STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

July 8, 2014

Advice Letter: 3439-G/4327-E

Brian Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

SUBJECT: IMPLEMENTATION OF ENERGY EFFICIENCY FINANCE PROGRAM ON-BILL REPAYMENT PILOTS IN COMPLIANCE WITH D.13-09-044

Dear Mr. Cherry:

Advice Letter 3439-G/4327-E is effective as of June 26, 2014, per Resolution E-4663 approved on June 26, 2014.

Sincerely,

Edward Randolph

Edward Randolph
Director, Energy Division

Rasha Prince
Director
Regulatory Affairs

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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
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For SCE:

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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: 1/21/13 No. of tariff sheets: 0

Estimated system annual revenue effect: (%):

Estimated system average rate effect (%):

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

Tariff schedules affected: None

Service affected and changes proposed[1] See Advice Letter

Pending advice letters that revise the same tariff sheets: None

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

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

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

ATTACHMENT A

Advice No. 4581, et al.

(See Attached Service Lists)

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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

MMMF	Program Year 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

MMMF	Program Year 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

MMMF	Program Year 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].

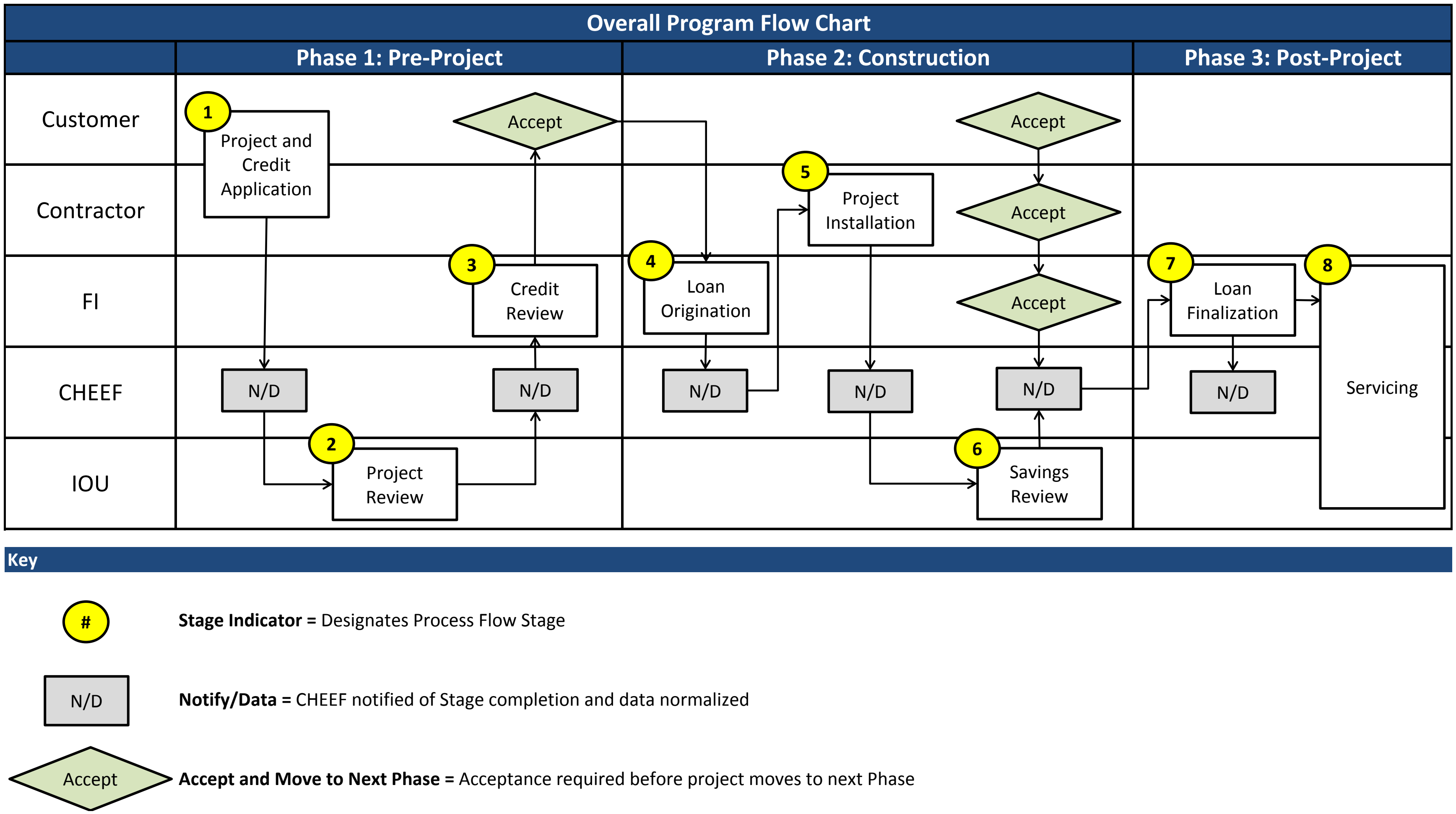
1. IOUs integrate financing with their incentive offerings.
2. IOU Multifamily Programs' Single Point of contact will inform interested multifamily property owner of available incentive/assistance programs in the IOU's portfolio such as Multifamily Energy Efficiency Rebate (MFEER) Program, Home Upgrade / 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


