

INITIAL STATEMENT OF REASONS

California Alternative Energy and Advanced Transportation Financing Authority

**Sections 10091.1, 10091.2, 10091.5, 10091.6, 10091.7, 10091.8, 10091.9, 10091.11, 10091.13,
10091.14, 10091.16, 10091.18.
Title 4, Division 13, Article 5
of the California Code of Regulations**

INTRODUCTION

The California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” referred to herein as “the Authority”) is organized and operating pursuant to Division 16 (commencing with section 26000) of the California Public Resources Code and pursuant to the authority vested in it by Public Resources Code Section 26009 to promulgate regulations. These regulations are necessary for the Authority to carry out its functions as the administrator of the California Hub for Energy Efficiency Financing (“CHEEF”) under its Memorandum of Agreement with the California Public Utilities Commission (CPUC). Specifically, these Regulations will update the GoGreen Home Energy Financing Program (“GoGreen Home” or the “Program”), one of several programs devised in the CPUC-approved Decision 13-09-044, *Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs* (“Decision”) issued September 20, 2013, and modified through Decision 15-06-008, Decision 15-12-002, Decision 17-03-026; and Decision 21.08.006.

On September 19, 2013, the CPUC approved Decision 13-09-044, and requested the Authority act as the master administrator of the California Hub for Energy Efficiency Financing, funded by ratepayer dollars collected by the four investor-owned utilities—Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company (collectively, the “IOUs”). In July 2014, the Authority received initial Legislative budget authority to administer the CHEEF functions, and subsequently entered into a Memorandum of Agreement with the CPUC and a receivables contract with the IOUs to implement the CHEEF.

GoGreen Home launched in 2016 as a pilot program and, throughout early development and implementation, the Authority advocated to the CPUC for specific changes to the CHEEF programs to broaden their relevance to the private market and streamline operations for participants. These efforts were necessary, from the Authority’s perspective, to facilitate more energy efficiency projects and allow the Program to assist more customers. In March 2017, the CPUC issued Decision 17-03-026, which granted the Authority some additional flexibility to amend GoGreen Home from previous CPUC guidance. Leveraging this flexibility, the Authority implemented amendments through an emergency rulemaking process that began in 2017 and ended with a Certificate of Compliance in September 2018.

Early in 2023, CAEATFA staff recognized the need for more efficient deployment of program capital to better utilize existing funding. This led to a restructuring of the calculation for Loss Reserve Contributions to reflect Borrower risk without sacrificing the risk coverage of Participating Lenders. To this same end, CAEATFA established a new methodology for rebalancing Loss Reserve Accounts and crafted a framework whereby it could channel external funding for Interest Rate Buy Downs (IRBDs). These were implemented, by the emergency regulation process on December 22, 2023 (OAL File No. 2023-1212-02E).

In August 2023, CPUC Decision 23-08-026 enabled CAEATFA to expand its program technologies to use its current funding sources to credit enhance those technologies. This was a significant expansion of the Program to encompass a broader range of energy upgrades beyond efficiency measures. Accordingly, CAEATFA is adding several new clean energy items to its eligible measures list. Unlike traditional efficiency measures, these items have impacts that go beyond how much energy is being saved as, for example, solar photovoltaic systems do not reduce the amount of energy consumed in the way that an efficiency measure can, but instead shift the source of generation. This led to changes in how energy measures are defined by the Program in the regulations. Finally, given that the average cost of undertaking a solar + battery storage project in conjunction with efficiency improvements can be higher than the existing financing cap of \$50,000, the maximum amount has been raised from \$50,000 to \$75,000 for projects that include solar and battery storage. These changes were implemented on April 15, 2024 through the emergency regulation process (OAL File no. 2024-0403-02E).

CAEATFA is now combining both emergency rulemaking packages into a single Certificate of Compliance on advice from OAL. As part of the emergency rulemaking, the Authority made publicly available the proposed modified emergency regulations, held stakeholder discussions soliciting feedback, and conducted virtual public workshops on November 14, 2023 and February 22, 2024, each followed by a public comment period. The combined emergency regulations were submitted for a second readoption in May 2024, to become active mid-June, in order to grant enough time to complete the regular rulemaking process.

Key components of the modifications made through this rulemaking:

- Restructure the way Loss Reserve Contributions are calculated to more accurately reflect Borrower risk while ensuring Participating Lenders receive adequate risk coverage.
- Establish a new methodology for rebalancing Loss Reserve Accounts to facilitate efficient Loss Reserve funding recapture and redeployment as loan principal is paid off.
- Set a framework to allow GoGreen Home to channel external funding for Interest Rate Buy Downs (“IRBDs”).
- Raise the maximum loan amount from \$50,000 to \$75,000 if the project includes the new “solar photovoltaic + battery storage” bundled measure, in order to help credit-worthy Borrowers maximize their decarbonization potential.
- Raise the maximum loan term from 15 years to 20 years if the loan includes the solar photovoltaic + battery storage bundled measure, in order to align with solar financing industry standards; this will also keep monthly payments affordable for Borrowers.
- Clarify the withdrawal process for Participating Contractors and Lenders.
- Create a formal process by which Contractors can be removed from GoGreen Home’s online, public-facing search tool, and eventually the Program, for lack of active participation over one to three years. This ensures that prospective Borrowers are only shown active participants when searching for Participating Contractors.
- Create a Project Developer role to assist Borrowers and Contractors in identifying a variety of home energy upgrades and providing various services, including energy audits, project coordination, rebate applications, and paperwork processing.
- Amend requirements for some measures’ “proof of fuel source” (e.g. a utility bill) for Microloans if the measure is a “Fuel Switch” measure so we can track energy usage for both gas and electricity utilities.
- Add a mechanism whereby the Program can pause a Lender’s participation when a threshold of “risk” to the Loss Reserve, in terms of delinquencies and defaults, is breached.

Now the Authority is soliciting input for any modifications or amendments to these proposed regulations in completing the Certificate of Completion through the regular rulemaking process. A public workshop is scheduled for July and staff expects to present final regulations to the CAEATFA board in July 2024.

GLOBAL MODIFICATIONS

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address:

Multiple minor amendments to numbering and the “EEEM” (now “EEM”) acronym were made throughout the regulations, and are of such minor scope that it is reasonable to describe them only once, here, rather than repeatedly in each section.

2. Specific Purpose of the Regulation:

- Non-substantive edits are being made throughout regulations in the interest of clarity and consistency of language.
 - Throughout the regulations, the acronym “EEEMs” was amended to “EEMs” to reflect the Program’s expansion to energy improvements beyond energy efficiency. See the description of amendments made to defined terms in §10091.1(m)(n)(o) and (r) below for more information.
- Renumeration for the following sections was made due to the insertion of the Project Developer Section as a new §10091.7:
 - §10091.7 (renumbered to §10091.8)
 - §10091.8 (renumbered to §10091.9)
 - §10091.9 (renumbered to §10091.10)
 - §10091.10 (renumbered to §10091.11)
 - §10091.11 (renumbered to §10091.12)
 - §10991.12 (renumbered to §10091.13)
 - §10091.13 (renumbered to §10091.14)
 - §10091.14 (renumbered to §10091.15)
 - §10091.15 (renumbered to §10091.16)
 - §10091.16 (renumbered to §10091.17)
 - §10091.17 (renumbered to §10091.18)

3. Necessity:

With the approval to add clean energy measures under CPUC Decision 23-08-026, the Program has moved beyond strictly energy efficiency measures to now include energy generation measures, and the definition of an Eligible Energy Efficiency Measure (EEEM) has been updated to reflect this: Eligible Energy Measure (EEM).

