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PG&E Response to CEC RFI on Inclusive Utility Investment

Additional submitted attachment is included below.

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California Energy Commission
Docket Number 23-DECARB-02
715 P Street
Sacramento, CA 95814

RE: Request for Information Inclusive Utility Investment Report

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to respond to the California Energy Commission's (CEC) Request for Information (RFI) to inform the implementation of Senate Bill (SB) 1112 (Becker, Chapter 834, Statutes of 2022). SB 1112 requires the CEC, in coordination with the Governor's Office of Business and Economic Development, the Public Utilities Commission (CPUC), and the State Treasurers office to identify and apply for state and federal financing or investment solutions that will enable entities, including electrical corporations, to provide zero-emission, clean energy, or decarbonizing building upgrades. For the purposes of SB 1112, financing or investment solutions must be consistent with the United States Environmental Protection Agency's (US EPA's) inclusive utility investment (IUI) policies or other industry best practices.

The bill requires the CEC to provide technical assistance to certain entities to apply for state and federal financing and investment solutions. The bill also requires the CEC to submit a report to the Legislature on or before December 31, 2023.

The proposed decision in the CPUC Rulemaking R. 20-08-022 (issued June 9, 2023) directed the IOUs to establish a Tariff On-Bill (TOB) working group and file a Joint TOB proposal that would incorporate the US EPA's principles.

PG&E has structured comments to be responsive to the CEC's questions in the RFI.

1. *What barriers (such as statutory, regulatory, or financial barriers) do electrical corporations, community choice aggregators, and other eligible entities face in accessing state and federal financing for IUI?*

   Adding new debt may be challenging for electrical corporations if the new debt impacts the core operations or regulatorily approved debt and equity structure of the company. Debt to equity ratios and requirements along with weighted cost of capital ratios may be impacted when utilities take on additional debt to deliver programs in support of public policy objectives. Any constraint the additional debt will put on the electric corporation's ability to provide safe, affordable, and reliable electric service will make it difficult for the utility to take advantage of even highly subsidized capital. Regulated utilities such as PG&E need to be assured that it is authorized to recover funds from its rate base to repay the loan associated with IUI.

Beyond just the loan repayment, federal funding typically has significant administrative requirements and obligations for the borrower. It is important that an electric corporation has the resources available and assigned to meeting them. Collaboration with the State to minimize the administrative burden of those requirements may be beneficial in ensuring the utilities can participate in the federal opportunities. Obtaining recovery of administrative costs associated with the loan will be required for regulated utilities so that it does not become a barrier to the utility obtaining the funds.

PG&E has engaged the Department of Energy Loan Program Office (DOE LPO) in the application for funding that will include funds for a potential Tariff On-Bill (TOB) program under the CPUC's Clean Energy Financing Options (CEFO) proceeding. As it negotiates this funding PG&E may seek state and regulatory support to enable it to bring the funding to PG&E customers for these purposes.

2. *What barriers do electrical corporations, community choice aggregators, and other eligible entities face in implementing and administering IUI programs?*

   IUI is a novel tool for delivering customer programs. There is ambiguity as to the regulatory oversight and obligations for an electrical corporation of administering the product. The CEC can assist electrical corporations in deploying an IUI program by working with the financial regulator in California at the Department of Financial Protection and Innovation (DFPI) and California Public Utilities Commission (CPUC) to provide clarifying guidance on the legality and regulatory requirements of offering IUI programs. The following legal and regulatory guidance is needed:

   - Which regulations are applicable to electrical corporations offering IUI.
   - The costs associated with compliance with those regulations.
   - Investor-Owned Utilities have exemptions from the DFPI to offer On-Bill Financing; similar exemptions will be needed for IUI to ensure that administrative costs are not excessive.
   - Clear guidance on the legality of automatically obligating a future bill payer to a service agreement that a prior bill payer authorized.
   - Guidance on the treatment of the IUI charge when a customer enters bankruptcy.

3. *Please provide information on available state and federal IUI programs and similar programs, if any. What are the lessons learned from these programs? What sources of funding do these programs use? Please provide relevant case studies, program results, reports, and participation data if possible.*

   PG&E is familiar with IUI programs and the stakeholders and anticipates other respondents will provide case studies and reports from existing programs.

4. *What technical assistance would be most beneficial to electrical corporations, community choice aggregators, and other eligible entities to access state and federal financing for IUI?*

As noted in question one, PG&E has engaged the Department of Energy Loan Program Office in the application for funding and PG&E may seek state and/or regulatory assistance in support of this application.

PG&E also notes that the costs of evaluating and applying for state and federal funding can be significant. The CPUC has provided a process for the IOUs to seek to recover costs for applying for federal grants; however, the CEC may consider providing funding opportunities to enable entities to apply for loan funding to offset the cost of technical assistance, internal analysis, and process design that is required to establish IUI programs as well as access public funds. Leveraging non-ratepayer funding would not only lessen the burden on utility ratepayers but would provide an opportunity for the CEC to ensure that entities share and leverage best practices across the State.

5. *What decarbonization measures are most appropriate for existing IUI programs? Are measures required to be cost effective? Should programs that access state or federal financing be required to ensure participants realize utility bill savings? What, if any, consumer protections are required to improve access to financing or investment solutions?*

PG&E recommends that decarbonization measures that provide grid benefits for both participating and non-participating customers should be prioritized. This could include support for targeted strategies such as zonal electrification[1] and load management programs. Decarbonization measures that result in an increase to non-participating customers in utility rates should be minimized to ensure that decarbonization programs do not lead to inequitable outcomes.

PG&E recommends that programs are designed to be suitable for the target participant. Different customer types will have different requirements and concerns about bill impact and PG&E recommends aligning program guidance for IUI with the CPUC's affordability rulemaking[2].

PG&E recommends the following as key elements of customer protection:

- Ongoing involvement of the organization that sells and installs the product for customers. If future bill payers are to be obligated to pay a charge for a decarbonization project, then it is essential that the equipment is operational for the life of the charge. PG&E therefore views IUI as being an equipment 'as-a-service' model as the equipment must be available and operational to the customer if they are continuing to pay the charge.

- Appropriate disclosure requirements for the initial customer and all future customers paying the bill charge.

- Licensing, training, and oversight of sellers/installers of projects using IUI should be a requirement to ensure that customers are not mis-sold projects.

[1] PG&E Climate Strategy Report p.10
[2] Affordability (ca.gov)

6. *What statutory changes are necessary to improve access to federal funding for financing or investment solutions?*

   PG&E does not have any current requests for statutory changes. However, as it negotiates funding with the DOE LPO that will support future IUI programs areas where state support is requested may emerge.

PG&E appreciates the opportunity to respond to this RFI. Please reach out to me if you have any questions.

Sincerely,

Josh Harmon
State Agency Relations