submitted on December 15, 2013. This PIP incorporates by reference the data protocols associated with residential pilots from the current report. The report is available at the following website: CalEEFinance.com. Please also refer to the regulations established by CAEATFA regarding data collection and reporting to implement the WG report. Contractors and FIs should refer to the CHEEF, the selected Master Servicer, and / or the Data Manager regarding any related requirements.

Decision 13-09-044, OBR PIPs (Only)

- The OBR PIP should set credit enhancement guidelines (floor, cap, and spread) to incentivize more favorable financing terms for targeted market sectors (p. 22).

  Not applicable to MMMF's Credit Enhancement of DSRF.

- OBR program shall include non-residential shut-off in general conformity with Commission-approved shut off protocols to be approved in the OBR tariff (p. 54).

  Not applicable to MMMF Pilot.

- The Commission concludes that written consent should be part of the OBR tariff in order to achieve transferability. Property owners and landlords that initially commit to the EE financing and OBR program ("current landlord") and all of the current landlord's tenants responsible for repayment under the OBR program ("current tenants") should be required to give their written consent to abide by the terms and obligations of the OBR program. The written consent of subsequent property owners and landlords and subsequent tenants subject to the OBR program is required in order for the OBR provisions (e.g., transferability, shut-off, etc.) to apply (p. 56).

The optional transferability is applicable to MMMF Pilot and will be further addressed in the OBR tariff. There is no shut-off provision for the MMMF Pilot.

- IOUs are to apply existing OBF practices for application of OBR partial payments and follow Commission-approved disconnection procedures to obtain delinquent payments (p. 56).

  The application of existing OBF practices for application of OBR partial payments is applicable to MMMF Pilot and will be further addressed in the OBR tariff. There is no shut-off provision for the MMMF Pilot.

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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.**

The primary non-energy objectives of the MMMF Pilot 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 multifamily market.

During the 2013-2015 program period, PPM will be collected and evaluated to assess the success of the stated non-energy objectives.

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.

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 do not establish quantitative targets for this Pilot.

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.

[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. For example, for a vender training component of an innovative commercial program, two SMART mid-term objectives and one long-term objective might be:

a) During the period 2013-2014, the number of HVAC installers in the SCE service territory who are able to perform quality installations of energy efficient packaged air conditioners will increase by 20%.
b) During the period 2013-2014, the number of installations of energy efficient packaged air conditions in the SCE service territory that are considered quality installations will increase by 25%.
c) By 2020, installations of energy efficient packaged air conditions in the SCE service territory that are considered quality installations will increase by 75%.

[14] 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):

The IOUs will analyze the data collected during the 2013-2015 pilot period to better assess future projections for PPMs (refer to 11.g) as pilots are converted into statewide programs. The IOUs do not project quantitative program targets for this Pilot.

ATTACHMENT C

SMALL BUSINESS LOAN PROGRAM

PROGRAM IMPLEMENTATION PLAN

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

1) Sub-Program Name: OBR Small Business Loan Pilot
2) Sub-Program ID number:
   a. SoCalGas: SCG3789
   b. SDG&E: SDGE 3301
   c. SCE: SCE-13-SW-007H
   d. PG&E: PGE_210935
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. __ 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 workpaper submitted pursuant to D.13-09-044. The workpaper contains 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.

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 ($)	$5,497	$43,998	$35,608	$85,103
Direct Implementation ($)[1]	$33,587	$297,773	$56,698	$388,058
Credit Enhancements (CE) ($)	$0	$124,101	$251,963	$376,064
Marketing & Outreach ($)	$18,194	$109,165	$54,582	$181,941
Total IOU Budget ($)	$57,278	$575,037	$398,851	$1,031,166

SDG&E

	Program Year			
Sub-Program	2013	2014	2015	Total
Admin/General Overhead ($)	$11,235	$22,471	$22,471	$56,177
Direct Implementation ($)	$86,674	$115,449	$231,245	$433,368
Credit Enhancements (CE) ($)	$0	$178,269	$346,052	$524,321
Marketing & Outreach ($)	$0	$107,005	$107,006	$214,011
Total IOU Budget ($)	$97,909	$423,194	$706,774	$1,227,877

SCE

	Program Year			
Sub-Program	2013	2014	2015	Total
Admin/General Overhead ($)	$5,985	$5,985	$5,985	$17,954
Direct Implementation ($)	$105,000	$191,701	$52,135	$348,836
Credit Enhancements (CE) ($)	$0	$456,829	$685,244	$1,142,073
Marketing & Outreach ($)	$0	$104,006	$51,227	$155,233
Total IOU Budget ($)	$110,985	$758,521	$794,591	$1,664,096

[1] Per the Energy Efficiency Policy Manual version 5.0, "Direct implementation costs are defined as 'costs associated with activities that are a direct interface with the customer or program participant or recipient (e.g., contractor receiving training).'"

PG&E	Program Year			
Sub-Program	2013	2014	2015	Total
Admin/General Overhead ($)	$11,170	$22,339	$22,339	$55,848
Direct Implementation ($)	$239,259	$478,518	$478,518	$1,196,295
Credit Enhancements (CE) ($)	$0	$473,032	$960,398	$1,433,430
Marketing & Outreach ($)	$27,027	$324,324	$189,189	$540,540
Total IOU Budget ($)	$277,456	$1,298,213	$1,650,444	$3,226,113

Note: CHEEF implementation costs are reflected in the CHEEF PIP per CPUC direction (Appendix F, D.13-09-044). See Section 10h for further information regarding the Marketing & Outreach category, in particular with respect to coordination with Statewide ME&O.

9) Sub-Program Description, Objectives and Theory

a) Sub-Program Description and Theory:

i. Financing

The goal of the On-Bill Repayment (OBR) Small Business Loan Pilot (Pilot) is to test the premise that a small business loan with a credit enhancement and OBR option will increase the number and comprehensiveness of energy efficiency (EE) projects in the small business market segment. Offering loans with an OBR option will test the premise that some loans for small business customers can be more effectively administered through repayment on the IOUs' bills.

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 loan option can help overcome barriers to financing EE projects.

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 lenders 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 primary goals of the Pilot are:

a. Test the premise that placing a financing charge on the customer's utility bill through a tariff schedule and that has provisions for utility service disconnection if the financing charge goes unpaid will lead to more capital available at attractive rates and terms than is currently available.
b. Test the premise that the addition of a financing charge to the utility bill, structured as a tariff, may help to solve the customer-tenant split incentive, in some cases.
c. Test the effect of a voluntary transfer of the financial obligation from one customer to a successor customer to ascertain whether customers and financial institutions see such transfer as advantageous and use that transferability option. Such transfer would occur with accompanying disclosure to the successor customer and voluntary assent from that successor customer to assume the repayment obligation on the utility bill.
d. Attract private capital to the EE market for the non-residential customer segment.

iii. Credit Enhancement Mechanism and On-Bill Repayment

The Pilot will provide a credit enhancement and a variety of programmatic supports (contractor networks, marketing, etc.) to attract private capital and to build loan volumes. These credit enhancements are expected to come in the form of a "loan loss reserve" (LLR) of up to 20%, of the total eligible loan value in the portfolio with a $200,000 cap on credit enhancement value per loan. Details of the credit enhancement structure are to be developed through the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) public rulemaking process. The Pilot will also be subject to the provisions of the IOUs' approved OBR tariffs.

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. Additionally, the Pilot will be testing the added value for financial institutions and IOU customers of having an OBR option. 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

Pursuant to D.13-09-044, the data protocols subject to the data Working Group (WG) report are to be submitted on December 15, 2013. This PIP incorporates by reference the data protocols associated with non-residential pilots from the current report. The report is available at the following website: CalEEFinance.com. Please also refer to the regulations established by CAEATFA regarding data collection and reporting to implement the WG report. Contractors and FIs should refer to the CHEEF, the selected Master Servicer, and / or the Data Manager regarding any related requirements.

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.

- *Will customers use the pilot offering?*

  It is important to note that this loan 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

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

SoCalGas	Program Years			
	2013	2014	2015	Total
OBR Small Business Loan Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

SDG&E	Program Years			
	2013	2014	2015	Total
OBR Small Business Loan Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

SCE	Program Years			
	2013	2014	2015	Total
OBR Small Business Loan Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

PG&E	Program Years			
	2013	2014	2015	Total
OBR Small Business Loan Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

* N/A = “not applicable.” TBD = “to be determined.” Savings for 2013 - 2015 will be subject to the disposition of the work paper submitted to the Commission for review.

c) Program Non-Energy Objectives:

1. Improve customer satisfaction driven by an increase in capital for energy efficiency projects helping customers overcome the "first cost" key barrier.

2. Improve the credibility of energy efficiency investments and provide economic benefits to the state via increased loan volume through a financing program supported by both Financial Institutions as well as the IOUs.

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	PGECOALL110			X

The IOUs submitted a workpaper according to the process directed in D.13-09-044 containing a proposed methodology for claiming energy savings for financing pilot programs. Energy savings 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	Date
Lessor recruitment and contractor training	Ongoing
Trustee RFP issued	January 2014
Master Servicer and Data Manager RFPs issued	February / March 2014
CAEATFA Board Meeting to approve Trustee contract	February / March 2014
DGS approves Trustee contract	March / April 2014
CAEATFA Board Meeting to approve Master Servicer and Data Manager contracts	March / April 2014
DGS approves Master Servicer and Data Manager contracts	April / May 2014
IOUs submit IT Advice Letter to CPUC	May / June 2014
Rulemaking process to develop Small Business OBR Loan Pilot rules	May / June 2014
IOUs submit IT Advice Letter to CPUC	June 2014
IOUs conduct IT changes (after CPUC approves Advice Letter)	June / July 2014
Master Servicer fully interfaced with IOUs (IT changes complete)	July 2014
Small Business OBR Loan pilot launches	July 2014
Mid-Term CPUC Pilot Review	January / February 2015

b) **Geographic Scope**: List the geographic regions (e.g., CEC weather zones) where the program will operate

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	Implemented by contractors NOT selected by competitive bid process	Implemented by other entity
OBR Sm. Bus. Loan Pilot	Program Application Process				CAEATFA
OBR Sm. Bus. Loan Pilot	IOU Incentive Program Participant	X			CAEATFA
OBR Sm. Bus. Loan Pilot	IOU Incentive Program Non-Participants				
OBR Sm. Bus. Loan Pilot	Credit Review			Financial Institutions	
OBR Sm. Bus. Loan Pilot	Loan Origination			Financial Institutions	
OBR Sm. Bus. Loan Pilot	Loan Payments			Financial Institutions	
OBR Sm. Bus. Loan Pilot	Loan Repayment Process	X		Financial Institutions and Master Servicer	
OBR Sm. Bus. Loan Pilot	Credit Enhancements	X			CAEATFA

Program Name	Program Component	Implemented by IOU Staff? (X = Yes)	Implemented by contractors to be selected by competitive bid process	Implemented by contractors NOT selected by competitive bid process	Implemented by other entity
OBR Sm. Bus. Loan Pilot	Education, & Outreach	X		Financial Institutions, CCSE	CAEATFA
OBR Sm. Bus. Loan Pilot	Evaluation, Measurement, & Verification (EM&V)	X			CPUC

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), CAEATFA will work with stakeholders to develop contractor eligibility requirements through its rulemaking process. CAEATFA may also 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), CAEATFA will work with stakeholders to develop contractor eligibility requirements through its rulemaking process. CAEATFA may also 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. Financial Institutions

Minimum qualifications for FIs are that they: a) possess all required state and federal licenses, and b) are in good standing with regulators. FIs will also be required to conform to pilot program requirements, CE protocols, and data collection and sharing requirements that are identified in the PIP, OBR tariff, and CAEATFA regulations determined through CAEATFA's public process for developing program regulations.

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

Financial Institution Eligibility Requirement (list of requirements)	PG&E	SCE	SDG&E	SCG
Minimum qualifications for FIs are that they: a) possess all required state and federal licenses, and b) are in good standing with regulators.	X	X	X	X
Additional details on Financial Institution Eligibility requirements will be defined within the scope and evaluation criteria of CAEATFA's public rulemaking process.	X	X	X	X

e) Program Partners:

a. Program coordination partners:

- CAEATFA – CAEATFA, acting as the CHEEF, will serve as the manager of the Master Servicer, Data Manager, and Trustee Bank. CAEATFA will establish program regulations that include eligibility criteria for financial institutions, clarification of applicable on-bill repayment requirements and process, and details of the structure of the credit enhancement available through this 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.
    - Pursuant to D.13-09-044, CAEATFA will subcontract with a Master Servicer (MS). The MS will (1) collect and transmit funds and data between the IOUs, trustee, and financial institutions/capital providers; and (2) collect pilot data and store it for use by the Data Manager and FIs.
- The FIs will fund and service financial instruments, which may include loans, leases, service agreement or other instruments as approved. The FIs may include the following types of entities.
    - Commercial banks that currently fund commercial loans, and that may be attracted by the tie between the utility bill and repayment of their commercial loan. Some commercial banks may also be attracted by the voluntary transferability feature.
    - Credit unions – non-profit financial institutions that exist for the benefit of their members.
    - Community Development Financial Institutions (CDFIs) or other similar non-profit financing entities that specialize in energy efficiency financing.

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

- Contractors – Various types of contractors may 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 financial institutions 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 loan financing and will be helpful in promoting the pilot.
- Financial Institutions – Financial Institutions will be providing the loans for small businesses to finance their projects. A wide variety of financial institutions are expected to participate in the Pilot, including national and local banks, as well as vendors offering financing for their products.
- California Center for Sustainable Energy (CCSE) – The IOUs and CAEATFA will coordinate with CCSE to ensure that the marketing of financial products is done in coordination with the Energy Upgrade California statewide marketing brand campaign.
- Real Estate Professionals – Given the unique nature of on-bill pilots, input from real estate professionals may be incorporated into pilot design and execution. The IOUs held a session with real estate professionals to learn about the unique needs of the industry in the non-residential sector and identified multiple areas of opportunity to enhance the on bill pilots. This may include additional information on projects being provided (e.g. amortization tables), creating educational materials that explain how measures (technical) translate into financial savings, and helping develop language that communicates the value of EE measures to subsequent buyers or renters.

