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Clean Energy Works comment to SB 1112 draft report

Additional submitted attachment is included below.

June 1, 2026

California Energy Commission
Docket Unit, MS-4
Docket No. 23-DECARB-02
715 P Street
Sacramento, CA 95814

In re: Clean Energy Works comments to the California Energy Commission on the Federal Financing Solutions for Inclusive Utility Investments – Senate Bill 1112 Draft Report to inform the implementation of Senate Bill (SB) 1112 (Becker, Chapter 834, Statutes of 2022)

Comments

1. Executive Summary, Considerations for Recommendation:
“Explore establishing a loan fund for administrators of inclusive utility investments” (p. 4)

For the consideration of the Commission, Inclusive Prosperity Capital and Clean Energy Works have collaborated on the development of instruments that can facilitate capital flows for implementation (see Appendix A).

2. Chapter 1, Inclusive Utility Investments (p. 9):
“Finally, IUI programs have historically focused on energy efficiency improvements, such as insulation and lighting improvements. Other decarbonization measures, such as electrification, renewable technologies, and energy storage could also be included. However, the IUI program model has not yet been used to support these decarbonization measures, which are key components for reducing building emissions.⁸ Additional research is needed to understand the bill impacts of residential building decarbonization and to what extent bill savings from decarbonization can support inclusive utility investments.”

Clean Energy Works respectfully offers an amendment striking the third sentence of the above-quoted paragraph on this basis:

- Heat pumps have been installed by Ameren Missouri and other utilities offering inclusive utility investments as a decarbonization measure;
- In 2021 the U.S. Department of Energy sponsored a feasibility study of inclusive utility investment for residential solar, which concluded “inclusive utility investments through a tariffed on-bill program can dramatically lower the upfront cost of an on-site solar installation.” See [Overview of a Financial Model for Inclusive Utility Investments in On-Site Solar with a Path to Ownership](#)

3. Chapter 1, Decarbonization Project Economics (p. 12):

“Parties in the proceeding estimated that for the participant to experience net annual bill savings, only 15 to 25 percent of the energy upgrade costs can be recovered through the participant’s bill.¹⁸”

Clean Energy Works offers that while this is indeed the finding of the referenced analysis, the analysis was conducted on the basis of a single measure: heat pump installation. In summary, the payment mechanism is not isolated to any single application.

APPENDIX A

 Capital Sourcing & Assurance Instruments for Inclusive Utility Investment...



Capital Sourcing and Assurance Instruments for Inclusive Utility Investments – A Primer

What is inclusive utility investment?

Inclusive utility investment – [as defined by the U.S. Environmental Protection Agency \(EPA\)](#) – is “a financial solution for distributed clean energy upgrades (including energy efficiency) via a tariff for site-specific utility investment and cost-recovery, approved by the utility’s regulatory authority and designed to ensure net annual cost savings for participants.”

The core tenets of an inclusive utility investment are 1) utility investment in clean energy upgrades as part of the utility’s energy services at the site, 2) site-specific modeling of resource and cost savings, and 3) positive cash flow for the participant at each project location. The tariff for site-specific investment requires the fixed cost-recovery charges to be lower than the estimated energy cost savings on an annual basis. Inclusive utility investments address customer barriers common to loan programs, like credit score requirements, debt aversion, and landlord-tenant split incentives. This is possible because the utility makes the investment in the resource and the cost recovery charge is with the metered location, which does not entail personal debt.

Instruments for capital sourcing, mitigating capital loss risk and ensuring savings

Clean Energy Works and Inclusive Prosperity Capital collaborated to develop term sheets for three financial instruments focused on capital sourcing and providing utility and participant assurances designed to accelerate uptake and improve performance of inclusive utility investments. These instruments were developed to facilitate agreements between potential parties on terms that will support successful investments for the capital provider, the utility, and the participants. The assurance funds are designed to mitigate real or perceived risk associated with utility cost recovery and participant savings realization, and as a result, they can simplify and scale deployment of distributed clean energy upgrades. These tools also help utilities to enhance the high-quality consumer protections built into inclusive utility investments consistent with the core tenets and best practices sourced by U.S. EPA. The instruments can work individually or in any combination.