Overall Program Flow Chart
Phase 1: Pre-Project
Phase 2: Construction
Phase 3: Post-Project
Customer
Contractor
FI
CHEEF
IOU
1
Project and Credit Application
Accept
N/D
2
Project Review
N/D
3
Credit Review
4
Loan Origination
N/D
5
Project Installation
N/D
Accept
Accept
Accept
N/D
6
Savings Review
7
Loan Finalization
N/D
8
Servicing
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:

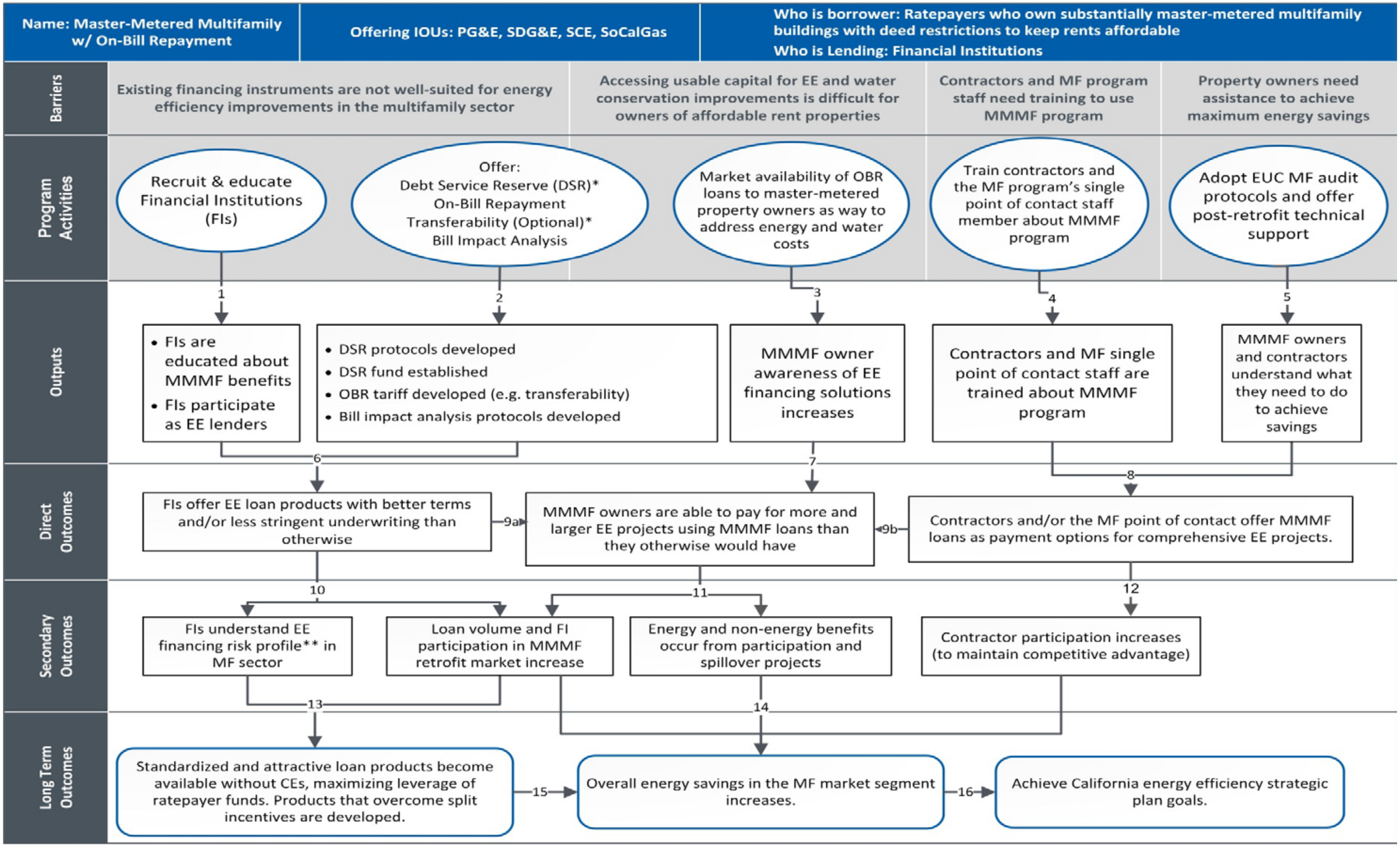
The MMMF Pilot will coordinate with all appropriate IOU/REN rebate/incentive programs, as well as the Statewide ME&O Program.

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.

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 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.