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
Financial Institutions	X	X	X	X
Real Estate Professionals	X	X	X	X
CCSE	X	X	X	X

f) Measures and incentive levels:

Eligible Measures can consist of EEEMs and may include Non-EEEMs, each of 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 receive an incentive or rebate to qualify for the loan. EEEMs will be inclusive of measures that are approved as part of the utility EE programs.

Per existing rebate programs, allowable EEEMs costs may include audits, design, engineering, construction, equipment and materials, overhead, tax, shipping, and labor on a per measure basis. EEEMs projects costs should not include activities unrelated to the installation of energy efficiency measures. Labor costs can be contractor or in-house if proof of direct project hours and costs are provided.

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

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

SDG&E –
http://www.sdge.com/sites/default/files/documents/981587305/Targeted%20Basic%20Measures%20-%20Energy%20Efficiency%20Business%20Incentives%20and%20Rebates.xls?nid=4326

PG&E – http://www.pge.com/eef

Broad guidelines regarding the inclusion of EEEMs and non-EEEMs were determined by D.13-09-044 (at page 31), as follows:

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

Further details will be defined through the CAEATFA regulation process.

Per D.13-09-044, Conclusion of Law 56, the total loan value eligible for a credit enhancement will be limited to the total project cost net of any utility rebates and incentives received for the project.

In situations where a customer is served by multiple IOUs, refer to the OBF tariff for details on how billing will be treated.

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

Measure Group	Program Number	Market Actor Receiving Incentive or Rebate	PGE Incentive Level	PGE Installation Sampling Rate	SCE Incentive Level	SCE Installation Sampling Rate	SDGE Incentive Level	SDGE Installation Sampling Rate	SCG Incentive Level	SCG 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. These additional services, where related to marketing and outreach, will be coordinated with Statewide ME&O.

- 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 financial institutions, including how to best complete loan paperwork.

- Lender training: The education and outreach component of the Pilot will include training events and materials for financial institutions and lenders that will assist them in participating in this Pilot. The education and outreach will assist financial institutions with the understanding of the potential market, benefits and drawbacks of on-bill repayment, EE investments, projects QA/QC requirements, and data on loan performance. Additional information on lender training plans will be provided in the CHEEF PIP.

- Real estate professional education / training: The education and outreach component of the Pilot will include events and materials for real estate professionals on the specifics of this Pilot and how it can benefit customers. The education and outreach will specifically focus on the differences between the financing pilots and pilot features such as transferability, shut-off on nonpayment, and potential impacts on customers' bills.

Table 12: Additional Services

Additional Services	To Which Market Actors	PG&E	SCE	SDG&E	SCG
Customer education	Customers	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Contractor education	Contractors	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Lender education	Lenders	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Real estate professional education	Real Estate Professionals	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot 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.

Finance marketing and outreach activities will be coordinated with the Statewide ME&O in order to maximize customer engagement and opportunity.

Ordering Paragraph 1.a.vi. of D.13-09-044 states the following:

"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"

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.
   c. Real Estate Professionals
      i. Train and educate real estate professionals on the Pilot and how it can benefit customers. With respect to pilots with an on bill feature, education should carefully educate stakeholders on the differences between pilots in features such as transferability, shut-off for nonpayment, and bill neutrality.

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 Financial Institutions (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 OBR Small Business Loan 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 financial institutions, 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).

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

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.

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.

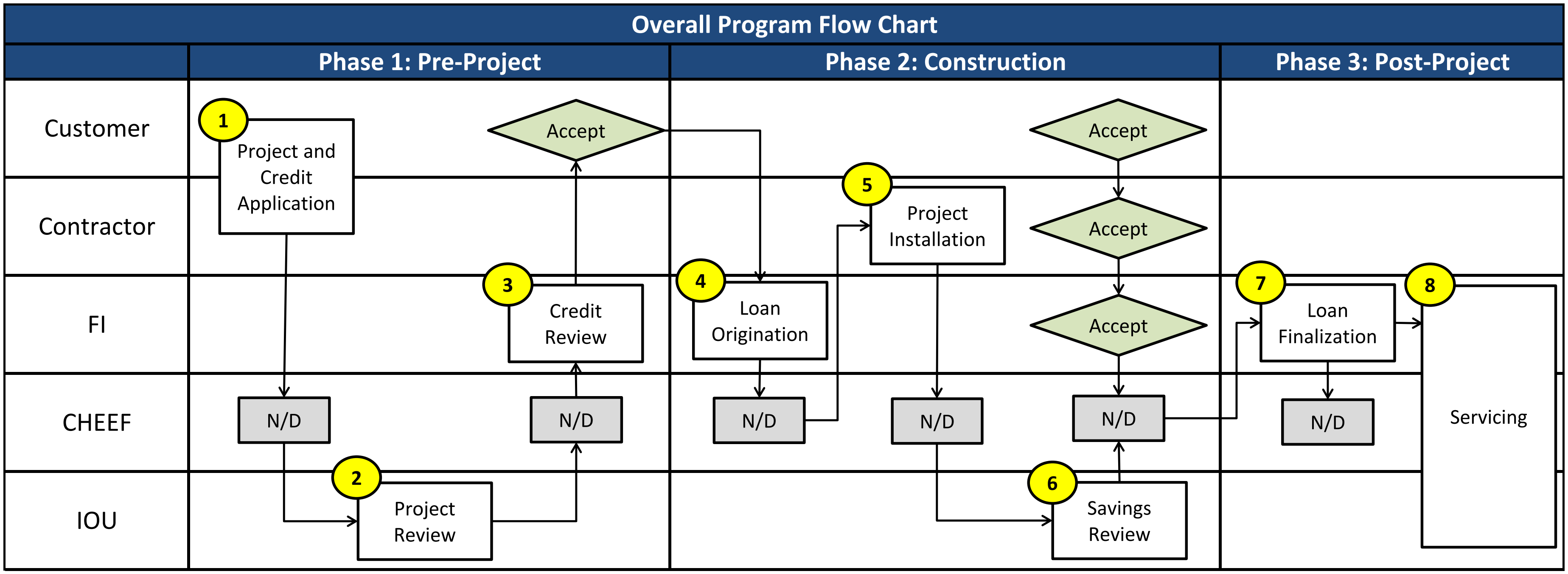
l) Sub-program Delivery Method and Measure Installation /Marketing or Training:

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 loan.
6. Customer makes loan and payment decision.
7. If customer selects loan option, CRM/contractor collects application information and provides to financial institution.
8. Financial Institution collects application information from customer, makes underwriting decision and informs customer and/or contractor.
9. Customer executes loan agreement.
10. Contractor installs improvements.
11. Customer signs completion certificate.
12. IOU performs inspection (if required by rebate/incentive programs).
13. Financial institution receives completion certificate and other required documents.
14. Financial institution funds contractor.
15. Financial institution provides appropriate documentation to CAEATFA.
16. CAEATFA directs trustee to transfer credit enhancement from IOU account to financial institution's account at the trustee.
17. Master Servicer transmits loan information to IOU.
18. IOU verifies customer data transmitted by Master Servicer.
19. IOU places loan on customer's bill and begins OBR collection process

m) Sub-program Process Flow Chart:

The flowchart below illustrates the process flow for how the loan 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** = CHEEF 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:

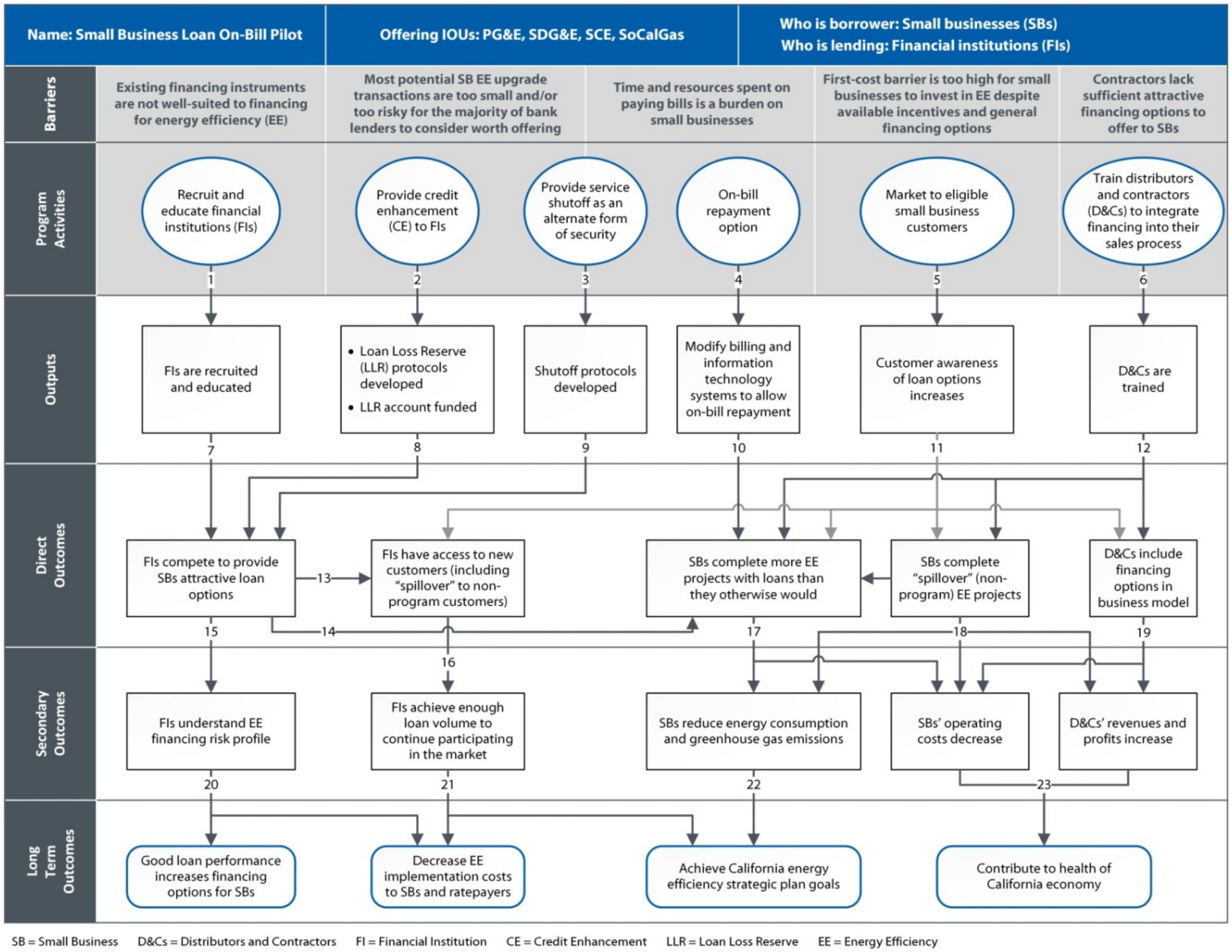
IOU financing programs will leverage the existing incentive and rebate programs.

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

Sub-Program Name		
OBR Small Business Loan 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 Meetings/Emails/Calls	Daily As Needed
Master Servicer *	Data Exchange	Daily

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

o) Logic Model:



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 IOUs' 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 loan 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.

The Pilot will leverage current small business loan programs offered by a multitude of financial institutions. This program will build on a mature small business loan market that has extensive experience in providing loans to small businesses. This program will provide a credit enhancement to leverage this current market and expand it to currently underutilized EE projects.

The IOUs' OBF programs can also be leveraged to provide financing for certain projects and customers that may be a better fit for that program. This could provide customers with a better "EE Financing" experience and boost customer perception of the financing pilots and programs as a whole. Coordination specifics will be developed by IOU program and marketing teams to help guide customers to the right EE financing program for their project. Additionally, the IOUs' experience in administering the OBF program can be leveraged for best practices and potential pitfalls of EE financing programs.

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.

Commission Decision (D.)13-09-044 also requires that CAEATFA, with assistance from the Southern California Gas Company, 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 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 loan 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.
d. Stimulate additional EE projects through the availability of capital to cover the full cost of such upgrades.
e. Additionally, the Pilot will be testing the added value for financial institutions of having an OBR option.

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 loan payments, on-bill repayment, 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 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 these features.
- On-Bill Repayment for 3rd Parties: The option for financial institutions to offer customer on-bill repayment through the utility bill can add increased security for loan providers due to the shut off for non-payment provision. This option can also reduce the time requirements faced by small businesses in paying bills.
- 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.

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 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: Loan transaction volume (dollar amount and number of loan) by IOU	Track and report total dollar amount of loan 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.

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 OBR Small Business Loan 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 OBR Small Business Loan Pilot. 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 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. Additional information on education and outreach to financial institutions (including loan originators) and contractors will be provided in the CHEEF PIP.

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

  This is addressed in Section 9.a.iv. Pursuant to D.13-09-044, the data protocols subject to the WG report are incorporated by reference to that report, which is available at the following website: CalEEFinance.com.

<u>Decision 13-09-044, OBR PIPs (Only)</u>

- The OBR PIP should set credit enhancement guidelines (floor, cap, spread) to incentivize more favorable financing terms for targeted market sectors (p. 22).

  See section 9.c. for discussion of credit enhancements for this pilot.

- OBR program shall include non-residential shut-off in general conformity with Commission-approved shut off protocols to be approved in the OBR tariff (p. 54).

  This requirement will apply to the OBR Small Business Loan Pilot and is addressed in the OBR tariff.

- The Commission concludes that written consent should be part of the OBR tariff in order to achieve transferability. Property owners and landlords that initially commit to the EE financing and OBR program ("current landlord") and all of the current landlord's tenants responsible for repayment under the OBR program ("current tenants") should be required to give their written consent to abide by the terms and obligations of the OBR program. The written consent of subsequent property owners and landlords and subsequent tenants subject to the OBR program is required in order for the OBR provisions (e.g., transferability, shut-off, etc.) to apply (p. 56).

  This requirement will apply to the OBR Small Business Loan Pilot and is addressed in the OBR tariff.

- IOUs are to apply existing OBF practices for application of OBR partial payments and follow Commission-approved disconnection procedures to obtain delinquent payments (p. 56).

  This requirement will apply to the OBR Small Business Loan Pilot and is addressed in the OBR tariff.

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[2] 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 loan with a credit enhancement and OBR option will drive increased uptake of energy efficiency (EE) projects in the small business market segment. Credit enhancement aim to lower financial institutions risks in entering an asset class that does not have a lot of historical data. The OBR option's aim is to simplify the bill paying process for small businesses and provide financial institutions with the added security of Shut-off On Non-Payment.

