



CALIFORNIA HUB FOR
ENERGY EFFICIENCY
FINANCING

ON BILL REPAYMENT (OBR) INFRASTRUCTURE

May 12, 2015

Agenda

1. Introducing CAEATFA, CHEEF and the EE pilots
2. On-Bill Repayment (OBR) overview
3. Questions posed for feedback
4. Key features of proposed OBR structure
5. Process flows
6. Discussion

Meet CAEATFA



- Housed within the State Treasurer's Office
- Board of five:
 - State Treasurer
 - State Controller
 - Director of Department of Finance
 - President of the CA Public Utilities Commission
 - Chair of the CA Energy Commission
- Uniquely positioned at the intersection of state energy and finance policy since the 1980s.
- Develops market-driven financial assistance programs to support the State's energy and environmental policy goals.

California is at the forefront of energy reduction goals and part of a huge market

- Reducing greenhouse gas (GHG) emissions through policies, planning, direct regulations, market approaches, incentives and voluntary efforts.
- Assembly Bill 32 requires California to **reduce its GHG emissions** to 1990 levels by 2020 — a reduction of approximately 15 percent below emissions expected under a “business as usual” scenario.
- Assembly Bill 758 recognizes the need for California to address climate change through **reduced energy consumption in existing buildings** (residential, commercial, and public).
- Governor Brown’s 50/50/50 Plan will **increase renewable energy procurement, reduce petroleum use, and increase existing building efficiency**

Private capital investment will be crucial to meeting energy reduction goals... and the market need of over \$4 billion per year.

What is the CHEEF?

- A **public-private partnership** among state agencies, utilities, lenders, contractors, and borrowers.
- A **streamlined, statewide platform** for lenders and contractors to participate in the uptake of energy efficiency projects through increased access to financing.
 - \$10 million for marketing, education, outreach and training for contractors and lenders.
 - Uniform program requirements throughout the state to leverage existing infrastructure and allow flexibility for development of new and innovative financial products.
 - A centralized network of participating contractors; project quality assurance and quality control requirements; minimum underwriting criteria for financial product development; credit enhancement structures.
- A **data repository** for energy use, project, and financial data to inform future investment in energy efficiency projects.



CAEATFA is collaborating with the CPUC and investor-owned utilities to develop efficiency financing projects

- Programs for both residential and non-residential properties
- Available to customers in IOU service areas
- Eligible projects will include energy efficiency measures and, in some instances, demand response and distributed generation projects
- Initial pilot period is expected to run through 2017



Pilot Program Goals

- Help customers to engage in energy efficient improvements that conserve energy, reduce pollution, and save money
- Help lenders offer broader access to more attractive financing for energy efficiency projects by reducing perceived risk of energy efficiency financing
- Help contractors offer more comprehensive projects with easy-access to financing
- Establish a centralized, statewide database of energy efficiency project and financing data to spur future investments



Overview of Pilot Programs

| Sector | Pilot Type | Credit Enhancements | On-Bill Repayment | Disconnection |
|-----------------|-----------------------------------|---------------------|----------------------------------|--|
| Residential | Single Family | \$21 million | Optional in PG&E territory | No |
| | Master Metered Multifamily | \$2 million | Yes | No |
| Non-Residential | Small Business Loan/Lease | \$10 million | Loans – Yes Leases – Optional | Loans -- Yes OBR Leases -- Yes Off-Bill Leases -- No |
| | Non-Residential On-Bill Repayment | None | Yes | Yes |

CAEATFA serves as administrator of the CHEEF

Overseeing the CHEEF, CAEATFA will:

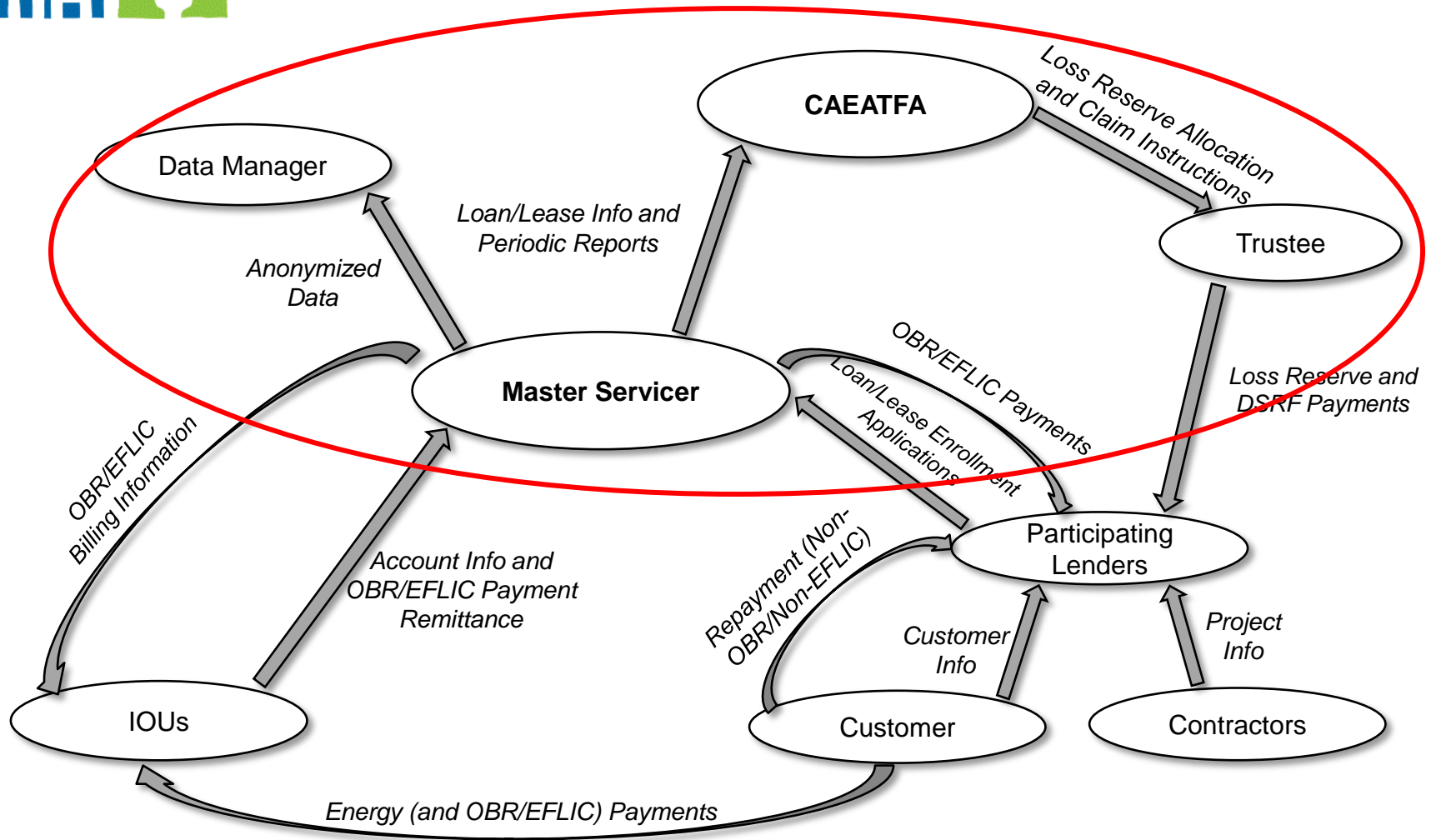
- Develop program regulations including lender requirements, project eligibility criteria, and credit enhancement design
- Coordinate with stakeholders, including the CPUC, IOUs, financial institutions, lease providers, contractors, and end-users
- Establish and manage contracts with:
 - trustee bank
 - master servicer
 - contractor manager
 - data manager



CALIFORNIA HUB FOR
ENERGY EFFICIENCY
FINANCING



CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING



Key Program Design Elements

The CHEEF is utilizing two finance mechanisms meant to encourage lending and reduce the risk for making loans and leases for residential and non-residential energy efficiency improvements:

- **Credit enhancements (CE)**: Minimize risk of capital losses for third-party lenders, thereby resulting in increased consumer access to enhanced financing terms.
- **On-bill repayment (OBR)**: Test the hypothesis that payment on the utility bill will increase debt service performance across market sectors.

