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

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M).

Application 12-07-001  
(Filed July 2, 2012)

And Related Matters.

Application 12-07-002  
Application 12-07-003  
Application 12-07-004

**ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING SUPPLEMENTAL INFORMATION AND COMMENTS ON EXPERT CONSULTANT FINANCING PILOT PROPOSALS**

This ruling provides an opportunity for San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), and/or their consultants to provide supplemental information beyond their report proposing energy efficiency finance pilot programs that was filed and served in this proceeding on October 19, 2012.

In addition, the ruling provides for the filing of comments and reply comments by parties in this proceeding, leading to further direction from either the Assigned Commissioner in a ruling or the full Commission in a decision, depending on the level of consensus shown by parties in comments about the pilot program proposals.

## **Background**

In May 2012, the Commission adopted Decision (D.) 12-05-015, which required SDG&E and SoCalGas to hire an expert consultant to propose four different pilot programs for energy efficiency financing.<sup>1</sup>

These consultant proposals were presented in a public workshop at the Commission on October 2, 2012, stakeholder comments were solicited informally, and a final report was filed and served in this proceeding on October 19, 2012 by SDG&E and SoCalGas. The report is available at the following link: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M031/K735/31735747.PDF>.

On November 8, 2012, the Commission adopted D. 12-11-015, which approved energy efficiency programs and budgets for 2013 and 2014, including budgets to be reserved for these financing pilot programs beginning in 2013. In addition, the decision delegated the authority for further direction on the program designs and pilot program implementation to the Assigned Commissioner. If issues raised in comments on the pilot proposals turn out to be more controversial than anticipated, the assigned Commissioner also has the option to bring the pilot proposals to the full Commission in a proposed decision to give further Commission direction.

## **Request for Supplemental Information From SDG&E/SoCalGas and/or Their Consultant**

To facilitate review of the pilot program proposals in the October 19, 2012 report by the Commission and parties, I request that SDG&E, SoCalGas, and/or

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<sup>1</sup> Ordering Paragraph 26 of D.12-05-015 states: "By the end of the third quarter of 2012, the expert financing consultant hired by San Diego Gas & Electric Company and Southern California Gas Company shall present 2013 pilot program design details in a written program plan and a public workshop."

their consultant provide certain supplemental information that was not always or uniformly contained in the report filed.

The requested additional information is as follows:

- For each pilot proposal, a description of the size of the eligible market and the portion of that market addressed by the size or scope of the pilot program.
- For each pilot proposal, quantification of the leverage of ratepayer funds compared to total project investments, including both financing and program costs relative to the energy savings assumed. This information could be run through the decision-support tool developed by Lawrence Berkeley National Laboratories and presented during the financing workshops at the Commission in February 2012.
- For the financing hub proposal, an explanation of any relationship of the hub costs indicated in the report to other expected costs for utility billing enhancements and database development for any of the other pilot program proposals.
- For the recommendation not to offer credit support for public sector financing, further explanation of the rationale.
- For all of the pilot proposals, are there any costs included that were already approved by D.12-11-015, D.12-08-044, and/or expected to be covered in Applications (A.) 12-08-007 et al. (e.g., pilot program implementation expenditures for energy audits, technical assistance, incentives, marketing, etc.)? If so, specify.
- For the WHEEL proposal, any evidence that can be offered for how this structure has worked elsewhere in other lending segments.
- For any of the pilot programs, will they offer better loan terms for projects with deeper savings? How?
- For all of the pilot programs, what is the estimate of billing system changes that will be needed to facilitate the pilots?

- For any of the pilot programs, describe how the designs address the "split incentive" issue, if at all.

The supplemental information should be filed and served in response to this ruling by no later than November 30, 2012.

### **Request for Comments on Pilot Proposals**

Once the supplemental information has been submitted, I request that interested parties file and serve comments by no later than December 14, 2012. Reply comments may be filed and served no later than December 21, 2012.

Parties may comment on any or all of the following questions, and any other aspect of the October 19, 2012 report or the supplemental information to be filed on November 30, 2012.

### **Financing Hub**

1. Would it be reasonable to phase or stage development of a financing hub? How?
2. Could and should fees from lenders or other parties be collected to help cover the costs of the financing hub development and maintenance? How?
3. How specific should Commission guidance and oversight be on specifying exact credit enhancement terms with financial institutions?
4. Comment on the hub management, government, and oversight functions described in the consultant report, and describe any alternative recommendations in detail.

