Pacific Gas and Electric Company®

Erik Jacobson
Director
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B13U
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-3582

January 12, 2021

Advice 4360-G/6052-E
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: **Pacific Gas and Electric Company's Proposal to Implement an On-Bill Financing Resiliency Pilot for K-12 Schools**

Purpose

Pacific Gas and Electric Company (PG&E) requests authorization to establish an On-Bill Finance (OBF) Pilot (Pilot) in March 2021 to help K-12 schools install clean, continuous power projects to enhance resiliency during power outages by providing financing for the Self Generation Incentive Program-eligible storage portion of the project. Specifically, PG&E proposes to make the Pilot available to customers that meet the following eligibility criteria:

- K-12 schools (public, private, or charter) that provide lunch[1] and eligible support facilities; and meet one of the following criteria:
  - Are located in a Tier 2 or Tier 3 High Fire Threat District (HFTD); or experienced 2 or more prior Public Safety Power Shutoffs (PSPS) events; or
  - Are qualified for the Self-Generation Incentive Program (SGIP) Equity Budget (EB).

OBF loans for energy storage would provide a valuable option for K-12 schools. An OBF Pilot for K-12 schools would also provide important information for the California Public Utilities Commission (CPUC or Commission) and SGIP stakeholders that can be leveraged in future offerings. K-12 schools are not currently eligible to receive incentives through the SGIP Equity Resiliency Budget (ERB). Both the ERB and the Non-Residential Equity Budget (EB), which schools are eligible for, are fully allocated for PG&E. Enhancing resiliency at eligible K-12 schools may enable students to continue having access to school meals programs during PSPS events, and may enable these sites to

[1] PG&E specifies lunch to indicate that the facility should be intended to physically serve students.

serve as resiliency hubs for local communities during PSPS events or in the aftermath of natural disasters such as wildfires, at the discretion of local districts.

In addition, the Pilot would provide an innovative pathway to test whether OBF can increase adoption of clean resiliency projects *without* increasing program incentive budgets. Unlike incentive funds, loaned funds are replenished as loans are repaid, especially if defaults are minimal. If PG&E's success in administering Energy Efficiency (EE) OBF loans[2] can be extended to SGIP, the Pilot could enroll resiliency participants at incremental lower cost than incentive programs. The Pilot could prove that financing for non-residential customers is a useful tool to advance California's clean energy goals. increasing rates.

PG&E requests approval to fund the Pilot using $30 million from funds in the SGIP Program Memorandum Account (SGPMA) that have not been allocated to a program budget (unencumbered funds) as described below and in Attachment 2. Participating projects would meet all requirements in the SGIP Handbook to ensure that the projects are high quality, support Commission objectives, and are consistent with developer and customer expectations.

PG&E requests approval of the Pilot by March 2021, which will enable projects to be implemented before the start of the school year in Fall 2021. Timely deployment of the Pilot is important to support installations for the upcoming school and wildfire season, and to ensure that lessons learned from the Pilot can provide valuable insights for the Commission and other stakeholders to consider during both the new Clean Energy Financing Options (CEFO) OIR and SGIP Order Instituting Rulemaking (OIR), since the SGIP ERB and EB budgets are significantly oversubscribed.[3]

PG&E provides additional background and details on its proposal below.

Background

In October 2017, the Commission issued Decision (D.)17-10-004, which established the EB for the SGIP. The EB is intended to accomplish three key objectives: "1) bring positive economic and workforce development opportunities to the state's most disadvantaged communities; 2) help reduce or avoid the need to operate conventional gas facilities in these communities, which are exposed to some of the poorest air quality in the state; and 3) ensure that non-profit, public sector and small businesses in low-income communities, as well as low-income residential customers, have access to the clean energy resources incentivized through SGIP."[4]

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[2] As of January 8, 2021, PG&E's default rate among public sector customers is 0%.
[3] PG&E ERB was fully allocated on September 2020 and EB on May 2020. The waitlist for both budgets have grown to $44.7M for ERB and $64.7M for EB by 1/4/2021.
[4] D.17-10-004, pp. 28-29, Finding of Fact (FOF) 2.

In September 2019, the Commission issued D.19-09-027, which defined the ERB and highlighted the critical needs of customers who are vulnerable to increasing wildfire risks in California. The Commission stated in D.19-09-027: "our top priority is to ensure access to the benefits provided by the SGIP to qualifying equity budget and vulnerable customers in Tier 3 and Tier 2 [High Fire Threat Districts] HFTDs as soon as possible."[5]
In D.19-09-027, the Commission also approved the carryover of any accumulated unused SGIP incentive and administrative budgets.[6]

On March 6, 2020, PG&E submitted Advice 4226-G/5778-E, which included the following objectives:

1) Launch a Developer Incentive Advance pilot for residential developers to reduce installation cost barriers for SGIP ERB projects (Residential Financial Assistance Pilot); and
2) Create a $15 million revolving loan fund to provide OBF for SGIP-ERB non-residential projects to address potential cash flow issues (Non-Residential Financial Assistance Pilot).

On July 16, 2020, the Commission adopted Resolution E-5086, which approved the Residential Financial Assistance Pilot, but rejected the Non-Residential Financial Assistance Pilot without prejudice. Although the Commission expressed support for PG&E's Pilot, it explained that the proposal was missing critical details and encouraged PG&E to revise its proposal "with additional detail and added clarity on customer eligibility and resubmit this as an additional pilot through a separate advice letter filing."[7]

PG&E requested and received an Interpretive Opinion from the California Department of Financial Protection and Innovation on October 13, 2020, stating that PG&E could expand the OBF offering from only energy efficiency measures to include distributed generation and energy storage measures, subject to certain requirements. The Department of Financial Protection and Innovation regulates lenders in the state. The Interpretive Opinion provides conditions for PG&E to offer OBF without requiring PG&E to obtain a lender's license. The Interpretive Opinion is attached as Attachment 1.