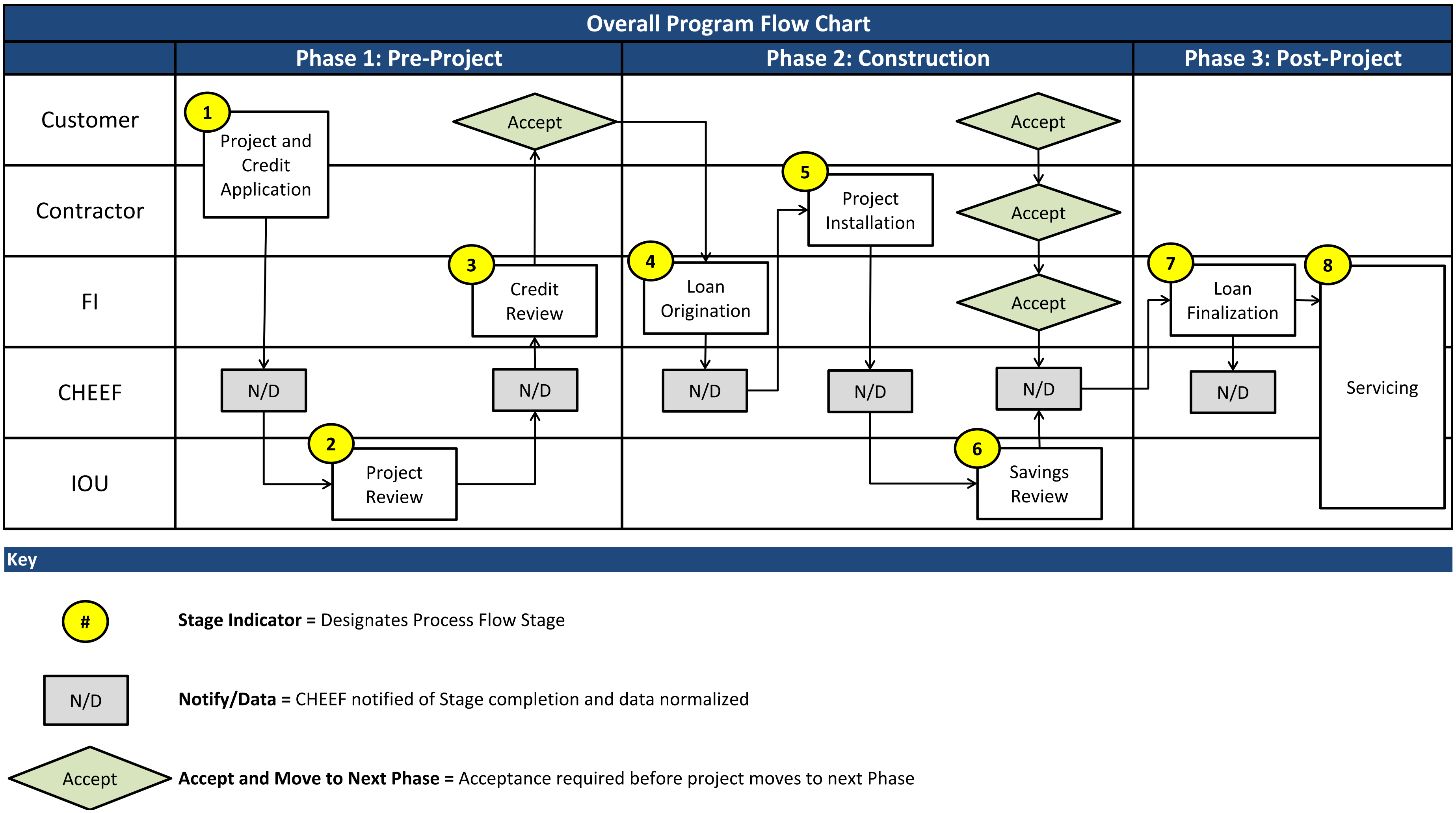
l) Sub-program Delivery Method and Measure Installation /Marketing or Training:

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.


Overall Program Flow Chart
Phase 1: Pre-Project
Phase 2: Construction
Phase 3: Post-Project
Customer
Contractor
FI
CHEEF
IOU
1
Project and Credit Application
2
Project Review
3
Credit Review
Accept
4
Loan Origination
5
Project Installation
6
Savings Review
Accept
Accept
Accept
7
Loan Finalization
8
Servicing
N/D
N/D
N/D
N/D
N/D
N/D
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:

