SoCalREN

DRAFT

Energy Efficiency Business Plan

Cross-Cutting Segment Chapter:
Financing

November 2016

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SoCalREN Cross-Cutting Segment Chapter: Financing

A.SoCalREN's Energy Efficiency Financing Vision

Financing tools are becoming increasingly important to the success of energy efficiency programs. The California Public Utility Commission (CPUC) already mandates that IOUs implement On Bill Financing. SoCalREN will embrace the growing role of energy efficiency financing by building on the success of existing products. Energy efficient mortgages, for example, are already growing in popularity. Products like Fannie Mae's HomeStyle Mortgage and PACE financing will make it easier for home and building owners to afford efficiency improvements. Options for all property types are increasing, like multifamily, with Multifamily Green Building Certification Pricing Break, Green Rewards, and Green Preservation Plus.

The Strategic Plan Financing Cross-Cutting Mission - *To leverage the collective action of local governments to maximize the energy efficiency of residential and commercial buildings across Southern California, focusing on hard-to-reach* communities and innovative pilot programs not offered by traditional utilities.

The LTEESP exerts the greatest influence on SoCalREN energy efficiency programs in the residential and commercial sectors because, unlike some other policy documents, it specifically identifies financing as a key strategy for achieving ZNE in the commercial sector.

SoCalREN's Financing Cross-Cutting vision is to leverage the collective action of public agencies and their communities in order to maximize the energy efficiency of residential and commercial buildings across Southern California, focusing on hard-to-reach communities and innovative pilot programs not offered by traditional utilities.

Over the next 8 years, SoCalREN will seek to achieve the following goals:

1. Finance XX residential projects and YY commercial projects.
2. Host XX events, meetings, and workshops to educate stakeholders about commercial PACE financing products.
3. Increase customer engagement an interest in financing products by increasing customer service call volume by XX% and event attendance by XX%.

SoCalREN envisions residential financing not only as a fundamental tool for enabling property owners to make ZNE and ZNE-ready improvements, but also as an opportunity to parlay improvements into future growth. Unregulated energy efficiency financing tools are not always a good fit for property owners. Energy savings is increasingly becoming a marketing tool. Property owners want to report and advertise savings from financed improvements. However, the reporting methodology in the private sector varies from program to program, undercutting the data's legitimacy and their value as a marketing tool. By becoming the conduit through which property owners connect with traditional financing, SoCalREN will increase the number of projects that actually report energy savings and will assist in standardizing reporting methodology. SoCalREN will work specifically with residential PACE providers to increase the number of projects reporting data and improve the quality of the data.

In the commercial sector, SoCalREN envisions focusing on the unique capabilities of public sector agencies to serve their constituents. Although there is no shortage of financing options for commercial property owners, they often face constraints when it comes to having the time, resources, and know-how needed to make the best selection among available options. This is where SoCalREN will be able to help. SoCalREN has the expertise to match owners with the right financing by factoring in circumstances that are unique to the owner such as climate zone, demographics, and building stock. By tailoring services to the needs of commercial property owners, SoCalREN's local focus will drive the region and its sectors toward ZNE.

B. SoCalREN's Energy Efficiency Financing Proposal Compared to Past Program Cycles

Financing plays a significant role in SoCalREN's approach to transforming the market because the lack of funding is one of the most common barriers to pursuing energy efficiency. In addition to continuing commercial PACE and more conventional residential financing, SoCalREN will expand financing offerings by promoting above-code retrofits and capitalizing on the recent success of programs like residential PACE.

Launched in July 2011, SoCalREN's Home Energy Loans (HEL) program is a traditional unsecured loan product that offers competitive financing to residents participating in Home Upgrade or Advance Home Upgrade in the SoCalREN territory. Five years later, the California Hub for Energy Efficiency Financing launched the REEL program statewide. Although these two programs may appear similar, they serve two very distinct markets.