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[5] D.19-09-027, p. 38.
[6] D.19-09-027, p. 2.
[7] Resolution E-5086, p. 31.

Discussion

A. Overview

This Pilot will build on PG&E's experience as both an SGIP Program Administrator (PA) and OBF program administrator, including the OBF Alternative Pathway, which has become a key part of our EE portfolio.[8] This Pilot will be the first expansion of the OBF program outside of EE.

OBF is a zero-interest loan program that allows participating customers to receive a loan that covers most or all of a project's upfront cost and customers repay loans directly on their utility bill. Monetary benefits stemming from the project such as reduced energy or demand charges make loan repayments more manageable for customers. To be eligible, customers must have an account in good standing and demonstrate a history of timely payments and be approved by PG&E.

The proposed Pilot is based on SGIP rules and requirements for battery storage. Under the Pilot, K-12 schools would be able to access OBF loans for the eligible battery storage costs of a resiliency project. PG&E proposes to use the same loan size limits as the existing OBF program, which is from $5,000 - $4,000,000, however most loans are expected to be between $100,000-$1,000,000 per premise.[9]

PG&E believes that a key part of the EE OBF program is clear, yet rigorous project requirements which are detailed in the OBF Customer and Contractor handbook.[10] The project and developer requirements will maximize project performance and minimize default risk for customers and ensure that Pilot funds are used in accordance with program rules. This Pilot would similarly leverage SGIP requirements, which are discussed below.

This Pilot was developed based on feedback received on the Non-Residential Financial Assistance Pilot that was rejected in Resolution E-5086, insights from stakeholders, and data from the SGIP EB and ERB. The Pilot is designed to test the theory that a zero interest OBF loan, repaid through the customer's utility bill, can improve upon the traditional incentive design for some non-residential customers.

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[8] The CPUC approved the PG&E On-Bill Financing Alternative Pathway Program in the EE Proceeding in 2016. https://www.pge.com/tariffs/tm2/pdf/GAS_3697-G.pdf

[9] PG&E OBF loan amount allows for loans from $5,000 (which is the minimum for a Commercial Loan) and $4,000,000. Loans over $250,000 require additional review. (PG&E OBF Customer and Contractor Handbook, p. 7) https://www.pge.com/pge_global/common/pdfs/save-energy-money/financing/energy-efficiency-financing/handbook_obf.pdf

[10] *Id.*

B. Pilot Objectives

The Pilot will test and gather actionable data for stakeholders on the following questions:

1. Can the Pilot support K-12 schools to install energy storage before the 2021 wildfire season?

2. Can the Pilot provide a financing-based alternative to traditional SGIP incentive design, that is both customer-friendly and enables the SGIP to support a broader scope of customers with the same amount of funds than other options?

3. Can the Pilot provide data that can be used in the Clean Energy Financing Options (CEFO) OIR (R.20-08-022) about the feasibility of cross-cutting uses of funding and potentially the ability to leverage private capital in the future?

C. Pilot Design

The Pilot will leverage PG&E's existing EE OBF operational and administrative infrastructure, including billing and fund tracking, which will enable PG&E to offer the Pilot expeditiously and with low administrative costs. PG&E proposes to allocate $30M of unencumbered[11] funds in the SGPMA to fund the loans for this Pilot. PG&E will leverage SGIP Administrative funds for Pilot Administration and oversight, which are expected to be lower than $2M. PG&E believes that this is a good use of funds that will not only benefit customers, but will inform future program design in the SGIP by providing an alternative to the current incentive-only approach.

PG&E is proposing K-12 schools for this Pilot to test the value of OBF both for schools and the SGIP. Schools were not included as an eligible customer class for the ERB but are able to participate in the Non-Residential Storage EB. The Non-Residential Storage EB is currently fully exhausted in PG&E's service area with a long waitlist of customers, many of whom are schools. As of January 7, 2021, 58 schools applied to PG&E's Non-Residential EB and 31 received reservations.[12] Stakeholders have also raised the question of whether schools should be eligible for higher levels of incentives.[13]

There are more than 400 school facilities that are located in HFTDs 2 and 3 in PG&E's service area or have been subject to two or more PSPS events. Of these, a number have solar installations, however very few have both solar and storage.[14] The COVID-19

[11] This will be explained in greater detail below.
[12] The remaining 27 schools are on the waitlist.
[13] R.20-05-012, California Energy Storage Alliance (CESA) Reply Comments on Questions B-K on Assigned Commissioner's Ruling, (October 23, 2020) pp. 3, 5.
[14] PG&E billing system data indicates that three schools have storage and solar as of November 2020.

pandemic has impacted schools' operations and budgets, which could further impact their ability to invest in storage for resiliency.

D. Program Funding and Tracking

PG&E will fund the Pilot with unspent and unencumbered SGIP funds. The SGPMA is used to track the funding approved by the CPUC and actual spending in the SGIP program. The unspent and unencumbered funds result from revenue collections, forfeited application fees and accrued interest on unspent funds that are not allocated to a SGIP budget category[15] D.19-09-027 approved the carryover of these funds,[16] and allocated a portion of the funds to the EB, ERB and other SGIP Incentive and Administration budgets. D.20-01-021 set new collection requirements to fund the SGIP through 2024.[17] PG&E proposes to use funds in the SGPMA that exceed the amount of approved budgets as is reported in the Program Level Budget Summary on SelfGenCA.com.