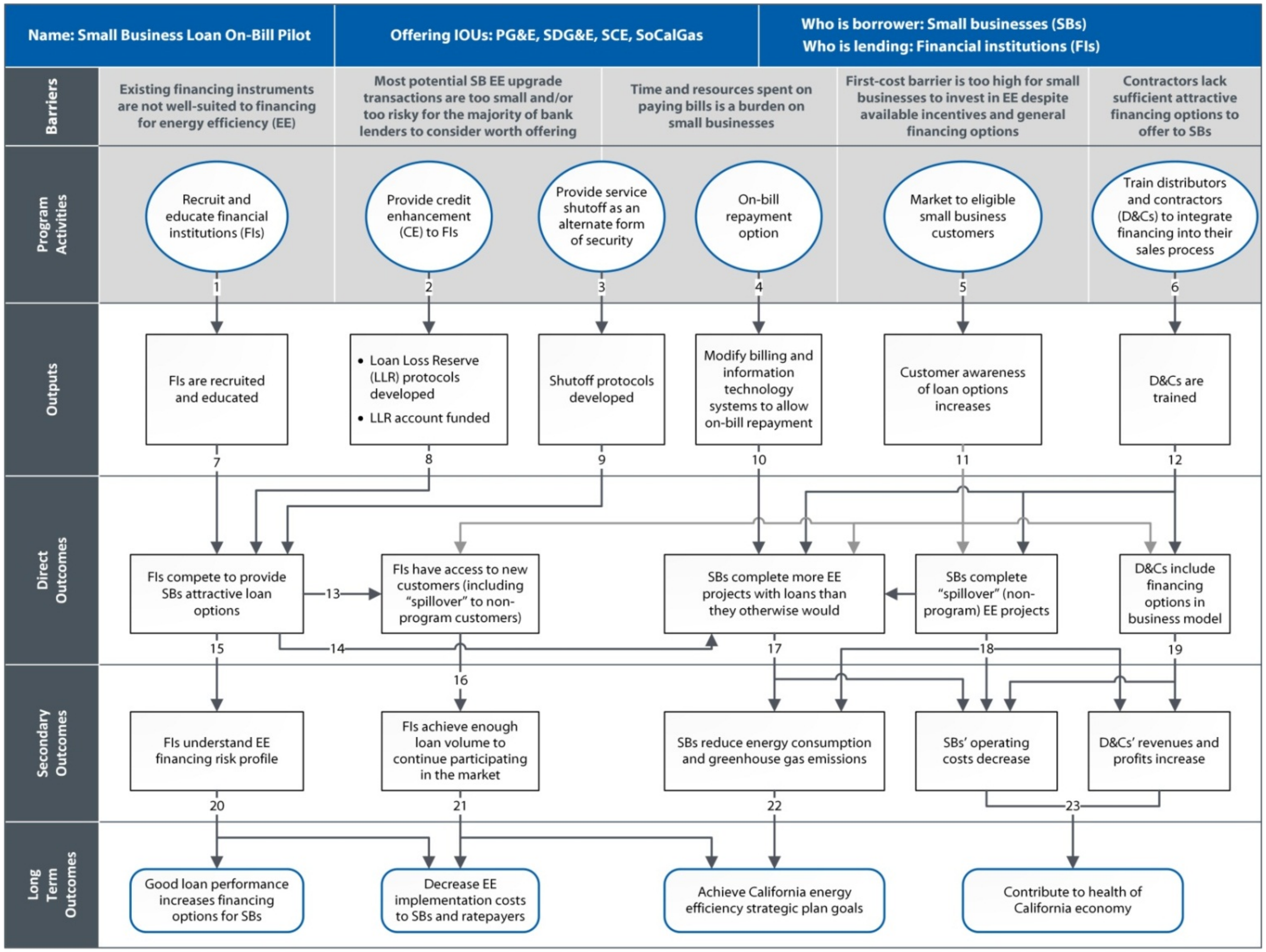
IOU financing programs will leverage the existing incentive and rebate programs.

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:



SB = Small Business D&Cs = Distributors and Contractors FI = Financial Institution CE = Credit Enhancement LLR = Loan Loss Reserve EE = Energy Efficiency

11) Additional Sub-Program Information

a) Advancing Strategic Plan Goals and Objectives:

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

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

b) Integration

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

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

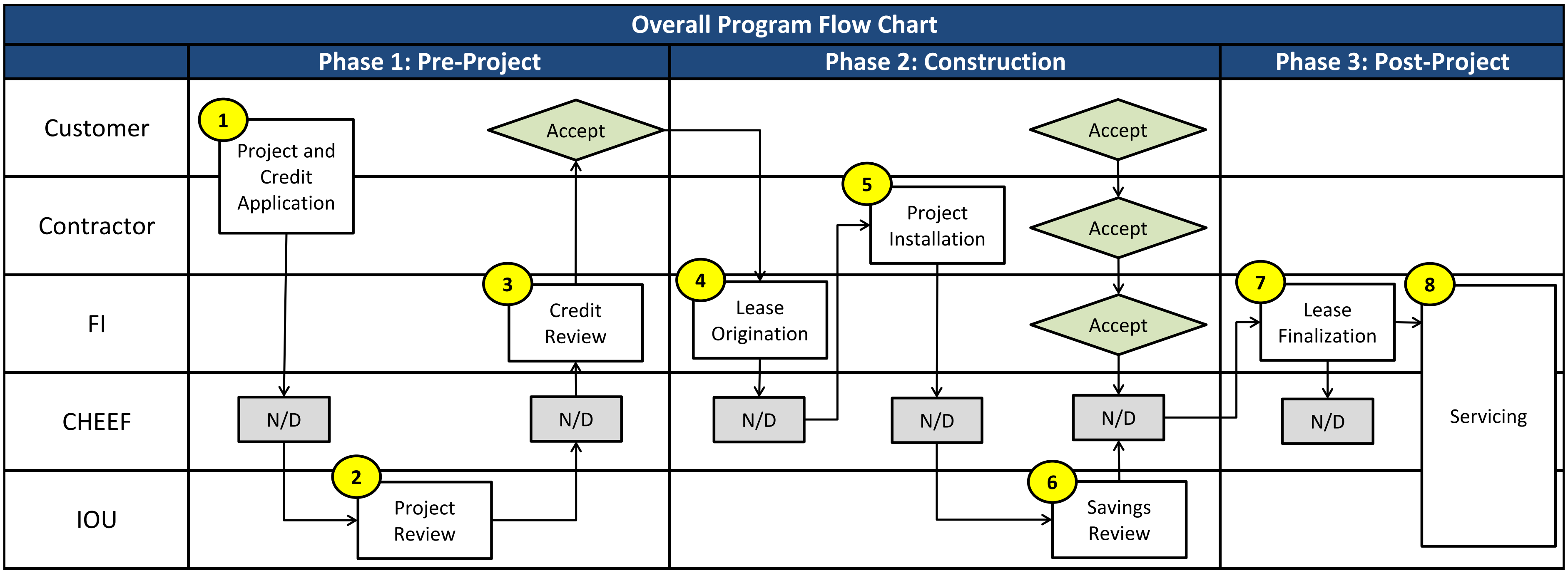
l) Sub-program Delivery Method and Measure Installation /Marketing or Training:

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:

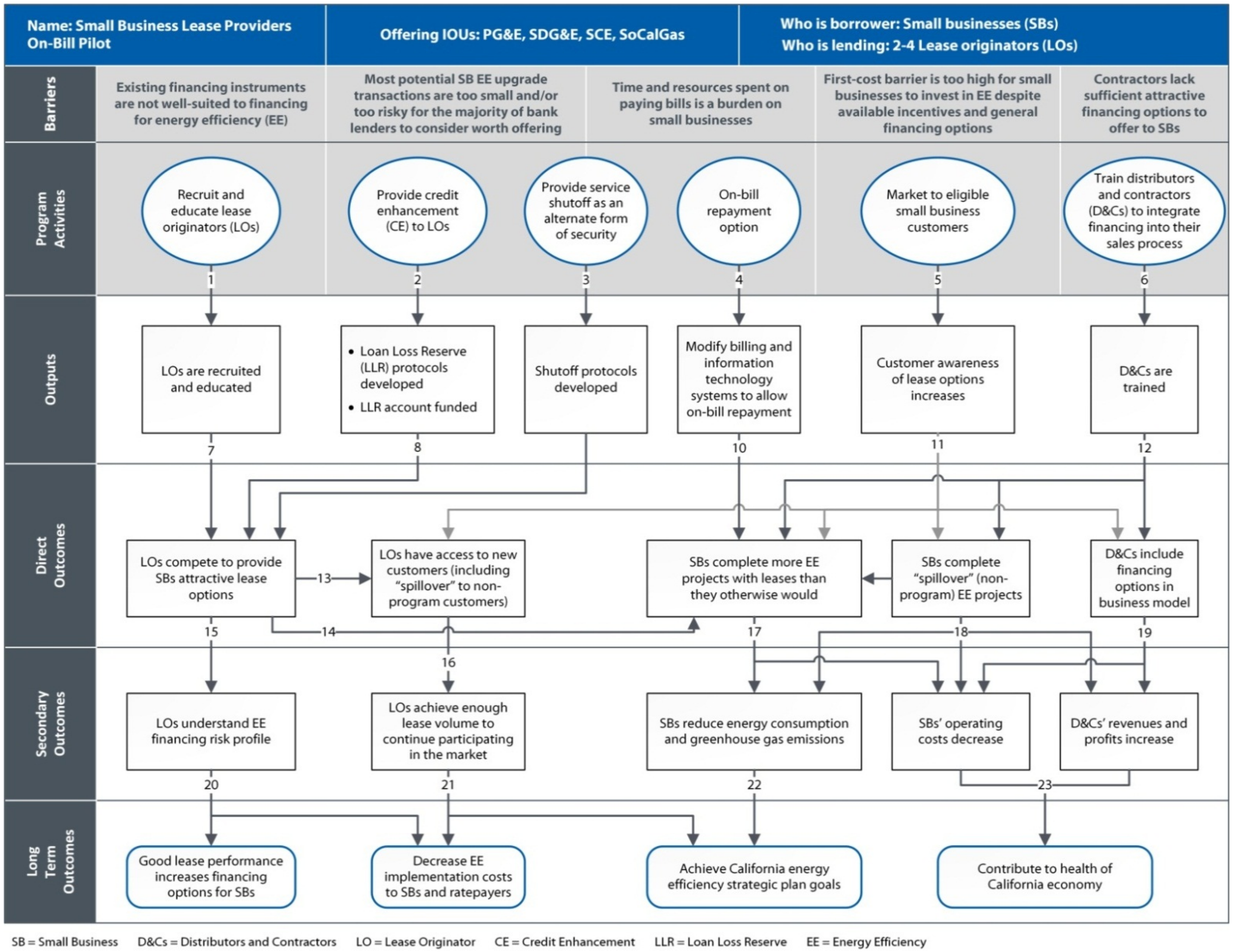
IOU financing programs will leverage the existing incentive and rebate programs.