    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 loan 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 financial institutions to get a better understanding of the EE loan risk profile and to achieve enough loan volume to interest financial institutions to continue participating in the market. Creating a long term, standardized, and low cost EE loan 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.**[3]

    The IOUs do not establish quantitative targets for this Pilot.

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.**

[2] 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.
[3] Please also add any new program objectives and quantitative targets for statewide programs to the portfolio PPM/MTI reporting template.

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.

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 establish quantitative targets for this Pilot.

ATTACHMENT D

ON-BILL SMALL BUSINESS LEASE PROVIDERS PROGRAM

PROGRAM IMPLEMENTATION PLAN

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

1) Sub-Program Name: OBR Small Business Lease Providers Pilot
2) Sub-Program ID number:
    a. SoCalGas: SCG3789
    b. SDG&E: SDGE 3300
    c. SCE: SCE-13-SW-007G
    d. PG&E: PGE_210934
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. __ 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 workpaper submitted pursuant to D.13-09-044. The workpaper contains 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.

8) Projected Sub-Program Budget

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

SoCalGas

Sub-Program	Program Year 2013	2014	2015	Total
Admin/General Overhead ($)	$5,497	$43,998	$35,608	$85,103
Direct Implementation ($)[1]	$33,587	$297,773	$56,698	$388,058
Credit Enhancements (CE) ($)	$0	$124,101	$251,963	$376,064
Marketing & Outreach ($)	$18,194	$109,165	$54,582	$181,941
Total IOU Budget ($)	$57,278	$575,037	$398,851	$1,031,166

SDG&E

Sub-Program	Program Year 2013	2014	2015	Total
Admin/General Overhead ($)	$11,235	$22,471	$22,471	$56,177
Direct Implementation ($)	$86,674	$115,449	$231,245	$433,368
Credit Enhancements (CE) ($)	$0	$178,269	$346,052	$524,321
Marketing & Outreach ($)	$0	$107,005	$107,006	$214,011
Total IOU Budget ($)	$97,909	$423,194	$706,774	$1,227,877

SCE

Sub-Program	Program Year 2013	2014	2015	Total
Admin/General Overhead ($)	$5,985	$5,985	$5,985	$17,954
Direct Implementation ($)	$105,000	$191,701	$52,135	$348,836
Credit Enhancements (CE) ($)	$0	$456,829	$685,244	$1,142,073
Marketing & Outreach ($)	$0	$104,006	$51,227	$155,233
Total IOU Budget ($)	$110,985	$758,521	$794,591	$1,664,096

[1] Per the Energy Efficiency Policy Manual version 5.0, "Direct implementation costs are defined as 'costs associated with activities that are a direct interface with the customer or program participant or recipient (e.g., contractor receiving training).'"

PG&E	Program Year			
Sub-Program	2013	2014	2015	Total
Admin/General Overhead ($)	$11,170	$22,339	$22,339	$55,848
Direct Implementation ($)	$239,259	$478,518	$478,518	$1,196,295
Credit Enhancements (CE) ($)	$0	$473,032	$960,398	$2,433,430
Marketing & Outreach ($)	$27,027	$324,324	$189,189	$540,540
Total IOU Budget ($)	$277,456	$1,298,213	$1,650,444	$3,226,113

Note: CHEEF implementation costs are reflected in the CHEEF PIP per CPUC direction (Appendix F, D.13-09-044). See Section 10h for further information regarding the Marketing & Outreach category, in particular with respect to coordination with Statewide ME&O.

9) Sub-Program Description, Objectives and Theory

a) Sub-Program Description and Theory:

i. Financing

The goal of the On-Bill Repayment (OBR) Small Business Lease Providers Pilot (Pilot) is to test the premise that a lease option with a credit enhancement and OBR option will increase the number and comprehensiveness of energy efficiency (EE) projects in the small business market segment. Offering Equipment Leases with an OBR option will test the premise that some leases for small business customers can be more effectively administered through repayment on the IOUs' bills.

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 equipment 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 equipment leases on the utility bill (on-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 equipment leases to the expected useful life of the EE measures being installed by the customer.

iii. Credit Enhancement Mechanism and On-Bill Repayment

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% of the total eligible lease value in the portfolio. Details of the credit enhancement structure are to be developed through the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) public rulemaking process. The Pilot will also be subject to the provisions of the IOUs’ approved OBR tariffs.

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. Additionally, the Pilot will be testing the added value for financial institutions and IOU customers of having an OBR option. 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

Pursuant to D.13-09-044, the data protocols subject to the data Working Group (WG) were submitted to the Commission. This PIP incorporates by reference the data protocols associated with non-residential pilots from the current report. The report is available at the following website: CalEEFinance.com. Please also refer to the regulations established by CAEATFA regarding data collection and reporting to implement the WG report. Contractors and FIs should refer to the CHEEF, the selected Master Servicer, and / or the Data Manager regarding any related requirements.

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

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

SoCalGas	Program Years			
	2013	2014	2015	Total
OBR Small Business Lease Providers Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

SDG&E	Program Years			
	2013	2014	2015	Total
OBR Small Business Lease Providers Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

SCE	Program Years			
	2013	2014	2015	Total
OBR Small Business Lease Providers Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

PG&E	Program Years			
	2013	2014	2015	Total
OBR Small Business Lease Providers Pilot				
GWh	N/A	TBD	TBD	TBD
Peak MW	N/A	TBD	TBD	TBD
Therms (millions)	N/A	TBD	TBD	TBD

* N/A = "not applicable." TBD = "to be determined." Savings for 2013 - 2015 will be subject to the disposition of the work paper submitted to the Commission for review.

c) Program Non-Energy Objectives:

1. Improve customer satisfaction driven by an increase in capital for energy efficiency projects helping customers overcome the "first cost" key barrier.

2. Improve the credibility of energy efficiency investments and provide economic benefits to the state via increased loan volume through a financing program supported by both Financial Institutions as well as the IOUs.

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	PGECOALL110			X

The IOUs submitted a workpaper according to the process directed in D.13-09-044 containing a proposed methodology for claiming energy savings for financing pilot programs. Energy savings and 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.

Milestone	Date
Lessor recruitment and contractor training	Ongoing
Trustee RFP issued	January 2014
Master Servicer, Data Manager, Lease Originator RFPs issued	February / March 2014
CAEATFA Board Meeting to approve Trustee contract	February / March 2014

Milestone	Date
DGS approves Trustee contract	March / April 2014
Small Business Off-Bill Lease Pilot rulemaking process (credit enhancement structure and FI requirements in place)	March / April 2014
CAEATFA Board Meeting to approve Master Servicer, Data Manager, and Lease Originator contracts	March / April 2014
DGS approves Master Servicer, Data Manager and Lease Originator contracts	April / May 2014
Small Business Off-Bill Lease Pilot launches	April / May 2014
IOUs submit IT Advice Letter to CPUC	May / June 2014
Rulemaking process to revise Small Business Off-Bill Lease Pilot regulations to include Small Business OBR Lease Pilot rules	May / June 2014
IOUs submit IT Advice Letter to CPUC	June 2014
IOUs conduct IT changes (after CPUC approves Advice Letter)	June / July 2014
Master Servicer fully interfaced with IOUs (IT changes complete)	July 2014
Small Business OBR Lease pilot launches	July 2014
Mid-Term CPUC Pilot Review	January / February 2015

b) **Geographic Scope**: List the geographic regions (e.g., CEC weather zones) where the program will operate

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	Implemented by contractors NOT selected by competitive bid process	Implemented other entity
OBR Sm. Bus. Lease Providers Pilot	Program Application Process				CAEATFA
OBR Sm. Bus. Lease Providers Pilot	IOU Incentive Program Participant	X			CAEATFA
OBR Sm. Bus. Lease Providers Pilot	IOU Incentive Program Non-Participants				CAEATFA
OBR Sm. Bus. Lease Providers Pilot	Credit Review		Lease Originators		
OBR Sm. Bus. Lease Providers Pilot	Lease Origination		Lease Originators		
OBR Sm. Bus. Lease Providers Pilot	Lease Payments		Lease Originators		
OBR Sm. Bus. Lease Providers Pilot	Lease Payment Repayment Process	X	Lease Originators and Master Servicer		

Program Name	Program Component	Implemented by IOU Staff? (X = Yes)	Implemented by contractors to be selected by competitive bid process	Implemented by contractors NOT selected by competitive bid process	Implemented other entity
OBR Sm. Bus. Lease Providers Pilot	Credit Enhancements	X			CAEATFA
OBR Sm. Bus. Lease Providers Pilot	Marketing, Education & Outreach (ME&O) (See note below)	X	Lease Originators	CCSE	CAEATFA
OBR Sm. Bus. Lease Providers Pilot	Evaluation, Measurement, & Verification (EM&V)	X			CPUC

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), CAEATFA will work with stakeholders to develop contractor eligibility requirements through its rulemaking process. CAEATFA may also 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), CAEATFA will work with stakeholders to develop contractor eligibility requirements through its rulemaking process. CAEATFA may also 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. Additional details on requirements will be defined within the scope and evaluation criteria of CAEATFA's Lease Originator Request for Proposal.

Table 9: Financial Institution 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
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, acting as the CHEEF, will serve as the manager of the Master Servicer, Data Manager, and Trustee Bank. CAEATFA will establish program regulations that include eligibility criteria for financial institutions, clarification of applicable on-bill repayment requirements and process, and details of the structure of the credit enhancement available through this 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.
    - Pursuant to D.13-09-044, CAEATFA will subcontract with a Master Servicer (MS). The MS will (1) collect and transmit funds and data between the IOUs, trustee, and financial institutions/capital providers; and (2) collect pilot data and store it for use by the Data Manager and FIs.
- Master Servicer (MS) - The Master Servicer will receive customer loan information for transmission to the IOUs and will receive loan payments from the IOUs for remission to the FIs. The MS will operate under its contract with CAEATFA referred to as the California Hub for Energy Efficiency Financing (CHEEF) in the Financing Pilot Program. The MS will collect pilot data and store it for use by the Data Manager.
- Data Manager (DM) – The Data Manager will aggregate and prepare data. This role may be included as part of the Master Servicer duties.

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

- Contractors – Various types of contractors may 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 that the marketing of financial products is done in coordination with the Energy Upgrade California statewide marketing brand campaign.
- Real Estate Professionals – Given the unique nature of on-bill pilots, input from real estate professionals may be incorporated into pilot design and execution. The IOUs held a session with real estate professionals to learn about the unique needs of the industry in the non-residential sector and identified multiple areas of opportunity to enhance the on bill pilots. This may include additional information on projects being provided (e.g. amortization tables), creating educational materials that explain how measures (technical) translate into financial savings, and helping develop language that communicates the value of EE measures to subsequent buyers or renters.

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
Real Estate Professionals	X	X	X	X
CCSE	X	X	X	X

f) Measures and incentive levels:

Eligible Measures can consist of EEEMs and may include Non-EEEMs, each of 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 receive an incentive or rebate to qualify for the loan. EEEMs will be inclusive of measures that are approved as part of the utility EE programs.

Per existing rebate programs, allowable EEEMs costs may include audits, design, engineering, construction, equipment and materials, overhead, tax, shipping, and labor on a per measure basis. EEEMs projects costs should not include activities unrelated to the installation of energy efficiency measures. Labor costs can be contractor or in-house if proof of direct project hours and costs are provided.

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

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

SDG&E –
http://www.sdge.com/sites/default/files/documents/981587305/Targeted%20Basic%20Measures%20-%20Energy%20Efficiency%20Business%20Incentives%20and%20Rebates.xls?nid=4326

PG&E – http://www.pge.com/eef

Broad guidelines regarding the inclusion of EEEMs and non-EEEMs were determined by D.13-09-044 (at page 31), as follows:

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

Further details will be defined through the CAEATFA regulation process.

Per D.13-09-044, Conclusion of Law 56, the total loan value eligible for a credit enhancement will be limited to the total project cost net of any utility rebates and incentives received for the project.

In situations where a customer is served by multiple IOUs, refer to the OBF tariff for details on how billing will be treated.

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. These additional services, where related to marketing and outreach, will be coordinated with Statewide ME&O.

- 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, benefits and drawbacks of on-bill repayment, and data on lease performance. Additional information on lessor training plans will be provided in the CHEEF PIP.

- Real estate professional education / training: The education and outreach component of the Pilot will include events and materials for real estate professionals on the specifics of this Pilot and how it can benefit customers. The education and outreach will specifically focus on the differences between the financing pilots and pilot features such as transferability, shut-off on nonpayment, and potential impacts on customers' bills.

Table 12: Additional Services

Additional Services	To Which Market Actors	PG&E	SCE	SDG&E	SCG
Customer education	Customers	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Contractor education	Contractors	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Lessor education	Lessors	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Real estate professional education	Real Estate Professionals	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot 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.

Finance marketing and outreach activities will be coordinated with the Statewide ME&O in order to maximize customer engagement and opportunity.

Ordering Paragraph 1.a.vi. of D.13-09-044 states the following:

"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"

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.
   c. Real Estate Professionals
      i. Train and educate real estate professionals on the Pilot and how it can benefit customers. With respect to pilots with an on bill feature, education should carefully educate stakeholders on the differences between pilots in features such as transferability, shut-off for nonpayment, and bill neutrality.

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 OBR 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).

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

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.

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.