PG&E will modify the Preliminary Statement's for SGPMA and the Energy Efficiency Financing Balancing Account (EEFBA)[18] to create a new subaccount for the Pilot, the SGIP On-Bill Financing Balancing Account (SGOBFBA), The SGOBFBA will function similarly as the On-Bill Financing Balancing subaccount (OBFBA-E) for loan originations.[19] Loan funds will be transferred to the SGOBFPA and tracked separately from the EE OBF Funds and the Credit Enhancement funds for the CAEATFA Pilots which are also tracked in the EEFBA.

PG&E will transfer the approved funding ($30M) for the Pilot to the SGOBFBA from the SGPMA. The funds will be disbursed and repaid through the SGOBFBA. When the Pilot is completed, the funds will be returned to the SGPMA. This will ensure that the SGIP funds and EE funds are not co-mingled.

Funds will be returned to the SGPMA including any interest earned on the funds.[20] Any funds that are not repaid due to customer defaults will result in a lower available balance. PG&E confirms that the amount of funding needed to offer this Pilot will not reduce any currently approved pilot funding nor will it impact current CPUC-approved SGIP budgets.

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[15] The accounting for the SGPMA is documented in the SGIP Preliminary Statement. For more information, see PG&E Preliminary Statement Part BY for Electric. https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_PRELIM_BY.pdf

[16] D.19-09-027, p. 113, FOF 56.

[17] D.20-01-21, p. 97, Ordering Paragraph (OP) 1.

[18] Energy Efficiency Financing Balancing Account - Electric (EEFBA-E) https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_PRELIM_GQ.pdf and Energy Efficiency Financing Balancing Account - Gas (EEFBA-G) https://www.pge.com/tariffs/assets/pdf/tariffbook/GAS_PRELIM_DJ.pdf

[19] EEFBA was established and approved by the CPUC in 2015. https://www.pge.com/tariffs/tm2/pdf/GAS_3697-G.pdf

[20] PG&E confirms that both the SGPMA and the EEFBA earn interest at the 3-month commercial paper rate.

D. Customer Eligibility

To be eligible for the Pilot, schools must meet the following eligibility requirements:

- K-12 schools (public, private, or charter) that provide lunch and eligible support facilities; and meet one of the following criteria:
  - Are located in a Tier 2 or Tier 3 High Fire Threat District (HFTD), or experienced 2 or more prior Public Safety Power Shutoffs (PSPS) events
  - OR Are qualified for the Self-Generation Incentive Program (SGIP) Equity Budget (EB) criteria.

The Pilot would be available to any educational institutions that physically serves students from Kindergarten through twelfth grade – public, private, or charter. PG&E considered expanding eligibility to other potential customer segments but recommends that this initial Pilot be focused on this smaller customer base because schools' credit quality and energy usage is relatively consistent, which will aid in Pilot deployment and Measurement and Evaluation (M&E). The proposed funding of $30M for the revolving loan fund is relatively modest and the limited scope will ensure that customers and developers serving this segment can confidently complete projects in 2021.

E. Eligible Technologies and Costs

Energy storage projects may be stand-alone or paired with generating systems. Eligible technologies are energy storage systems and the ancillary equipment needed to enable resiliency on the school's facility. Cost eligibility is based on Equity Resiliency Equipment Eligibility (Section 4.2) of the SGIP Handbook. These non-residential energy storage systems would be required to adhere to all requirements of SGIP including greenhouse gas (GHG) requirements and system sizing requirements.

The technology must be recommended as part of a resiliency assessment to provide the school a determined amount of continuous power resiliency for critical loads. Eligible costs include lifecycle costs such as measurement and verification, operations and maintenance, and incremental warranty and insurance costs for the installation of the battery storage system. These costs would be eligible to be funded with the loan proceeds to encourage developers and financing entities to provide innovative solutions to address project performance risk over the life of the loan. PG&E encourages but will not mandate performance guarantees to enable customer choice and market innovation.

The loans will be eligible for either customer or third-party owned storage systems that meet SGIP requirements. The loans would enhance third-party ownership models by lowering the cost of capital and enabling providers to support smaller projects.

The loans will be limited to the lesser of 10 years or the estimated repayment period. The loans will require a warranty, useful life which will be based on the warranty for the storage equipment being installed.

F. Project Cashflows and Coordination with SGIP Incentives

Participating Pilot customers would also be eligible to access SGIP Large-Scale Storage incentives. Customers that obtain incentives from the Non-Residential Storage EB or ERB are not able to participate in the Pilot.[21]

The timing of the cash flows is important for customers. PG&E will make the loan funds available to the Customer when the performance guarantee between the customer and their developer is executed. PG&E believes that this enhancement will provide value to customers compared to the cash flow timing of SGIP incentives, which for non-residential customers are paid 50% *after* project installation and 50% as performance-based incentives over five years.

It would be feasible to fund an OBF loan prior to project completion because participating schools will be guaranteed project installation due to the performance guarantee. PG&E has engaged with the Orange Button Connect coalition[22] who have an option for developers and customers to digitize the project documentation which could help to reduce costs for these projects while enhancing project quality.

Customers and developers will need to indicate that they intend to apply for an SGIP incentive and show the impact of the anticipated incentives on the total amount of SGIP OBF pilot funds provided.