HEL finances energy efficiency measures and, in some cases where non-CPUC funds can be leveraged, solar panel installation. REEL can finance non-energy efficiency work and projects that do not receive ratepayer-funded incentives. For this reason, SoCalREN contractors prefer REEL for projects undergoing cosmetic renovations in addition to energy efficiency upgrades, or, for projects that are ineligible for an incentive program. Together, HEL and REEL provide financing to a broader swath of ratepayers by serving customers across two distinct sets of circumstances.

Commercial financing options are limited to unsecured loans, energy service agreements, and IOUs' On-Bill Financing programs. SoCalREN has administered a Non-Residential PACE financing program that will continue to identify and support the completion of more energy efficiency projects.

Commercial PACE currently finances improvements that are permanently affixed to the property and conserve energy, water, or generate renewable energy. Commercial PACE financing offers an innovative solution to "split incentives", which, as the LTEESP notes, is one of the biggest barriers to ZNE in commercial buildings. Split incentives refer to misaligned rental property incentives, where owners pay up-front capital expenses but tenants receive the benefits, most often in the form of reduced utility costs. Non-residential PACE allows owners to pass the debt service to tenants via a tax pass clause in lease agreements. SoCalREN hopes to leverage and expand its finance offerings in the Commercial sector. Further details of this strategy is described in Section F.

Key Learnings from Recent EM&V Reports of California's Financing Programs

SoCalREN originally offered financing because it was a local government response to the up-front costs of energy efficiency. Since then, EM&V reports have observed that financing continues to successfully address this and other barriers.[1] SoCalREN has increased its financing offerings since 2011, seeing growth in both ratepayer-funded and non-ratepayer-funded energy efficiency financing programs.

SoCalREN can apply key learnings from the medium-to-large business focus group to understand the commercial sector. They demonstrate the following characteristics and preferences of prospective borrowers:[2]

- Possess limited awareness and knowledge of energy-efficiency financing
- Are uncertain about the difficulty of obtaining loans for energy efficiency
- Prefer to learn about loan options as early as possible in the decision-making process
- Interest rates are very important when considering a loan
- Prefer fixed interest rates
- Home mortgages and car loans (which are typically secured and have single digit rates) are used as benchmarks for interest rates
- Value repayment period options
  - Prefer longer periods with smaller monthly payments
  - Want the option to pay off the loan early
- Generally undertake upgrades when equipment fails
- Prefer to work with a lender, but are also comfortable with outreach from PAs
- Are willing to accept modest fees but prefer to have fees rolled into the loan
- Prefer flexible loans that cover improvements that help their business become more energy efficient
- Like loans that do not preclude them from rebates
- Are motivated by the prospect of energy savings to help offset monthly loan payments

Key Learnings applicable to the Residential sector:[3]

- Possess limited awareness and knowledge of energy-efficiency financing
- Rarely use loans/financing for energy efficiency
- Prefer to learn about loan options as early as possible in the decision-making process
- Prefer unsecured loans
- Consider interest rates to be very important when considering a loan
- Prefer a fixed interest rate

[1] Mulholland, Carol, Linda Dethman, Allie Marshall, and Cynthia Kan. Energy-Efficiency Financing Customer Research Focus Group Findings. Boston, MA: The Cadmus Group, June 2013.
[2] Ibid.
[3] Ibid.

- Use home mortgages and car loans (which are typically secured and have single digit rates) as benchmarks for interest rates
- Value repayment period options
  - Prefer longer periods with smaller monthly payments
  - Want the option to pay off the loan early
- Prefer to use internal business capital
- Will upgrade equipment under these three scenarios:
  - Planned replacement
  - Equipment fails
  - Excessive discomfort in the home
- Are more likely at act when rebates are available
  - Favor loans that do not preclude them from rebates
- Distrust contractors to accurately represent loan opportunities
- Prefer to work with a lender but are also comfortable with outreach from PAs
- Are comfortable with a traditional credit review
- Will to accept modest fees but prefer fees to be rolled into the loan
- Prefer flexible loans that cover improvements needed to help their home become more energy efficient

C.Sector Level Budget

Over the 8-year period, SoCalREN is proposing to spend X dollars on financing offerings. These values are based on estimates of the proposed strategies outlined in Section F below. As SoCalREN implements the strategies described in this business plan chapter, the budget will be reevaluated over time to respond to market changes, needs of the portfolio and regulatory directives. Further details on these changes will be reflected annually in SoCalREN's September Compliance filing as dictated by the California Public Utilities Commission (CPUC) Decision (D.)15-10-028.