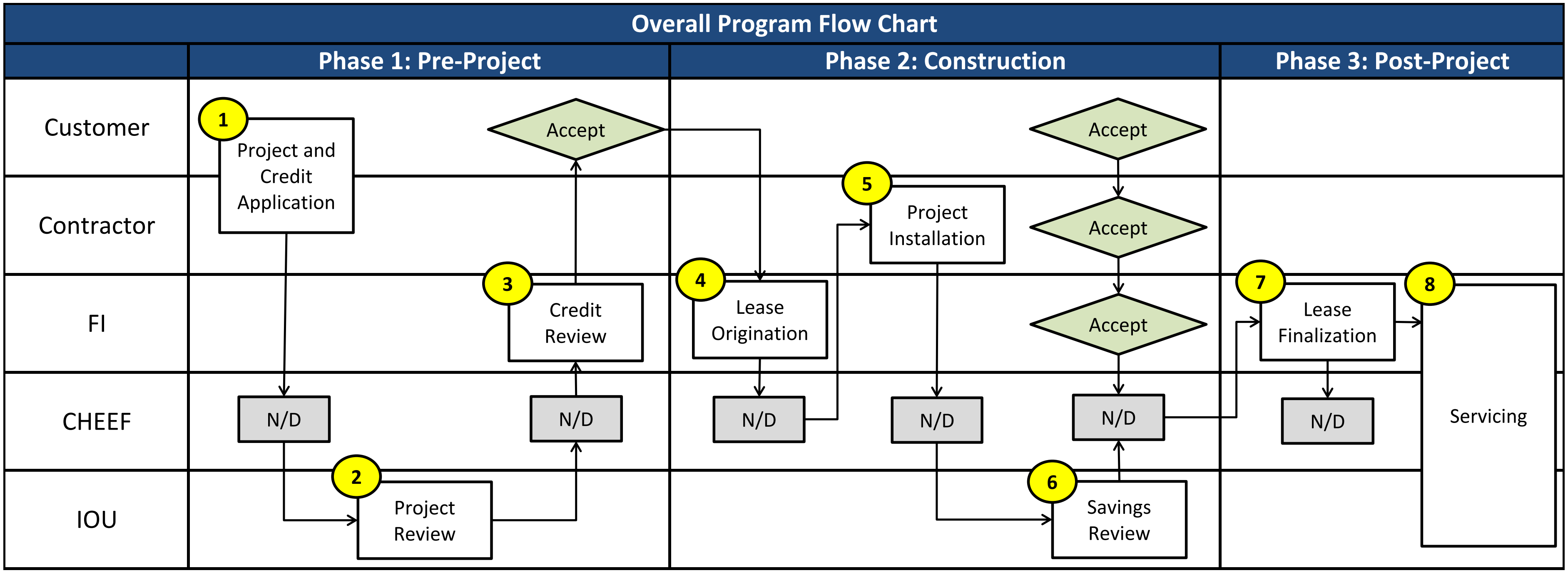
l) Sub-program Delivery Method and Measure Installation /Marketing or Training:

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.
17. Master Servicer transmits lease information to IOU.
18. IOU verifies customer data transmitted by Master Servicer.
19. IOU places lease on Customer's bill and begins OBR collection process

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** = CHEEF 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:

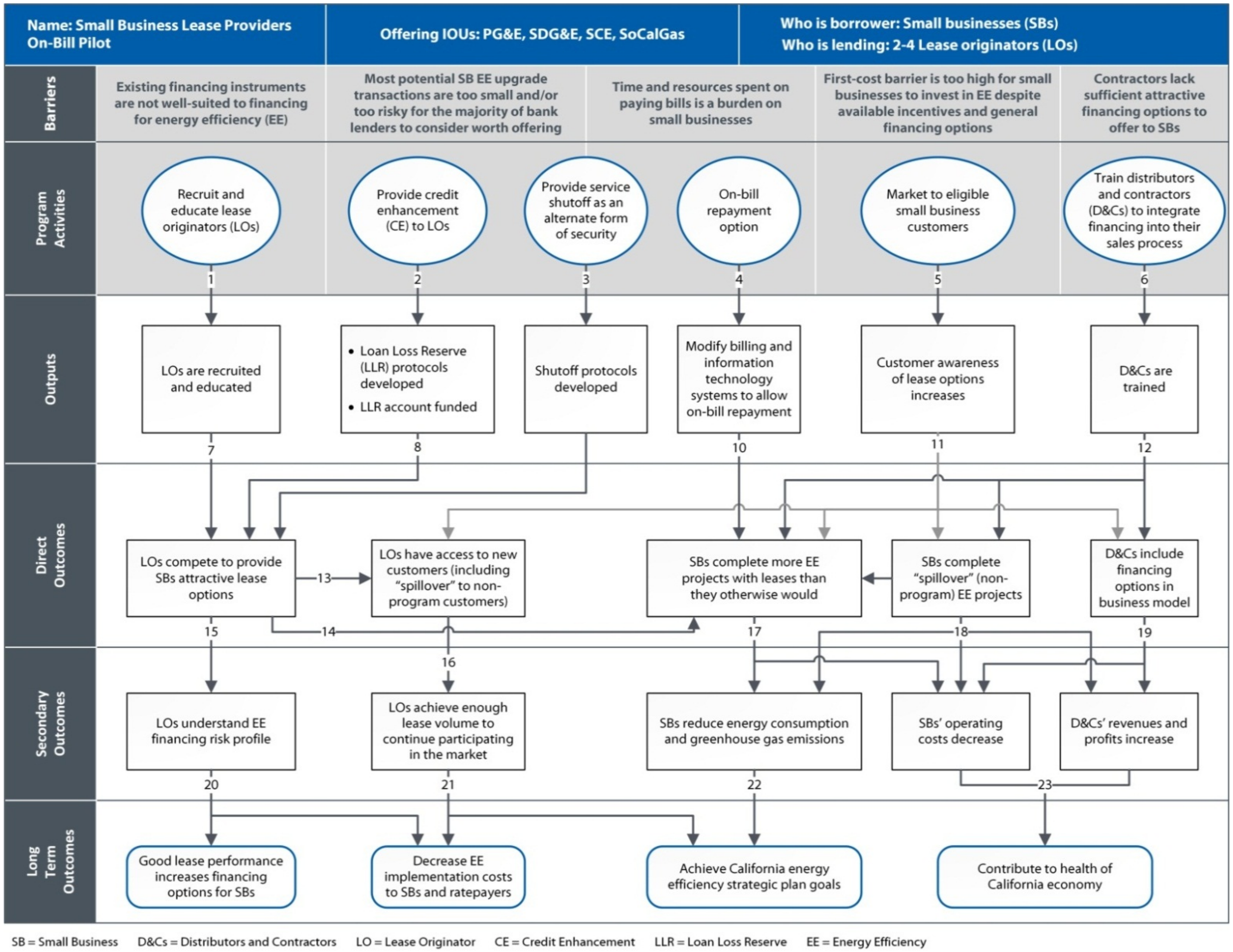
IOU financing programs will leverage the existing incentive and rebate programs.

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

Sub-Program Name		
OBR 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 Meetings/Emails/Calls	Daily As Needed
Master Servicer *	Data Exchange	Daily

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

o) Logic Model:



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 IOUs’ 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 equipment 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, in order to receive that benefit, leases will have to comply with IOU rebate and incentive guidelines.[2]

The Pilot will leverage current equipment 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 equipment 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 and customers that may be a better fit for that program. This could provide customers with a better "EE Financing" experience and boost customer perception of the financing pilots and programs as a whole. Coordination specifics will be developed by IOU program and marketing teams to help guide customers to the right EE financing program for their project. Additionally, the IOUs' experience in administering the OBF program can be leveraged for best practices and potential pitfalls of EE financing programs.

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.

[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."

Commission Decision (D.)13-09-044 also requires that CAEATFA, with assistance from the Southern California Gas Company, 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.
d. Stimulate additional EE projects through the availability of capital to cover the full cost of such upgrades.

e. Additionally, the Pilot will be testing the added value for financial institutions of having an OBR option.

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.
- On-Bill Repayment for 3rd Parties: The option for lease providers to offer customer on-bill repayment through the utility bill can add increased security for lease providers due to the shut off for non-payment provision. This option can also reduce the time requirements faced by small businesses in paying bills.
- 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.

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 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 OBR 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 OBR Small Business Lease Providers Pilot. 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 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. 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 final report) in the pilot PIPs since the data fields could differ by pilot (Appendix D).

  This is addressed in Section 9.a.iv. Pursuant to D.13-09-044, the data protocols subject to the WG report are incorporated by reference to that report, which is available at the following website: CalEEFinance.com.

<u>Decision 13-09-044, OBR PIPs (Only)</u>

- The OBR PIP should set credit enhancement guidelines (floor, cap, spread) to incentivize more favorable financing terms for targeted market sectors (p. 22).

  See section 9.c. for discussion of credit enhancements for this pilot.

- OBR program shall include non-residential shut-off in general conformity with Commission-approved shut off protocols to be approved in the OBR tariff (p. 54).

  This requirement will apply to the OBR Small Business Lease Providers Pilot and is addressed in the OBR tariff.

- The Commission concludes that written consent should be part of the OBR tariff in order to achieve transferability. Property owners and landlords that initially commit to the EE financing and OBR program ("current landlord") and all of the current landlord's tenants responsible for repayment under the OBR program ("current tenants") should be required to give their written consent to abide by the terms and obligations of the OBR program. The written consent of subsequent property owners and landlords and subsequent tenants subject to the OBR program is required in order for the OBR provisions (e.g., transferability, shut-off, etc.) to apply (p. 56).

This requirement will apply to the OBR Small Business Lease Providers Pilot and is addressed in the OBR tariff.

- IOUs are to apply existing OBF practices for application of OBR partial payments and follow Commission-approved disconnection procedures to obtain delinquent payments (p. 56).

  This requirement will apply to the OBR Small Business Lease Providers Pilot and is addressed in the OBR tariff.

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[3] 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 an equipment lease option with a credit enhancement and OBR option 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. The OBR option's aim is to simplify the bill paying process for small businesses and provide Lease Originators with the added security of Shut-off On Non-Payment.

   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.**[4]

   The IOUs do not establish quantitative targets for this Pilot.

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.**

[3] 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.
[4] Please also add any new program objectives and quantitative targets for statewide programs to the portfolio PPM/MTI reporting template.

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.

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 establish quantitative targets for this Pilot.

ATTACHMENT E

NONRESIDENTIAL ON-BILL REPAYMENT WITHOUT CREDIT ENHANCEMENT

PROGRAM IMPLEMENTATION PLAN

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

1) Sub-Program Name: Non-Residential On-Bill Repayment (OBR) without Credit Enhancement
2) Sub-Program ID number:
    a. SoCalGas: SCG3791
    b. SDG&E: SDG&E 3298
    c. SCE: SCE-13-SW007I
    d. PG&E: PGE_210937
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. __ 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; this pilot will be offered across the entire non-residential 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 workpaper submitted pursuant to D.13-09-044. The workpaper contains 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.

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 ($)	$5,497	$37,793	$23,010	$66,300
Direct Implementation ($)[1]	$33,587	$297,773	$56,698	$388,058
Credit Enhancements (CEs) ($)	$0	$0	$0	$0
Marketing & Outreach ($)	$18,194	$109,165	$54,582	$181,941
Total IOU Budget ($)	$52,278	$444,731	$134,290	$636,299

SDG&E	Program Year			
Sub-Program	2013	2014	2015	Total
Admin/General Overhead ($)	$11,235	$22,471	$22,471	$56,177
Direct Implementation ($)	$86,674	$115,449	$231,245	$433,368
Credit Enhancements (CEs) ($)	$0	$0	$0	$0
Marketing & Outreach ($)	$0	$107,005	$107,006	$214,011
Total IOU Budget ($)	$97,909	$244,925	$360,722	$703,556

[1] Per the Energy Efficiency Policy Manual version 5.0, "Direct implementation costs are defined as 'costs associated with activities that are a direct interface with the customer or program participant or recipient (e.g., contractor receiving training).'"

SCE	Program Year			
Sub-Program	2013	2014	2015	Total
Admin/General Overhead ($)	$17,953	$17,953	$17,953	$53,859
Direct Implementation ($)	$315,000	$575,103	$156,406	$1,046,509
Credit Enhancements (CEs) ($)	$0	$0	$0	$0
Marketing & Outreach ($)	$0	$234,014	$115,261	$349,275
Total IOU Budget ($)	$332,953	$827,070	$289,620	$1,449,643

PG&E	Program Year			
Sub-Program	2013	2014	2015	Total
Admin/General Overhead ($)	$11,170	$22,339	$22,339	$55,848
Direct Implementation ($)	$178,031	$356,062	$356,062	$890,155
Credit Enhancements (CEs) ($)	$0	$0	$0	$0
Marketing & Outreach ($)	$15,834	$190,008	$110,838	$316,680
Total IOU Budget ($)	$205,035	$568,409	$489,349	$1,262,683

Note 1: CHEEF implementation costs are reflected in the CHEEF PIP per CPUC direction (Appendix F, D. 13-09-044).

Note 2: See Section 10h for further information regarding the Marketing and Outreach category, in particular with respect to coordination with Statewide ME&O.

9) Sub-Program Description, Objectives and Theory

a) Program Description:

i. Financing

The Non-Residential On-Bill Repayment (OBR) Pilot Program for non-residential customers will help achieve the California Long-term Energy Efficiency Strategic Plan's vision of comprehensive and deep energy retrofits by removing first-cost barriers to customer projects by enabling loan repayment on the customer's bill.

This Pilots offer participants the flexibility of financing Eligible Energy Efficiency Measures (EEEMs), Distributed Generation (DG) or Demand Response (DR) projects.

The Pilot will test the efficacy of attracting private capital to fund Demand Side Management (DSM) investments in the non-residential sector via an on-bill repayment instrument which does not rely on ratepayer supported credit enhancements.

Detailed linkages, market barriers, program mechanisms, program outcomes and related Pilot operations are provided in the Logic Model included in this PIP.

The primary goals of the Pilot are:

a. Test the premise that placing a financing charge on the customer's utility bill through a tariff schedule and has provisions for utility service disconnection if the financing charge goes unpaid, will lead to more capital available at attractive rates and terms than is currently available.
b. Test the premise that adding a financing charge to a customer's utility bill, structured as a tariff, may help to solve the customer-tenant split incentive issue.
c. Test whether incremental private capital flows to the DSM market for the non-residential segment.
d. Determine if DSM implementation costs decrease for Businesses, Organizations and Institutions and (BOIs).
e. Determine if BOIs complete more DSM projects with loans than they otherwise would.
f. Test the effect of a voluntary transfer of the financial obligation from one customer to a successor customer to ascertain whether customers and financial institutions see such transfer as advantageous and use that transferability option. Such transfer would occur with accompanying disclosure to the successor customer and voluntary assent from that successor customer to assume the repayment obligation on the utility bill.

ii. Market Gaps and Means to Address Gaps

The target segment for this pilot includes small, medium and large business customers. These customers encounter a similar decision making process when they are considering Energy Efficiency (EE) improvements. The business customer must decide between financing investments to grow their revenue stream and reducing energy consumption through the installation of EE measures. Other issues limiting investment in EE include highly leveraged building space and/or tenant/landlord financial structures that don't support investment in EE.