PG&E will monitor the total outlay of SGIP funding from the Pilot and SGIP incentives. The Pilot will allocate lower amounts of ratepayer funds to the project over the entirety of the project lifecycle, however if the total amount of ratepayer funds provided to the project at any time exceeds 110% of Total Eligible Project Costs, PG&E will require the Pilot Customer to apply the SGIP incentive against the outstanding loan balance to limit the outlay of SGIP funding to any one project.

Assuming a 10-year loan, the Pilot Customer will repay 10% of the loan every year (OBF loans are amortized straight-line). The SGIP General Market incentives for large scale storage are currently $0.25 or $0.35/Wh (depending on if the Pilot Customer took the Investment Tax Credit (ITC)), of which 50% would be paid when the project is interconnected. Assuming that the Total Eligible Project Costs for the loan are ~$1/Wh, the Pilot Customer would receive either 12.5% or 17.5% of the project as the initial 50%

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[21] Any customers that have projects that have been allocated for Non-Residential Equity incentives, could elect to forego the higher level of incentives and participate in the Pilot.

[22] Orange Button is a coalition working on open data exchange standard for the solar and storage industry. https://orangebutton.io/

incentive once the project is installed. PBI payments would be 2.5% or 3.5% of the project costs for the first five years of the loan. PG&E has included examples of project cashflows for stakeholders in Attachment 3.

G. Pilot M&E and Reporting

This Pilot leverages SGIP funds and leverages existing SGIP program rules. By design, the Pilot provides room for potential expansion or enhancement should it be successful or highlight gaps. Projects will be required to adhere to the SGIP's energy storage performance rules, including GHG reduction, and be metered and monitored as required under Section 5 (Energy Storage Technologies) of the SGIP handbook. The GHG emission standards for new non-residential applications are described on page 47 of the SGIP handbook.[23]

Pilot projects will be required to include a Measurement and Verification (M&V) plan for the project over the life of the loan, which must include information on how the project will incorporate the GHG signal and submit performance data. Since these schools may likely have stakeholders (e.g. students, community members, etc.) that are interested in GHG emissions, the M&V plan should include information on community engagement on project performance.

The structure of the incentive provided via loan does differ from the SGIP incentives. For non-residential SGIP projects that obtain incentives, non-compliance with the GHG requirement over the first five years of the project will result in a lower Performance Based Incentive (PBI) payment which is calculated as defined in Section 5.3.4 of the SGIP Handbook. The OBF Pilot will not include a PBI payment, so part of the Pilot theory will be to test that Customers who have a loan repayment requirement, rather than PBI at risk, will still meet GHG reduction targets. PG&E notes that projects will be submitted as part of the developers' fleet and non-compliance could lead to Developer penalties.

PG&E will provide Pilot specific reporting based on the format of the EE OBF reporting that is provided to Energy Division. This data provides insights into the loans that are originated and any additional loan defaults. This data will support pilot M&E and can be enhanced as needed.

PG&E will work closely with Energy Division and stakeholders to evaluate the Pilot and ensure that critical questions are answered in a timely fashion. The Pilot will be subject to evaluation through the SGIP M&E process which will ensure that stakeholders are able to provide input. PG&E confirms that the M&E budget has capacity to support incremental work.

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[23] SGIP Handbook V9 page 47.

H. Project Requirements

The OBF loan can be for the storage portion of either a standalone project or as part of a comprehensive resiliency project. Under the OBF program, the Customer is responsible for engaging and overseeing the contractor to implement their project. PG&E provides an investment framework, which are guidelines on the project and the required documentation submission. These guidelines address the pilot requirements including the scoping assessment, project utility bill savings calculations, project M&V requirements, and other aspects of the project and the required documentation. The customers project developer will submit the project to PG&E who would review for pilot compliance and approve prior to the project being implemented.

PG&E has significant experience in creating these guidelines through the EE OBF program. These guidelines, which can be reviewed at www.pge.com/eef, have enabled customers to work with market actors to implement over $254M in OBF loans, and have enabled the programs strong performance. Prior to finalizing the Pilot requirements and investment framework, PG&E will solicit additional input from market actors and stakeholders.

I. Participating Customer and Ratepayer Protections

PG&E will ensure that customers participating in the program as well as ratepayers are protected with the Pilot. Both customer groups have risks that are closely related. The risk to ratepayers involves loans that are not repaid, which would result in less funds in the SGPMA that could be returned to customers or used for other purposes. The risk to participating customers is that they are unable to repay the loan, which could impact their utility service, or they get a project that does not perform as expected.

PG&E believes that these risks are related and can be appropriately mitigated through the strong investment framework. PG&E will leverage experience underwriting loans through the EE OBF program. As noted above, defaults to date for this program have been extremely low, including zero defaults experienced with school customers. PG&E also believes that the high standards of OBF program mitigates project performance risk and provides customers with best practices in ensuring that Developers deliver and install projects that meet expectations. PG&E believes that these protections will appropriately mitigate risks to both participating customers and the ratepayers that fund these programs.

The cost of the loans to ratepayers also includes the interest expense that would have been earned on the outstanding unallocated funds over the life of the loans if the funds were recorded in the SGPMA. Interest in the SGPMA is calculated at the 3-month commercial paper rate.[24]

[24] https://www.federalreserve.gov/releases/cp/rates.htm

K. Implementation Timeline

The Pilot is designed to support 40-60 projects with average sizes of $100k-$1M with installations targeted prior to the start of the 2021 school year (August/September timeframe). PG&E expects schools to make project decisions by early spring, which would allow for installations to occur during the summer months.

