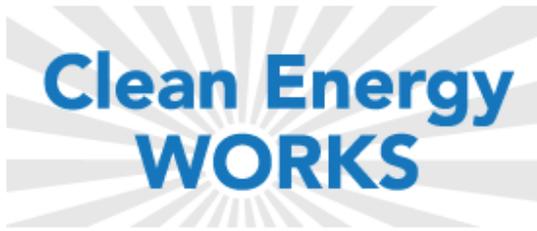


DOCKETED	
Docket Number:	19-IEPR-06
Project Title:	Energy Efficiency and Building Decarbonization
TN #:	228293
Document Title:	Clean Energy Works comments on IEPR for Energy Efficiency Action Plan and Building Decarbonization
Description:	N/A
Filer:	System
Organization:	Holmes Hummel/Clean Works
Submitter Role:	Public
Submission Date:	5/15/2019 4:59:20 PM
Docketed Date:	5/16/2019

Comment Received From: Holmes Hummel
Submitted On: 5/15/2019
Docket Number: 19-IEPR-06

Clean Energy Works comments on IEPR for Energy Efficiency Action Plan and Building Decarbonization

Additional submitted attachment is included below.



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May 15, 2019

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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 19-IEPR-06
1516 Ninth Street
Sacramento, CA 95814

RE: Comments on the California Energy Efficiency Action Plan Workshop

Clean Energy Works appreciates the opportunity to offer comment on the California Energy Commission's Workshops in support of the California Energy Efficiency Action Plan and related updates to the SB350 Barriers Study and the implementation of AB1477 for building decarbonization.

All of these streams of work led by the CEC depend critically on overcoming the barriers to deploying capital for cost effective solutions on the customer's side of a utility meter. Public policies related to funding and financing are widely recognized as essential components of strategies and plans to accelerate investment. However, most financing mechanisms will systematically disqualify prospective participants in the clean energy economy by applying criteria directly dependent on income, credit score, renter status, and other documentation.

Clean Energy Works is a champion for accelerating investment in energy efficiency and renewable energy using inclusive financing because the performance of utility on-bill investment programs (not on-bill loan programs) have consistently produced performance metrics consistent with breakthroughs in *eligibility, participation rates, depth of savings, and risk mitigation* in both consumer protection and cost recovery.

Altogether these attributes have produced conditions in which the velocity of capital deployment to energy solutions at the grid edge can accelerate, which is consistent with California policy objectives on multiple fronts. However, California has gained relatively little experience with tariffed on-bill programs that facilitate site-specific investment with site-specific cost recovery.

In the Commission's *Study of Barriers and Solutions to Energy Efficiency, Renewables, and Contracting Opportunities Among Low-Income Customers and Disadvantaged Communities* in 2016, the Commission recognized in its initial Scoping Paper that financing was a critical barrier.

Therefore, Clean Energy Works actively participated in the stakeholder process to provide information and insight from experience in the field beyond California. In that process, we provided information on more than a dozen utilities in multiple states that have demonstrated success with tariffed on-bill investment programs based on the Pay As You Save® (PAYS®) system created by the Energy Efficiency Institute, Inc. We had provided an overview of the concept, an update on key field results, and a summary of programs in other states that are based on PAYS.

After 16 months of research, workshops, drafts, and comments, the Commission determined that its top recommendation for addressing financing would be presented as follows:

“The State should continue developing a series of energy upgrade financing pilot programs to evaluate a variety of models to improve access and participation of low-income customers, including those in disadvantaged communities. The pilot programs would include the cost of health and safety measures required to accomplish energy efficiency upgrades. Possible pilots include:

- a. The CPUC should consider developing a tariffed on-bill pilot for investments in energy efficiency that targets low-income customers regardless of credit score or renter status, and that do not pass on a debt obligation to the customer. Utilities could use the program to make energy upgrade investments and recover the cost through the bill, so long as the recovery charge is less than the estimated savings. The Energy Commission should encourage and provide technical assistance to POUs and other load-serving entities seeking to implement a tariffed on-bill pilot.”