OBR allows customers to make loan or lease payments on their utility bill

- **One payment** for the customer
- **Repayment mechanism** that can work with
 - conventional loans and leases
 - credit-enhanced loans and leases
 - likely, service agreements
- IOUs collect and remit funds only
- Lender is responsible for underwriting and lending
- **No assignment of security** to the utilities
- **Data sharing** and reporting elements
- **Financing is not “meter secured”**; loan/lease comes off-bill with account termination at the location unless mutually agreed transfer of obligation



Goals of OBR

- Attract private capital to support energy efficiency investments, by leveraging the additional security created through use of the utility bill to service energy efficiency financing
- Explore if OBR reduces delinquency and charge-offs
- Improve interest rates and other terms under which lenders offer energy efficiency financing to customers
- Enable more customers to qualify for energy efficiency financing than would otherwise be possible in the absence of OBR

Questions to Consider:

Bill Payment History and Underwriting



1. How would you expect to reflect any risk mitigation resulting from access to OBR in your underwriting or finance offering (rates, terms etc.)?
 - If you do not expect OBR to impact your underwriting or finance offering, please explain why it would not have an effect.

2. Would you use utility bill payment history as part of your underwriting and if so, what information would you need to help make credit decisions?
 - In what form?
 - What data related to utility bill payment history is useful?

Questions to Consider:

Data Sharing & Legal Issues



3. OBR functions will be governed by the tariffs as well as regulations. Specifically as it relates to data sharing and the flow of funding for borrower loan/lease payments:
 - What types of provisions do lenders need to see around the OBR mechanism?
 - What legal relationships or provisions do you need to satisfy your internal policies and regulators?

Questions to Consider: *Bill Presentation*



4. What are your needs around how charges appear on the customer's utility bill and with what level of detail?



ACCOUNT NUMBER [REDACTED]
AMOUNT DUE [REDACTED]

DATE MAILED Mar 31, 2015 Page 2 of 2
1-800-427-2200 English
1-800-342-4545 Español
1-800-252-0259 TTY
www.socalgas.com

Third Party Charges

| | Amount(\$) |
|--|------------|
| On-Bill Repayment | [REDACTED] |
| For Info Call Mercy Loan Fund (866)-338-0557 | |

Total Third Party Charges [REDACTED]

Total Current Charges [REDACTED]

The Gas Company Policies and Notices

Electronic Check Processing - When you pay your bill by check, you authorize us to electronically process your payment. If your check is processed electronically, your checking account may be

appears that the dispute is over matters such as quality of service, level of rates, pending applications for rate increase, etc., which do not relate directly to the question of the accuracy of the bill.

If you do not make such a deposit with the commission within 15 days after The Gas Company notifies you of your right to do so.

Other Important Phone Numbers

For the following, call Monday - Friday, 8am-5pm:
粵語電話 Cantonese 1-800-427-1420
한국어 전화 Korean 1-800-427-0471
國語電話 Mandarin 1-800-427-1429
NÓI TIẾNG VIỆT Vietnamese 1-800-427-0478

Self Service Options available 24 hours a day, 7 days a week 1-800-772-5050
For information regarding payment arrangements, office locations, account balance, billing recap, duplicate bill and CARE applications for income qualified customers.

Questions to Consider: *Delinquency & Other*



5. What are your needs around notifying an on-bill borrower when they are delinquent?
6. What additional questions does the on-bill repayment mechanism raise for you and how can we address any potential concerns?

The OBR Tariff

- Governs OBR interactions between the IOU, the customer, and (in some cases) the lender.
- Additional requirements for participating in OBR may be established in forthcoming regulations for each program.
- Tariffs for each IOU are available online:
<http://treasurer.ca.gov/caeatfa/cheef/index.asp>

OBR Tariff: Eligibility

- To participate in OBR, the borrower must be:
 - An **IOU Customer**
 - **Current on utility charges** and OBR Charges at the time the OBR Charge is first added to the bill (i.e., not in default or in arrears).
 - For multi-family: borrower/owner may not live on the premises
- Loan/lease proceeds must be used to fund the installation of eligible improvements