Table 1 shows a breakdown of this number by year. These values are based on estimates of the proposed strategies outlined in Section F below. As SoCalREN implements the strategies described in this business plan chapter, the budget will be reevaluated over time to respond to market changes, needs of the portfolio and regulatory directives. Further details on these changes will be reflected annually in SoCalREN's September Compliance filing as dictated by the California Public Utilities Commission (CPUC) Decision (D.)15-10-028.[4]

Table 1. Financing Sector Level Budget

Year	Budget	% of Portfolio
2018	TBD	TBD
2019		
2020		

[4] D.15-10-028, Ordering paragraph (Op.) 4.

2021		
2022		
2023		
2024		
2025		

D.Market Overview

All market sectors can enjoy a diverse array of financing opportunities to stimulate energy efficiency investments.

Residential Sector

The need for energy efficiency financing in Southern California has never been greater. While substantial resources have been expended to determine how homeowner incentives can transform the market for residential home performance, the market transformation accompanying the meteoric rise of PACE has been roundly ignored. Since April 2015, over 18,000 PACE loans have been funded in Los Angeles County alone, which averages out to 1,000 new loans generated each month. Most PACE loans are not paired with an energy efficiency incentive. This disconnect represents a tremendous opportunity for SoCalREN.

The potential for energy efficiency financing is considerable. An estimated 40% of homeowners will make energy-related upgrades within the next two years, and 27% are likely to use financing.[5] However, not all of these are potential customers are eligible for PACE. Despite tremendous uptake, residential PACE does not serve the entire residential sector. Some residents do not qualify for loans on the basis of poor credit. Frequently, these residents can still pursue traditional (i.e., non-PACE) unsecured loan products.[6] As noted in the Key Learnings above, limited awareness and knowledge is a leading reason why many residents do not pursue energy efficiency financing. Thus the opportunity to educate the residential sector is significant.

Navigant Energy undertook the 2015 California Potential and Goals Study to inform IOU goals, forecast AAEE savings, understand how IOU programs can meet AB 32 goals, and provide analysis to support the development of a strategic plan. This Study relied on data from the DEER and on EM&V studies. Below are findings relevant to SoCalREN financing programs:[7]

- The Navigant Study updated data in the 2015 study, updated figures include:
    - Single-Family interest rate is now 8%. The study collected over 400 interest rate quotes from California banks and credit unions.
    - Single-Family eligible population is now 98%. The new rate increased significantly from 63% in the 2013 study. Eligibility is determined by credit data.

[5] Opinion Dynamics and Dunsky Energy Consulting. *PY 2014 Finance Residential Market Baseline Study Report*. Oakland, CA, March 2016.
[6] SoCalREN 10/27/16 Contractor Focus Group.
[7] Navigant. 2015 California Potential and Goals Study. September 25, 2015.

- Single-Family implied discount rate is now 14%. The rate in the 2015 study represents a higher proportion of residential customers who cite upfront costs as a market barrier. It was 11% in the 2013 study.
- Multifamily implied discount rate is now 20%. It was 13% in the 2013 study.

- Major conclusions related to financing:
  - Over the 2016-2024 period, financing increases residential sector incremental electric savings by an average of 4.5%, while increasing gas savings by 20.8%.
  - The impact of financing is more prominent for the residential sector than the commercial sector.

Commercial Sector

Although SoCalREN's territory encompasses most of Southern California, the focus of commercial financing sector is principally on Los Angeles County. The commercial sector includes, but is not limited to, office buildings, multifamily with five or more units, retail, restaurants, hotels, warehouses, and industrial facilities.

Commercial buildings consume more electricity than any other end-use sector in California. In aggregate, commercial buildings account for 38% of the state's power consumption and over 25% of natural gas consumption. Lighting, cooling, refrigeration, and ventilation account for 75% of all commercial electric use. Space heating, water heating, and cooking account for over 90% of commercial gas use.[8] Office buildings consume the most electricity, accounting for nearly 25%. Restaurants have a comparable share among gas consumers, accounting for 25%.[9] **Table 2** provides more detail on energy consumption by end use and facility type.