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.

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).

  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

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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.

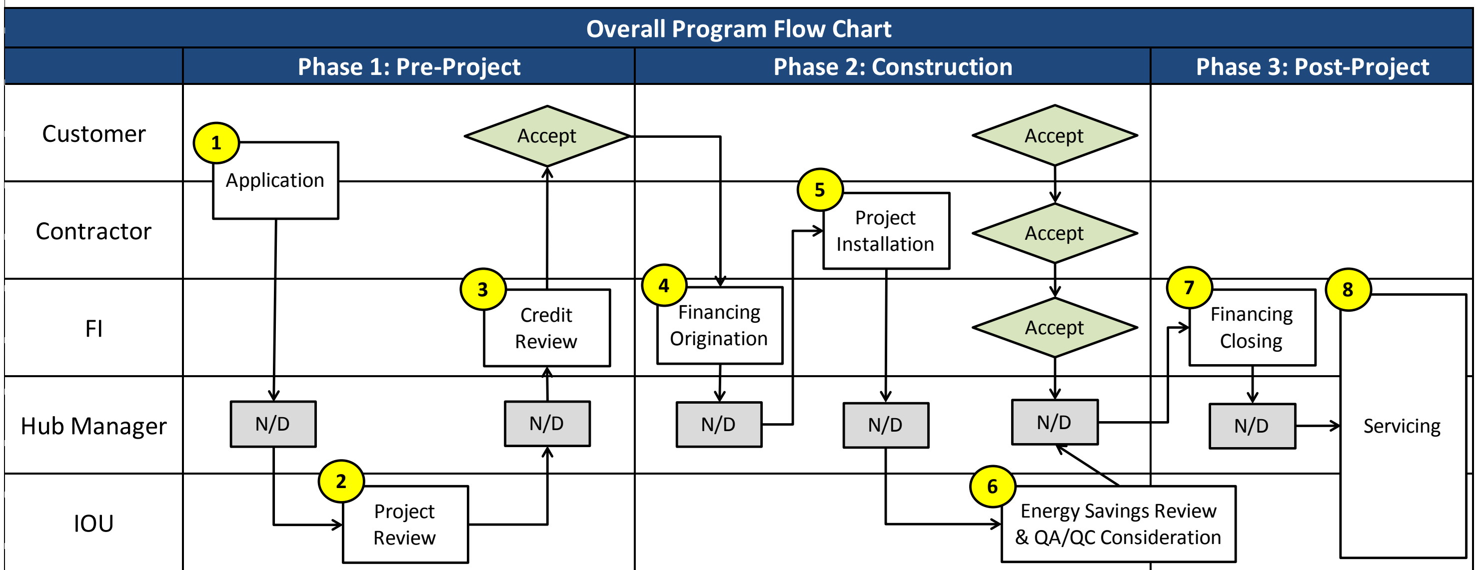
1. IOUs integrate financing with their incentive offerings.
2. CAEATFA/IOUs will provide contractor and financial institution training on how to integrate financing with their product offerings.
3. IOU Account Executive (AE)/Contractor and customer meet, driven by AE/contractor marketing or customer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