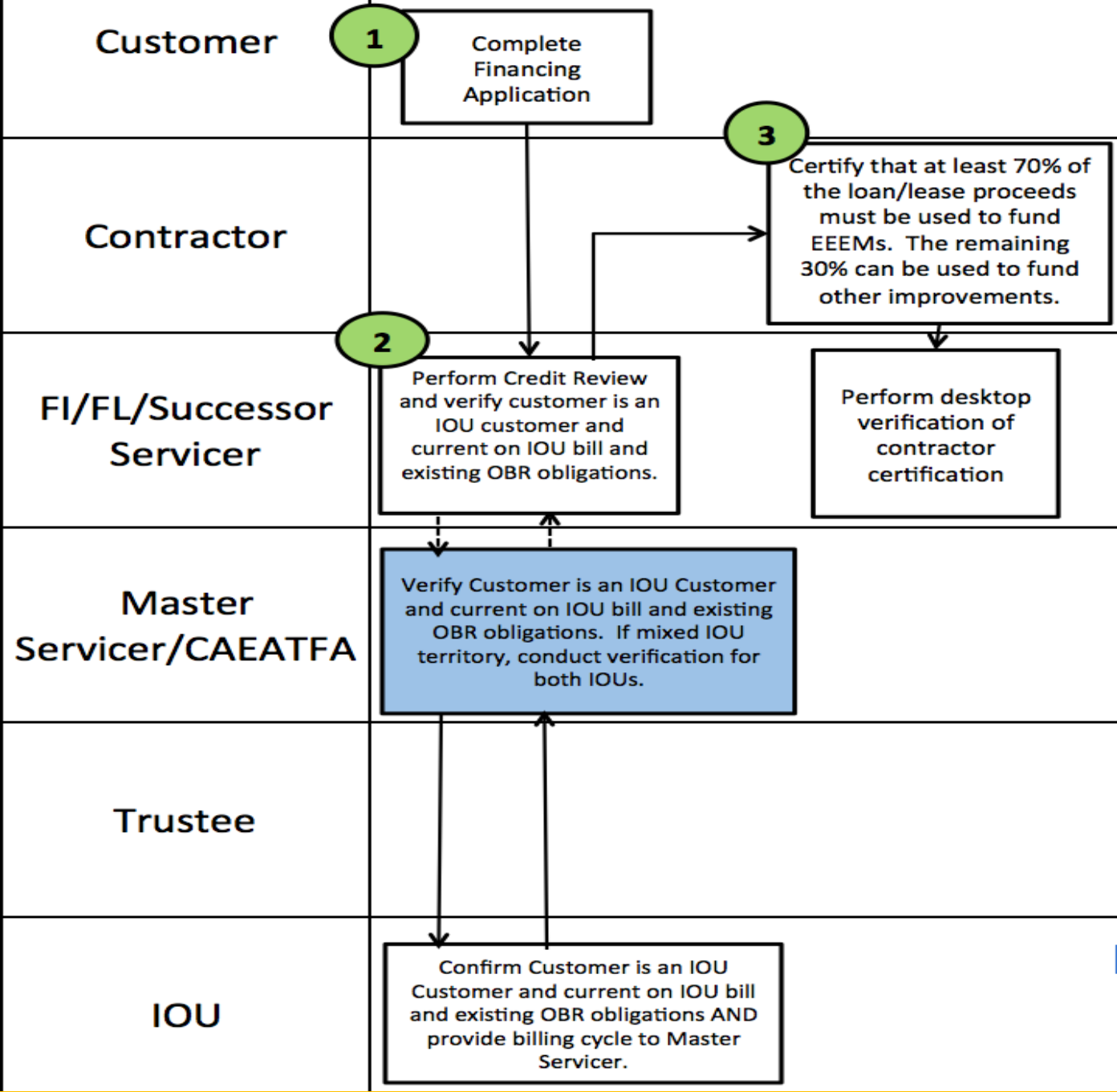
OBR Tariff: Billing & Payment

1. Lender provides amount to be placed on-bill each month
2. Master Servicer communicates amount due to IOU for placement of corresponding charge on utility bill
 - If split-IOU service area, charge will be placed on one single bill
3. Customer pays monthly utility bill (utility charges + loan/lease payment)
4. IOU forwards payment to Master Servicer
5. Master Servicer forwards payment to lender
6. Lender maintains responsibility for enforcing collections on delinquent loan/lease charges

OBR Tariff: Required Agreements

- From Customer: Authorization to Add Loan Charges to Utility Bill (Non-Residential)
 - specifies the terms and conditions under which the utility will include the OBR Charges, along with description of disconnection provisions
- From Customer: Authorization to Receive Customer Information or Act Upon a Customer's Behalf
 - provides the CHEEF and a Participating Lender or Lessor authorization to access customer billing information and any other relevant customer specific data necessary to implement this program
- Loan or Lease Agreement
 - specifies the repayment obligations in accordance with the OBR Rules and any other associated agreements required by the FI

