

Focus on Progress: Experimentation and Progress in the Golden State

ACEEE 2015 Energy Efficiency Finance Forum
San Francisco, California
Panel 2C June 1, 2015

Moderator:

Jeanne Clinton, Special Advisor, Governor's Office and California PUC

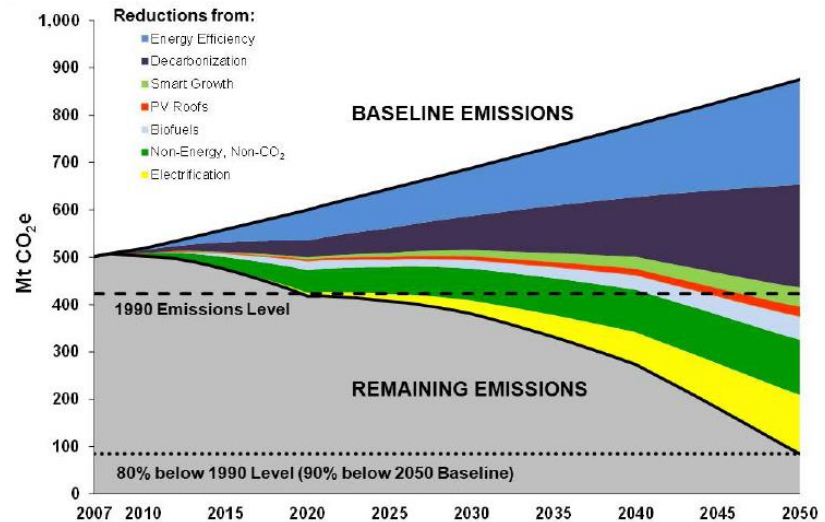
Panelists:

- Frank Spasaro, Southern California Gas
- Deana Carrillo, CAEATFA
- David M Cohen, Center for Sustainable Energy
- Paul Blagbrough, Union Bank

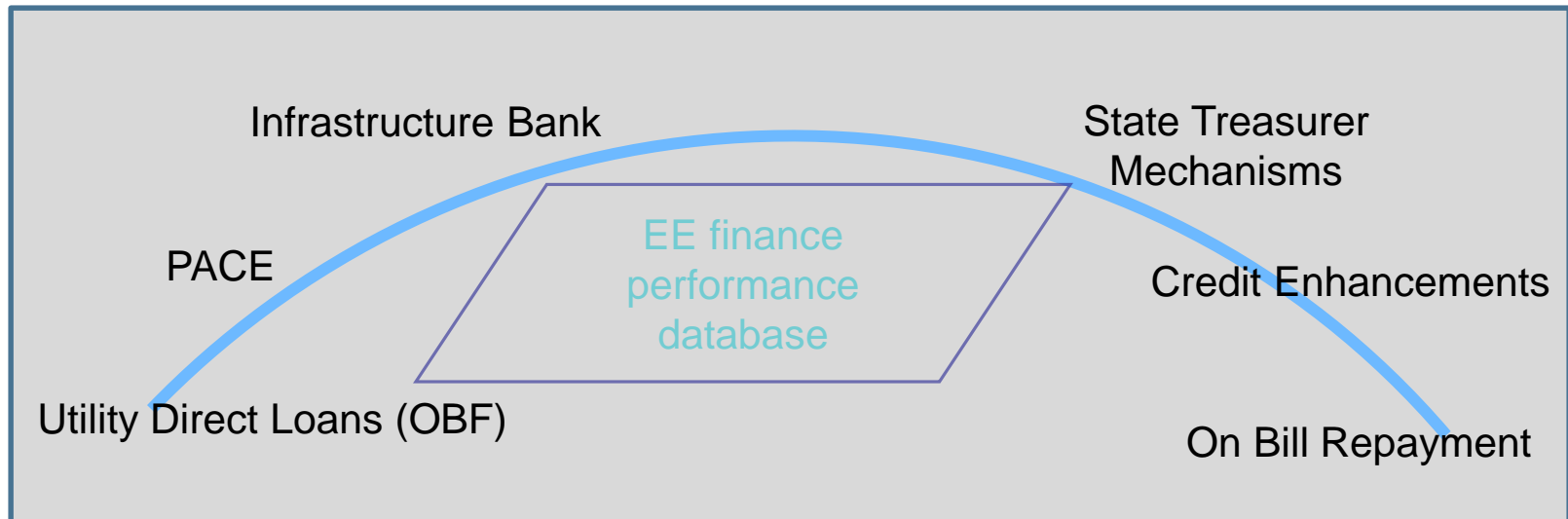
Governor's Call: "Double the Pace of EE" Giant Market, Cheapest Energy, Critical Element for GHG Reductions – How Will We Get It?

CA's Opportunities / Challenges

- \$50 Billion estimated EE market potential
- \$80 Billion w/ DR & DG
- Building owners view terms as too high or inaccessible for own capital
- Performance & cash flow uncertainties for unsecured deals
- 30%+ rentals & leased space need solutions to split incentives



Financing as a solution



Enablers

- Transparent data on loan & project performance
- New mechanisms
- Risk protection
- Building demand to scale volume
- Standardized data & processes



ACEEE, June 1, 2015
Energy Efficiency Financing
Frank Spasaro

EE Finance Programs in CA

» Existing Programs:

- On-Bill Financing (OBF), since 2006
- American Recovery and Reinvestment Act (ARRA)
- California Energy Commission (CEC)
- Regional Energy Networks (RENs)
- Property Assessed Clean Energy (PACE)
- Other (e.g. PowerSaver)