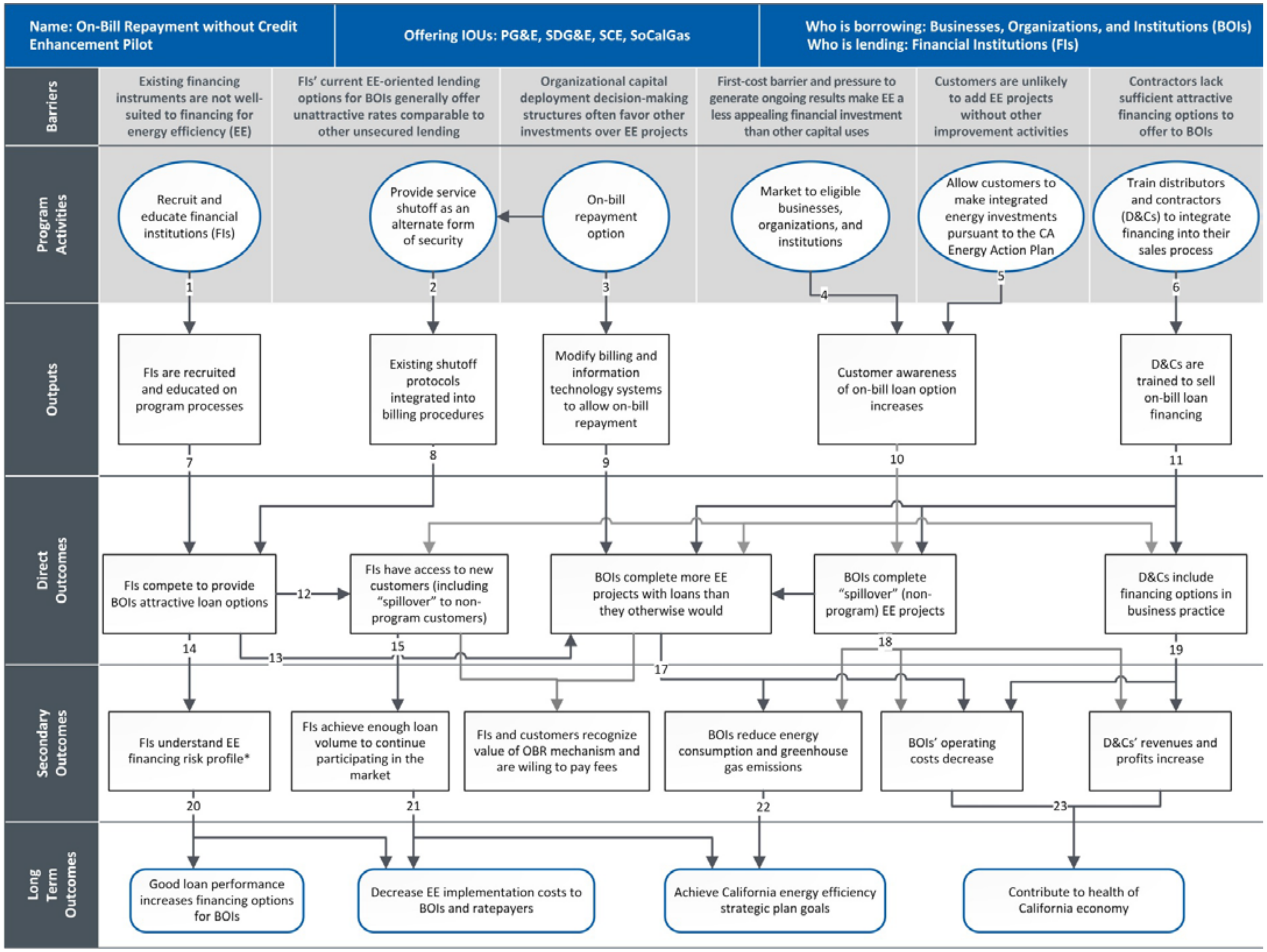
IOU financing programs will leverage the existing incentive and rebate programs to promote the financing pilots.

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:

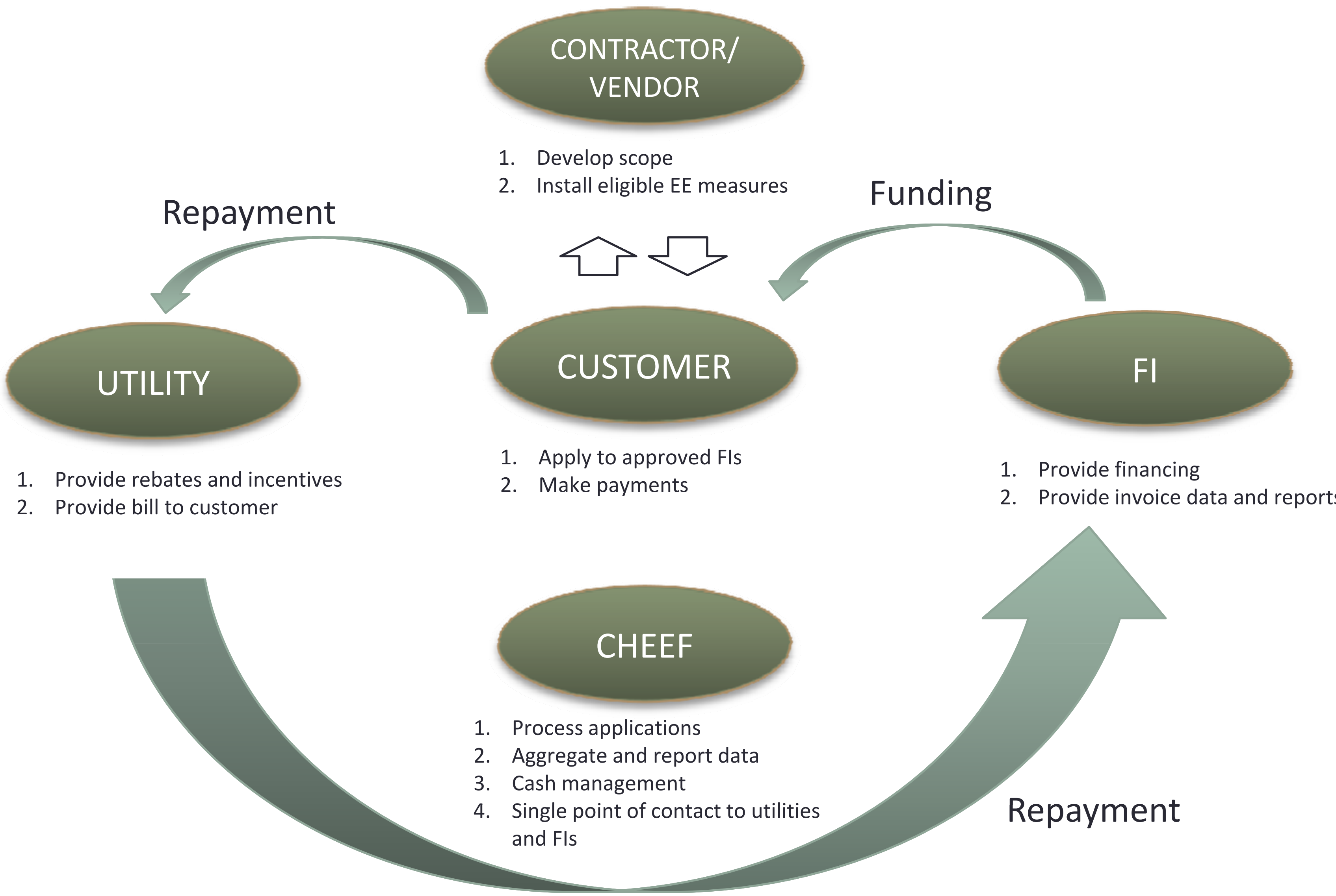
- ❑ Attract private capital to support energy efficiency investments, by leveraging the additional security created through use of the utility bill to service energy efficiency financing
- ❑ Improve interest rates and other terms under which financial institutions offer energy efficiency financing to 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**				