Table 2. Profile of Consumption by End Use and Facility Type

Table 1 - Profile of Consumption by End Use and Major Facility Type *

	Electric %	Cumulative Electric %		Gas %	Cumulative Gas %
End Use			**End Use**		
Lighting-inter & exter	34.5	34.5	Space Heating	36.4	36.4
Cooling	14.9	49.4	Water heating	31.8	68.2
Refrigeration	13.4	62.8	Cooking	22.6	90.8
Ventilation	11.9	74.7	Process	5.9	96.7
Office Equipment	7.1	81.8	Misc.	1.8	98.5
Facility Type			**Facility Type**		
Office	24.5	24.5	Restaurant	24.5	24.5
Retail	14.7	39.2	Health	13.7	38.2
Restaurant	8.9	48.1	Office	13.3	51.5
Food Store	8.8	56.9	School & College	11.1	62.6
School & College	8.8	65.7	Lodging	9.0	71.6
Health	6.8	72.5	Food Store	3.1	74.7
Lodging	4.9	77.4	Retail	2.5	77.2
Unrefrig warehouse	3.7	81.1	Unrefrig warehouse	1.3	78.5

** Source: California End Use Survey, 2006*

[8] California Energy Efficiency Strategic Plan – January 2011 Update.
[9] *Ibid.*

Although large commercial properties collectively represent the greatest opportunity for energy savings, the typical energy costs for such properties represent only 2-4% of their operating budget. Generally, these large businesses prefer to use capital to support core business operations instead of pursuing energy savings. Thus financing opportunities for energy efficiency in large commercial properties tend to be limited because of low demand.

Financing can have more impact on small commercial properties where typical energy costs are proportionally higher to overall budgets, but even then, there are constraints. Lenders are more concerned about default because small businesses face higher levels of debt. This in turn results in higher interest rates and transaction costs, discouraging property owners from pursing financing at all.

E. Trends and Challenges

SoCalREN has identified six overarching financial barriers for energy efficiency projects:

- **Property owners are not confident about energy efficiency savings:** Despite California's leadership in energy efficiency legislation, it is still difficult to persuade property owners to take make buildings energy efficient. Savings are difficult to quantify because utility rates and end user consumption are unpredictable. Uncertainty is an anathema for any business, and property owners are no exception. They demand a steady return on investment. But seeing energy efficiency as an investment is still a relatively new concept. Most owners perceive it as a luxury. Combined with the perceived uncertainty surrounding rate of return, owners remain hesitant to pursue energy efficient building improvements.
- **Property owners lack interest in financing offerings:** The primary challenge financing programs encounter is low customer demand, not access to attractive capital. Programs such as the On-Bill Financing face low demand despite offering a rate of 0%. Those in the commercial sector, like large businesses and corporations, tend not to spend capital on building improvements. They reinvest in core business to stay competitive. Often, large corporations do not even need to rely on financing. If improvements are unavoidable, they self-finance.
- **High rates and administrative costs make funding projects difficult:** The very people who need financing the most are those who are must difficult to fund. Small businesses and low-income homeowners need capital more than anyone, but lending institutions do not see them as safe candidates for loans. And from the standpoint of the participant, high rates, underwriting and administrative costs make the low loan amounts just not worth it.
- **Complex financing requirements and building capital structures:** Financing options often require complicated analysis and underwriting that discourage, or outright exclude, potential customers. For example, PACE programs must notify primary mortgage holders, who must give consent, before new debt is authorized. Mortgage holders rarely allow give consent because PACE may undermine the repayment of their own loans.
- **Financing efforts are not coordinated across program providers:** Many financing options are available, but are often ignored by property owners, because providers do

not coordinate. For example, several PACE programs actively promote in Southern California, but rapid expansion, aggressive and uncoordinated marketing tactics, sow confusion among property owners. They confuse programs sponsored by SoCalREN or the CPUC with those offered by private companies. When fees and terms do not match across products, they end up distrusting the entire industry.