This Pilot attempts to mitigate these barriers primarily by including repayment of the loan on the customer's utility bill and allowing for disconnection of service in the event customers default on the financing. The expectation is that customers will be disinclined to default to avoid service disconnection, ensuring repayment of the loan.

iii. Credit Enhancement Mechanism and On Bill Repayment

The OBR without Credit Enhancements Plot (the Pilot) does not contain a Credit Enhancement element. Non-residential customers of all sizes may participate in this Pilot.

iv. Data Collection

Data collection, subject to relevant privacy considerations, is essential for testing the value of various features of the authorized financing pilots. Pursuant to D.13-09-044, the data protocols subject to the data Working Group (WG) were submitted to the Commission. This PIP incorporates by reference the data protocols associated with non-residential pilots from the current report. The report is available at the following website: CalEE Finance.com. Please also refer to the regulations established by CAEATFA regarding data collection and reporting to implement the WG report. Contractors and FIs should refer to the CHEEF, the selected Master Servicer, and / or the Data Manager regarding any related requirements.

v. Areas of Concern for The 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.

- Will customers use the Pilot Offering?

This Pilot is a market-based financial offering unlike OBF which is offered by IOUs. Financing acquired through this Pilot will accrue interest charges as opposed to the current IOU financing program, OBF. It’s possible this may impact the likelihood of customer participation. It is hoped the broader terms of the financing, coordinated marketing activities, and existing rebate programs, which can be used to reduce the amount financed, will address this concern.

vi. Financial Institution Participants

The Pilot will overcome market barriers in part by developing strong participation from Financial Institutions (FIs). Likely financial institution participants in this pilot will include:

a. Commercial banks that currently fund commercial loans that may be attracted by the association between the utility bill and repayment of their commercial loan. Some commercial banks may also be attracted by the voluntary transferability feature.
b. Lease, or similar finance, companies that originate and service equipment finance leases or similar financial agreements for medium and large businesses.
c. Credit unions – non-profit financial institutions that exist for the benefit of their members; participation from credit unions is not expected to be high.
d. Community Development Financial Institutions (CDFIs) or other similar non-profit financing entities that specialize in energy efficiency financing.

b) Sub-Program Energy and Demand Objectives

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

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

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

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

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

* N/A = “not applicable.” TBD = “to be determined.” Savings for 2013 - 2015 will be subject to the disposition of the workpaper was submitted to the Commission for review.

c) Program Non-Energy Objectives:

This pilot program has the following Non-Energy Objectives:

1) Improvement in customer satisfaction driven by an increase in capital for energy efficiency projects helping customers overcome the “first cost” key barrier.

2) Improve the credibility of energy efficiency investment and provide economic benefits to the state via increased loan volume through a financing program supported by both Financial Institutions as well as the IOUs.

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:

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

Table 3: Workpaper Status

#	Workpaper Number/Measure Name	Approved	Pending Approval	Submitted but Awaiting Review
1	PGECOALL110			X

The IOUs submitted a workpaper according to the process directed in D.13-09-044 containing a proposed methodology for claiming energy savings for financing pilot programs. Energy savings and 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 of 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.

Milestone	Expected Date
Lender recruitment and contractor training	Ongoing
Trustee RFP issued	January 2014
Master Servicer and Data Manager RFPs issued	February/March 2014
CAEATFA Board Meeting to approve Trustee contract	February/March 2014
DGS Approves Trustee contract	March/April 2014
CAEATFA Board Meeting to approve Master Servicer and Data Manager contracts	March/April 2014
DGS approves Master Servicer and Data Manager contracts	April/May 2014
IOUs submit IT Advice Letter to CPUC	May/June 2014
Non-residential OBR Pilot rulemaking process	May/June 2014
IOUs conduct IT changes (after CPUC approves Advice Letter)	June/July 2014
Master Servicer fully interfaced with IOUs	July 2014
Non-Residential OBR Pilot launches	July 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 financial institutions approved by CAEATFA? (X = Yes) d)	Implemented by Master Servicer? (X = Yes)	Implemented by other entity (CAEATFA, Data Manager, Contractors)? (X = Yes)
OBR Nonresidential Pilot	Loan Application Process		X	X	
OBR Nonresidential Pilot	Project Review	X	X		X
OBR Nonresidential Pilot	Credit Review		X		
OBR Nonresidential Pilot	Loan Origination		X		
OBR Nonresidential Pilot	Loan Data Transmission		X	X	
OBR Nonresidential Pilot	Loan Re-payment Collection	X			
OBR Nonresidential Pilot	Loan Re-payment remission	X		X	
OBR Nonresidential Pilot	Loan Data Capture and storage		X	X	
OBR Nonresidential Pilot	Energy savings Data Capture and storage	X			
OBR Nonresidential Pilot	Reporting	X	X	X	X
OBR Nonresidential Pilot	Data Aggregation				X
OBR Nonresidential Pilot	Marketing, Education & Outreach (ME&O) (See note below)	X	X	X	X
OBR Nonresidential Pilot	Evaluation, Measurement, & Verification (EM&V)	X			CPUC

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:

All non-residential customers installing qualifying Energy Efficiency measures, Distributed Generation and Demand Response projects may participate in the OBR without Credit Enhancements Pilot. Customer eligibility requirements are further defined in of the OBR Tariff.

Table 7: Customer Eligibility Requirements (Joint Utility Table)

Customer Eligibility Requirement (list of requirements)	PGE	SCE	SDGE	SCG
All Non-residential Customers	X	X	X	X
Project site within utility territory on a non-residential meter/rate	X	X	X	X

ii) Contractors/Participants:

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 incentive program(s).

(2) For any project not participating in a CPUC-approved IOU incentive program(s), CAEATFA will work with stakeholders to develop contractor eligibility requirements through its rulemaking process. CAEATFA may also create guidelines for the process of verifying these qualifications.

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.

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), CAEATFA will work with stakeholders to develop contractor eligibility requirements through its rulemaking process. CAEATFA may also 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

iii) Financial Institutions

Minimum qualifications for FIs are that they: a) possess all required state and federal licenses, and b) are in good standing with regulators. FIs will also be required to conform to pilot program requirements, and data collection and sharing requirements that are identified in the PIP, OBR tariff, and CAEATFA regulations. Additional eligibility requirements for the FIs participating in this program will be determined through CAEATFA's public process for developing program regulations.

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

Financial Institution Eligibility Requirement (list of requirements)	PG&E	SCE	SDG&E	SCG
Minimum qualifications for FIs are that they: a) possess all required state and federal licenses, and b) are in good standing with regulators.	X	X	X	X
Additional details on requirements will be defined within the scope and evaluation criteria of CAEATFA's public rulemaking process.	X	X	X	X

.

e) Program Partners:

a) Program Coordination partners:

- CAEATFA – CAEATFA, acting as the CHEEF, will serve as the manager of the Master Servicer, Data Manager, and Trustee Bank. CAEATFA will establish program regulations that include eligibility criteria for financial institutions, clarification of applicable on-bill repayment requirements and process through this pilot.

- 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.
- Pursuant to D.13-09-044, CAEATFA will subcontract with a Master Servicer (MS). The MS will (1) collect and transmit funds and data between the IOUs, trustee, and financial institutions/capital providers; and (2) collect pilot data and store it for use by the Data Manager and FIs.

- The FIs will fund and service financial instruments, which may include loans, leases, service agreement or other instruments as approved. The FIs may include the following types of entities.
    - Commercial banks that currently fund commercial loans, and that may be attracted by the tie between the utility bill and repayment of their commercial loan. Some commercial banks may also be attracted by the voluntary transferability feature.
    - Lease or similar finance companies that originate and service equipment finance leases or similar financial agreements.
    - Credit unions – non-profit financial institutions that exist for the benefit of their members.
    - Community Development Financial Institutions (CDFIs) or other similar non-profit financing entities that specialize in energy efficiency financing.

b) Other key program partners:

- Contractors – Various types of contractors may participate in the program including: HVAC, insulation, mechanical, electrical and plumbing. The contractor will propose a scope of work to business owners, often based on the results of an energy audit, and will provide payment options including financing.
- Distributors – Contractors acquire products from manufacturers though distributors. Distributors protect contractors from credit risk, manufacturer defects 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 financing and will be helpful in promoting the OBR without Credit Enhancement pilot.
- California Center for Sustainable Energy (CCSE) – The IOUs and CAEATFA will coordinate with CCSE to ensure that the marketing of financial products is done in coordination with the Energy Upgrade California statewide marketing brand campaign.

- Real Estate Professionals – Given the unique nature of on-bill pilots, input from real estate professionals may be incorporated into pilot design and execution. The IOUs held a session with real estate professionals to learn about the unique needs of the industry in the non-residential sector and identified multiple areas of opportunity to enhance the on-bill pilots. This may include additional information on projects being provided (e.g. amortization tables), creating educational materials that explain how measures (technical) translate into financial savings and helping develop language that communicates the value of EE measures to subsequent buyers or renters.

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
Financial Institutions	X	X	X	X
Master Servicer	X	X	X	X
Data Manager	X	X	X	X
California Center for Sustainable Energy (CCSE)	X	X	X	X
Real Estate Professionals	X	X	X	X

f) Measures and incentive levels:

Eligible Measures consist of EEEMs and may include non-EEEMs, each of 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 receive an incentive or rebate to qualify for the loan. EEEMs will be inclusive of measures that are approved as part of the utility EE programs.

Per existing rebate programs, allowable EEEMs costs may include audits, design, engineering, construction, equipment and materials, overhead, tax, shipping, and labor on a per measure basis. EEEMs projects costs should not include activities unrelated to the installation of energy efficiency measures. Labor costs can be contractor or in-house if proof of direct project hours and costs are provided.

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

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

SDG&E – http://www.sdge.com/node/4326

PG&E – http://www.pge.com/eef

Broad guidelines regarding the inclusion of EEEMs and non-EEEMs were determined by D.13-09-044 (at page 31), as follows:

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

Further details will be defined through the CAEATFA regulation process.

Per D.13-09-044, Conclusion of Law 56, the total loan value eligible for a credit enhancement will be limited to the total project cost net of any utility rebates and incentives received for the project.

Because this pilot does not include credit enhancements, DR and DG may be included in the 70% EEEMs portion. Projects will be based on existing guidelines from existing IOU DR (Automated Demand Response, Permanent Load Shift) and DG (California Solar Initiative (CSI), CSI Thermal, Net Energy Metering, Self-Generation Incentive Programs) programs. Additional technologies will be further developed through a continuing stakeholder process.

In situations where a customer is served by multiple IOUs, refer to the OBF tariff for details on how billing will be treated.

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. These additional services, where related to marketing and outreach, will be coordinated with Statewide ME&O.

- Customer education: The marketing, education and outreach component of the pilot will provide customers with information about available financing offerings that can help make energy 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 understand how to integrate financing products in to their sales processes, complete loan paperwork, and work with loan providers. Contractors will also be provided with new tools for presenting the long-term cost and energy savings of various finance offerings to their customers. Contractors will be educated on how energy efficiency investments support the size of DR/DG products.

- Lender training: The education and outreach component of the Pilot will include training events and materials for financial institutions and lenders that will assist them in participating in this pilot. The education and outreach will assist financial institutions with the understanding of the potential market, benefits and drawbacks of on-bill repayment, EE investments, projects QA/QC requirements, and data on loan performance. Additional information on lender training plans will be provided in the CHEEF PIP.

- Real Estate Professional Training: The education and outreach component of the Pilot will include events and materials for real estate professionals on the specifics of this Pilot and how it can benefit customers. The education and outreach will specifically focus on the differences between the financing pilots and pilot features such as transferability, shut-off on non-payment and potential impacts on customers' bills.

Table 12: Additional Services

Additional Services	To Which Market Actors	PG&E	SCE	SDG&E	SCG
Customer Education	Customers	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Contractor Education	Contractors	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Lender Education	Lenders	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan
Real estate professional education	Real Estate Professionals	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan	TBD by Finance Pilot ME&O Plan

h) Sub-Program Specific Marketing and Outreach:

In order to raise awareness of On Bill Repayment as a solution that can encourage EE improvements, messaging will be incorporated into relevant integrated campaigns and program-specific marketing and outreach. Channels and tactics may include, but not be limited to: IOU Customer Relationship Representatives, utility bill messaging, newsletters, email, and direct mail. The utilities will coordinate marketing and outreach activities with CCSE, the Statewide ME&O Administrator, in order to maximize customer engagement and opportunity.

Finance marketing and outreach activities will be coordinated with the Statewide ME&O in order to maximize customer engagement and opportunity.

Ordering Paragraph 1.a.vi. of D.13-09-044 states the following:

"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"

Marketing and Outreach Guidelines:

1. Objectives:
   a. Generate awareness of On Bill Repayment as a solution that can facilitate EE improvements.
   b. Increase customer participation in EE programs.
2. Target Audiences:
   a. Small, Medium and Large Business Customers
      i. Using IOU customer segmentation, the program will target business customers that have a propensity to engage in energy-saving programs.
   b. Contractors
      i. Working in conjunction with CAEATFA, the IOUs will raise awareness of financing offerings with existing contractor base.
   c. Real Estate Professionals
      i. Train and educate real estate professionals on the Pilot and how it can benefit customers. With respect to pilots on-bill feature, education should carefully educate stakeholders on the differences between pilots in features such as transferability, shut-off for non-payment and bill neutrality.
3. Key Messaging:
   a. Develop a standardized 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 (i.e., immediate reduction in energy usage and energy costs while the costs of upgrades are spread out over time);
      iii. Messaging will be coordinated with the overarching concepts within the Energy Upgrade California campaign.
4. Strategies:
   a. Focus on high propensity targets, deploy a multi-channel strategy;
   b. Use existing outreach channels to retarget customers who have shown interest in financing;
   c. Integrate 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. Direct Communication (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 collaboration 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 On-Bill Repayment Pilot Program Implementation Plan (PIP), the following activities will be completed:

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

b) Public Relations and Community Relations Launch, +60 Days

c) Customer Marketing, Education and Outreach Launch, +90 Days

i) Sub-Program Specific Training:

See Section 10.g. above for description of training including engaging FIs, 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).