The Pilot will only be available for projects where the customer executes the loan agreement in 2021 with a target installation before the 2021 school year. PG&E anticipates that installations will occur in 2021, however, PG&E may authorize projects that are expected to occur in 2022. PG&E will have the ability to provide extensions for loan agreement execution in the case where project installations are delayed.

PG&E will work with stakeholders and the Energy Division during the Pilot period to assess if the Pilot should be extended, expanded or ended.

PG&E will submit a Tier 1 Advice Letter (AL) to update the OBF forms and the accounting updates to enable the Pilot subsequent to this submission. PG&E will request that the Tier 1 AL is approved after the effective date of this AL.

L. Outreach

PG&E believes that the high awareness of OBF among customers and contractors that work with schools and are familiar with OBF will drive quick adoption for rapid engagement, deployment, and pilot development. PG&E will provide direct outreach through Local Customer Relationship Managers, industry actors, schools energy efficiency providers, Community Choice Aggregators (CCAs) and other local community partners to connect with and educate schools about this option. The target audience will be School Boards, the California State Board of Education and the industry actors that support school energy investments. PG&E will also provide training and outreach to Contractors and Developers about the Pilot. PG&E will also continue outreach to the Financial Industry through initiatives such as the Orange Button Connect Coalition to encourage innovation and competitive offers for incremental financing needs, insurance and performance guarantees for these projects.

PG&E will devote additional resources to ensure that those school districts that have historically been less likely to participate in clean energy programs are made aware and able to participate in the program.

Protests

*****Due to the COVID-19 pandemic and the shelter at home orders, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax. Please submit protests or comments to this advice letter to EDTariffUnit@cpuc.ca.gov and PGETariffs@pge.com*****

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **February 1, 2021**, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

Pursuant to General Order (GO) 96-B, Rule 5.2, and OP 83 of D.20-06-003, PG&E submits this advice with a Tier 2 designation. PG&E requests that this Tier 2 advice submittal become effective on **February 11, 2021**, which is 30 days after the date of this submittal.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for R.12-11-005. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: http://www.pge.com/tariffs/.

/S/

Erik Jacobson
Director, Regulatory Relations

Attachments:

cc: Service List R.12-11-005

Attachments:

1. Department of Financial Protection and Innovation, Interpretive Opinion – PG&E Request under the California Financing Law

2. Unallocated Funds review

3. Project Cash Flow examples

California Public Utilities Commission

ADVICE LETTER SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U 39 M)

Utility type:

☑ ELC ☑ GAS ☐ WATER

☐ PLC ☐ HEAT

Contact Person: Stuart Rubio
Phone #: (415) 973-4587
E-mail: PGETariffs@pge.com
E-mail Disposition Notice to: SHR8@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat
WATER = Water

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4360-G/6052-E

Tier Designation: 2

Subject of AL: Pacific Gas and Electric Company's Proposal to Implement an On-Bill Financing Resiliency Pilot for K-12 Schools

Keywords (choose from CPUC listing): Self Generation, Storage

AL Type: ☐ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested? ☐ Yes ☑ No

If yes, specification of confidential information:
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution required? ☐ Yes ☑ No

Requested effective date: 2/11/21

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed[1]: N/A

Pending advice letters that revise the same tariff sheets: N/A

[1]Discuss in AL if more space is needed.

Clear Form

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division Attention: Tariff Unit 505 Van Ness Avenue San Francisco, CA 94102 Email: EDTariffUnit@cpuc.ca.gov	Name: Erik Jacobson, c/o Megan Lawson Title: Director, Regulatory Relations Utility Name: Pacific Gas and Electric Company Address: 77 Beale Street, Mail Code B13U City: San Francisco, CA 94177 State: California Zip: 94177 Telephone (xxx) xxx-xxxx: (415)973-2093 Facsimile (xxx) xxx-xxxx: (415)973-3582 Email: PGETariffs@pge.com
	Name: Title: Utility Name: Address: City: State: District of Columbia Zip: Telephone (xxx) xxx-xxxx: Facsimile (xxx) xxx-xxxx: Email:

Clear Form

Attachment 1

Department of Financial Protection and Innovation, Interpretive Opinion – PG&E Request under the California Financing Law

STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** ▪ COMMISSIONER **Manuel P. Alvarez**

IN REPLY REFER TO:
FILE NO: OP 7725

October 13, 2020

Mary A. Gandesbery
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 95814

RE: PG&E Request under the California Financing Law

Dear Ms. Gandesbery:

This letter is in response to your July 8, 2020 letter to Commissioner Manuel P. Alvarez requesting an interpretive opinion under the California Financing Law ("CFL").[1] Pacific Gas and Electric Company ("PG&E") seeks to expand its on-bill financing ("OBF") program, and requests the Commissioner confirm that PG&E may continue to rely on Commissioner's Release No. FS-60 ("Release FS-60"), which provides that public utilities are not subject to licensure under the CFL when making commercial loans under financing programs subject to oversight by the California Public Utilities Commission ("CPUC"), as described in the release.

Release FS-60 provides that the loans must be made to borrowers solely for the purpose of purchasing or otherwise installing energy efficient equipment. The release provides that the financing programs are designed to benefit Californians by increasing the use of energy efficient equipment and equipment which promotes energy efficiency by managing energy demand or reducing energy usage.

PG&E now proposes to expand its OBF program to offer loans for distributed generation and energy storage technologies. PG&E represents that this expansion would be part of a program similarly approved by and administered pursuant to CPUC oversight and in all other respects consistent with the program limitations established under Release FS-60.