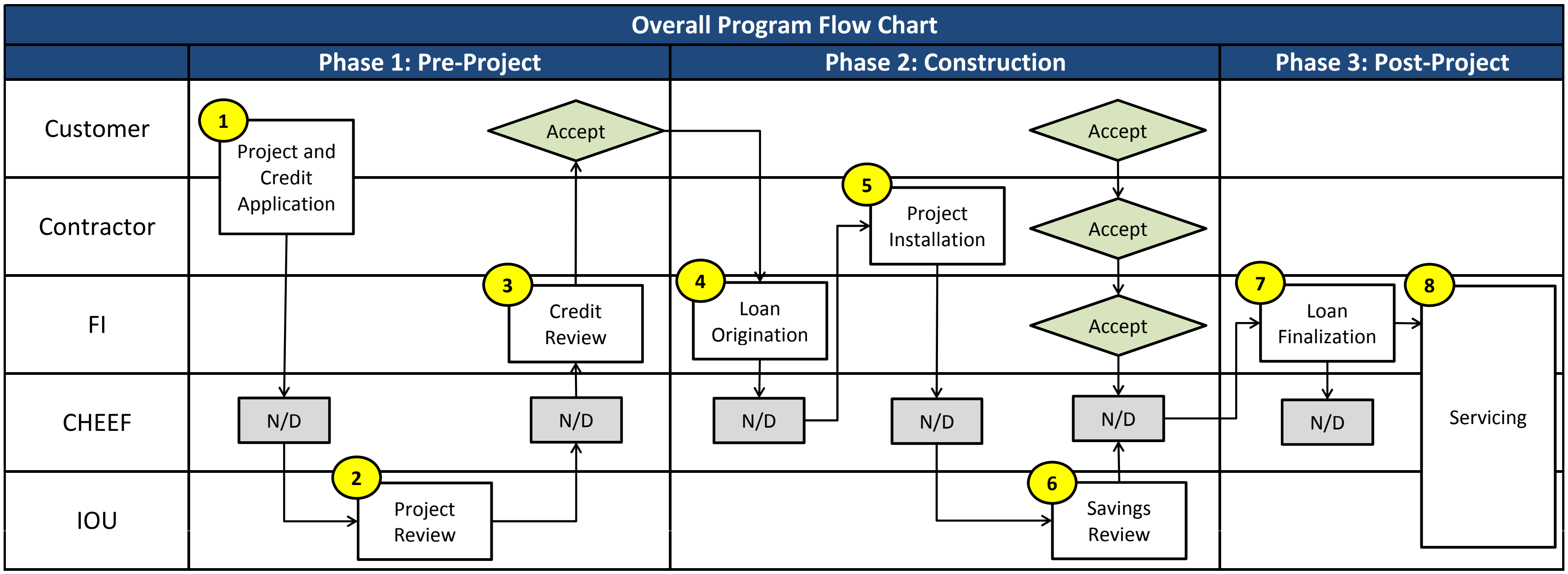
Budgets over 2+ year period
OB = on-bill
CE = credit enhanced
Dc = Disconnection allowed

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 energy and financial 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

PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV

1st Light Energy
AT&T
Alcantar & Kahl LLP
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BART
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Braun Blaising McLaughlin, P.C.
California Cotton Ginners & Growers Assn
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Casner, Steve
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Sunshine Design
Tecogen, Inc.
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TransCanada
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Utility Specialists
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Western Manufactured Housing Communities Association (WMA)