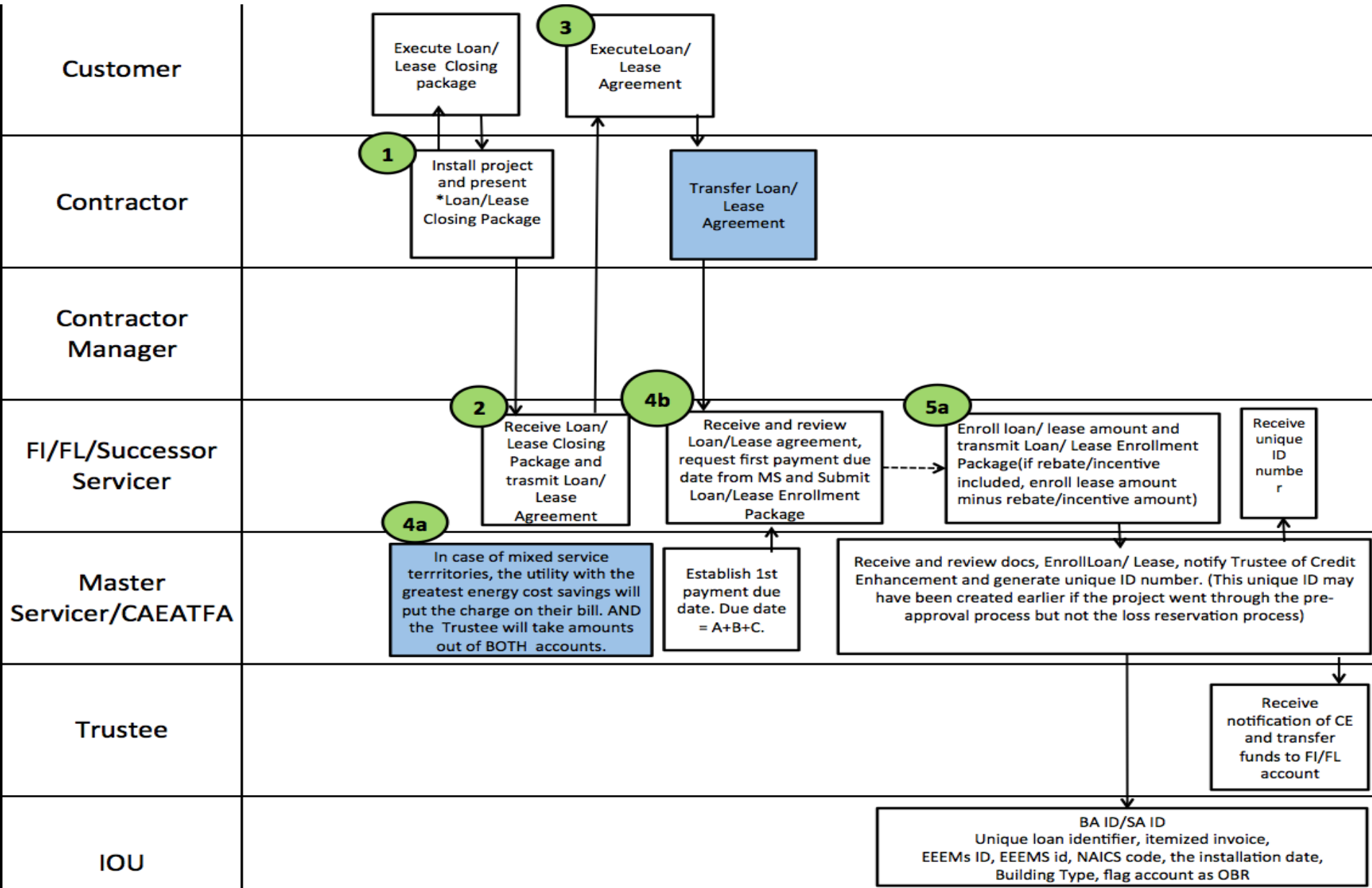
OBR Process



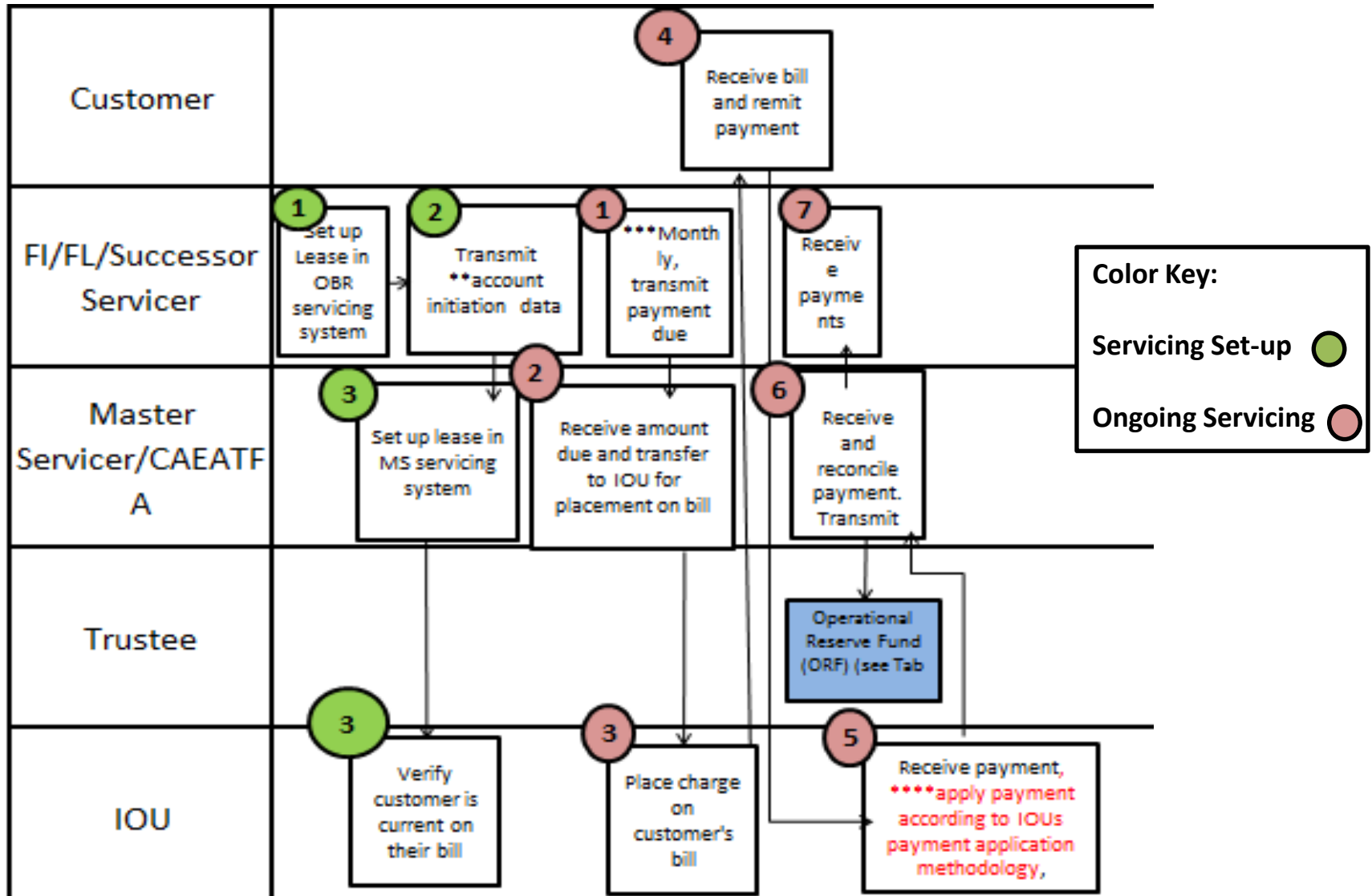
**Process:
Credit-
Project
Review**



Process: Install and Closing



Process: Loan/Lease Servicing



Process: Partial Payments

SDG&E and SoCalGas: Waterfall Payments

Customer
Payment

Utility
Charges

Energy-
Related
Charges

OBR and
Other
Product
and Service
Charges

PG&E & SCE: Pro Rata Payments

Customer
Payment

Utility
and
Energy-
related
Charges

OBR
Charge

Non-OBR
Charges

Proportional

*Payments will be applied to the past due OBR Charges prior to current charges under both partial payment structures.