### **Multi-Family**

5. Is it sufficient to address only the multi-family affordable housing segment that is master-metered to test financing strategies for the multi-family market? Why or why not?
6. Do you agree with the report conclusion that financing is not the key need for market-rate multi-family housing energy efficiency

and that projects are likely to be completed only at times of recapitalization or refinancing? Explain.

7. Should the economic benefits of water savings be included in the calculation of "bill neutrality" and the net eligible financeable project amount during the pilot period, as recommended in the report? Explain.

### **Non-Residential Pilot Design**

8. Do you see sufficient justification for piloting credit enhancements for medium and large commercial customers? Explain.
9. The consultant report recommends limiting lighting measures in the on-bill financing programs and assigning lighting-centric projects to the on-bill repayment mechanism. Do you agree with this approach? Explain your rationale.

### **General/Overall Issues**

10. Are the pilot proposal budgets sufficiently detailed to warrant moving forward with approval? Explain your rationale and any alternative proposals.
11. Would you recommend any additional objectives to be tested in the recommended pilots? Specify.
12. How do you recommend balancing the goals of "keeping it simple and fast" compared with addressing the complexity of market issues in the sectors targeted and with the pilot features proposed?
13. Are there general criteria or participation agreements that participating financial institutions should adhere to in order to access credit support and/or on-bill repayment mechanisms?
14. Similarly, are there quality assurance or project economics disclosure requirements that should apply to projects financed via the pilots?
15. Is the recommended 20% limit on financing of non-energy-related project costs reasonable? Explain.

16. Should any of the pilot programs (on-bill repayment, for example, for any specific sectors) be designed to help or allow bringing buildings only up to code compliance rather than exceeding minimum requirements and encouraging high-efficiency installations? Explain.
17. Interested parties should also feel free to comment on the reasonableness of any of the pilot design features including:
  - Key objectives to be tested by the pilots
  - Definition of eligible pilot market segments relative to the total sector populations
  - Budgets
  - Anticipated leverage of total ratepayer dollars and overall cost-effectiveness of the combined programmatic and financing costs
  - Anticipated functions, roles, and responsibilities to be performed.
18. Do you believe the pilot proposals can reasonably be rolled out in the first quarter of 2013? Describe any alternative proposals.
19. Are there particular milestones that each pilot should be required to achieve to measure performance? If so, how should those be determined? Should achievement of milestones be used to trigger ramping up larger-scale rollout, rather than a defined pilot period?
20. Should the Commission allow the Regional Energy Networks (RENs) to move forward with their pilot proposals for which funds were reserved? Explain any concerns with any of the pilots. How should the REN pilots be coordinated with those proposed in the consultant report?

Finally, specific comments will be especially helpful on the individual pilots and pilot features, especially if they offer constructive suggestions for how to resolve any concerns raised.

### Schedule

Further action will follow the schedule outlined in the table below.

Date	Action
November 30, 2012	SDG&E, SoCalGas, and/or consultant file and serve supplemental information in response to this ruling
December 14, 2012	Interested parties file and serve comments on the October 19, 2012 report and November 30, 2012 supplemental information
December 21, 2012	Interested parties file and serve reply comments on the October 19, 2012 report and November 30, 2012 supplemental information
Early February 2013	Assigned Commissioner issues Ruling or ALJ issues Proposed Decision addressing next steps for financing pilots
March 2013	Decision on Commission agenda, if needed

**IT IS RULED** that:

1. San Diego Gas and Electric Company and Southern California Gas Company shall file and serve the supplemental information requested in this ruling by no later than November 30, 2012.
2. Interested parties may file and serve comments on any or all aspects of the October 19, 2012 Consultant Report on Energy Efficiency Finance Pilot Programs, the supplemental information requested from San Diego Gas & Electric Company and Southern California Gas Company on November 30, 2012, and the questions outlined in this ruling, by no later than December 14, 2012.

3. Interested parties may file and serve reply comments by no later than December 21, 2012.

Dated November 16, 2012, at San Francisco, California.

/s/ MARYAM EBKE for  
Julie A. Fitch  
Administrative Law Judge