- **Split Incentives:** Most commercial and multifamily properties are rental properties, and rental properties face unique barriers to energy efficiency upgrades. As investments, owners make decisions based on return. The bulk of return on investment from efficiency upgrades comes from utility cost savings in tenant occupied spaces. The owner, who paid for the improvement, sees no return, and therefore has no incentive to invest in energy efficiency improvements. Tenants, on the other hand, do not want to invest in permanent energy efficiency improvements because tenure is short, and short-term utility savings will not justify upfront costs. Further, with no equity stake, tenants miss out on the benefit of capital improvement. This misalignment of incentives is commonly referred to as the split incentive barrier.

F. SoCalREN's Approach to Achieving Goals

SoCalREN's vision to educate and support constituents in communities' path to ZNE includes a number of intervention strategies that address multiple barriers. SoCalREN intends to use multiple intervention strategies to address different market barriers:

- Expand access to financing products
- Coordinate with relevant programs
- Pursue partnering opportunities
- Conduct targeted marketing and outreach

After five years of implementing financing programs, SoCalREN believes the following intervention strategies and example tactics will be the most cost effective methods to increase financed projects. These intervention strategies will address continued barriers that interfere with greater adoption of financing mechanisms to achieve greater energy efficiency and more comprehensive projects.

Intervention 1 – Increase Access to Financing Products

SoCalREN will continue to offer traditional low-cost financing products to customers with good credit, and simplify coordination between financing and retrofit programs.[10]

SoCalREN currently offers one commercial and two residential PACE programs in Los Angeles County, and each program has its own provider. Competition between two residential PACE providers is beneficial to residents by driving down costs and allowing for competition between

[10] Improvements financed through PACE lower energy costs and increase property values, but because owners can share costs with tenants, PACE can eliminate the split incentive barrier. With PACE, owners can use building equity to finance improvements, regardless of the property owner's credit worthiness. PACE also allows flexible loan terms of up to 20 years and with zero upfront capital investment. PACE's long-term financing allows owners to realize immediate positive cash flow.

products. SoCalREN would like to apply the same logic to commercial PACE by bringing in additional providers. Rates and fees will drop, making smaller projects more affordable.

SoCalREN would also like to expand Los Angeles County PACE Programs to include all improvements that are eligible under California state law, including measures such as seismic strengthening and solar leases. Having more options will increase flexibility. **Table 3** summarizes tactics for increasing access to financing programs.

Table 3. Intervention 1 – Increase Access to Financing Products

Intervention Strategy	Barriers	Example Tactics	Existing, Modified, or New	Short, Mid, Long-term
Expand access to financing products	• High rates and startup costs make funding smaller projects difficult. • Property owners have insufficient incentive to improve buildings occupied by tenants (split incentive).	Continue to offer traditional residential financing to customers with good credit.	E	S, M, L
		Increase the number of PACE providers. This will create competition and facilitate better products for owners.	M	S, M
		Expand measures that can be financed to be consistent with California law.	N	S, M, L
		Implement and promote PACE financing so that costs of improvements can be passed onto renters.	E	S, M, L
Partners: CAEFTA, Matadors Community Credit Union, PACE Administrators, LAC BOS				

Intervention 2 – Coordinate with Relevant Programs and Organizations

SoCalREN has built relationships with public agencies and its communities, IOUs, financial institutions, and other PACE providers, to ensure stakeholders receive consistent support. But future coordination with Southern California PACE providers is particularly vital. Multiple providers create confusion in the market, so one important task is for SoCalREN to provide a unified point of contact. Historically, SoCalREN has directed customer leads to other PACE implementers who provide more cost-effective financing options. In areas where they do not operate, private PACE providers have directed leads to SoCalREN. SoCalREN sees growing this coordination as a component to encouraging PACE participation.

SoCalREN will accomplish this by fostering dialogue among providers and staying in regular contact through meetings. SoCalREN has worked with public agencies and its communities to sponsor and host educational workshops on project development and financing for property owners. In addition, SoCalREN has sponsored and become an active contributor in local outreach plans.