PG&E requests that the Commissioner confirm that this proposed expansion of its current OBF program to cover loans offered to eligible commercial, non-residential customers for the installation of distributed generation and energy storage technologies would not require PG&E to obtain a lender's license under the CFL.

[1] Cal. Fin. Code, § 22000 et seq.

I. Background

PG&E makes the following representations. PG&E is a public utility serving Northern and Central California and is regulated by the CPUC. PG&E administers many energy programs for its customers which are required, approved, and supervised by the CPUC, including PG&E's current OBF program, which is part of PG&E's energy efficiency portfolio of programs. PG&E has operated an OBF program consistent with the terms of Release FS-60 since 2011.

PG&E's OBF program is available to non-residential commercial and government customers (collectively, "eligible customers") who participate in PG&E's energy efficiency programs. The OBF program is part of the CPUC's Statewide Financing Program, which is designed to facilitate the purchase and installation of comprehensive, qualified energy efficiency measures. PG&E's OBF program offers interest-free, utility ratepayer-financed, unsecured energy efficiency loans to eligible customers with qualified projects. Under the OBF program, PG&E makes unsecured loans covering up to 100 percent of the energy efficient equipment and installation costs (net of rebates and other incentives) at zero percent interest. Customers repay their loans through a fixed monthly installment on their regular utility bills.

OBF loans are designed so that the monthly payments are not expected to exceed projected monthly energy savings. The payment schedule is designed to equal the amount of cash savings on utility bills resulting from installation of the energy efficient equipment. Loan terms are calculated using the total project cost and the projected monthly energy savings, with a maximum term of ten years. Qualification for participation in the OBF program is primarily based on a good utility bill payment history and the prospect that the loans can be repaid by savings within the lesser of ten years or the expected useful life of the energy efficiency measures. In the event of non-payment, the customer faces the same impact as non-payment of energy charges, including the possibility of power shut-off. OBF loans have no prepayment penalty or any other fees, late payment penalties, or other charges. The OBF program is subject to approval, administration, reporting, and other requirements by the CPUC.

II. Proposed Expansion of OBF Program

PG&E seeks to expand its OBF program to include loans for distributed generation and energy storage technologies in addition to the energy efficiency equipment loans under the 2006 Release. According to PG&E, a distributed generation system involves small amounts of generation located on a customer's facility for the purpose of meeting all or a portion of the customer's load. Energy storage technologies allow customers to store energy that can be discharged at another time. Distributed generation and energy storage technologies allow customers to both reduce the total amount of energy use and manage the timing of energy use from PG&E, to manage their energy bills. PG&E represents that while distributed generation and energy storage technologies differ from energy efficiency technologies from a technological perspective, all of these technologies, and the loans to finance the acquisition and installation of the related equipment, target energy savings for the customers and other co-benefits, including support of California's energy efficiency, climate, and clean air goals.

PG&E proposes making OBF loans to finance the acquisition and installation of permanent distributed energy generation and storage equipment to eligible customers. Except for the nature of the equipment financed, in all other respects the loan program would be the same as PG&E's existing OBF program. The customers would be responsible for the purchase, installation and use of the equipment. Consistent with the current OBF program, the loans for distributed generation or energy storage equipment would require the customer to have a scoping assessment performed by a qualified vendor who would recommend measures and review the impact on the customer's energy bills. Customers would also be able to purchase services to ensure that the equipment that they purchase performs over the life of the loan. The cost of these services, including operations and maintenance, insurance and assessment, measurement, and verification services, may be capitalized in the loans. The customer is solely responsible for repayment of the loan.

III. Analysis

PG&E seeks an opinion that it may offer loans to eligible customers for the installation of distributed generation and energy storage technologies and related installation costs, consistent with the other program limitations described in Release FS-60, without being "engaged in the business" of a finance lender or broker under Section 22100 of the CFL and being required to obtain a finance lender's license.

PG&E sets forth the following analysis in support of its request. The CFL generally requires a license "to engage in the business of a finance lender or broker."[2] The CFL defines a finance lender as "any person who is engaged in the business of making consumer loans or making commercial loans."[3] The CFL defines a commercial loan as "a loan of a principal amount of five thousand dollars ($5,000) or more, or any loan under an open-end credit program, whether secured by either real or personal property, or both, or unsecured, the proceeds of which are intended by the borrower for use primarily for other than personal, family, or household purposes."[4]

In Release FS-60, the Commissioner found that public utilities making commercial loans as part of financing programs for energy efficiency purposes under the oversight of the CPUC are not engaged in the business of a finance lender or broker for purposes of licensure under the CFL when making loans under these programs as provided in release. The release conditioned this

[2] Fin. Code, § 22100, subd. (a).
[3] Fin. Code, § 22009.
[4] Fin. Code, § 22502.

finding on the lenders meeting the following requirements: (1) they include only public utilities; (2) they operate under the California Public Utilities Code, subject to CPUC regulation; (3) they make loans in accordance with financing programs approved by the CPUC; (4) they administer financing programs in a manner that is merely ancillary to their business of providing energy; and (5) they comply with all applicable federal and state laws with respect to any loans made under the financing programs. Under PG&E's proposed expansion, PG&E represents that these five requirements for lenders in Release FS-60 would continue to be applicable.

With respect to borrowers, the release provides that eligible borrowers must (1) include only commercial, non-residential customers of the public utility, including government agencies and owners of residential multifamily units who do not live on the premises; (2) be customers in good credit standing with the public utility, as determined by eligibility criteria set forth in the financing programs of public utilities; (3) complete loan applications and sign loan contracts pursuant to the financing programs; and (4) accept responsibility for purchasing and installing energy efficient equipment. PG&E represents that its proposed expansion of the OBF program is also consistent with these four "borrower" factors established in Release 60-FS, except that the equipment financed would include distributed generation and energy storage technologies in addition to energy efficient equipment.