Regarding the section numeration, the new Project Developer section was placed in a logically tenable position following the section describing the Contractor role in the Program, as Project Developers will work closely with Contractors during the lifespan of a project. The insertion of this section outlining the Project Developer role required subsequent section renumberation for clarity.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents:

The Authority did not rely on any technical, theoretical, or empirical studies in proposing these modifications; rather, Staff analysis of how best to describe these changes was the guiding factor.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives:

Regarding the insertion of the Project Developer section into the middle of the regulations, an alternative was to add the new section to the end of the regulations. However, Staff felt that it was more appropriate to add the Project Developer section following the Contractor section for the sake of narrative cohesion, since Contractors and Project Developers will work closely together throughout the scope of a project.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business:

The changes in program terminology and the way the sections are numbered have no impact on small businesses.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business:

There is no economic impact resulting from these amendments to program terminology and remuneration.

SECTION-BY-SECTION ANALYSIS

§10091.1 DEFINITIONS

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

None of the CPUC Decisions or other governance actions define all of the terms necessary to implement this financing program, and so this section defines and describes the terms used in the regulations to ensure that stakeholders and participants are provided a clear and transparent description of Program requirements.

Current regulation definitions require amendments or additions to reflect or facilitate changes made elsewhere in the regulations. As the Program has grown and changed due to stakeholder input and practical necessity, the terms have needed to change to reflect the present usage and needs.

2. Specific Purpose of the Regulation

Modifications were made to the following defined terms:

§10091.1(b): "Bill Impact Estimate" is amended to clarify that an estimate of anticipated energy cost "impacts", rather than energy cost "savings", shall be provided to the Borrower. "Participating

Project Developer” was also added to the list of participating entities who may be the source of the Bill Impact Estimate to the Borrower.

§10091.1(i): “Credit-Challenged Borrower” is modified to expand the ceiling of high-risk credit scores from 640 to 700.

§10091.1(j): “Credit-Challenged Program” is removed.

§10091.1(k) (formerly 10091.1(l): The term “Eligible Channel Partner” is amended to remove language that did not consider business models that assist Lenders with underwriting, origination, and servicing.

§10091.1(m) (formerly 10091.1(n): The term “Eligible Energy Efficiency Measures” and its acronym “EEEMs” is amended to “Eligible Energy Measures (EEMs)”. This change is reflected throughout the document, please see the changes described as “Global Modifications” above.

§10091.1(r)(2) (formerly 10091.1(s)(2): “Eligible Improvements” is amended to remove language restricting the inclusion of distributed generation or renewable energy measures.

§10091.1(t) and (hh): “Eligible Project Developer” or “EPD” and “Participating Project Developer” or “PPD” (hereafter referred to as “Project Developer”) roles are created to allow for the participation of entities that can assist both Borrowers and Participating Contractors with identifying Eligible Improvements and facilitating projects for Eligible Properties as part of the GoGreen Home Program.

§10091.1(u): “Eligible Property” is amended to clarify that Borrowers are eligible to receive loans for projects done at properties not directly owned or rented by the Borrower.

§10091.1(x): “Interest Rate Buy-down” or “IRBD” is added as a defined term.

§10091.1(bb): “Low-to-Moderate Income Borrower” is removed.

3. Necessity

§10091.1(b) - “Bill Impact Estimate”: Some eligible energy measures don’t always result in savings; for example, adding an HVAC system to a house which previously lacked such a system will increase energy costs, even if it is a very efficient HVAC system. The same is true of some new measures added to the Program through the clean energy expansion, such as smart electric vehicle chargers. Therefore, it is appropriate to refer to energy “impacts” rather than “savings”. The Participating Project Developer role is added to these regulations in this rulemaking (see the description of additions §10091.1(t) and (hh) below) and, along with the Participating Contractor or Lender, is one such entity who may alert the Borrower of the energy impacts.

§10091.1(i) - “Credit-Challenged Borrower”: CAEATFA’s initial designation of a higher risk Credit-Challenged Borrower is a credit score of 640 and below. Lenders and industry data indicate that defaults start to occur at a statistically significant pace for Borrowers with credit scores 680 and below, not 640 and below. CAEATFA has long-established reporting buckets of 580-640 and 641-700, so to better account for the risks that Lenders face lending to Borrowers with a 680 score or below, while staying congruent with our existing reporting structure, CAEATFA found it reasonable to raise the credit risk categorization of a Credit-Challenged Borrower to 700.

§10091.1(j) - “Credit-Challenged Program”: CAEATFA removed the Credit-Challenged Program for Lenders. The Credit-Challenged Program was an optional Program that Lenders could choose to opt

into. If they opted in, Lenders would receive a 20% Loss Reserve Contribution for loans made to Borrowers who qualify as a Credit-Challenged Borrower by specifically designating the loan as “Credit-Challenged” at loan enrollment. In order to reduce operational burdens for Lenders, CAEATFA has decided to automatically deploy a 20% Loss Reserve Contribution for loans to Borrowers meeting the definition of a Credit-Challenged Borrower, rather than make Lenders request it each time.

§10091.1(k) (formerly §10091.1(l))- “Eligible Channel Partner”: The Channel Partner role was originally created two years ago to support the entrance of business entities who directly facilitate loans, such as an online appliance marketplace offering financing at checkout. Since then, CAEATFA has become aware of other business models that assist Lenders with many different parts of the lending process, including underwriting and origination via a formal relationship with the Lender as their agent. The original regulation language prohibited these activities; therefore, CAEATFA finds it appropriate to remove language which did not accommodate this kind of business partnership.

§10091.1(m) (formerly §10091.1(n) - “Eligible Energy Efficiency Measures” The issuance of CPUC Decision 23-08-026 authorized CAEATFA to include distributed generation and renewable energy measures such as solar photovoltaic and battery storage systems as Eligible Improvements for GoGreen Home financing. Previously, these types of measures were explicitly excluded as the CPUC desired to focus on energy efficiency and demand response measures. This decision has opened up a new sector of the energy market for the Program. With that transition, it has become necessary to rename the suite of Eligible Improvements previously classified as Eligible Energy Efficiency Measures (EEEMs); Eligible Energy Measures (EEMs) was deemed to be the most reasonable and appropriate term. It allows the Authority to better reflect the entire catalog of Eligible Improvements while also closely adhering to the original terminology and pronunciation with which Lenders and Contractors have already become familiar. This change is made with the foremost goal of minimizing confusion during this transitory period for the Program. As mentioned above, CAEATFA has updated uses of "EEEMs" with "EEMs" throughout the regulations.

§10091.1(r)(2) (formerly §10091.1(s)(2)- “Eligible Improvements”: The issuance of CPUC Decision 23-08-026 authorized CAEATFA to include distributed generation and renewable energy measures such as solar photovoltaic and battery storage systems as Eligible Improvements for GoGreen Home financing. As a result, the language restricting these measures is now obsolete.