Traditional financing, which requires participation in a rate payer incentive program, will continue to serve participants for whom PACE financing is not appropriate. Customers who perform energy efficiency upgrades outside an incentive program have historically been underserved, so SoCalREN will work with the CHEEF to promote the other statewide programs such as REEL.[11]

SoCalREN also works closely with IOUs in Southern California to provide financing. Leads that are not the best fit for PACE will be directed to utilities to enroll in their programs, with the added benefit that utility participation will ensure that potential energy savings capacity is captured and data are collected.

Table 4. Intervention 2 – Coordinate with Relevant Programs and Organizations

Intervention Strategy	Barriers	Example Tactics	Existing, Modified, or New	Short, Mid, Long-term
Coordination with relevant programs and organizations	• Property owners lack interest in financing offerings. • High rates and startup costs make funding smaller projects difficult. • Financing efforts are not coordinated among program providers.	Partner with PACE providers to facilitate financing projects in areas which they currently do not serve, making additional financing tools available.	M	S, M, L
		Partner with public agencies and its communities to host educational workshops on energy efficiency financing solutions, marketing to their commercial stakeholders.	E	S, M, L
		Host collaborative webinars, workshops, and events with PACE providers, establishing a single reliable source for information about PACE.	E	S, M
		Coordinate commercial PACE projects with utility	M	S, M, L

[11] The Residential Energy Efficiency Loan (REEL) Assistance Program enrolled its first loan in July, 2016. REEL is available to borrowers who are interested in completing an energy efficiency project and occupy a single family residence of 1-4 units where the utility service is provided by an investor-owned utility (PG&E, SCE, SCG and/or SDG&E).

Intervention Strategy	Barriers	Example Tactics	Existing, Modified, or New	Short, Mid, Long-term
		counterparts to enroll projects in available utility programs.		
		Serve as a single point-of-contact for commercial PACE inquiries and provide potential project leads to utilities and other PACE providers.	N	S, M, L
		Coordinate with statewide financing (CHEEF REEL program) to educate homeowners on all available financing options.	N	S, M
Partners: IOUs, PACE Administrators, Council of Governments, Financial Institutions				

Intervention 3 – Expand and Establish Additional Partnerships for a Comprehensive Financing Product

SoCalREN will collaborate with private Southern California PACE providers to collect energy savings data and encourage participation in IOU and CPUC programs. Having basic information about improvements and how building owners finance projects will serve to improve understanding of the impact of PACE financing in Southern California.

SoCalREN has been working with the Environmental Defense Fund's ICP, which certifies energy efficiency savings by standardizing technical requirements with national protocols that align with industry best practices and software tools.[12] This nationwide standard will provide confidence to property owners who are weary of their energy savings and ROI for their energy efficiency project. **Table 5** summarizes tactics for increased partnering for data improvements.

Table 5. Intervention 3 – Expand and Establish Additional Partnerships for a Comprehensive Financing Product

Intervention Strategy	Barriers	Example Tactics	Existing, Modified, or New	Short, Mid, Long-term
Expand and Establish Additional		Partner with PACE providers to capture energy savings from improvements financed	N	S, M, L

[12] http://www.eeperformance.org/icp-for-programs.html

Partnerships for a Comprehensive Financing Product	• Property owners lack confidence in energy efficiency savings.	Partner with ICP to standardize energy savings and ROI of improvements financed	M	S, M, L
Partners: IOUs, PACE Providers, ICP				

Intervention 4 – Targeted Marketing and Outreach to Leverage Existing Networks and Resources

Marketing and outreach are critical informing property owners who do not participate in energy programs because many are unaware of the resources available to them. To avoid cost-prohibitive broad-based marketing and education approaches, SoCalREN will identify consumers who can benefit from the available programs. This strategy will focus on hard-to-reach communities and commercial businesses that are not interested in working with the IOUs.

SoCalREN will continue to nurture interest and leads for traditional energy efficiency financing programs such as HEL. Like incentive programs, financing is contractor-driven, so SoCalREN will educate contractors about the benefits of HEL and how to incorporate them into their own marketing efforts.