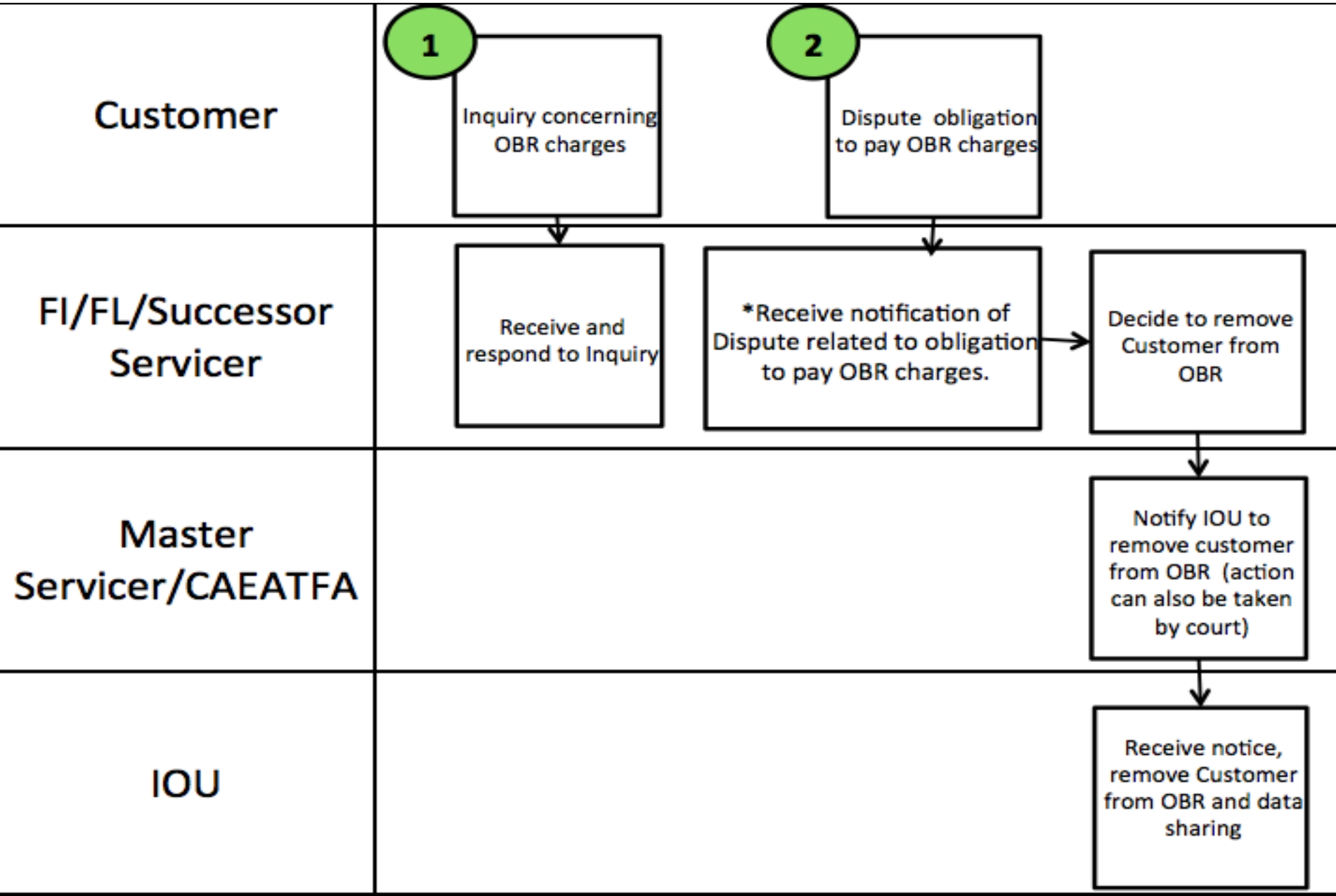
Operational Reserve

- Operational reserve is available to ensure that OBR payments received by the IOU are passed to the lender.
- Draws from the operational reserve do not impact a lender's loss reserve accounts.

OBR Tariff: Billing Inquiries or Disputes

- Customer inquiries concerning utility charges should be directed to the utility.
- Customer inquiries concerning the OBR charges should be directed to the lender.
 - Utilities will not be involved with OBR payment disputes.
 - Lenders must provide contact information for customer inquiries to the IOUs for placement on the utility bill.

Process Flows: Billing Inquiries or Disputes



Pre-payments

- Customers must send pre-payments of loan/lease directly to the lender.
- If a customer sends a pre-payment to the IOU, the IOU will maintain the overpayment as a credit on the customer's account to be applied to all future charges. Upon the customer's request, the IOU will return the credit to the customer after applying the payment to existing charges.
- Payments in full will result in the OBR charge being removed from the utility bill.

Payment Arrangements

- Payment arrangements made with the IOU for utility charges will not apply to OBR loan/lease charges.
- If a customer would like to make a payment arrangement on its loan/lease charges, the customer must contact the lender directly.