§10091.1(t) and (hh) - “Eligible Project Developer”: These additions were necessary in order to expand the scale and scope of individual projects by allowing for participation of newly emerging entities in the residential energy upgrade marketplace. While more common in the commercial sector, Project Developer firms are now appearing in the residential sphere to help homeowners identify and undertake electrification projects and efficiency upgrades. This type of role is also becoming more commonplace in the rebate market through the wide variety of financial incentives that are now available for homeowners and Contractors who undertake these projects. For example, a Project Developer could be an entity that performs home energy audits, issues recommendations for efficiency measures, and/or enrolls homeowners in Demand Response programs. In addition, Participating Contractors may find it useful to work with these entities in order to handle paperwork or manage scheduling and coordination, particularly for larger projects involving multiple Participating Contractors.

§10091.1(u) - “Eligible Property”: This amendment is necessary because the original framing of these regulations implied Borrower eligibility was limited to either direct ownership or a formal rental relationship between a tenant and landlord. CAEATFA has determined that Lenders should be allowed to exercise discretion in judging the relationship between a Borrower and the property for which a loan is taken out. For example, the Borrower may be seeking financing to upgrade a relative’s property which they themselves do not reside in and do not otherwise lease or own.

§10091.1(x) - “Interest Rate Buy-Down” or “IRBD”: CAEATFA added the capability to deploy funds for Interest Rate Buy-Downs (IRBDs) in a new section. This funding would be channeled through CAEATFA via external funders to buy down the interest rates of Eligible Loans to make financing more feasible and attractive to Borrowers. See the description of the addition of Section 10091.18 below for more information.

§10091.1(bb) - “Low-to-Moderate Income Borrower,”: Low household income or residence in a low income census tract was a trigger for a Loss Reserve Contribution of 20%. The higher Loss Reserve Contribution percentage is meant to support Lenders making loans to Borrowers who they may perceive as riskier, in order to improve access for underserved Borrowers. However, Program experience has shown that “Low Household Income” is rarely reported as a reason for a higher Loss Reserve Contribution rate because it is difficult for a Lender to reliably ascertain; income data can only be requested of an individual, not a household. Further, CAEATFA Staff has learned that Lenders are not legally able to consider a Borrower’s census tract when making underwriting decisions. So, this criteria was removed. As Lender’s indicate that low credit score is a very reliable indicator of Borrower risk that can be assessed solely on the Borrower and not the household, CAEATFA is targeting changes in other areas of the regulations to focus on credit score when defining areas of Lender risk worthy of a higher Loss Reserve Contribution.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority did not rely on any technical, theoretical, or empirical studies in proposing the adoption of this regulation. The Authority relied on authorizing statute and existing regulations, its historical experience administering the Program and input from stakeholders and industry participants.

5. Alternatives to the Regulations Considered by the Agency and the Agency’s Reasons for Rejecting those Alternatives

Regarding the expanded designation of higher-risk Borrowers: while industry data indicates that defaults are more likely for Borrowers with credit scores of 680 or below, CAEATFA has long-established reporting buckets of 580-640 and 641-700. To better account for the risks that Lenders face lending to Borrowers with a 680 score or below, while staying congruent with our existing reporting structure, CAEATFA found it reasonable to raise the credit risk categorization of a Credit-Challenged Borrower to 700.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform energy efficiency retrofits or similar work. The proposed regulations may also have a positive effect on the State's economy and environment generally because of the increased economic activity and energy conservation due to the Borrower's investment in energy improvements for their homes.

§10091.2 ELIGIBLE FINANCIAL INSTITUTIONS AND ELIGIBLE FINANCE LENDER APPLICATIONS TO PARTICIPATE

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

One of the primary goals of the financing program authorized by Decision 13-09-044 is to "increase the volume of energy efficiency financing to attract capital providers and attract new market participants." In order to attract capital providers who will offer loan products to customers and increase the volume of energy upgrade financing, the role and obligations of these capital providers in the Program must be clearly set forth.

This section outlines the processes by which an Eligible Financial Institution ("EFI") or Eligible Finance Lender ("EFL") applies to become a Participating Financial Institution ("PFI") or Participating Finance Lender ("PFL") (referred to hereafter as "Lender" or "Participating Lender"), describing the information it must provide in its application and responsibilities under GoGreen Home. The changes made include adding a pause mechanism to ensure that Lenders are utilizing their loss reserve properly and not engaging in reckless underwriting practices, and removing a required application enclosure for EFI/EFL applications regarding participation in the now-removed Credit-Challenged Program.

2. Specific Purpose of the Regulation

§10091.2(d)(6): This section is amended to remove the Credit-Challenged Program for Lenders to opt-in to as part of participation in GoGreen Home.

§10091.2(j): This subsection is amended to add a mechanism to pause Lender's GoGreen Home loan Programs when a threshold of "risk" to the Loss Reserve (the amount of loan principal that has defaulted or is delinquent) is breached for three or more consecutive months.

3. Necessity

§10091.2(d)(6): With the removal of the Credit-Challenged Program (see the modification to §10091.1(j) in the Definitions section above) this is a necessary cleanup. Lenders will no longer need to apply for this Program to receive the 20% Loss Reserve Contribution for Credit-Challenged Borrowers as the higher contribution will now be automated based on reported Borrower credit score for each enrolled loan.

§10091.2(j): This amendment gives CAEATFA the ability to suspend a Lender temporarily once patterns of defaults and payment delinquencies indicate an issue with, for example, underwriting or

servicing processes, and then give the Lender an opportunity to propose changes to their loan program and practices. CAEATFA shall retain the option to “pause” the Lender’s ability to enroll more loans once a ratio of 25% (“defaulted” and “delinquent” loan principal over “current” and “paid off” loan principal) is breached consecutively for three or more months; the ratio indicates the amount of loan principal, and thus loss reserve dollars, at risk. The Lender and CAEATFA can then work together to modify the Lender’s GoGreen Home loan program to address underlying issues. The intention is to allow CAEATFA to intervene before significant losses occur, and ensure that the Lender is utilizing the risk sharing purpose of the loss reserve appropriately.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on authorizing statute and existing regulations, its historical experience administering the Program, including working with Lenders and analyzing loan defaults.

5. Alternatives to the Regulations Considered by the Agency and the Agency’s Reasons for Rejecting those Alternatives

The Authority considered several ways to measure Lender portfolio risk; one potential option was to consider the number of loans that were delinquent or defaulted within the entire loan portfolio. Ultimately, the Authority determined that as the administrator of a Loss Reserve fund, the focus should be on the dollar amount of loan principal at risk, rather than the number of loans, as this amount proportionally affects the amount of Loss Reserve funds that is at risk (it is from these funds that the Lender can make a claim against and be reimbursed up to 90% of defaulted principal in case of a default).

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary and the proposed modification is meant to protect both GoGreen Home and the Loan Loss Reserve, but also the Lender.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, this change is meant to provide an added safeguard for Lenders by discouraging reckless underwriting that can lead to a high level of payment defaults.

