

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

Tuesday, November 19, 2013

Request for Consideration and Approval of a Contract in the amount of \$7 million with Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison, and Southern California Gas Company Relating to Administration of Energy Efficiency Pilots Pursuant to CPUC Decision 13-09-044

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Issue. Staff requests the Authority’s approval to enter into a contract in the amount of \$7 million with Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison and Southern California Gas Company for the purposes of the Authority to implement certain energy efficiency financing pilots as described in California Public Utilities Commission Decision 13-09-044 and to serve as the central administrator of the pilots on behalf of the abovementioned electric and gas investor-owned utilities.

BACKGROUND. On September 19, 2013, the California Public Utilities Commission (“CPUC”) approved its Decision 13-09-044 (the “Decision”), which, among other things, directs the electric and gas investor-owned utilities (“IOUs”) it regulates (Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison and Southern California Gas Company) to direct ratepayer funds for use in certain energy efficiency financing pilot programs. 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 California Hub for Energy Efficiency Financing (“CHEEF”) to increase the flow of private capital to energy efficiency projects and requested the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) to assume the CHEEF functions. In this role CAEATFA 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 that includes 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.

The CPUC further directed the IOUs to assist the Authority with implementation of the CHEEF and directed the IOUs to contract with the Authority to establish procedures for the primary CHEEF functions of fund management, financial product/borrower data management, and On-

Bill Repayment billing and collections, as more fully described in the Decision. The contract will set forth the terms and conditions governing such activities as directed by the CPUC.

Among other things, the contract sets forth the following:

1. Provisions governing the administrative costs of serving as the CHEEF, including periodic funding from the IOUs to CAEATFA; funding limits; and reporting from CAEATFA to the IOUs on use of funds among other things. The funding limit of the contract is \$7 million through calendar year 2015—\$5 million for personnel, contracted services, office equipment, etc., and \$2 million for education and outreach efforts.
2. Provisions governing the establishment and operation of trust accounts for credit enhancements, including the creation of segregated accounts for each IOU and participating financial institutions, transfer of funds amongst these accounts, and the withdrawal of funds in the event a claim by a financial institution is approved among other things.
3. Provisions outlining the warranties provided by CAEATFA and the IOUs.
4. Provisions governing the establishment of CHEEF operational agreements with third parties, including but not limited to contracts for a trustee bank, master servicer and data manager.
5. Provisions governing the confidentiality and data protection of borrowers' financial and energy usage information in connection with loans or leases enrolled in any of the pilot programs.
6. Provisions governing the interactions of the IOUs with CAEATFA, including identifying Southern California Gas Company as the IOU administrator of this contract with CAEATFA on behalf of the IOUs, among other things.
7. Provisions outlining insurance requirements for the CHEEF.
8. Provisions outlining the limits of liability and force majeure.
9. Provisions governing the termination of the contract.

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 contract with the IOUs.

RECOMMENDATION. Staff recommends approval of the attached Resolution to authorize the Executive Director or Deputy Executive Director to enter into a contract in the amount of \$7 million with Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison and Southern California Gas Company for the purposes of the Authority to implement certain energy efficiency financing pilots, as described in California Public Utilities Commission Decision 13-

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09-044, and to serve as the central administrator of the pilots on behalf of the abovementioned electric and gas investor-owned utilities.

**RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED
TRANSPORTATION FINANCING AUTHORITY AUTHORIZING
THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE DIRECTOR TO ENTER
INTO A CONTRACT IN THE AMOUNT OF \$7 MILLION WITH PACIFIC GAS &
ELECTRIC,
SAN DIEGO GAS & ELECTRIC, SOUTHERN CALIFORNIA EDISON AND
SOUTHERN CALIFORNIA GAS COMPANY**

November 19, 2013

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

WHEREAS, the Authority wishes enter into a contract in the amount of \$7 million with Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison and Southern California Gas Company for the purposes of the Authority to implement certain energy efficiency financing pilots, as described in California Public Utilities Commission Decision 13-09-044 (the “Decision”), and to serve as the central administrator of the pilots on behalf of the abovementioned electric and gas investor-owned utilities (the “IOUs”);

WHEREAS, on September 19, 2013, the California Public Utilities Commission (“CPUC”) approved the Decision, which, among other things, directs the IOUs it regulates (Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison and Southern California Gas Company) to direct ratepayer funds for use in certain energy efficiency financing pilot programs;

WHEREAS, in the Decision, the CPUC also created the California Hub for Energy Efficiency Financing (“CHEEF”) to increase the flow of private capital to energy efficiency projects and requested the Authority to assume the CHEEF functions, including, among other things, managing the flow of funds and data for the pilot programs, and providing 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;

WHEREAS, the CPUC further directed the IOUs to assist the Authority to implement the CHEEF and directed the IOUs to contract with the Authority to establish procedures for the primary CHEEF functions of fund management, financial product/borrower data management and On-Bill Repayment billing and collections, as more fully described in the Decision; and

WHEREAS, the purpose of the contract is to set forth the terms and conditions governing such activities as directed by the CPUC, including, among other things, 1) provisions governing the administrative costs of serving as the CHEEF, including periodic funding from the IOUs to CAEATFA, funding limits, and reporting from CAEATFA to the IOUs on use of funds, 2) provisions governing the establishment and operation of trust accounts for credit enhancements, including the creation of segregated accounts for each IOU and participating

financial institutions, the transfer of funds amongst these accounts and the withdrawal of funds in the event a claim by a financial institution is approved, 3) provisions outlining the warranties provided by CAEATFA and the IOUs, 4) provisions governing the establishment of CHEEF operational agreements with third parties, including but not limited to contracts for a trustee bank, master servicer and data manager, 5) provisions governing the confidentiality and data protection of borrowers' financial and energy usage information in connection with loans or leases enrolled in any of the pilot programs, 6) provisions governing the interactions of the IOUs with CAEATFA, including identifying Southern California Gas Company as the IOU administrator of this contract with CAEATFA on behalf of the IOUs, 7) provisions outlining insurance requirements for the CHEEF, 8) provisions outlining the limits of liability and force majeure, and 9) provisions governing the termination of the contract;

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

NOW, THEREFORE, BE IT RESOLVED that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to prepare and execute a contract with Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison and Southern California Gas Company in the amount of \$7,000,000.

FURTHER, that the Executive Director or Deputy Executive Director shall execute the contract only after the required legislative budgetary authority to assume the CHEEF function is fully approved.

FURTHER, that the Executive Director or Deputy Executive Director shall execute and submit the contract to the Department of General Services for approval.