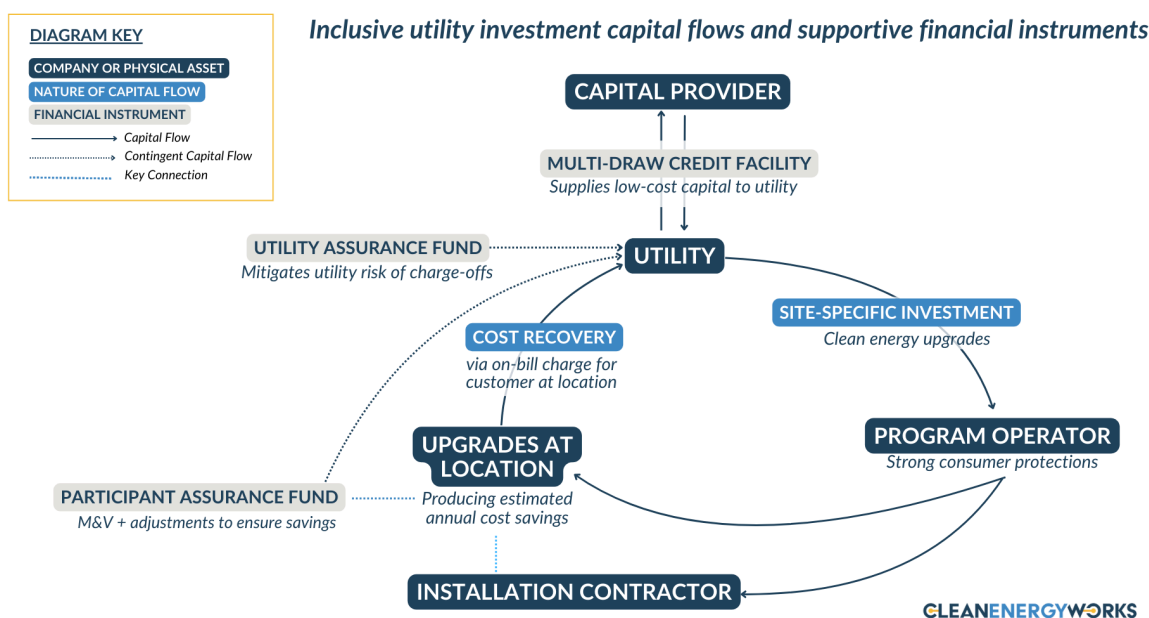
A **multi-draw credit facility** provides terms for a ready capital source that utilities can draw upon at regular intervals for making site-specific investments in clean energy upgrades with minimal administrative friction. The facility can be designed for a single capital provider or for multiple providers with a blended rate. Functionally, a utility replenishes the amount of working capital it deployed by drawing a series of tranches from the multi-draw credit facility (no more than quarterly). The loan to the utility is backed by the utility’s balance sheet, and the utility’s repayment schedule broadly mirrors the cost-recovery schedule for its investments. In all instances, third-party capital providers are lending to the utility, not to the utility’s customers.

A **utility assurance fund** is a second loss facility that provides a subscribing utility with an assurance it will be able to recoup uncollectible cost recovery charges resulting from nonpayment or catastrophic structural loss. To encourage sound management, the utility is responsible for the first loss equivalent to the utility’s annual charge-off rate for electricity sales. The fund covers additional losses from unrecovered costs above that baseline, and it is capped at 4% of the anticipated annual cost recovery charges because a loss rate above this level would indicate a systemic problem the utility should address before continuing to offer and make inclusive utility investments. Quarterly

implementation reports will help the Administrator anticipate losses, ensure sufficient fund liquidity, and review and issue payment annually for verified and eligible uncollectible cost recovery charges.

A **participant assurance fund** is a second loss facility to cover utility expenditures associated with providing post-upgrade participant assurance of net cost savings. In cases where a participant's annual, weather-normalized energy cost savings are less than the cost recovery charges for reasons attributable to the implementation of the tariff, a downward adjustment to cost recovery charges reduces a utility's expected revenue. These adjustments provide assurances to participants that they would not experience negative cash flow as a result of the implementation of the tariff. Any adjustments are identified through post-upgrade measurement and verification of savings with additional analysis as needed. To incentivise high-quality savings estimation and implementation, the utility is responsible for the first loss while the fund covers the second loss up to a cap. The utility reports its eligible adjustments to the Fund Administrator, who then verifies eligible adjustments and issues payment annually to the utility.

Capital flows for inclusive utility investments are shown in the diagram, including how each financial instrument is employed.



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Additional Resources:

- U.S. EPA, [Inclusive Utility Investments: Tariffed On-Bill Programs](#)
- Clean Energy Works, [Inclusive Utility Investment Guide for Distributed Energy Resources](#)
- Smart Electric Power Alliance (SEPA), [Scaling DER Deployment via Inclusive Utility Investment](#)
- Clean Energy Works, Technical Overview of New Financial Instruments for Inclusive Utility Investments
- Clean Energy Works & Inclusive Prosperity Capital, Term Sheets: Multi-Draw Credit Facility, Utility Assurance Fund, Participant Assurance Fund