§10091.5 LOAN ELIGIBILITY AND MINIMUM UNDERWRITING CRITERIA

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

The goal of GoGreen Home is to leverage ratepayer dollars to attract private capital to the energy upgrade financing space. Minimum underwriting criteria and other loan eligibility requirements are necessary to establish both consumer protections as well as safeguards to manage the liability of the ratepayer dollars utilized as Loan Loss Reserve Contributions.

This section details the types and characteristics of loans that are eligible for GoGreen Home, how loan proceeds are to be allocated and relevant limits, refinancing requirements, information that must be disclosed to the Borrower, and Borrower underwriting eligibility.

This section is amended to raise the maximum Claim-Eligible Principal Amount to facilitate energy upgrades for solar photovoltaic and battery storage systems, and to clarify a deadline for Participating Lenders to adjust interest rates within their systems after the rate resets on a quarterly basis.

2. Specific Purpose of the Regulation

§10091.5(g): This subsection is amended to raise the maximum Claim-Eligible Principal Amount project amount from \$50,000 to \$75,000 only if the project includes the solar photovoltaic + battery storage bundled measure.

§10091.5(h): This subsection is amended to clarify that Lenders have no more than 5 business days to adjust their systems or processes to match the maximum allowable rate based on quarterly updates of the 10-year Treasury bonds.

§10091.5(i)(1): This subsection is amended to require that Lenders performance income verification for all Borrowers regardless of credit score if the Total Loan Principal Amount exceeds fifty thousand dollars (\$50,000).

3. Necessity

§10091.5(g): This change is intended to support credit-worthy Borrowers seeking financing for the high costs of projects that combine solar generation and battery storage, and possibly efficiency measures as well. The average cost of a residential combined solar and battery storage system can rise up to \$26,000. 754 (23%) loans enrolled since 2022 were for loans over \$25,000 and 202 projects cost \$40,000 - \$50,000. As electrification trends upwards, more Borrowers will seek to maximize the co-benefits of pairing fuel switching/electrification upgrades with onsite solar generation and batter storage. For some larger properties, these costs might breach \$50,000, especially if the project also includes expensive infrastructure improvements like panel or wiring upgrades.

§10091.5(h): The maximum interest rate allowed to be charged by Lenders follows the interest rate on 10-year Treasury bonds and is updated quarterly based on the current rate of the bond. Lenders who run loan programs with more automation and technological and public-facing marketing components report needing a few days following every quarterly update to adjust the maximum rate across their system. This clarification specified a deadline by which all Lenders must adjust their processes and systems to reflect the new rate in their marketing materials and/or their underwriting/origination processes to prevent being out of compliance with GoGreen Home regulations.

§10091.5(i)(1): Currently, Lenders are only required to verify Borrower income if the Borrower has a credit score between 580 and 640 and the Total Loan Principal Amount exceeds \$20,000. With the maximum allowable Total Loan Principal Amount being raised to \$75,000 (only for projects with solar generation and battery storage), it is important to ensure that adequate safeguards are put in place so that Borrowers are not taking out loans that are beyond their means. This requirement will

act as a consumer protection safeguard for all loans that exceed the traditional maximum amount of \$50,000.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on feedback from Participating Lenders and Participating Contractors. Per the change made in Section §10091.5(g), feedback from Participating Contractors and Lenders who install or finance solar projects provided clarity on the costs of these types of upgrades, and staff also looked at previous GoGreen Home project data to determine that some efficiency-focused projects are already brushing up against the current \$50,000 limit. The change made in Section §10091.5(h) came at the request of a GoGreen Home Lender seeking clarity.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

The Authority finds that no alternatives it has considered would be either more effective in carrying out the purpose of the proposed regulation or equally effective but less burdensome to affected Lenders; for example, regarding the change made in Section §10091.5(i)(1), it is common for Lenders to verify income regardless of the loan amount. The change made in Section §10091.5(h) came at the request of a GoGreen Home Lender seeking clarity on how to comply with quarterly rate changes.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary, and as described above the changes reflect standard business practices or were requested by a Lender explicitly.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulation may have a positive effect on businesses of contractors who perform the work and Lenders who finance the work, as well as on the State's economy and environment generally because of the increased economic activity and energy conservation.

§10091.6 CONTRACTOR QUALIFICATION AND MANAGEMENT

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

In order to attract contractors who will implement energy upgrades effectively, protect consumers, and ensure proper installation of energy improvements, standards for eligibility and expectations for GoGreen Home Contractors must be clearly set forth.

This section outlines the processes by which an Eligible Contractor applies to become a Participating Contractor (also referred to as "Contractors" or "Participating Contractors" throughout this document), describing the information they must provide in their application and their

responsibilities under GoGreen Home. Changes are made to this section to help CAEATFA set participation expectations for Contractors and manage those who are not actively participating in the Program.

2. Specific Purpose of the Regulation

§10091.6(a)(8): This subsection is amended to expand the personnel who are eligible to add authorized signatories for a Participating Contractor beyond the person who signed the Contractor's original application to join the Program.

§10091.6(a)(19)(A)(i): This subsection is amended to change "energy efficiency improvements" to "energy improvements".

§10091.6(d): This subsection is amended to allow for the removal of Participating Contractors from the public-facing Contractor search list on the GoGreen Financing website ("delisting") if they fail to enroll a project with the Program within a one (1) year period.

§10091.6(g): This subsection is amended to allow for the disenrollment of Participating Contractors who fail to enroll a project with the Program within a three (3) year period.

§10091.6(h): This subsection is added to formalize the voluntary withdrawal process for Participating Contractors.

3. Necessity

§10091.6(a)(8): This amendment is necessary to address difficulties for Contractors who need to add new individuals as signatories for the required documents to be submitted to the Authority. The current regulations state that only the signatory of the original application can add authorized signatories. This presents difficulties for the Contractors who need to add new signatories when the original application signatory is no longer with the Contractor company; this can cause delays and friction in the loan enrollment process. This modification allows any currently authorized signatory or the company contact designated in Section 10091.6(a)(2) to add other authorized signatories.

§10091.6(a)(19)(A)(i): As the GoGreen Home Program has expanded to include financing for the clean energy measures, this necessitated the conversion of language strictly relating to "energy efficiency."

§10091.6(d): This amendment is necessary to allow CAEATFA to remove Contractors from the Program website for consistent disengagement with GoGreen Home. Occasionally Participating Contractors go out of business, or a significant amount of time goes by without them enrolling a project or responding to engagement attempts by the Authority. This change allows CAEATFA to delist non-participating Contractors from the Program's public-facing list on the GoGreen Financing website so that consumers have a more productive experience using the tool to find actively Participating Contractors. As described in the modifications CAEATFA will provide notice to the Contractor beforehand to alert them of the pending delisting and give them an opportunity to reaffirm their interest in continuing to be listed and visible to potential Borrowers.

§10091.6(g): This amendment is necessary to allow the Authority to remove Contractors from the Program for reasons other than non-compliance or fraud. Occasionally, Participating Contractors go out of business, or a significant amount of time goes by without them enrolling a project or responding to engagement attempts by the Authority. In an effort to target our resources

effectively, CAEATFA finds it reasonable to keep our Contractor list clean and targeted towards Contractors who are actively participating or engaging in the Program. Unlike a one-year timeline for delisting, CAEATFA is establishing three years of inactivity for full Program removal to give the Participating Contractor as much time as possible to actively re-engage. Again, CAEATFA will provide notice to the Contractor ahead of removal.