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

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 Energy Efficiency (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.

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 is expected to be delivered to customers.

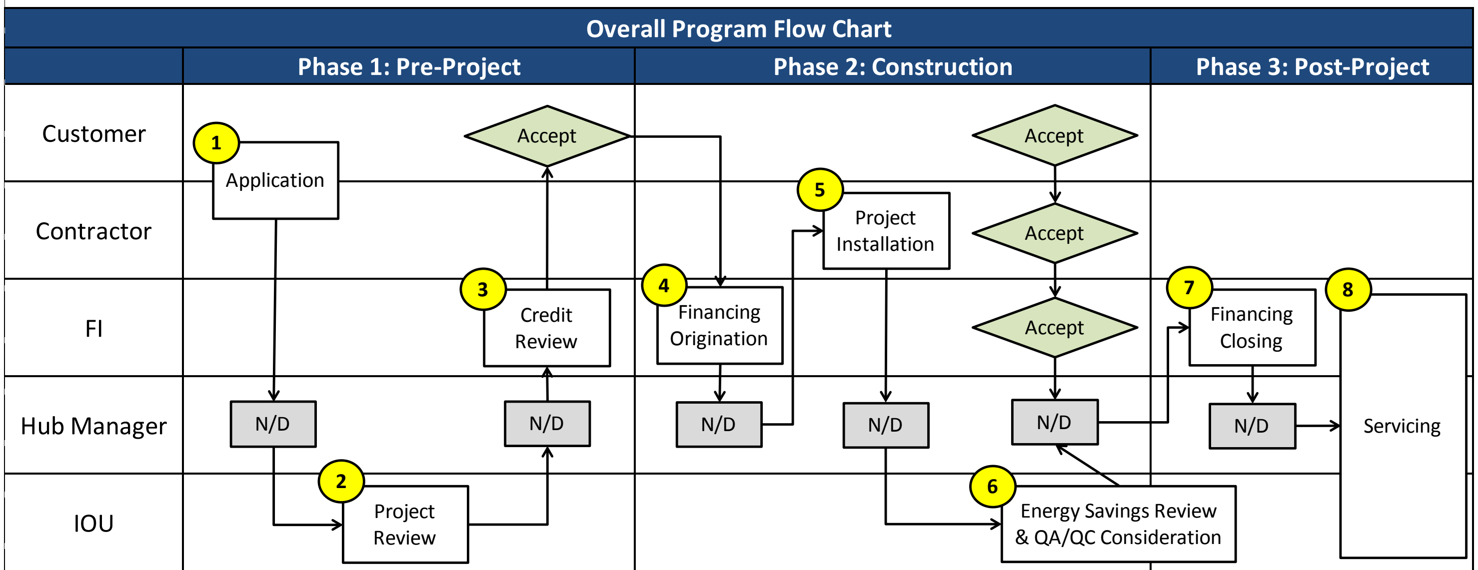
1. IOUs integrate financing with their incentive offerings.
2. CAEATFA/IOUs will provide contractor and financial institution training on how to integrate financing with their product offerings.
3. IOU Account Executive (AE)/Contractor and customer meet, driven by AE/contractor marketing or customer inquiry.

4. AE/Contractor interviews customer, collects site information (possibly including results of energy audit).
5. Contractor proposes a project scope, price, anticipated energy savings, anticipated bill impact, and incentives (typically utility or manufacturer rebates) and provides payment options, including financing.
6. Customer makes purchase and payment decision.
7. If Customer selects financing option, AE/contractor provides customer with list of Financial Institutions participating in financing program.
8. Financial Institution collects application information from Customer, makes underwriting decision and informs Customer and/or contractor.
9. Customer executes loan agreement.
10. Contractor installs improvements.
11. Customer signs completion certificate.
12. IOU performs inspection (if required by rebate/incentive programs).
13. Financial Institution receives completion certificate and other required documents.
14. Financial Institution funds Contractor.
15. Financial Institution informs Master Servicer loan funds have been disbursed.
16. Master Servicer transmits financing information to IOU.
17. IOU verifies customer data transmitted by Master Servicer.
18. IOU places loan on Customer's bill and begins OBR collection process.

m) Sub-program Process Flow Chart:

The flowchart below illustrates the process flow for how the OBR without credit enhancements 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.

Overview of Finance Program Process
Version 2.0a



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

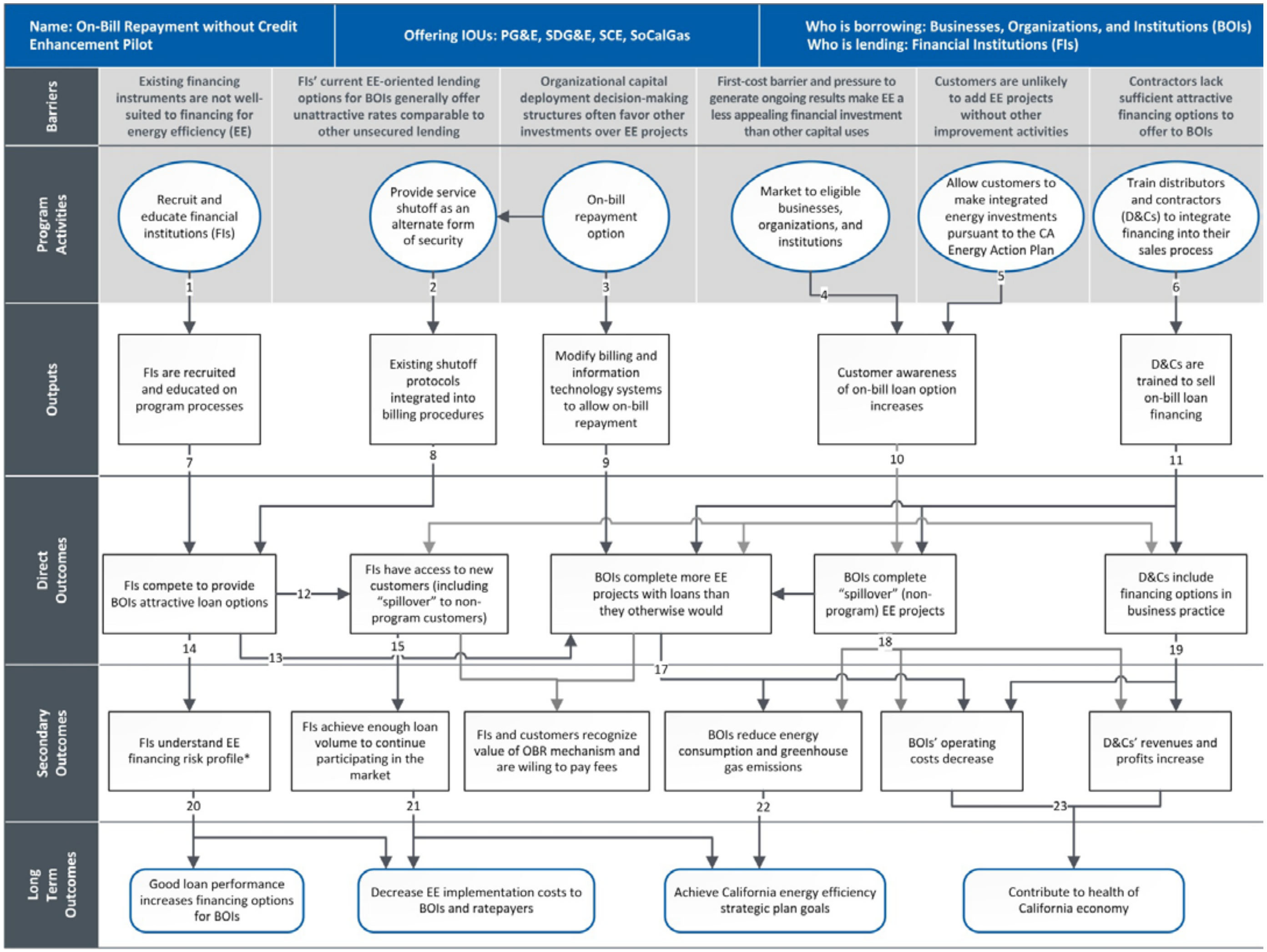
IOU financing programs will leverage the existing incentive and rebate programs to promote the financing pilots.

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

Sub-Program Name		
OBR w/out Credit Enhancement Pilot	Coordination Mechanism	Expected Frequency
Statewide rebate/incentive programs	Meetings/Emails/Calls	As needed
Statewide Emerging Technology Program	Meetings/Emails/Calls	As needed
Statewide Marketing, Education, and Outreach Program	Meetings/Emails/Calls	As needed
IOU EE Third Party Programs	Meetings/Emails/Calls	As needed
IOU Institutional Partnerships	Meetings/Emails/Calls	As needed
IOU Local Government Partnerships	Meetings/Emails/Calls	As needed
Statewide On-Bill Financing Program	Meetings/Emails/Calls	As needed
Coordination Partners Outside CPUC		
CAEATFA	Form and Data Exchange Meetings/Emails/Calls	Daily As needed
Master Servicer*	Data Exchange	Daily
Data Manager*	Data Exchange	As Needed

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

o) Logic Model:



BOIs = Businesses, Organizations, and Institutions D&Cs = Distributors and Contractors FI = Financial Institution LLR = Loan Loss Reserve EE = Energy Efficiency

* Collecting EE financing performance data is an important function of the California Hub for Energy Efficiency Financing (CHEEF)

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 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 IOUs’ 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 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 amount financed. For projects in which the customer is receiving a rebate or incentive, loans will have to comply with IOU rebate and incentive guidelines for the installed life of incentivized products.[2]

The Pilot will leverage financing options offered by financial institutions that meet the eligibility criteria defined in CAEATFA’s regulations. This program will build on a mature financing market that has extensive experience in providing loans to business customers. The pilot will offer IOU on bill repayment as a means to facilitate loan repayment to the financial institution.

The IOUs’ On-Bill Financing (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 pilot programs will monitor developments in other EE Financing programs nation-wide and outside of the U.S.

Commission Decision (D.)13-09-044 also requires that CAEATFA, with assistance from the Southern California Gas Company, 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.

[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.”

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 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 EE upgrades. 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 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 seeks to:

a. Stimulate financial institutions to provide capital to energy efficiency upgrade markets in the non-residential sector.
b. Lead to incremental energy savings from energy efficiency projects.
c. Leverage private capital to augment the limited ratepayer funds currently used to provide incentives in the form of customer rebates.
d. The Pilot will be testing the added value of having an OBR option for financial institutions.
e. Allow DR/DG measures in order to drive additional energy efficiency projects, create additional EE deal flow, and allow for the distribution of fixed costs over a larger number of projects.

The Pilot seeks to facilitate repayment of the loan through use of the utility bill. D.13-09-044 Conclusion of Law 31 states: "No ratepayer funds, other than implementation and servicing costs should be allocated for the OBR pilot program without CEs." The

Pilot will be closely monitored to ensure that implementation and servicing costs associated with DR and DG financing do not prohibit EE goals from being achieved. The IOUs will evaluate incremental costs associated with OBR financing relative to budgets, and may develop guidelines including subscription limits. Guidelines will be updated through the PIP addendum process.

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 and on bill repayment 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 lowering the costs through lower loan payments, financing, repayment through the utility bill, and differing levels of contractor engagement in the financing process.

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.

The target launch date for the Non-Residential OBR without Credit Enhancements Pilot is July 2014; it is scheduled to be in effect through December 2015. No budget for Credit Enhancements was allocated to this pilot.

See 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.

Program performance metrics will consist of loan transaction volume: number of loans and total amount of financing for the pilot period.

Table 17: Program Performance Metrics

Short-Term PPMs:	IOU Target	Metric Type
PPM 1: Loan Transaction Volume	Track, and report, number of loans and total amount of financing.	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 Evaluation (EM&V) plan.

The statewide IOU M&E team has submitted an updated 2013-2014 Finance Long-term Research Roadmap to Energy Division. The overall EM&V will be guided by this research roadmap.

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).

  The OBR without Credit Enhancements pilot is not supported by a Credit Enhancement.

- 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. Additional information on education and outreach to financial institutions and contractors will be provided in the CHEEF PIP.

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

  Pursuant to D.13-09-044, the data protocols subject to the WG report are to be submitted on December 15, 2013. This PIP incorporates by reference the data protocols associated with non-residential pilots from the current report. The report is available at the following website: CalEE Finance.com. Please also refer to the regulations established by CAEATFA regarding data collection and reporting to implement the WG report. Contractors and FIs should refer to the CHEEF, the selected Master Servicer, and / or the Data Manager regarding any related requirements

Decision 13-09-044, OBR PIPs (Only)

- The OBR PIP should set credit enhancement guidelines (floor, cap, spread) to incentivize more favorable financing terms for targeted market sectors (p. 22).

  The OBR without Credit Enhancements pilot is not supported by a Credit Enhancement.

- OBR program shall include non-residential shut-off in general conformity with Commission-approved shut off protocols to be approved in the OBR tariff (p. 54).

  This requirement applies to the Non-Residential OBR without Credit Enhancement Pilot and is addressed in the OBR tariff.

- The Commission concludes that written consent should be part of the OBR tariff in order to achieve transferability. Property owners and landlords that initially commit to the EE financing and OBR program ("current landlord") and all of the current landlord's tenants responsible for repayment under the OBR program ("current tenants") should be required to give their written consent to abide by the terms and obligations of the OBR program. The written consent of subsequent property owners and landlords and subsequent tenants subject to the OBR program is required in order for the OBR provisions (e.g., transferability, shut-off, etc.) to apply (p. 56).

  This requirement will apply to the OBR without Credit Enhancements pilot and is addressed in the OBR tariff.

- IOUs are to apply existing OBF practices for application of OBR partial payments and follow Commission-approved disconnection procedures to obtain delinquent payments (p. 56).

  This requirement will apply to the OBR without Credit Enhancements pilot and is addressed in the OBR tariff.

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[3] 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 placing a financing charge on the customer's utility bill through a tariff schedule and has provisions for utility service disconnection if the financing charge goes unpaid, will lead to more capital available at attractive rates and terms than is currently available

Test the efficacy of attracting private capital to fund DSM investments in the non-residential sector via an on-bill repayment instrument which does not rely on ratepayer supported credit enhancements.

