Points Relevant to Local Governments for CPUC Clean Energy Finance Proceeding:

*Inclusive Utility Investment (TOB) and Marginal Rates as Tools for Local Government Decarbonization*

1. Many local governments and quasi-governments (e.g., Community Choice Aggregators and Regional Energy Networks) have ambitious decarbonization commitments. They can employ diverse tools to drive decarbonization - while also attending to other policy objectives such as equity, affordability and economic development. Roughly 35% of all carbon footprint abatement potential in California is from activities at least partially within the control of local governments[[1]](#footnote-1).
2. Local governments are uniquely positioned to combine their own legislative, budgetary, and land use powers with clean energy financing to accelerate investment in decarbonization. However, they lack the utility functions necessary for inclusive utility investment, a promising mechanism to mobilize capital of significant interest to many local governments.[[2]](#footnote-2)
3. The Commission can ensure local governments and CCAs can access and participate in inclusive utility investment by ensuring that utilities adopt necessary tariffs and platforms and provide the necessary data to plan, design and implement inclusive financing offerings.
4. [*specific local governments and CCAs*] support the adoption in California of inclusive utility investment as the term is used by the U.S. Department of Energy. By focusing on utility investments on upgrades that produce bill savings and for which cost recovery runs with the meter through successor occupants, this formulation can protect consumers and ratepayers and support longer-term investments.

This approach is embodied in the proposal by Silicon Valley Clean Energy and TECH Clean California. The Commission should approve the specific tariff provisions included in that proposal and ensure that other program implementers have access to those tariff terms, at least in PG&E and SCE service territories.

1. Inclusive utility investment is especially important because, as the name implies, it can support upgrades in a broad range of households, including those not well served by traditional financing, such as renters and those with debt or credit challenges. Well-structured inclusive utility investment can offer considerable consumer protection, not only by avoiding the risks of personal debt but by utilizing robust mechanisms to determine which projects will result in net bill savings.
2. Implementers of inclusive utility investment programs, including local governments, CCAs and RENs, need reasonable access to both electric and gas consumption data so they can identify the buildings most suitable for inclusive utility investments that yield positive bill outcomes.

There are different mechanisms to accomplish this, and the Commission should consider engaging the TECH Clean California implementer, given its access to historical gas and electric meter data, or building a similar sharing structure with CCAs.

1. Rate reforms can help advance decarbonization goals in an equitable and effective fashion. [Local governments and CCAs are also dependent on utility rates approved by the Commission.] The rules and practices of rate design, some of which were developed to address issues in the past, should reflect current policy objectives. Specifically, rate design approaches that focus on protecting ratepayers from fixed costs being spread over declining load are not relevant, and are indeed harmful, to the need to decarbonize through increases in load. No single rate design approach will address all challenges, however rate design that more closely allocates marginal costs to marginal increases in load should be pursued.
2. This approach is embodied in the proposed pilot by the Local Government Sustainable Energy Coalition (LGSEC) and Santa Barbara Clean Energy. The Commission should approve the marginal rate pilot and allow other inclusive utility investment pilots, such as the one planned by Silicon Valley Clean Energy, to utilize a similar rate.
1. Christopher M. Jones, Stephen M. Wheeler, Daniel M. Kammen. [Carbon Footprint Planning: Quantifying Local and State Mitigation Opportunities for 700 California Cities](https://www.cogitatiopress.com/urbanplanning/article/view/1218). 24 April 2018. [↑](#footnote-ref-1)
2. Inclusive Utility Investment is sometimes referred to as Tariffed On-Bill Investment. [↑](#footnote-ref-2)