§10091.6(h): This amendment brings the GoGreen Home regulations into alignment with the GoGreen Business and GoGreen Multifamily Programs' regulations. This addition is necessary to document a formal method for Contractors to voluntarily withdraw from the Program which did not exist previously.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on its own experiences with Participating Contractors, as well as feedback from CAEATFA's Contractor Manager vendor, which manages the enrollment and ongoing management of Participating Contractors.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

The Authority finds that no alternatives it has considered would be either more effective in carrying out the purpose of the proposed regulation or equally effective but less burdensome to affected Participating Contractors. Program participation is voluntary and Contractors disenrolled from the Program or delisted from the GoGreen Home website due to inactivity can always rejoin/be relisted.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary and Contractors disenrolled from the Program or delisted from the GoGreen Home website due to inactivity can always rejoin/be relisted.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Program participation is voluntary and Contractors disenrolled from the Program or delisted from the GoGreen Home website due to inactivity can always rejoin/be relisted to continue to be able to offer GoGreen Home to their customers.

§10091.7 PROJECT DEVELOPER

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

This new Project Developer role is added to help Borrowers and Contractors better determine the most beneficial energy upgrades for their properties. The average consumer does not have the technical knowledge to understand building systems and how energy use is often an interplay of several factors (e.g. HVAC usage is often impacted by the amount of insulation or the type of roof). Similarly, many Contractors operate and sell within distinct business areas – they may only do HVAC systems or only do roofs. This leads to missed opportunities to maximize energy impacts. CAEATFA

is adding the Project Developer role to facilitate Program participation for energy auditors, electrification concierge service providers, demand-side energy aggregators, and others who can help Contractors and Borrowers determine the most advantageous project scope.

This new section establishes the formal relationship between CAEATFA and Project Developers. It describes the processes by which an Eligible Project Developer applies to become a Participating Project Developer, lists the eligibility requirements, and outlines the information it must provide in its application. It includes a list of data points, certifications, and acknowledgments that the Eligible Project Developer is responsible for providing, as well as additional certifications that are required upon completion of an individual project. It also establishes the terms of participation and describes the process by which a Participating Project Developer can either be removed or voluntarily withdraw from the Program.

2. Specific Purpose of the Regulation

CAEATFA is establishing an application process requiring the Eligible Project Developer to provide contact information, describe their role and duties, demonstrate their qualifications and experience, and make certifications, acknowledgements, and agreements that the Eligible Project Developer will follow the rules and requirements laid out in the GoGreen Home regulations. This role is based on the Project Developer guidelines for GoGreen Business contained in Title 4 Business Regulations, Division 13 California Alternative Energy and Advanced Transportation Financing Authority, Article 6 Commercial Energy Efficiency Financing Programs, Section 4, which has proven to be a successful and effective protocol for vetting, enrolling and managing Project Developers. As such, many of the stipulations are the same, including release of liability, proof of insurance, the process once an application has been submitted, and conditions for removal or withdrawal from the Program. The eligibility requirements are also similar, with the exception being that an entity can qualify as a Participating Project Developer through the additional method of licensure/certification with a state, federal or commercial energy auditing program or current registration with the CPUC and/or an IOU as a Demand Response Provider/Aggregator. These additions take advantage of the existing vetting or training processes the CPUC, IOUs, and audit training programs utilize.

The addition of this section has resulted in re-numbering the Sections that follow.

3. Necessity

This new section relates to the new definitions of an Eligible Project Developer and Participating Project Developer added in Section 10091.1(t) and 10091.1(hh). CAEATFA established the Project Developer role to expand the scale and scope of individual home improvement projects by allowing for participation of newly emerging entities in the residential energy marketplace. Project Developers are being actively utilized by the GoGreen Business Program to assist Borrowers in scoping projects, and CAEATFA determined that these entities could also have a role to play in advancing the GoGreen Home Program. As a result, it became necessary to establish a regulatory relationship with the Project Developer as the Project Developer may be involved in promoting or representing GoGreen Home to customers, actively facilitating projects at Eligible Properties through coordination with both Borrowers and Participating Contractors, and/or submitting data to CAEATFA for loan enrollments or required reporting.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on feedback from and current practices of Staff working on the GoGreen Business program, as well as feedback from energy auditors and electrification concierge services already operating in this sector.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

The Authority finds that no alternatives were necessary; this additional role is voluntary and mimics a similar section in the GoGreen Business regulations, which has already been successfully utilized by commercial project developers. The requirements placed on Project Developers applying to join GoGreen Home are, the Authority believes, reasonable and reflect similar consumer-protection requirements, such as insurance requirements, placed on Participating Contractors.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulation may have a positive effect on the State's economy and environment generally because of the increased economic activity and energy conservation.

§10091.8 (FORMERLY 7) ESTABLISHMENT AND FUNDING OF LOSS RESERVE ACCOUNTS

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

This section outlines the process by which each Lender's Loss Reserve Account(s) is established and funded under GoGreen Home by the Trustee Bank. Each time a loan is enrolled, CAEATFA makes a Contribution to the Lender's Loss Reserve Account based on calculating a percentage of the loan principal that is eligible to be reimbursed to the Lender in the event of a claim (the "Claim-Eligible Principal Amount"). What percentage is used to calculate the Loss Reserve Contribution amount depends on several factors about the loan and the Borrower. Modifications to those percentages and to loan term eligibility are proposed below.

2. Specific Purpose of the Regulation

§10091.8(b)(1)(A): This subsection regarding the Loss Reserve Contribution percentage for loans made to Borrowers meeting the definition of Low-to-Moderate Income was removed.

§10091.8(b)(1)(A) (formerly §10091.7(b)(1)(B): This subsection is amended to remove Lender participation in the Credit-Challenged Program as the trigger for a 20% Loss Reserve Contribution for loans made to Credit-Challenged Borrowers.

§10091.8(b)(1)(B) (formerly §10091.8(b)(1)(C): This subsection is amended to change the Loss Reserve Contribution percentage for loans made to non-Credit-Challenged Borrowers from 11% to 5%.

§10091.8(c): This subsection is amended to raise the maximum loan term from 15 years to 20 years only if the project includes the solar photovoltaic + battery storage bundled measure.

§10091.8(e)(1): This subsection is amended to preserve the existing Loss Reserve Account rebalancing method for loans enrolled prior to January 1, 2024. Sub-points have been subordinated for consistency.

§10091.8(e)(2): This subsection is amended to establish January 1, 2024 as the start date for a new Loss Reserve rebalance method to take effect. As is the nature of a revolving Loss Reserve credit enhancement structure, Loss Reserve Contributions which are no longer needed as loan principal is paid down shall be recaptured during regular “rebalancing” to be redeployed for more loans. Under this new method, CAEATFA will annually rebalance Lenders’ Loss Reserve Accounts by first recalculating the Loss Reserve Contribution amount using the same method used when calculating the original Contribution. CAEATFA shall use the current outstanding Claim-Eligible Principal Amount rather than the original Claim-Eligible Principal Amount in this calculation. The sum of these recalculated Loss Reserve Contribution amounts will be considered a ‘target’ coverage balance, or the ideal Loss Reserve balance that would provide an appropriate amount of coverage considering current outstanding principal as well as any Borrower defaults that a Lender may experience. If the current balance of the Lender’s Loss Reserve Account is higher than this target coverage balance, the rebalance amount shall be the difference between the current balance and the target coverage balance. If the current balance of the Loss Reserve Account is lower than the target coverage balance, for example because there have been enough claims against the Loss Reserve to bring the balance down, no funds will be rebalanced out of the Account. As some Loss Reserve Contribution amounts will be calculated and recalculated against the Borrower’s credit score, and a Borrower’s changing credit score can reflect a change in their risk profile for the Lender, Lenders will also have the opportunity to provide updated Borrower credit scores.