Test the effect of a voluntary transfer of the financial obligation form one customer to a successor customer to ascertain whether customers and financial institutions see such a transfer as advantageous and use that transferability option. Such transfer would occur with accompanying disclosure to the successor customer and voluntary assent from that successor customer to assume the repayment obligation of the utility bill.

ii. **For each SMART objective, identify the quantitative targets, direction or percent of change that you hope to achieve during the program cycle.**[4]

The IOUs do not establish quantitative targets for this Pilot.

[3] 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. For example, for a vender training component of an innovative commercial program, two SMART mid-term objectives and one long-term objective might be:

a) During the period 2013-2014, the number of HVAC installers in the SCE service territory who are able to perform quality installations of energy efficient packaged air conditioners will increase by 20%.
b) During the period 2013-2014, the number of installations of energy efficient packaged air conditions in the SCE service territory that are considered quality installations will increase by 25%.
c) By 2020, installations of energy efficient packaged air conditions in the SCE service territory that are considered quality installations will increase by 75%.

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

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.

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 establish quantitative targets for this Pilot.

ATTACHMENT F

CONSULTATIVE WEBINAR WITH FINANCIAL INSTITUTIONS RE:

ON-BILL REPAYMENT PILOTS

PROGRAM IMPLEMENTATION PLAN PRESENTATION SLIDES

CPUC Finance Program OBR Pilots Approved by Decision (D.) 13-09-044

Conference call: 323-780-5500 code 5121

Web: https://sempramtg.sempra.com, Meeting ID 5121

On-Bill Repayment for Energy Efficiency Financing: Consultation with Financial Institutions

December 10, 2013, 1:00 – 3:00 pm PT

AGENDA

1. Welcome / Roll Call / Introduction / Opening Remarks from CPUC
2. Purpose of consultation and Overview of agenda
3. Overview of OBR
4. Overview of Finance Pilot Programs
5. General OBR /Pilot Questions and Discussion with Financial Institutions
6. Master-Metered Multifamily Finance Program Description, including Questions/Discussion
7. Energy Finance Line Item Charge Pilot Description, including Questions/Discussion
8. Small Business Pilots Description, including Questions/Discussion
9. Non-residential OBR without CE Description, including Questions/Discussion
10. OBR Tariff Description, including Questions/Discussion
11. Opportunities for FIs to Engage and Next Steps
12. Final FI Comments/Questions
13. Conclusion
14. Adjourn

CA EE FINANCING PILOTS AND ON-BILL REPAYMENT

Financial Institutions Consultation

California's Investor-Owned Utilities

December 10, 2013

AGENDA

Objective: Engage Financial Institutions and receive their input on design and implementation of new OBR EE finance pilots

- On-Bill Repayment, CHEEF
- EE Financing Pilots
- Residential OBR Pilots
  - Multifamily Master-Metered
  - EFLIC
- Small Business OBR Pilots
  - Small Business On-Bill Repayment
  - Small Business On-Bill Lease
- Other Non-Residential OBR Pilot
- OBR Tariff regulations
- Engagement Opportunities for Financial Institutions

ON-BILL REPAYMENT – OVERVIEW

ON-BILL REPAYMENT — GOAL

The Goal of On-Bill Repayment (OBR) is to:

- Attract private capital to support energy efficiency investments, by leveraging the additional security created through use of the utility bill to service energy efficiency financing
- Improve interest rates and other terms under which financial institutions offer energy efficiency financing to customers
- Enable more customers to qualify for energy efficiency financing than would otherwise be possible in the absence of OBR, and explore if OBR reduces delinquency and defaults.

> "The primary goal of the OBR pilots is to test whether the combined single bill payment can overcome lending barriers in the non-residential sector, and attract large pools of accessible private [i.e. non-governmental, non-utility] capital to the markets." (CPUC Decision 13-09-044)

On-Bill Repayment – What is it?

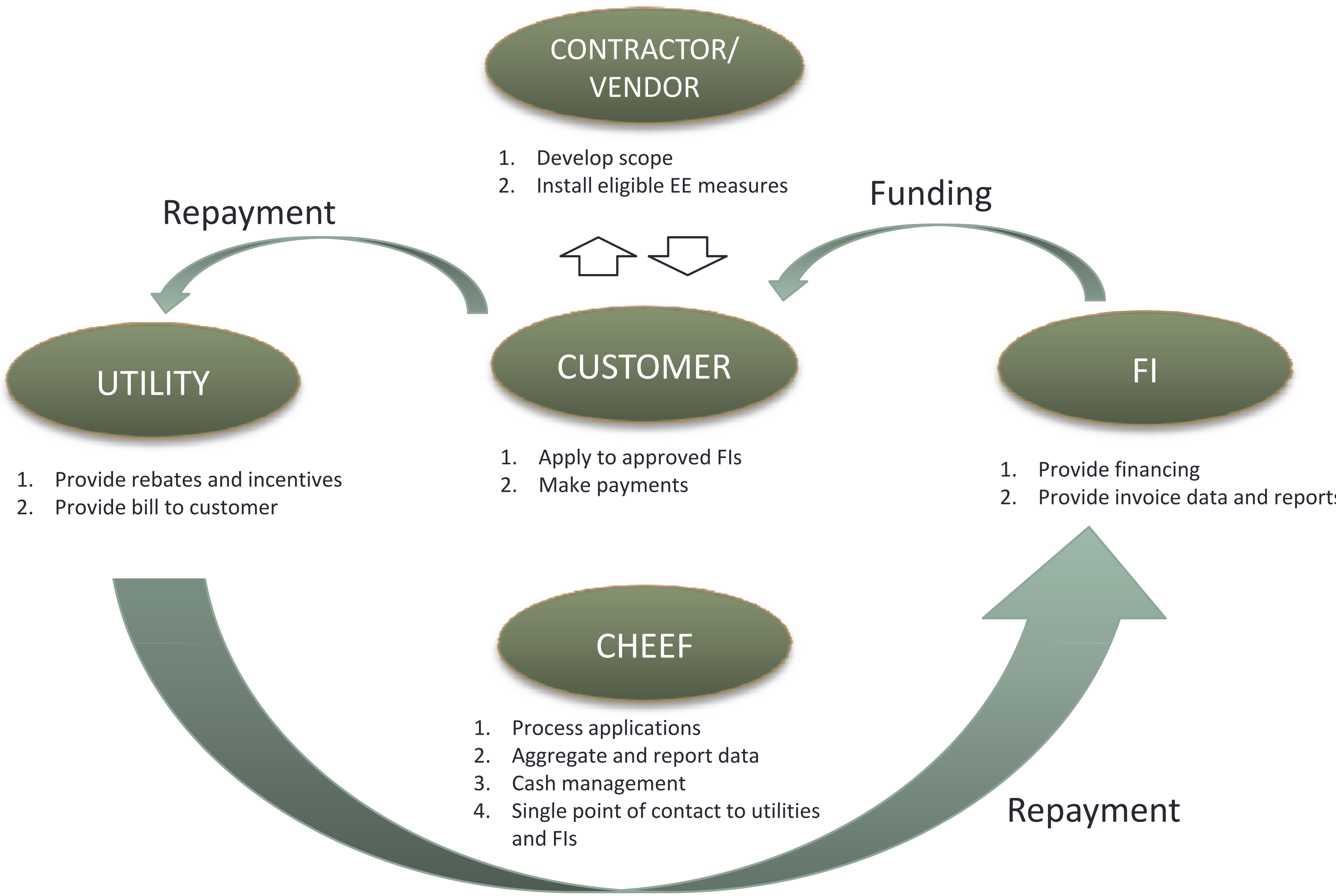
❑ OBR provides a mechanism to:

- Allow private, non-utility capital to flow to energy efficiency investments through variety of financial instruments such as loans and leases
- Allow customers to repay financial obligations created under these financial instruments through charge on their utility bill
- Provide investors with some additional security derived from having a charge for energy efficiency on customers' utility bill – particularly disconnection for failure to pay finance charges that are serviced through that utility bill – and option for transferability

❑ Eligible use of funds:

- Retrofits could include a single piece of eligible equipment or more extensive energy efficiency upgrades
- Certain renewable energy, distributed generation and demand response upgrades can be included (quantity depends on specific customer and program type)

On-bill Repayment Process Overview



ON-BILL REPAYMENT — FURTHER DETAIL

- On-bill repayment (OBR) program for non-residential customers that
  - “shall not require bill neutrality”
  - “shall allow for…allocation of [partial] payments between utility bill obligations and loan repayment”
  - include “forms and procedures for written consent to achieve transferability”
- A financing obligation may transfer to the subsequent customer when the occupancy or ownership of the building or space changes, if the FI and the new occupant or owner formally consent to the transfer.
- A new EE financing “hub” will be established to facilitate the “many-to-many” relationships among financial institutions, utilities and customers/borrowers.
  - This “hub” is known as the California Hub for Energy Efficiency Financing, or CHEEF

CHEEF Core Functions

- CHEEF to have overall responsibility for carrying out pilots, under contract to IOUs, and making reports to CPUC
- California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA, housed in State Treasurer's Office) has been requested to act as CHEEF during pilot period
- A number of these functions will be sub-contracted to a trustee, master servicer or others

CHEEF to act as statewide interface between utilities and FIs

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

EE FINANCING PROGRAMS – OVERVIEW

NEW EE FINANCING PILOT PROGRAMS – BACKGROUND

- CPUC authorized California IOUs to implement several innovative new EE financing programs (and re-authorized the ongoing on-bill financing):
  - *single-family loan program* with credit enhancement (primarily off-bill)
  - *master-metered multifamily financing program* that includes both credit enhancement and an on-bill repayment option
  - *small business* pilots with credit enhancement, on and off-bill, including some that are leasing-oriented
  - *other non-residential programs (primarily medium-large businesses)*

- These pilots will be launched summer 2014.

All Approved Pilots and Budgets

Sector	Pilot	Budget	OB	CE	Dc	Notes
Res	Single Family Direct Loan Program	$25 M		✓		Loan Loss Reserve
	Energy Finance Line Item Charge	≤$1 M	✓	✓		Pilot only in PG&E territory
	Master-Metered (Affordable) Multifamily Financing Program	≤$2.9 M	✓	✓		Debt Service Reserve Fund
Non-Res	Small Business	$14 M	✓	✓	✓	Includes sub-pilot for lease products
	Medium, Large Business	--	✓		✓	OBR without CE
Subtotal Pilots		**$42.9 M**				
All	Marketing, Education & Outreach	≤$10 M	Statewide total; from EE funds			
	EE Financing Entity	$5 M	EEFE start up costs, incl. Master Servicer functions			
	IT Upgrades at IOUs	≤$8 M	For implementing pilots			
Total		**$65.9 M**				

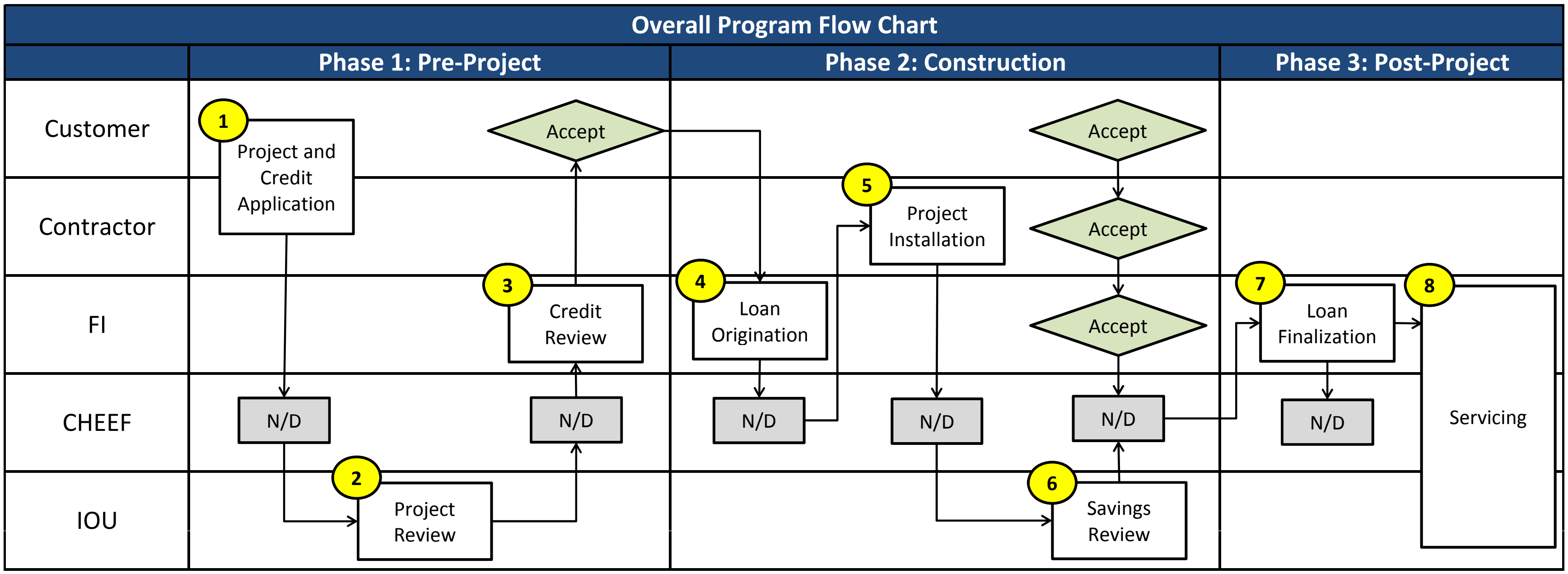
Budgets over 2+ year period
OB = on-bill
CE = credit enhanced
Dc = Disconnection allowed

NON-RESIDENTIAL PILOTS – KEY FEATURES

	Proposed OBR Program	
	OBR <u>with</u> credit enhancement	OBR <u>without</u> credit enhancement
Credit enhancement	• No more than 20% of total financed cost • For lease origination: determined by RFP	None
Eligible customers	Small business customers	All non-residential IOU customers
Eligible measures*	• "Eligible Energy Efficiency Measures" ("EEEMs", i.e. all other CPUC-"traditionally"-approved EE measures) • Non-EEEMs may be up to 30% of loan total	• All measures eligible for credit-enhanced OBR. • EEEMs is defined more broadly to also include DG and DR • Non-EEEMs may be up to 30% of loan total
Interest rate	TBD by FIs	TBD by FIs
Bill neutrality required	No, but contractor disclosure of projected bill impact required	

* Customer not required to take a utility rebate or incentive to participate

Finance Pilot Programs — Typical Process Flows



Key

#	**Stage Indicator =** Designates Process Flow Stage
N/D	**Notify/Data =** CHEEF 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.