Finally, with respect to the loans, Release FS-60 provides that the applicable loans must (1) be made to the borrowers solely for the purpose of purchasing or installing energy efficient equipment; (2) fall within the definition of commercial loan in the CFL; and (3) impose no costs on the borrower because the loans are provided free of any interest, fees, late payment penalties, or other charges. Again, PG&E represents that its proposed expansion of the OBF program to include distributed generation and energy storage technologies is also consistent with these three "loan" factors established in Release FS-60, except that the equipment financed would include distributed generation and energy storage technologies in addition to energy efficient equipment.

PG&E represents that the financing would have the other features currently included in its OBF program: eligible customers would not incur any up-front costs; the unsecured loans would cover up to 100 percent of the distributed generation and energy storage equipment and installation costs (net of rebates and other incentives), be offered at zero percent interest, and without late payment penalties, prepayment penalties or other charges; and loans would be repaid through a fixed monthly installment on a customer's regular utility bill designed to match the savings from the equipment. Thus, in all respects except for the nature of the equipment financed, PG&E represents that the proposed expansion of PG&E's OBF program would comply with Release FS-60.

PG&E argues that the expansion of its OBF program is consistent with the purposes and policies of the CFL, which include ensuring an adequate supply of credit to borrowers in this state, protecting borrowers against unfair lending practices, and encouraging the development of fair and economically sound lending practices.[5] PG&E further represents that the expansion of its OBF program supports the state's energy and efficiency and climate and clean air goals, and benefits consumers by furthering the management of power reserves. Consistent with Release FS-60, the CPUC would approve and oversee the expansion of PG&E's OBF financing program, and therefore the public interest would not be served by the Commissioner also exercising jurisdiction over the proposed activity.

IV. Conclusion

The Commissioner has considered PG&E's request to expand its OBF program to include distributed generation and energy storage technologies in addition to energy efficient equipment authorized under Release FS-60. The Commissioner agrees that inclusion of these additional energy technologies in PG&E's OBF program under Release FS-60, in accordance with the facts as set forth by PG&E and otherwise consistent with Release FS-60, continues to serve the purposes of Release FS-60. The public does not benefit by the Department of Financial Protection and Innovation's oversight of a lending program already subject to oversight by the CPUC. Therefore, upon approval by the CPUC, PG&E may make commercial loans under an OBF program that includes distributed generation and energy storage technologies in addition to energy efficient equipment authorized under Release FS-60 without "engaging in the business" of a finance lender or broker under section 22100 of the CFL, and licensure as a finance lender or broker is not required.

This interpretive opinion is applicable to the specific factual situation identified in the request for ruling and may not be relied upon in connection with any other factual situation.

Sincerely,

Manuel P. Alvarez
Commissioner
Financial Protection and Innovation

By Colleen Monahan Digitally signed by Colleen Monahan
Date: 2020.10.13 15:58:48 -07'00'

Colleen Monahan
Senior Counsel

CM:ss

[5] Fin. Code, § 22001, subd. (a).

Attachment 2

Unallocated Funds review

Attachment 2:

PG&E SGPMA unencumbered funds are funds that have accumulated in the in the SGPMA that exceed the authorized program budgets.

Funding Needs:

The SelfGenCA budget table provides an overview of the Authorized Budgets by category for the 2020-2024 program cycle.

The Total Budget including Authorized Collections, Reallocations, and Expenditures is $617.7M.

Funding Available:

PG&E holds funds for the SGIP program in the Self-Generation Program Memorandum Account (SGPMA). The account is reconciled quarterly. Funding is added to the SGPMA from Authorized Collections, Forfeited Application Fees and Interest Earned on funds in the SGPMA.

The balance of funds in the SGPMA as of September 30, 2020 is $348.4M[1]. PG&E was authorized to collect $72M per year through 2024, which will be $306M[2].

The total of these amounts is the estimated Funds Available to support program needs is ~$654.4M.

Net Unallocated Funds:

Total Funds Available ($654.4M) net of the Funding Needs of ($617.7M) nets to the Estimated Unallocated Funds of up to $36.7M. This amount is an estimate, but PG&E believes that it is appropriate to allocate a portion $30M to this Pilot.

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[1] The SGPM90394470A is reconciled quarterly. $72*4.25 years = $306M.
[2] D.20-01-021 OP 1