3. Necessity

§10091.8(b)(1)(A): (See corresponding change made in subsection §10091.1(bb)) Low household income or residence in a low income census tract was a trigger for a Loss Reserve Contribution of 20%. The higher Loss Reserve Contribution percentage is meant to support Lenders making loans to Borrowers who they may perceive as riskier, in order to improve access for underserved Borrowers. However, Program experience has shown that “Low Household Income” is rarely reported as a reason for a higher Loss Reserve Contribution rate because it is difficult for a Lender to reliably ascertain; income data can only be requested of an individual, not a household. Further, CAEATFA Staff has learned that Lenders are not legally able to consider a Borrower’s census tract when making underwriting decisions. So, this criteria was removed. As Lender’s indicate that low credit score is a very reliable indicator of Borrower risk that can be assessed solely on the Borrower and not the household, CAEATFA is targeting changes in other areas of the regulations to focus on credit score when defining areas of Lender risk worthy of a higher Loss Reserve Contribution.

§10091.8(b)(1)(A) (formerly §10091.8(b)(1)(B): (see corresponding change made in subsection §10091.1(j)) CAEATFA removed the Credit-Challenged Program for Lenders. The Credit-Challenged

Program was an optional Program that Lenders could choose to opt into. If they opted in, Lenders would receive a 20% Loss Reserve Contribution for loans made to Borrowers who qualify as a Credit-Challenged Borrower by specifically designating the loan as “Credit-Challenged” at loan enrollment. In order to reduce operational burdens for Lenders, CAEATFA has decided to automatically deploy a 20% Loss Reserve Contribution for loans to Borrowers meeting the definition of a Credit-Challenged Borrower, rather than make Lenders request it each time.

§10091.8(b)(1)(B) (formerly §10091.8(b)(1)(C): This change is necessary to allow CAEATFA to more efficiently and appropriately deploy Loss Reserve funds to support the financing of more loans, with the goal of driving Program scalability. An 11% Contribution amount was established at the beginning of the GoGreen Home Program. After analysis of seven years of loan and claim data, CAEATFA has observed, and Lenders have confirmed, that 5% is a more appropriate Loss Reserve Contribution amount for loans to non-Credit-Challenged Borrowers. This will continue to provide adequate coverage for Lenders while ensuring more efficient deployment of Loss Reserve Contribution for more loans.

§10091.8(c): The current 15 year maximum has long been appropriate for large retrofits projects that focused on efficiency improvements, especially HVAC loans, as most of these types of equipment have a lifespan of about 15 years. With the addition of the bundled solar photovoltaic and battery storage measure, it is appropriate to raise the maximum loan term to 20 years for loans which include this measure. 20 years is a more common timeframe in solar financing to reflect the longer lifespan of solar panels.

§10091.8(e)(1): CAEATFA introduced a new rebalancing method that came into effect on January 1, 2024. Loans enrolled prior to the introduction of this new method must and will continue to be rebalanced according to the original method, so that method must remain in the GoGreen Home regulations.

§10091.8(e)(2): This new rebalance methodology more accurately reflects actual risk to Lenders and the loss coverage they need and has been generated after much engagement with GoGreen Home Lenders and much forecasting and analysis of past defaults and loan performance over the seven years that GoGreen Home has been enrolling these loans and paying claims. This new method will ensure Lenders retain appropriate loss coverage while allowing CAEATFA to redeploy Loss Reserve Contributions more rapidly for more loans, as the entirety of the initial Loss Reserve Contribution will not be encumbered in the Loss Reserve Account for the entire term of the loan. Rather, as each loan’s principal is paid off over the year, the corresponding Loss Reserve Contribution amount can be rebalanced and used to credit enhance other loans.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on internal analysis of loan enrollment and performance data, as well as feedback from Lender.

5. Alternatives to the Regulations Considered by the Agency and the Agency’s Reasons for Rejecting those Alternatives

The Authority considered other Loss Reserve Contribution percentages for non-Credit Challenged Borrowers (as opposed to 5%). Ultimately 5% was deemed most appropriate after analyzing current

and anticipated loss rates, the historical mix of Credit Challenged and non-Credit Challenged Borrowers) and through closely conferring with Lenders about how much coverage is appropriate.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary and GoGreen Home Lenders were carefully consulted throughout discussing these changes.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulation may have a positive effect on businesses of contractors who perform the work as well as on the State's economy and environment generally because of the increased economic activity and energy conservation.

§10091.9 (FORMERLY 8) LOAN ENROLLMENT

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

This section describes the documentation and data required for a loan to be enrolled in GoGreen Home, as well as the source of the data and which participant is required to submit it.

The GoGreen Home Program is proposing changes to account for expanding the list of eligible measures to include clean energy measures and the addition of the Project Developer role, while adding further clarification around loan enrollment and documentation requirements. Changes were also made to reflect expanded Borrower Eligibility.

2. Specific Purpose of the Regulation

§10091.9(c)(7): This subsection is amended to add "Other" as an option that Lenders can utilize when reporting a Borrower's relationship to an Eligible Property.

§10091.9(c)(9): This subsection is being removed from the regulations.

§10091.9(c)(9 formerly 10) and (10 formerly 11): This subsection is amended to clarify that both utility account numbers are required for Microloans if the measure is identified as a fuel switch measure in the Eligible Measures list in Section 10091.11(j) (formerly Section 10091.10(j)).

§10091.9(c)(12 formerly 13) and (13 formerly 14): This table is amended to add Project Developer as an entity that can provide project information for points 12 and 13.

§10091.9(c)(25): This subsection is amended to remove the requirement for Lenders to separately communicate inclusion of distributed generation measures.

§10091.9(c)(25) (new): This subsection is amended to add "Evidence of Grid Interconnection" as a required data point for projects utilizing solar photovoltaic and storage measures.

§10091.9(c)(26) (new): This subsection is amended to add “Evidence of on-site solar photovoltaic generation” as a required data point for projects utilizing the “Battery Storage Expansion” measure.

§10091.9(c)(40) (new): This subsection is being added to require Lenders to report if an Interest Rate Buy-Down has been applied, and if so, what the original interest rate was in order for the Authority to track the use and impact of IRBD campaigns on Borrower costs.

§10091.9(c)(41): This subsection is being removed from the regulations.

§10091.9(d)(2)(A) and (B): This subsection is amended to clarify how and by whom some required data points are captured for submission to CAEATFA.

§10091.9(f): This subsection is amended to clarify that, for the submission of Microloan data, the amount of utility fuel evidence that must be provided depends on if the EEM is a fuel switch measure.