Recognizing the extent of the Commission's search for solutions and the breadth of participation in the Barriers Study process, we are humbled that the Barriers Study includes reference in its discussion of the issues and recommendations to two submissions from Clean Energy Works:

September 29, 2016,

http://docketpublic.energy.ca.gov/PublicDocuments/16-OIR-02/TN213841_20160929T151705_Holmes_Hummel_Comments_Comments_on_Draft_Report_for_SB350_Barri.pdf;

August 25, 2016,

http://docketpublic.energy.ca.gov/PublicDocuments/16-OIR-02/TN212958_20160825T170537_Holmes_Hummel_Comments_Comment_on_SB350_Barriers_Study.pdf

Because the Commission seeks updates to the Barriers Study as part of the IEPR and the Energy Efficiency Action Plan, Clean Energy Works would like to provide updated and supplementary materials that may assist the Commission in advancing recommendations to meet California's energy efficiency goals, especially by catalyzing more capital deployment in disadvantaged communities that face systemic barriers to participation even while they may have some of the most lucrative opportunities for investment.

Since the publication of the Barriers Study, several developments in the field and additional resources have been updated, which we are pleased to share with all stakeholders:

1. A [short summary](#) of a paper written by Clean Energy Works and the Energy Efficiency Institute, Inc presented at the ACEEE 2018 Summer Study: "[What is inclusive financing for energy efficiency, and why are some of the largest states in the country calling for it now?](#)" which summarizes all available program data for utilities offering PAYS-based programs through March 2018

The CEC will find in this paper the most complete data set describing the performance of utility on-bill investment programs that have altogether deployed more than \$30 million in thousands of locations served by more than a dozen utilities in more than six states.

In each case, the majority of customers that receive a bona fide offer of investment in all cost effective energy upgrades at their location have accepted it - more than 50%.

Also, across the entire portfolio, the cost recovery rate has exceeded 99.9%.

If this type of approach was available in California, these figures alone would open up huge new market opportunities in addition to opening more opportunities for economic participation in the clean energy economy.

2. [About PAYS](#) for Energy Efficiency on Clean Energy Works website (updates as of March 2019)
3. [Comparing PAYS, Loans, and PACE](#) - an updated (as of May 2019) edition to replace the previously-filed attachment provided in Clean Energy Works's comments in 16-OIR-01 dated 9/26/16
4. [Q&A on PAYS for energy efficiency](#) on the [Clean Energy Works website](#) (updates as of April 2019)
5. Southeast Energy Efficiency Association's 2017 [webinar series on inclusive financing](#):
 - a. Introduction to Inclusive Financing for Energy Efficiency
 - b. Update on Existing Programs
 - c. Consumer Protections in Inclusive Financing for Energy Efficiency
 - d. Due diligence with the Decision Tool for Utility Managers
 - e. Exploring Program Operator models
 - f. Establishing a Reserve Fund for tariffed on-bill EE programs
 - g. Sourcing capital for a Tariffed On-Bill investment program
 - h. Jobs: Workforce development in rapidly expanding EE markets
6. [With No Upfront Costs, This Innovative Financing Tool Makes Energy Efficiency Affordable To All](#). Berg, Nate. "With No Upfront Costs, This Innovative Financing Tool Makes Energy Efficiency Affordable to All." *Ensia*, *Ensia*, 26 Feb. 2019, ensia.com/articles/energy-efficiency/.

More recently, three California utilities (SMUD, LADWP, and Southern California Edison) sponsored a study completed by EThree on [Residential Building Decarbonization in California: Consumer Economics, Greenhouse Gases, and Grid Impacts](#). Like the CEC's own Barriers Study, the report calls on the CPUC to call for proposals for innovative business models, and specifically mentions exploring tariffed on-bill solutions that resolve long-standing barriers to participation and investment.

Multiple utilities and program operators exploring their options in California have sought technical assistance from Clean Energy Works, and we respectfully encourage the CEC to include in its Energy Efficiency Action Plan a clear scope of work to develop the capacity to convene and support stakeholders that can introduce tariffed on-bill investment programs at scale for all cost effective energy efficiency resources and building decarbonization opportunities.

Sincerely,

Holmes Hummel, PhD