Finance Pilot Programs — Project Sequence

1. Customer potentially meets with IOU Account Executive (AE) and/or contractor, driven by AE/contractor marketing or customer inquiry.
2. (*If yes to above*) AE/Contractor interviews customer, collects site information (possibly including results of energy audit).
3. (*If yes to above*) Contractor proposes a project scope, estimated cost, anticipated energy savings, anticipated bill impact, and incentives (typically utility and/or manufacturer rebates) and provides payment options, including the financing instrument (loans, leases, other instruments depending on the pilot).
4. Customer makes financing instrument and payment decision.
5. AE/contractor may collect application information and provides to **FI**.

8. **FI** collects application information from customer, makes underwriting decision and informs customer (and/or contractor).

9. Customer executes financing agreement.

FINANCE PILOT PROGRAMS — PROJECT SEQUENCE

10. Customer (or contractor) installs improvements and when satisfactory Customer signs completion certificate
11. IOU performs inspection (if required by rebate/incentive programs)
12. As appropriate, **FI** receives completion certificate and other required documents
13. **FI** funds contractor or customer
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. Master Servicer transmits appropriate information to IOU
17. IOU verifies customer data transmitted by Master Servicer
18. IOU places payment obligation on customer's bill and begins OBR collection process

Pilot Programs Implementation — Key Dates

Milestone	Timeframe
IOUs file for approval of OBR program implementation plans and OBR tariff	Dec. 19, 2013
FI recruitment and contractor training begin; development of marketing program	Jan. 2014
CAEATFA issues RFP to select Master Servicer, Data Manager	Jan./Feb. 2014
CAEATFA contracts with Master Servicer, Data Manager	Q1, 2014
Integration of financing with IOU incentive program delivery implemented	Q1 ,2014
CAEATFA directs trustee to establish accounts for financial institutions	Q1, 2014
IOUs launch OBR	July 2014

Schedule subject to change

QUESTIONS FOR FINANCIAL INSTITUTIONS

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, more projects). Do you have recommendations for how the CHEEF can meet this requirement for each pilot?
- 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?
- 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?

* does not apply to Med.-Large Business OBR

QUESTIONS FOR FIS (2)

Data Collection

- The pilots require transmission of data on participant financial characteristics, financial products, installed improvements and energy performance. 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 will be held and protected by a qualified master servicer). Additionally, originators will be required to regularly report to the CHEEF on performance of financial products that are supported by credit enhancements.
    - How can this data collection/transmission and confidentiality regime best be managed to meet FI (and others') needs?

Questions for FIs (3)

- Do you have any recommendations on how best to market/co-brand/coordinate between IOUs and participating FIs?
- What volume and in what timeframe would you need to see in a given EE finance program to deem it successful for your company? For example, in a small business on bill repayment program, would it be a certain number of loans? Dollars?
- By having the utility collect payments on your behalf, does this make an impact on your overhead costs? Please consider all aspects such as lower per transaction cost or higher per transaction cost. For example, does the lender foresee putting in place some form of administrative support to manage the interaction between the lender, servicing entity, and IOU?
- Based upon your knowledge of the design of each pilot program, are there any pilot features of which you are aware that will be **deal breakers** for your participation?

QUESTIONS FOR FIs (4)

- How would transferring a financial obligation such as this to a property buyer impact the transaction? If positive, in what ways? If negative, in what ways and how significantly?
- What issues do you see with transferring a loan obligation on a rental/leased property to a subsequent occupant?
- Do you envision using the transfer process as we've laid it out? Why or why not?
- Do you see value in the threat of disconnection for failure to pay a finance charge? What are the key elements that must be in place in order for disconnection to have value for you?

MULTIFAMILY MASTER-METERED; SINGLE FAMILY EFLIC

Master-Metered Multifamily Pilot Program — Goals

Goal:

Test the value of OBR in the affordable master-metered MF segment, improve delivery of services across IOUs, building auditors, contractors, and lenders, and gather performance data in a multifamily setting.

> "The Commission finds it reasonable to implement an MMMFP that includes OBR without shut-off for non-payment of financing charges, for substantially master-metered affordable multifamily properties." (Decision 13-09-044)

Master-Metered Multifamily Pilot Program — Basics

- Debt Service Reserve Fund as the primary CE
- Net bill neutrality an objective, not a requirement
- SoCalGas to implement a limited (5 property) early version; subsequently the MMMFP will operate in all IOU service territories across state
- Eligibility limited to properties that are a customer of IOU
- Contractors need to have certifications, as established through CAEATFA or IOU requirements
- Eligible EE measures (EEEMs) as listed on IOU websites
- Marketing, education and outreach effort to support MMMFP
- CE Budget: up to $2.9 million

Energy Finance Line-Item Charge (EFLIC)

Goal:

Test the attractiveness of On-Bill Repayment and its impact on residential loan performance, including yielding data on residential utility payment as alternative underwriting criteria.

This sub-pilot will be limited to the PG&E Service Territory.

EFLIC – Basics

- On-Bill Repayment for residential customers
- EFLIC loan charges are not dis-connectable charges
- Partial payments are allocated based on a prioritization basis: delinquent charges then current, and within that utility charges, energy related, and then 3rd party
- EFLIC payment obligation not transferable to subsequent owners, occupants
- Pilot only in PG&E service territory
- Program is linked to the Single Family Loan Program (SFLP) – contractor requirements, eligible measures are defined in that program
- EFLIC is an additive feature to SFLP – can be offered as a choice to consumers or as the only offering from a given FI
- Marketing, education and outreach effort to support EFLIC
- Budget: up to $1 million

QUESTIONS FOR FIs

EFLIC

- 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?
- No shut off
  - Residential on bill repayment does not have a shutoff for non-payment provision. Does this make you more or less likely to participate in this EFLIC pilot and why?

SMALL BUSINESS PILOTS

SMALL BUSINESS OBR PILOT PROGRAM — GOALS

Goal:

"The primary goal of the Non-Residential pilot programs is to build the deal flow necessary to test the value of OBR as a bridge to overcome traditional lending barriers in these markets. [Credit enhancements shall] be offered in connection with OBR because the value of OBR to investors, customers, and contractors is unproven."

"This pilot program is targeted to owners of [small business] commercial properties that may be unable, or lack business incentives, to obtain EE financing."

[Decision 13-09-044]

Small Business Pilots — Summary

- Three Small Business Pilots will be offered
  - **On-Bill Loan**: Lenders provide financing for energy efficiency. Financing charges paid through utility bill collections.
  - **On-Bill Lease**: Lease originators selected through RFP will offer equipment leases for energy efficiency. Financing charges will be paid utility bill collections.
  - **Off-Bill Lease**: Lease originators selected through RFP will offer equipment leases for energy efficiency. Financing charges will be paid through traditional lease company collections (no utility bill collections). [This pilot was described in greater depth during an earlier webinar].

The three pilots share many features in common, as described in following slides.

SMALL BUSINESS PILOTS — BASICS (1)

- ❑ Up to $14M credit enhancement (CE) – shared among all Small Business pilots –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 (and if) defaults occur
  - All credit enhancements available on a first-come/first-served basis to financial institutions
  - As financial obligations are funded, CAEATFA will allocate funds to individual financial institutions' accounts within the trustee
- ❑ Eligibility limited to small business customers (as defined by the SBA) who are a customer of one of the four IOUs.

Small Business Pilots — Basics (2)

- Contractors need to have certifications, as established through CAEATFA or IOU requirements.
- All EE measures eligible for an IOU incentive and listed in IOU Finance Program website may be financed through credit-enhanced financial products
- A marketing, education and outreach budget has been allocated to support this initiative.
- FIs will be required to collect & transmit to CHEEF (or sub-contractor) data on financial products and customers (and customers will be required to sign a data release consent form).
- FIs will receive approval to participate in the pilot by applying to CHEEF. Rules for qualification are still to be developed.

Small Business Lease Pilots — Goals

Primary Goal:

- Test premise that availability that EE-targeted lease 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 US SBA), 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 <u>energy</u> and <u>financial</u> performance;

Small Business Lease Pilot — Basics

- The Lease Pilots will Competitively select at least two (and up to four) lease originators
- These lease originators will agree to comply with all features of the small business pilots.
- The lease pilot will begin solely as an off-bill pilot and, when full on-bill functionality is available, transition to allow for an OBR lease pilot.
- Originators for the on-bill pilot shall be required to permit small business customers to repay the lease obligation via the utility bill
- One goal of the on-bill lease pilot is to test and compare the impact of On Bill with the Off Bill Lease pilot

SMALL BUSINESS OBR PILOT – BASICS

- Relies on traditional bank loans (business lending) products.
- All features described for the other small business pilots described earlier are available (credit enhancement, disconnection for failure to pay financing charges etc.)
- Originators for the on-bill pilot shall be required to permit small business customers to repay the lease obligation via the utility bill
- Unlike the lease pilot, no competitive RFP shall be required. Lenders shall apply to CAEATFA to qualify as eligible financial institutions, according to CAEATFA-determined rules.

QUESTIONS FOR FIS

Small Business Pilots

- 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 small business pilots, would you be likely to modify your underwriting, and if so, how?
  - If not, do you have recommendations for how to transition from 0% OBF to on-bill repayments of loans/leases/etc.?
  - 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?

NON-RESIDENTIAL OBR

NON-RESIDENTIAL OBR PILOT PROGRAM — GOALS

Goal

“The primary goal of the Non-Residential pilot programs is to build the deal flow necessary to test the value of OBR as a bridge to overcome traditional lending barriers in these markets.”

“Moreover, it is important to begin collecting data about the potential value of OBR as an EE market incentive, to stimulate education and marketing efforts, and to energize EE contractors.” No CE due to “…lingering questions about owner interest and need [for CEs]”

NON-RESIDENTIAL OBR PILOT PROGRAM — BASICS

- OBR without Credit Enhancement
- Any non-residential IOU customer (oriented to medium-large businesses)
- No specified credit enhancement budget
- All EE measures eligible for an IOU incentive and listed in IOU Finance Program website may be financed
- Additionally, EEEMs defined by CPUC to include Distributed Generation and Demand Response
- No fees collected during pilot period
- Marketing, education and outreach effort to support customer, FI engagement
- FIs will be required to collect & transmit to CHEEF (or sub-contractor) data on financial products and customers (and customers will be required to sign a data release consent form).
- FIs will receive approval to participate in the pilot by applying to CHEEF. Rules for qualification are still to be developed.

OBR TARIFF RULES

OBR TARIFF (1)

CPUC direction:

- “The OBR programs are primarily designed to test whether the combined utility bill, with or without [credit enhancements], with transferability and service disconnection for non-payment of the financing charges, offer sufficient incentives to FIs to enter the non-residential market with new capital.”
- “…we find the OBR program shall include non-residential shut-off in general conformity with Commission approved shut-off protocols to be approved in the OBR tariff. In addition, non-residential customers with OBR are not precluded from making partial payments for combined energy and debt bill, although partial payments may expose the customer to collections procedures and/or ultimate notice of disconnection.”
- “Transferability of the underlying debt obligation to subsequent occupants (‘with the customer’s meter’), upon change of building ownership and/or tenancy, is both central to the appeal of OBR and a key implementation challenge…the Commission finds that [establishing and communicating a clear and enforceable obligation] can be achieved through the use of written agreements and a tariff process...”

OBR TARIFF (2)

Draft OBR Tariff Excerpt:

“H. Transferability of Obligation to Pay OBR Charges

“1. Responsibility to pay OBR Charges may be transferred to the subsequent customer of record at the same Premise. In order to transfer OBR Charges, the subsequent customer at the same Premises must consent to assume the obligation to pay the balance due on the Eligible Loan or Lease in writing as deemed appropriate by the Participating Financial Institution and must fully execute a Customer Agreement Form whereby the subsequent customer accepts and assumes the responsibility to pay the remaining OBR Charges on the Bill. Utility will include OBR Charges on the Bill of the subsequent customer only pursuant to instructions received from the CHEEF [California Hub for EE Financing]. At that point, the subsequent customer becomes the Customer for the purposes of this Rule.

“2. In the event the Customer ceases to be the Customer of record at the Premises where the Qualified Measures funded by proceeds from the Eligible Loan or Lease are installed, and the subsequent customer does not assume responsibility to pay all further OBR Charges, Customer remains fully responsible for all remaining amounts due under the terms of the Eligible Loan or Lease to the Participating FI pursuant to the terms of the Loan or Lease Agreement, and Utility will have no further obligation to collect the OBR Charges.”

QUESTIONS FOR FIS

- OBR tariff rules are expected to include the following; are these the right forms and elements?
  a. Mandatory language regarding the loan/lease obligation to be included in the transactional documents
  b. Consent forms that would allow the financing obligation to be assumed by new customer upon approval of new customer and FI
  c. Form language for consent to assignment between financial institution and customer. Should this be part of the program required documents, or should the financial institution use its existing forms?
  d. Form for consent from subsequent customer to pay financial obligation on utility bill
  e. A utility bill impact illustration (so the current or prospective occupants can see estimated monthly utility bills and repayment amounts as a result of the energy upgrade)
  f. Requirement that existing customer retain obligation to pay loan if consent to assignment is not achieved

Upcoming Opportunities for FIs to Engage

- Policy and Regulatory
  - PIP, OBR tariff filings – provide input
  - CAEATFA rulemakings – provide input
  - Other formal and informal IOU, CPUC and CAEATFA input opportunities
- CHEEF Roll Out
  - RFPs for Master servicer, data manager – bid
  - RFPs for Leasing companies – bid
- Participation in Pilots
  - Become a CHEEF-qualified FI
  - Work with IOUs on pilot marketing
  - Work with IOUs, CAEATFA on outreach and engagement of customers, contractors, other market actors
  - Active lender in pilot(s)
- Stay in contact: Frank Spasaro, SoCalGas, SCGOBF@Semprautilities.com