» New Pilots

OBF Program Design: 2013-2015

- » Utility is the Lender
- » Businesses only; easy credit (billing history)
- » Energy savings covers the loan installment
- » **Zero-percent interest, unsecured, non-transferable**
- » Minimum loan \$5,000
Maximum \$100,000 / \$250,000 / \$1,000,000
- » Monthly loan payment is included on the utility bill
- » Loan Default = Meter shut-off

OBF Program Data

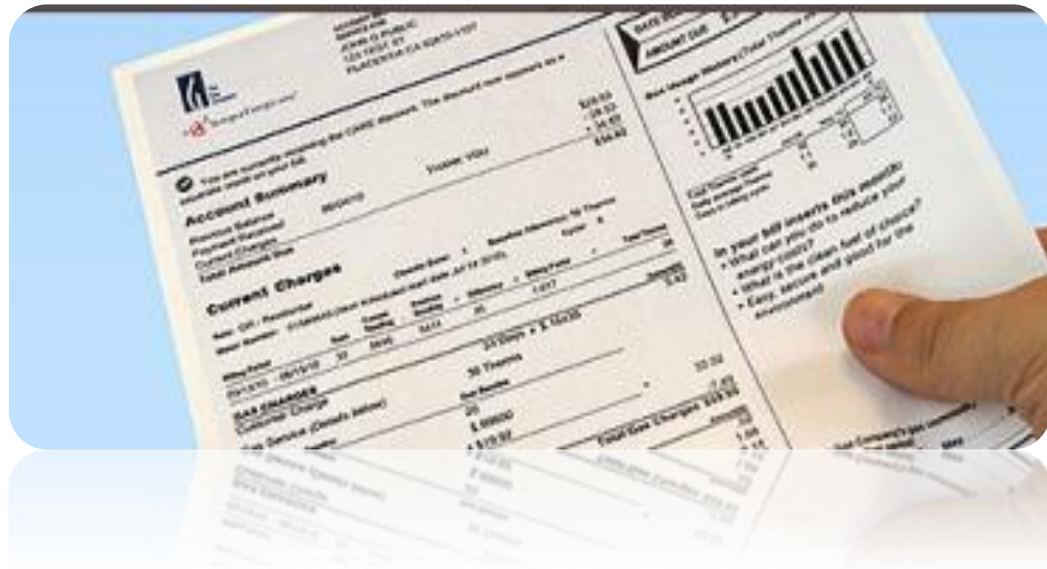
California Statewide On Bill Financing Activities by Market Segments

As of December 31, 2014

	PG&E		SoCal Edison		SDG&E		SoCal Gas		Total	
	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued
Agricultural	22	\$1,567,769	5	\$73,683	10	\$496,762	13	\$579,069	50	\$2,717,283
Commercial	778	\$25,042,003	1,168	\$22,042,084	1,128	\$26,950,095	11	\$183,096	3,085	\$74,217,277
Industrial	18	\$577,390	54	\$1,903,509	77	\$2,973,148	11	\$582,200	160	\$6,036,247
Institutional	152	\$14,091,433	181	\$12,224,863	201	\$15,085,037	12	\$1,335,701	546	\$42,737,034
Multi-Family	1	\$48,053	0	\$0	2	\$26,775	3	\$49,765	6	\$124,593
Total	971	\$41,326,648	1,408	\$36,244,139	1,418	\$45,531,817	50	\$2,729,831	3,847	\$125,832,435

OBF Program Data (cont.)

....and DEFAULTS < 1%!



On-Bill Financing: Lessons Learned

- » Communication and understanding what OBF is and isn't
- » Working with vendors/contractors
- » The up-front funding "gap" ("construction loans")
- » Comprehensiveness of projects is a challenge
- » Natural gas-only projects are difficult
- » IT/Billing systems upgrades were not insignificant
- » Understanding applicable laws/regulations
- » Credit / risk management

- » *OBF works!* Encourages EE and defaults are extremely low (maybe there is something to using the bill...)

On-Bill Financing: Lessons Learned

- » *Advantages:* straightforward; easy to fit with other utility EE programs; inexpensive capital typically; convenience and comfort for borrower; low default rate
- » *Disadvantages:* doesn't leverage ratepayer funds with private funds; ratepayers/utility own the risk; utilities serve as “banks”; utilities may be regulated as banks

Energy Efficiency Financing Products: Market Characteristics and Potential

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November 2010

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New EE Finance Pilots Background

- » CPUC issued May 2012 “Guidance Decision”:
 - Finance a “resource” program
 - OBF (to go away, or be limited)
 - Established Finance Pilots:
 - “on-bill *repayment*” programs
 - Allows for Credit Enhancements
 - Funded at \$75 million for two years
 - Funded continuation of certain ARRA finance programs
- » CPUC Finance Decision (Sept 2013)
- » Plus several other Rulings and Resolutions

Finance Pilots – Goals

- » 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, and explore if OBR reduces delinquency/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)**

Proposition 39

- » Adopted by CA voters in November 2012 to close corporate tax loopholes, Prop 39 will provide roughly \$550 million annually to K-12 and California Community Colleges (CCC) for Energy Projects
- » CCC will allocate approximately \$40 million for FY 2013-2014 distributed on a Full Time Equivalent Student basis to all CCC Districts monthly for energy efficiency and renewable generation projects as approved

Prop 39 (cont.)

- » Glendale Community College: \$2.3M of Energy Projects:
 - Retro Commissioning
 - HVAC Controls & Air Handler Upgrade
 - Interior Lighting

- » Leveraging MULTIPLE sources:
 - Bonds
 - Prop 39
 - Scheduled maintenance
 - IOU incentives (including POU)
 - OBF!



THANK YOU!

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