



California Public Utilities Commission
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PRESS RELEASE

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CPUC APPROVES INNOVATIVE FINANCE PILOTS TO ACHIEVE AMBITIOUS ENERGY EFFICIENCY AND CLIMATE GOALS

SAN FRANCISCO, Sept. 19, 2013 -- The California Public Utilities Commission (CPUC) today launched innovative programs to expand residential and non-residential investment in energy efficiency improvements. The CPUC's suite of energy efficiency financing pilot programs includes an On-Bill Repayment pilot under which the energy efficiency loan repayment obligation could transfer to the next utility customer benefiting from the upgraded structure.

Assembly Bill 758 (2009) specifically directed the CPUC to investigate the potential role for utility ratepayer-supported mechanisms to finance energy efficiency. Today, the CPUC allocated \$65.9 million to launch selected pilot programs designed to test market channels for attracting private capital to the energy efficiency market through investment of limited and leveraged ratepayer funds. The CPUC's goals include:

- Broadening market eligibility and participation by funding credit enhancements designed to make energy efficiency improvement loans more attractive to both consumers and financing institutions;
- Deepening the level of energy efficiency improvements being taken through larger project sizes;
- Obtaining lower interest rates and/or longer loan periods for energy efficiency projects;
- Streamlining payments and transferring the payment responsibility to the next utility customer with their consent through an On Bill Repayment program to enable non-residential customers to pay their energy loan payment as part of the monthly utility bill, with the funds passed along to the lender; and,
- Developing a meaningful and privacy protected database of loan repayment and energy project performance information necessary to attract new energy finance products in the California market, as well as across the country.

Three residential energy efficiency financing pilot programs were approved, all of which have a



component to reach low-to-moderate income households currently overlooked by the capital markets. None would permit shut off of utility electric or natural gas service as a result of non-payment of energy efficiency financing obligations. One program supports lending to the single family market sector, complemented by a pilot in Pacific Gas and Electric Company's service area that allows the loan payment to appear as an itemized charge on the electric bill. A third pilot program targets master-metered multifamily buildings that house primarily low and moderate income households.

The CPUC also authorized three non-residential energy efficiency financing pilot programs, two (loans or leasing) for small businesses, and expanded on-bill utility collection of privately arranged finance for all-sized non-residential customers undertaking distributed generation including solar and Demand Response, as well as energy efficiency.

A core feature of the residential and small business pilots is the leverage of limited ratepayer funds for "credit enhancements," or partial loan guarantee, to provide incentives to lenders to extend or improve credit terms for energy efficiency projects. A key objective is to test whether transitional ratepayer support for credit enhancements can lead to the performance data necessary for self-supporting energy efficiency finance programs in the future.

The innovative energy efficiency financing pilots authorized today require complex coordination of many financial and payment elements across multiple participants. To assure execution, the CPUC created an administrative hub, identified as the California Hub for Energy Efficiency Financing (CHEEF), to facilitate the flow of private capital to energy efficiency projects. The CPUC requested that the California Alternative Energy & Alternative Transportation Financing Authority (CAEATFA), a public entity within the State Treasurer's Office that provides financing mechanisms, assume the CHEEF functions and directed the state's investor-owned utilities to assist CAEATFA with implementation. As a state agency, CAEATFA provides transparency and accountability to finance program operations through public rulemaking and procurement processes, and benefits from its association with the financial acumen of the State Treasurer's Office and its finance entities. CAEATFA must obtain legislative budgetary authority before undertaking the CHEEF duties.



California's Energy Action Plan supports energy efficiency and Demand Response as the preferred ways to meet energy demand. It is widely accepted that energy efficiency measures are the most important tool for addressing greenhouse gas emissions, a desirable outcome for all utility customers in California, the nation, and internationally. Lowering the barriers to energy efficiency retrofits and financing, particularly in under-served market sectors, is also critical to reaching the state's goals of reduced energy consumption.

While some states (New York, Pennsylvania, Oregon, as well as California via CAEATFA and the American Recovery and Reinvestment Act stimulus-funded pilots) already have initiated financing targeted at single-family homes, California will pioneer techniques to unleash private capital to four markets (single family, multi-family, small business, and larger businesses).

"The pilot programs approved today advance overall state and CPUC policies to reduce energy consumption. We are taking a bold step toward opening financing to more California energy customers than ever before," said Commissioner Mark J. Ferron, the lead Commissioner for this proceeding. "To meet California's ambitious energy efficiency and greenhouse gas emissions reduction targets, California must mobilize an estimated \$50 billion of investment in energy efficiency improvements, and up to \$80 billion if we include distributed generation and other demand management abilities in our existing buildings, homes, and industries. Today's decision provides a powerful tool to help meet our policy goals for energy savings. This represents an opportunity to all major stakeholders – sources of capital, contractors and other implementers of efficiency programs, and building owners and occupants."

Said Commissioner Catherine J.K. Sandoval, "I am confident that the new and innovative energy efficiency financing pilot programs adopted today will leverage ratepayer funds to encourage energy efficiency investment throughout the state."

Implementation of both the CHEEF and the pilots will be phased in beginning in the fourth quarter of 2013, and all pilots should be online by mid-2014. Therefore, today's decision extends the CPUC's 2013-2014 authorized funding and pilot programs through 2015.



The proposal voted on is available at

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M077/K122/77122761.pdf>.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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