§10091.9(f)(4): This subsection is amended to clarify that Participating Lenders and Contractors have the option to provide certification of either points (A) or (B) in the relevant subsection.

3. Necessity

§10091.9(c)(7): This amendment is necessary to align with the change to the definition of a Borrower in §10091.1(u), which determined that a Borrower’s relationship to a property might be something other than an owner or tenant (for example, the Borrower could be a relative of the owner/occupant). The addition of “Other” provides Lenders an appropriate way to categorize such a Borrower besides the current options of “1) owner-occupier, 2) owner non-occupier, 3) renter or lessee.”

§10091.9(c)(9): CAEATFA removed the Low-to-Moderate Income Borrower definitions (see changes made to subsection 10091.1(bb)) as a trigger for a 20% Loss Reserve Contribution. Thus, it is not necessary to report this.

§10091.9(c)(9 formerly 10) and (10 formerly 11): Currently, when enrolling a Microloan, Lenders only need to submit the account number for the utility fuel a financed measure uses. However, for measures which commonly result in a fuel switch, CAEATFA has determined that both the gas and electric account numbers are needed in order to show the cost impacts on the fuel being saved as well as the new fuel being utilized. For example, most water heaters in California are gas-powered. When an electric water heater is enrolled, CAEATFA needs to show the gas company the reduction of their gas usage in addition to showing the impact on the electricity use to the electricity provider. CAEATFA added a new column to the EEMs table that identifies which EEMs qualify as fuel switch measures; please see the description of modifications to §10091.11(j) (formerly §10091.10(j)) below for more information.

§10091.9(c)(12 formerly 13) and (13 formerly 14): This amendment is necessary to account for the new role that a Project Developer will play in GoGreen Home. As a Project Developer may assist the Participating Contractor with paperwork during the course of a project, this amendment ensures that Project Developers will be able to provide this information to CAEATFA. This is also in alignment with how GoGreen Business delineates reporting responsibilities between Participating Contractors and Project Developers. For more information about the addition of the Project Developer role, please see the proposed additions to Sections 10091.1(t), 10091.1(hh), and 10091.7 above.

§10091.9(c)(25): With the addition of distributed generation measures such as solar photovoltaics due to CPUC Decision 23-08-026, Lenders will no longer need to separately specify the presence of distributed generation measures in a loan submittal. Previously, distributed generation measures could be financed by GoGreen Home Lenders, but the cost of these measures would not receive a Loss Reserve Contribution. Lenders therefore were requested to indicate separately if a loan included a distributed generation measure so that the Loss Reserve Contribution could be calculated accordingly.

§10091.9(c)(25) (new): Borrowers are required to show proof that Eligible Properties are or will be connected to an IOU grid for the installation of the new “battery storage expansion” or “solar photovoltaic + battery storage” EEMs. This can be done by providing a utility bill with the presence of an IOU Net-Metering program or IOU approval of a grid interconnection application, depending on the measure. Because documentation outputs in solar and storage interconnection may change over time, CAEATFA is opting to not rigidly specify exact document types in the regulations.

§10091.9(c)(26) (new): The “Battery Storage Expansion” requires that solar photovoltaic generation already exist or will otherwise exist to feed the battery storage system once the project is complete in order to be eligible for financing. For example, a Borrower might already have solar generation, or might only be financing the cost of the battery in a combined solar + storage project. This new loan submission requirement is to ensure that documentation providing the presence of solar generation is submitted to CAEATFA. This can be done, for example by providing a utility bill with the presence of an IOU Net-Metering program or IOU approval of the solar system’s approved grid interconnection application. Because documentation outputs in solar and storage interconnection may change over time, CAEATFA is opting to not rigidly specify exact document types in the regulations.

§10091.9(c)(40) (new): The Authority requires Lenders to report the interest rate for each loan they enroll in the Program. This amendment will require Lenders to report, if they have requested an Interest Rate Buy-Down, that the reported interest rate reflects the use of the IRBD and the original interest rate prior to the IRBD so that the Authority can track the use and impact of IRBD campaigns on Borrowers’ costs.

§10091.9(c)(41): When there were three ways to qualify for a 20% Loss Reserve Contribution (Credit-Challenged Borrower, Low Income Borrower via Census Tract, or Low Income Borrower via Household Income), Lenders had to designate which option to enroll the loan under. Per the change described above to subsection §10091.8(b)(1)(A) and §10091.1(bb), CAEATFA is removing the LMI Borrower definition as a designation triggering eligibility for a 20% Loss Reserve Contribution (see the changes described to subsection §10091.1(bb) above). Additionally, loans made to Borrowers who qualify as Credit-Challenged will automatically receive the 20% Loss Reserve Contribution. Therefore, Lenders no longer need to separately report how a Borrower qualifies as underserved for the purpose of the 20% Loss Reserve Contribution – there is only one way, and it is automatically applied.

§10091.9(d)(2)(A) and (B): These subsections originally described project information being captured and submitted to CAEATFA on an invoice. A previous modification to Section 10091.9(b) of the regulations clarified that data may be captured and submitted in a number of formats

“approved by the Authority”, in order to facilitate digital transmission of data points. This correction thus eliminates an implication that Eligible Improvements can only be captured on an invoice.

§10091.9(f): Currently, when enrolling a Microloan, Lenders only need to submit the account number for the utility fuel a financed measure uses. However, for measures which commonly result in a fuel switch, CAEATFA has determined that both the gas and electric account numbers are needed in order to show the cost impacts on the fuel being saved as well as the new fuel being utilized. For example, most water heaters in California are gas-powered. When an electric water heater is enrolled, CAEATFA needs to show the gas company the reduction of their gas usage, in addition to showing the impact on the electricity use to the electricity provider. CAEATFA added a new column to the EEMs table that identifies which EEMs qualify as fuel switch measures; please see the description of modifications to §10091.11(j) (formerly §10091.10(j)) below for more information.

§10091.9(f)(4): This addition clarifies that only one of the two conditions needs to be met for a loan approval; the current wording is unclear and could be misinterpreted as meaning that both options are required.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on feedback from the Investor-Owned Utilities as to which documentation CAEATFA should capture to ensure grid interconnection of solar photovoltaic and battery storage systems.

5. Alternatives to the Regulations Considered by the Agency and the Agency’s Reasons for Rejecting those Alternatives

Regarding the documentation required when installing Clean Energy measures (10091.9(c)(25) and (26), CAEATFA considered specifying the mechanism of proof (e.g. naming specific documents), but ultimately decided that in a quickly evolving industry, these documents and mechanisms may change over time; thus it is more sensible for the Authority to operationally specify to Participating Contractors, Lenders and Borrowers what type of proof may be acceptable at the time of submission.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary, and, in fact, the Authority finds that the proposed regulation may increase participation amongst a new group of Contractors who install solar and battery storage systems, which were previously not eligible for GoGreen Home financing.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulation may have a positive effect on businesses of Participating Contractors and Lenders. A positive effect may be seen as well as on the State’s economy and environment generally because of the increased economic activity and energy conservation due to the new addition of

solar photovoltaic and battery storage measures, which are popular and CAEATFA anticipates will result in much financing volume.

