

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

**Tuesday, November 19, 2013**

***Request for Consideration and Approval to Enter into a Memorandum of Agreement with the California Public Utilities Commission to Act as the California Hub for Energy Efficiency Financing (CHEEF) Implementing CPUC Decision 13-09-044***

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**ISSUE.** Staff requests the Authority's approval to enter into a Memorandum of Agreement with the California Public Utilities Commission to jointly pursue the goals and fulfill the responsibilities, as described in CPUC Decision 13-09-044, implementing certain energy efficiency financing pilot programs and to ensure that the investor-owned utility ratepayer funds to start up and support the programs are properly utilized, accounted for, and protected.

**BACKGROUND.** On September 19, 2013, the California Public Utilities Commission ("CPUC") approved Decision 13-09-044 (the "Decision"), which orders the electric and gas investor-owned utilities ("IOUs") to direct ratepayer funds for use in certain energy efficiency financing pilot programs. The Decision requests the California Alternative Energy and Advanced Transportation Authority (the "Authority") to serve as the central administrator, the California Hub for Energy Efficiency Financing ("CHEEF"), of the pilots on behalf of the IOUs.

The pilot programs include the establishment of various credit enhancements and the utilization of an on-bill repayment mechanism. The loans and leases these pilot programs seek to enhance will be used to fund energy efficiency projects in the IOUs' respective service territories, and will be made by one or more third-party financial institutions.

In the Decision, the CPUC also created the CHEEF to increase the flow of private capital to energy efficiency projects and requested the Authority to assume the CHEEF functions. In this role, the Authority would, among other things, manage the flow of funds and data for the pilot programs, and provide a simple, streamlined structure through which energy users, financial institutions, energy efficiency providers and the IOUs can participate in a standardized "open market" that facilitates financing of energy efficiency projects in California.

Pursuant to the Decision, the Authority intends to perform various functions to implement the CHEEF, including promulgating rules for the IOUs through a public rulemaking process, developing pro forma CHEEF Program documentation for use by participating financial institutions and retaining third party service providers to perform certain CHEEF functions.

By way of a Memorandum of Agreement ("MOA"), the Authority and the CPUC will agree regarding their joint goals and responsibilities to implement the abovementioned energy efficiency financing pilot programs and ensuring that the investor-owned utility ratepayer funds to start up and support the programs are properly utilized, accounted for, and protected. The Authority has been recognized as having the expertise and statutory authority to establish and

## Agenda Item 4.C

administer the centralized entity that will develop energy efficiency financing programs with financial controls, and the CPUC is charged with regulating the IOUs in California, ensuring prudent investments in cost-effective energy efficiency programs, and enabling public utilities to provide energy efficiency financing options for ratepayers. The MOA joins the respective authorities and expertise of the Authority and the CPUC to launch energy efficiency financing pilot programs that will attract private capital. The MOA also sets forth the policies and procedures which the Authority and the CPUC agree to follow to achieve these mutual goals.

In addition, the MOA will set forth the following:

1. The common objectives of the programs, as they relate to the implementation of the energy efficiency financing pilot programs subject to the joint oversight and regulation by the Authority and the CPUC;
2. A general description of the roles and responsibilities of each of the respective agencies to the energy efficiency financing pilot programs;
3. Processes by which the agencies will communicate with one another, and jointly coordinate program implementation and resolve conflicts;
4. Recognition that nothing in the MOA is intended to or shall be construed to limit or affect in any way the authority or legal responsibilities of the Authority or the CPUC; and
5. The term period of the MOA, which is from the date both parties execute the MOA until December 31, 2015, unless the Authority and the CPUC mutually decide otherwise in writing.

The Authority is currently seeking the legislative budgetary authority required to assume the CHEEF functions. Until such authority is fully approved, the Authority will not enter into the MOA with the CPUC.

**RECOMMENDATION.** Staff recommends approval of the attached Resolution to authorize the Executive Director or Deputy Executive Director to enter into a Memorandum of Agreement with the CPUC to jointly pursue the goals and fulfill the responsibilities as described in CPUC Decision 13-09-044 to implement certain energy efficiency financing pilot programs.

**A RESOLUTION OF THE  
CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
TRANSPORTATION FINANCING AUTHORITY  
AUTHORIZING THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE  
DIRECTOR  
TO ENTER INTO A MEMORANDUM OF AGREEMENT WITH THE  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

November 19, 2013

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority") was created under the provisions of Division 16 (commencing with Section 26000) of the Public Resources Code;

WHEREAS, the Authority wishes to enter into a Memorandum of Agreement with the California Public Utilities Commission ("CPUC") to jointly pursue the goals and fulfill the responsibilities as described in CPUC Decision 13-09-044 (the "Decision") to implement certain energy efficiency financing pilot programs;

WHEREAS, on September 19, 2013, the CPUC approved the Decision which orders the electric and gas investor-owned utilities ("IOUs") to direct ratepayer funds for use in certain energy efficiency financing pilot programs;

WHEREAS, the Decision requests the Authority to serve as the central administrator, the California Hub for Energy Efficiency Financing ("CHEEF"), of the pilots on behalf of the IOUs;

WHEREAS, the purpose of the Memorandum of Agreement ("MOA") is to set forth 1) the common objectives of the programs as they relate to the implementation of the energy efficiency financing pilot programs subject to the joint oversight and regulation by the Authority and the CPUC, 2) a general description of the roles and responsibilities of each of the respective agencies relating to the energy efficiency financing pilot programs, 3) processes by which the agencies will communicate with one another and jointly coordinate program implementation and resolve conflicts, 4) the recognition that nothing in the MOA is intended to or shall be construed to limit or affect in any way the authority or legal responsibilities of the Authority or the CPUC, and 5) the term period of the MOA; and

WHEREAS, Public Resources Code sections 26002 through 26033 provide statutory authority to the Authority to serve as the central administrator, the CHEEF, of the pilots as described in the Decision and the MOA.

NOW, THEREFORE, BE IT RESOLVED that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to prepare and execute a Memorandum of Agreement with the California Public Utilities Commission.

## **Agenda Item 4.C**

FURTHER, that the Executive Director of Deputy Executive Director shall execute the MOA only after the required legislative budgetary authority to assume the CHEEF functions is fully approved.