Marketing and outreach will explain how PACE addresses the split incentive barrier. Special care will be given to ensure that both property owners and tenants understand the implications for all parties.

Targeted marketing will familiarize the existing mortgage holder with PACE financing and its benefits. Engagement with lenders is essential in order to obtain approval for PACE financing on the property.

Table 6. Intervention 4 — Targeted Marketing and Outreach to Leverage Existing Networks and Resources

Intervention Strategy	Barriers	Example Tactics	Existing, Modified, or New	Short, Mid, Long-term
Targeted Marketing and Outreach to Leverage Existing Networks and Resources	• Energy efficiency efforts are not coordinated across program providers. • Complex financing requirements and building capital structures	Develop and promote case studies demonstrating the value of energy efficiency improvements.	E	S, M, L
		Host regular educational events and webinars on PACE, targeting commercial market stakeholders, establishing a reliable source for information about PACE.	E	S, M, L
		Engage with mortgage lenders to inform them of the benefits of PACE.	E	S, M, L

		Educate contractors on available financing options and how to integrate them into business models.	E	S, M
Partners: IOUs, PACE Providers, Council of Governments, Lenders				

G. SoCalREN's Partners and Commitment to Coordination

SoCalREN has built relationships with public agencies and its community partners, IOUs, and other PACE providers to ensure commercial stakeholders receive the best support possible. We see opportunities for growth by continuing to partner with councils of government, financial institutions, trade organizations, and program implementers. **Table 7** lists SoCalREN's existing and potential providers.

Table 7. Partners

Type of partner	Existing Partners	Potential Partners ** Representative only*
Statewide	CPUC, CEC	Statewide residential financing program administrator
County government	Los Angeles County	Orange County, San Bernardino County, Riverside County
City government	84 out of 88 cities in LA County	Additional cities as county partnerships increase
Councils of Government	South Bay COG, San Gabriel Valley COG	Gateway COG
Program Implementers/ Financial institutions	Renovate America (HERO), CaliforniaFIRST, Samas Capital PACE, FigTree Financing, AllianceNRG, CleanFund, Ygrene, PACENation	PACE Funding, Spruce, Energy Efficient Equity Shifts as industry grows
Trade organizations	IBEW, ICP	

H.Metrics and EM&V Considerations

As a non-resource program, financing does not generate energy savings, limiting what SoCalREN can report. Currently, SoCalREN reports only absolute participation rates and loan characteristics. However, because financing significantly influences homeowners' decisions to make energy efficiency upgrades, a portion of energy savings should be attributable to the financing program.[13] Developing a methodology to capture this influence would require direction from the CPUC. SoCalREN believes it would be beneficial to undertake this effort.

In the absence of such attribution, SoCalREN will collect data that document the following:

- Number of participants
- Loan terms
- Coordination with partner programs
- ME&O efforts

I. EM&V Needs

As SoCalREN's residential financing programs grow, so does the need for EM&V to determine how to attribute claim savings. With significant participation in residential PACE, EM&V will help assess the impact and value of collaborating with non-ratepayer financing. Data are available to support such efforts because SoCalREN has close partnerships with public agencies and its communities, and financial institutions.

SoCalREN is preparing for evaluation of the commercial sector and the intervention strategies proposed above. Given the number of private PACE providers in Southern California, a coordinating body will need to capture energy savings and report to the CPUC. Established relationships with administrators positions SoCalREN to capture otherwise unreported savings.

[13] Horkitz, Karen, Pat McGuckin, Laura James, Christopher Frye, and Hugh Ratcliffe. HERO Program Profile: Draft Final Report. Boston, MA: The Cadmus Group, August 2016.

Appendix A: Stakeholder Feedback – Cross Cutting Financing Chapter

To be inserted as stakeholder input is provided pertaining to this sub sector.

