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Ardenna Energyâ€™s comments on the Equitable Building Decarbonization Direct Install Program Draft Guidelines

Please see the attached document.

Additional submitted attachment is included below.

Date: June 29th, 2023

Subject: Ardenna Energy's comments on the Equitable Building Decarbonization Direct Install Program Draft Guidelines

To: California Energy Commission, 715 P Street, Sacramento, CA 95814

To the California Energy Commission:

Ardenna Energy appreciates the opportunity to provide comments on the draft guidelines for the Equitable Building Decarbonization Direct Install Program (the "Program"). The following comments derive from Ardenna Energy's work over the last four years to investigate and pursue opportunities for Inclusive Utility Investments in California. On behalf of the Building Decarbonization Coalition (BDC), Ardenna Energy led a team that included Dr. Holmes Hummel and Jeanne Clinton to prepare a policy white paper entitled *Towards an Accessible Financing Solution: A Policy Roadmap with Program Implementation Considerations for Tariffed On-Bill Programs in California* (2020). Subsequently, Ardenna Energy joined the TECH Clean California implementation team to focus on designing an Inclusive Utility Investment pilot in partnership with Silicon Valley Clean Energy (SVCE). That pilot proposal is currently undergoing regulatory review at the CPUC. In providing this context, it must be emphasized that the following comments reflect only the views of Ardenna Energy.

Recommendation

The CEC should incorporate into the Equitable Building Decarbonization strategy a pathway to incorporate Inclusive Utility Investments (IUI), also known as tariffed on-bill (TOB) investments. As noted by Energy Star (see https://www.energystar.gov/products/inclusive_utility_investment), IUI incorporates a number of notable features that distinguish it from other investment mechanisms:

- It enables utilities to make site-specific investments in building efficiency upgrades on the customer's side of the meter with site-specific cost recovery,
- It can pay the upfront costs for 100% of efficiency upgrades that are estimated to produce immediate net savings,
- Unlike consumer loan programs, all customers are eligible regardless of income, credit standing, or status as a building owner or tenant,
- Utility cost recovery is achieved through a tariffed charge on the utility bill tied to the location rather than an individual, and
- Successor customers at an upgraded site are notified that the cost recovery charge applies automatically to the bill until the utility's costs are recovered.

A central feature is that IUI / TOB cost recovery changes are constrained to be less than the customer's expected utility bill savings. This feature aligns it with the statutory direction in AB 209: "Participation in the direct install program shall be at minimal or no cost for low-to-moderate-income residents."

Economic Rationale

California has allocated up to $922 million to the Equitable Building Decarbonization Program. As the CEC's Equitable Decarbonization workshop slides show, there are approximately 5 million low-income households in California. If California were to pursue 100 percent direct install subsidies for all 5 million homes at a cost that is comparable to the San Joaquin Valley pilot ($56 million for 1,715 eligible households, equating to $32,653 per household), then the state would need to deploy more than $163 billion.

Given the severe imbalance between available resources and need, it is essential for California to attract third party capital investments to accelerate the deployment of public funds and retrofit more low-income households sooner. In doing so, the state must avoid imposing new financial burdens on those households. Tariffed on-bill investments are appropriate for this purpose.

Policy Rationale

The CEC's 2019 Energy Efficiency Action Plan includes the recommendation "Implement tariffed on-bill repayment programs statewide to open new financing mechanisms for low-to-middle-income households and multifamily units, with eligibility not based on credit score or income." This recommendation echoes a similar recommendation from the CEC's Low Income Barriers Study from 2016. The Equitable Decarbonization Program would appear to be an obvious opportunity to enact this recommendation.

Section 25235 of the Public Resources Code (Senate Bill 1112; Becker, 2022) directs the CEC to do the following:

> On or before December 31, 2023, the commission, in coordination with the Governor's Office of Business and Economic Development, the Public Utilities Commission, and the Treasurer, shall do all of the following:
>
> (A) Identify available state and federal financing or investment solutions.
>
> (B) Apply for federal financing or investment solutions, where applicable.
>
> (C) Provide technical assistance to electrical corporations, community choice aggregators, or other eligible entities to apply for state and federal financing or investment solutions

For purposes of this statute, ""financing or investment solutions" means financing or investment solutions that are consistent with the United States Environmental Protection Agency's inclusive utility investments policies or other industry best practices.

The Equitable Decarbonization Program would appear to be a perfect opportunity to deploy state-level financing or investment solutions. It would also appear to be an ideal opportunity to demonstrate meaningful state-level financial support in pursuit of federal financing or investment solutions (see for example the US DOE Loan Program Office's Title 17 Clean Energy Financing – State Energy Financing Institution (SEFI)-Supported Projects, https://www.energy.gov/lpo/state-energy-financing-institutions-sefi-supported-projects)

Path to Deployment

Because IUI / TOB is a utility investment with tariffed cost recovery, utility participation is an essential ingredient. The CPUC appears on track to adopting policies that enable this part of the solution. The Proposed Decision in the Clean Energy Finance Options proceeding (R.20-08-022), issued June 9th, establishes TOB as the Commission's preferred investment solution in the residential sector. It gives a strong endorsement to the TOB proposal submitted by Silicon Valley Clean Energy and directs the IOUs to use the SVCE proposal as a model in developing their own TOB proposals. If the proceeding remains on track, it is reasonable to believe that programs could start hitting the streets within a year or two.

In light of these developments, CEC should develop a pathway for the eventual joint deployment of Equitable Building Decarbonization resources and TOB investments. Administration of a TOB program entails some functions that may not be required to the same degree for a direct install program, including:

- Management of third-party capital, including cost recovery and repayment
- Compliance with utility tariff requirements
- Stringent quality assurance, quality control, and measurement and verification to support robust customer protections
- Ongoing customer service over the full cost recovery term

The CEC should adopt Equitable Decarbonization regulations that permit at least some funding to be deployed through approved TOB program administrators, subject to conditions that align with Equitable Decarbonization goals and objectives. Alternatively, the CEC may wish to seek out TOB administrative capabilities as part of its solicitation for Equitable Decarbonization implementation services. Either approach would offer a pathway to joint deployment of Equitable Decarbonization and IUI investment capital at minimal or no cost for low-to-moderate-income residents.