When and how does an OBR charge come off bill?

| Who Initiates? | Lender | IOU | Customer |
|----------------|---|---|---|
| When | <ul style="list-style-type: none"> • Default or charge-off of loan or lease • Customer bankruptcy • To commence formal collections processes • Other? | <ul style="list-style-type: none"> • Delinquency (utility and/or OBR charges) and subject to disconnect under IOU rules • Customer bankruptcy | <ul style="list-style-type: none"> • Terminates account at this location • Mutually agreed upon transfer of lean/lease obligation to successor borrower • Bankruptcy |
| How | Processes to be determined in upcoming regulations. | | |

Delinquency & Disconnection

- Service disconnection may occur due to delinquent utility charges and/or OBR charges.
 - Multifamily and EFLIC borrowers are not subject to disconnection as a result of delinquent OBR charges.
- Customer will receive past due notifications prior to disconnection.
 - The process for notification and disconnection is subject to existing IOU rules.
 - Master Servicer will notify lenders when delinquent loans/leases may be subject to service disconnection.

Transfer of Loan/Lease Obligation

- Loan/lease obligations may be transferred to a successor customer of record at the option of the customers and lender.
 - Upon optional transfer, lender must notify the Master Servicer.
 - Lender completes a new application process for the successor customer.
- If no transfer occurs, the lender will notify the Master Servicer to remove the existing customer from OBR and begin direct billing with the existing customer.

Discussion

Questions to Consider:

Bill Payment History and Underwriting



1. How would you expect to reflect any risk mitigation resulting from access to OBR in your underwriting or finance offering (rates, terms etc.)?
 - If you do not expect OBR to impact your underwriting or finance offering, please explain why it would not have an effect.

2. Would you use utility bill payment history as part of your underwriting and if so, what information would you need to help make credit decisions?
 - In what form?
 - What data related to utility bill payment history is useful?

Questions to Consider:

Data Sharing & Legal Issues



3. OBR functions will be governed by the tariffs as well as regulations. Specifically as it relates to data sharing and the flow of funding for borrower loan/lease payments:
 - What types of provisions do lenders need to see around the OBR mechanism?
 - What legal relationships or provisions do you need to satisfy your internal policies and regulators?

Questions to Consider: *Bill Presentation*



4. What are your needs around how charges appear on the customer's utility bill and with what level of detail?



ACCOUNT NUMBER [REDACTED]
AMOUNT DUE [REDACTED]

DATE MAILED Mar 31, 2015 Page 2 of 2
1-800-427-2200 English
1-800-342-4545 Español
1-800-252-0259 TTY
www.socalgas.com

Third Party Charges

| | Amount(\$) |
|--|------------|
| On-Bill Repayment | [REDACTED] |
| For Info Call Mercy Loan Fund (866)-338-0557 | |

Total Third Party Charges [REDACTED]

Total Current Charges [REDACTED]

The Gas Company Policies and Notices

Electronic Check Processing - When you pay your bill by check, you authorize us to electronically process your payment. If your check is processed electronically, your checking account may be

appears that the dispute is over matters such as quality of service, level of rates, pending applications for rate increase, etc., which do not relate directly to the question of the accuracy of the bill.

If you do not make such a deposit with the commission within 15 days after The Gas Company notifies you of your right to do so.

Other Important Phone Numbers

For the following, call
Monday - Friday, 8am-5pm:

| | |
|---------------------------|----------------|
| 粵語電話 Cantonese | 1-800-427-1420 |
| 한국어 전화 Korean | 1-800-427-0471 |
| 國語電話 Mandarin | 1-800-427-1429 |
| nói tiếng Việt Vietnamese | 1-800-427-0478 |

Self Service Options available 24 hours a day, 7 days a week 1-800-772-5050
For information regarding payment arrangements, office locations, account balance, billing recap, duplicate bill and CARE applications for income qualified customers.

Questions to Consider: *Delinquency & Other*



5. What are your needs around notifying an on-bill borrower when they are delinquent? Does our proposed process work or do you have your own, additional requirements?
6. What additional questions does the on-bill repayment mechanism raise for you and how can we address any potential concerns?



Next Steps

- Written comments
 - May 15th by 5 PM to cheef@treasurer.ca.gov
- IOUs and Master Servicer establishing IT infrastructure for OBR
- Workshops on program requirements
 - Lender and contractor eligibility
 - Project eligibility
 - Minimum underwriting criteria



Thank You

Contact Us

Tel: (916) 651-8157

Email: cheef@treasurer.ca.gov

Web: www.treasurer.ca.gov/caeatfa/cheef