Appendix B: Compliance Checklist

Reference Section/Page # in SoCalREN BP	Business Plan Element	SoCalREN Notes
	Sector Chapter: Cross Cutting - Financing	
	Summary tables	SoCalREN to provide in the January filing
	Table with CE, TRC, PAC, emissions, savings, budget	
	Metrics for sector	
Section D.	**Market characterization (overview and market/gap and other analysis)**	
	Electricity/NG	Not Applicable to this Chapter
	State goals include acknowledgement of goals set by Strategic Plan, SB 350, AB758, guidance as appropriate)	Not Applicable to this Chapter
	EE potential and goals	Not Applicable to this Chapter
Section E.	*Customer landscape (e.g., segments/sub segments, major end uses, participation rates, etc.)*	
Section E.	*Major future trends that are key for the PA and its customers*	
Section E.	*Barriers to EE and other challenges to heightened EE (e.g., regulatory, market, data)*	
Section F.	**Description of overarching approach to the sector**	
Section F.	*Goals/strategies/approaches*	
	How portfolio meets Commission guidance	Not Applicable to this Chapter
Section F. Intervention Tables 1-4	*Description of how this chapter addresses the performance challenges/barriers*	
Section F.	**Intervention strategies (detailed)**	
Section F. Intervention Tables 1-4	*What specific strategies are being pursued (e.g., near, mid, long AND existing, modified, new)*	
Section F. Sub Sections Interventions 1-4	*Why specific strategies were chosen (e.g., ID current weaknesses, best practices, or other rationale to support choice)*	
Section F. Sub Sections Interventions 1-4	*How approaches advance goals discussed above*	

Reference Section/Page # in SoCalREN BP	Business Plan Element	SoCalREN Notes
	How strategies use lessons learned from past cycles and EM&V	SoCalREN to provide in the January filing
Section B.	*How will interventions support/augment current approaches or solve challenges*	
	Explanation for how these strategies address legislative mandates from AB 802, SB350, and AB 793, as well as other Commission directives for this sector, including strategic plan.	Not Applicable to this Chapter
[x]	*Future expectations for intervention strategies*	
	Description of pilots	SoCalREN to provide in the January filing
Section G.	*Key Partners*	
Section B.	**Compare/contrast to past cycles**	
	Budget changes as appropriate	SoCalREN to provide in the January filing
Section B.	*Modification to sector strategies*	
	Cross-cutting (sector chapters and ME&0)	Not Applicable to this Chapter
	Program Administrator marketing and integration with SW MEO as applicable	
	Workforce, education, and training	
	Emerging Technologies	
	Codes & Standards	
Section G.	**Cross PA and Offering Coordination**	
[X]	*How strategies are coordination among regional PAs*	SoCalREN to provide in the January filing
	Proposal of statewide program administrator/approaches for this sector	Not applicable to SoCalREN
[X]	*How the sector strategies are coordinated with statewide program activities*	SoCalREN to provide in the January filing
[X]	*How are strategies coordinated with other state agencies and initiatives (e.g., AB 758)*	SoCalREN to provide in the January filing
Section H.	**EM&V Considerations (statement of needs)**	
Section I.	*Data collection needs*	
Section I.	*Anticipated study needs*	
	Demand Response	Not applicable to SoCalREN
	How EE measures use up-to-date DR enabling technologies to be "DR ready"	
	How duplication of costs for ME&O, site visits, etc. is avoided for dual-purpose technologies	

Reference Section/Page # in SoCalREN BP	Business Plan Element	SoCalREN Notes
	How strategies facilitate customer understanding of peak load, cost, and opportunities to reduce	
	Residential Rate Reform	Not applicable to SoCalREN
	How BPs will help reduce load during TOU periods	
	How BP will diminish barriers to load reduction during TOU periods	
	How strategies will provide info to customers and/or provide a tool to show how program may impact customer energy usage during different TOU periods	
	How strategies will analyze whether a customer may experience greater savings by switching to a different, opt-in TOU rate	
	ME&O re: rate reform	
	Integrated Demand Side Resources	Not Applicable to this Chapter
	Zero-Emission Vehicles(EVs)	Not Applicable to this Chapter
	Energy Savings Assistance (Multifamily Focused)	Not Applicable to this Chapter
	Appendices	
	Additional Customer Data	
Located in Footnotes of Chapter	*Cited research*	
Appendix A	*CAEECC stakeholder input resolution*	