



Gunter Seeger
Vice-President,
Pinebridge Investments LLC
399 Park Avenue
New York NY 10022

August 2, 2013

Commissioner Mark J. Ferron
State of California
Public Utility Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Re: Proposed Decision of Administrative Law Judge Darling: Decision Implementing 2013-2014
Energy Efficiency Financing Pilot Programs (A.12-07-001)

Dear Mr. Ferron:

PineBridge is enthusiastic about On-Bill Repayment as a potential mechanism to invest in energy efficiency and renewable projects in California. We are optimistic that a properly structured OBR program will allow us to both reduce financing costs and allow banks and institutional investors to invest in projects that might not otherwise meet underwriting criteria. The recent proposed decision contains many of the key elements necessary to make OBR a success. There are, however, two changes that we believe are critical to making this possible: 1) non-subordination and 2) access to data.

First, in order for OBR to work for lenders, and the ratings agencies, the financing obligation cannot be subordinated to the energy charge for the property during the life of the obligation. In other words, if the lights are on and the utility is getting paid, then the lender must also be paid. As a rate under the tariff, the obligation should run-with-the-meter, remaining in place through changes in tenancy or occupancy, including foreclosure. The proposed decision seems to contemplate making the OBR obligation subordinated to the energy charge if a subsequent owner or tenant does not provide consent. Following a foreclosure, we see little incentive for a new owner to provide or obtain consent from tenants. We recognize that this may seem like a small point, but we expect that it will loom large for rating agencies. If the obligation is considered subordinate to the energy charge or does not run-with-the-meter through changes in occupancy, then OBR offers no credit enhancement relative to existing opportunities and PineBridge would be unlikely to participate in OBR.



Second, to provide the most attractive financing terms possible, we must be able to accurately underwrite the OBR obligation. To do so will require access to (i) the servicing/collection department representatives at each investor owned utility to understand the implementation of the policies and procedures governing the collection of monthly commodity charges and (ii) to aggregated utility data collections data, including current and historical bill collection information, delinquency rates, roll rates and default procedures. In an effort to respect customer privacy, we do not seek access to specific data for individual customers, but rather in aggregate across certain customer groupings. Parsing aggregated data into groupings such as industry, customer size, and default rates will allow us to improve underwriting and provide the most attractive financing terms and rates possible. Finally, with respect to item (ii) above the scope of data presented to rating agencies and in the prospectus or offering memorandum made available to institutional investors will generally be consistent with rated stranded cost asset backed transactions.

We look forward to participating in OBR in California and believe that a program that incorporates the aspects of non-subordination and data access can be very successful.

Sincerely,

A handwritten signature in black ink, appearing to read "Gunter Seeger", written over a horizontal line.

Gunter Seeger
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