Currently Available PA Funds - All Programs - Pacific Gas and Electric

	Large-Scale Storage	Small Residential Storage	Residential Storage Equity	Non-Residential Storage Equity	Equity Resiliency	San Joaquin Valley Residential	San Joaquin Valley Non-Residential	Generation	Admin/M&E	Total
Authorized Collections	$201,844,162.50	$49,444,616.90	$10,800,000.00		$226,800,000.00			$93,170,926.47	$15,120,000.00	$597,179,705.87
Reallocation	$67,832,114.13	$1,321,442.48	$9,679,392.67	$57,814,534.21	$48,236,264.82	$4,880,000.00	$120,000.00	$37,309,866.91	$18,787,102.00	$35,696,755.14
Expenditure									$15,219,884.00	$15,219,884.00
Total Budget	**$134,012,048.37**	**$50,766,059.38**	**$20,479,392.67**	**$57,814,534.21**	**$275,036,264.82**	**$4,880,000.00**	**$120,000.00**	**$55,861,059.56**	**$18,687,218.00**	**$617,656,577.01**
Pending Reservation	$35,297,094.01	$5,346,724.40	$17,624,257.20	$45,003,597.72	$153,457,209.64	$132,000.00		$6,899,040.00		$263,627,922.97
Reserved	$47,388,912.67	$10,440,321.33	$2,847,798.26	$12,734,321.12	$120,116,335.60			$4,699,500.00		$198,227,188.98
PBI in Process	$6,148,372.08							$1,122,192.65		$7,270,564.73
Paid	$9,341,326.11	$20,795,896.61			$1,263,184.80			$2,441,369.35		$33,841,776.87
Total Allocated Funds	**$98,175,704.87**	**$36,582,942.34**	**$20,472,055.46**	**$57,737,918.84**	**$274,836,730.04**	**$132,000.00**	**$0.00**	**$15,162,102.00**	**$0.00**	**$502,967,453.55**
Available Funds	**$35,836,343.50**	**$14,183,117.04**	**$7,337.21**	**$76,615.37**	**$199,534.78**	**$4,748,000.00**	**$120,000.00**	**$40,698,957.56**	**$18,687,218.00**	**$114,689,123.46**

Attachment 3

Project Cash Flow examples

Attachment 3:

Example Cash Flows

This attachment reviews examples of potential cash flows focused on ratepayer funds that are allocated for projects under the Pilot. The examples are provided to demonstrate the Total Ratepayer Funding compared to the Total Eligible Project Costs. For each example the Total Eligible Project cost is assumed to be $1/Wh, both for ease of calculation and based on the SGIP Equity Resiliency incentive levels. The installation and payment of the first 50% of the SGIP incentive is assumed to be at the end of year 1 (Y1).

Total Ratepayer funds/Total Eligible Costs
SGIP OBF Loan
- SGIP OBF Loan Repayments
+ SGIP General Market Incentives Funded
=Total IOU Ratepayer Funding Incentives
Divided by Total Eligible Project Costs

	SGIP Loan	SGIP Incentive (no ITC)	Total Ratepayer funds/Total Eligible Project Costs
Y1	90%	17.5%	107.5%
Y2	80%	21.0%	101%
Y3	70%	24.5%	94.5%
Y4	60%	28.0%	88%
Y5	50%	31.5%	81.5%
Y6	40%	35%	75%
Y7	30%	35%	65%
Y8	20%	35%	55%
Y9	10%	35%	45%
Y10	0%	35%	35%

	SGIP Loan	SGIP Incentive (ITC)	Total Ratepayer funds/Total Eligible Project Costs
After Y1	90%	12.5%	102.5%
Y2	80%	15%	95%
Y3	70%	17.5%	87.5%
Y4	60%	20%	80%
Y5	50%	22.5%	77.5%
Y6	40%	25%	65%
Y7	30%	25%	55%
Y8	20%	25%	45%
Y9	10%	25%	35%
Y10	0%	25%	25%

SGIP Equity Incentive ($0.85/Wh) - no OBF Loan

	SGIP Loan	SGIP Incentive (ITC)	Total Ratepayer funds/Total Eligible Project Costs
Y1	0%	42.5%	42.5%
Y2	0%	51%	51%
Y3	70%	59.5%	59.5%
Y4	60%	68%	68%
Y5	50%	76.5%	76.5%
Y6	40%	85%	85%
Y7	30%	85%	85%
Y8	20%	85%	85%
Y9	10%	85%	85%
Y10	0%	85%	85%

PG&E Gas and Electric
Advice Submittal List
General Order 96-B, Section IV

AT&T
Albion Power Company

Alta Power Group, LLC
Anderson & Poole

Atlas ReFuel
BART

Barkovich & Yap, Inc.
California Cotton Ginners & Growers Assn
California Energy Commission

California Hub for Energy Efficiency Financing

California Alternative Energy and Advanced Transportation Financing Authority
California Public Utilities Commission
Calpine

Cameron-Daniel, P.C.
Casner, Steve
Cenergy Power
Center for Biological Diversity

Chevron Pipeline and Power
City of Palo Alto

City of San Jose
Clean Power Research
Coast Economic Consulting
Commercial Energy
Crossborder Energy
Crown Road Energy, LLC
Davis Wright Tremaine LLP
Day Carter Murphy

Dept of General Services
Don Pickett & Associates, Inc.
Douglass & Liddell

East Bay Community Energy Ellison Schneider & Harris LLP Energy Management Service
Engineers and Scientists of California

GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
ICF
IGS Energy
International Power Technology
Intestate Gas Services, Inc.
Kelly Group
Ken Bohn Consulting
Keyes & Fox LLP
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated Waste Management Task Force
MRW & Associates
Manatt Phelps Phillips
Marin Energy Authority
McKenzie & Associates

Modesto Irrigation District
NLine Energy, Inc.
NRG Solar

Office of Ratepayer Advocates
OnGrid Solar
Pacific Gas and Electric Company
Peninsula Clean Energy

Pioneer Community Energy

Redwood Coast Energy Authority
Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions
San Diego Gas & Electric Company

SPURR
San Francisco Water Power and Sewer
Sempra Utilities

Sierra Telephone Company, Inc.
Southern California Edison Company
Southern California Gas Company
Spark Energy
Sun Light & Power
Sunshine Design
Tecogen, Inc.
TerraVerde Renewable Partners
Tiger Natural Gas, Inc.

TransCanada
Utility Cost Management
Utility Power Solutions
Water and Energy Consulting Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
Yep Energy