§10091.11 (FORMERLY 10) PROJECT REQUIREMENTS

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

This section describes measure and project eligibility for GoGreen Home, installation, safety testing requirements, and how projects are verified and inspected.

This section is updated to characterize a new category of clean energy measures pursuant to CPUC Decision 23-08-026.

1. Specific Purpose of the Regulation

§10091.11(f)(1): This subsection is amended to add the “duct sizing/optimization” EEM as a Combustion Appliance Safety (CAS) test trigger.

§10091.11(j): This subsection is amended to add “heat pump clothes dryer” as an EEM.

§10091.11(j): This subsection is amended to add an Energy Star rating requirement to the existing “induction cooktop” measure under the appliance category.

§10091.11(j): This subsection is amended to add “clean energy” as a new EEM category.

§10091.11(j): This subsection is amended to add “solar photovoltaic + battery storage” as a new measure under the new Clean Energy category.

§10091.11(j): This subsection is amended to add “battery storage expansion” as a new measure under the new Clean Energy category, with the condition that it be paired with an existing solar photovoltaic system.

§10091.11(j): This subsection is amended to add a new column titled “fuel switch” to the EEMs table, and to label several “HVAC” category measures (“heat pump”, “mini split”, and “mini split air conditioning system”) and several “water heating” category measures (“heat pump water heater”, “solar water heater”, and “tankless water heater (electric)”) as fuel switch measures.

§10091.11(j): The “Other” measures, as a method of qualifying measures not already on this list through IOU, REN or CCA programs, is amended to revise “demand response program” to “demand-side energy program” as a requirement for “other measures qualifying through IOU/REN/CCA Programs” in the “other” category.

§10091.11(j): This subsection is amended to add “smart home energy management systems” as a new measure listed under the “Other” category on the EEMs list.

§10091.11(j): This subsection is amended to add “electric vehicle chargers” as a new measure listed under the “Transportation” category on the EEMs list.

§10091.11(j): This subsection is amended to add “solar water heater” as a new measure listed under the water heating category on the EEMs list. This measure requires an Energy Star rating.

2. Necessity

§10091.11(f)(1): This modification brings the regulations into alignment with standard safety practices, as CAS testing is already required when air sealing or duct sealing measures are installed. Duct optimization or re-sizing may result in changes to airflow, even if the duct was already "sealed". CAS testing is necessary whenever a change to airflow as a result of modifications to the building envelope or ventilation system occurs in a home which may have one or more gas appliances within the building envelope.

§10091.11(j): *Heat pump clothes dryers* are a developing market which utilizes a significantly different technology than current electric clothes dryers. Further, heat pump clothes dryers may result in a fuel switch. From a reporting perspective, it is useful for CAEATFA to track uptake of heat pump clothes dryers compared to regular electric resistance clothes dryers.

§10091.11(j): New Energy Star product specifications for *induction cooktops* became effective in September 2023. These certified versions have been shown to be 18% more efficient than standard models. Restricting this measure to Energy Star models follows what CAEATFA has done with other appliances, as it aligns with the efficiency goals of the Program.

§10091.11(j): The issuance of CPUC Decision 23-08-026 provided authorization for CAEATFA to include distributed generation and renewable energy measures as Eligible Improvements for GoGreen Home financing. These measures are to be collectively categorized as *clean energy measures*. Two specific items have been selected for inclusion as part of the new clean energy category: "solar photovoltaic + battery storage" and "battery storage expansion" (see the immediately following subsection additions).

In order to determine eligibility for inclusion on the EEM list, potential clean energy measures were evaluated for the benefits that they provide to customers, utilities, and society. Feedback was solicited during public workshops and comment periods and no objections to the addition of these two measures were raised.

§10091.11(j): Pairing *solar and storage systems* together was found to produce the highest net benefit across all three sectors of our evaluation metrics. This new measure enables customers to store on-site solar-generated energy for use when electricity rates are comparatively higher and lessens the need for utilities to generate additional power during times of peak demand, such as late afternoon and evening hours. This in turn leads to decreased generation costs for utilities and reduces the chance of blackouts across the state. Paired solar and storage systems also serve as an effective climate resilience measure by providing a backup supply of power for customers in the event of an outage or pre-emptive shutoff by a utility to mitigate the risk of wildfire.

§10091.11(j): As noted above, solar and storage measures offer a number of cross-sector benefits when paired together. While California currently leads the nation in installed residential solar capacity, and new home construction is now mandated to include solar photovoltaic systems under Title 24, less than 10% of these systems are paired with *battery storage*. This figure will likely decrease as new homes are constructed under the new mandate without a corresponding requirement for battery storage installation. On the other hand, new homes are built to readily allow for the connection of battery storage units. There is thus both a vast market and a clear need to encourage consumers who have existing solar generation systems to complement those with battery storage expansion.

§10091.11(j): CAEATFA has identified that the installation of fully electric HVAC and water heating measures commonly result in a *fuel switch* (gas to fully electric), due to the prevalence (around 90%) of gas heating and cooling in California. This has implications on the utility account numbers that CAEATFA needs to appropriately determine energy savings. For example, when an electric water heater is enrolled, CAEATFA needs to show the gas company the reduction of their gas usage, in addition to showing the impact on the electricity use to the electricity provider. Please see the changes proposed to §10091.9(c)(9) and (10) above for more information.

§10091.11(j): This change to “*Other*” measures is made after soliciting guidance from the utility companies with the intention of creating a more accurate description for these types of programs

§10091.11(j): “*Smart home energy management systems*” are an emerging technology that allows users to reduce energy consumption through coordinated control of connected devices, such as smart appliances or HVAC systems. This is done through the use of a single platform interface, for example an app on a phone. Similar to the existing “smart thermostat” EEM, these systems can be managed remotely to reduce home energy use. Thus, including it as a new EEM aligns with the efficiency goals of the Program.

§10091.11(j): “*Electric vehicle chargers*” with an Energy Star certification and internet connectivity for grid connection are an emerging technology that will become more common as California shifts away from internal combustion engines and increases localized solar generation. These measures can currently be utilized to charge vehicles during off-peak periods and may, in the future, be utilized for grid resiliency through internet connectivity with utility demand-response systems, which is why CAEATFA is specifying internet connectivity capability.

§10091.11(j): *Solar water heaters* with an Energy Star qualification have been shown to cut a home’s annual hot water costs up to 50%. They are generally designed for use with an electric or gas back-up water heater, and so it is most appropriate to list them in the water heating category, rather than as a clean energy measure

3. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

Suggestions for additions to the EEMs List came from contractors, equipment distributors, and other industry professionals. Permission to add clean energy measures was granted by the CPUC in Decision 23-08-026.

4. Alternatives to the Regulations Considered by the Agency and the Agency’s Reasons for Rejecting those Alternatives

The Authority initially considered including solar photovoltaic systems as a separate clean energy measure, but this was found to offer insufficient benefits to utilities and society. The problem is not that California is currently lacking in solar generation capacity, but that a disconnect exists between the time of day that solar power is being generated and when demand for electricity is highest (for example, evening hours). Battery storage systems can play an important role in better aligning energy supply with demand, thereby reducing grid disruption and producing savings for both utilities and consumers, and it was thus deemed more appropriate to incentivize customers to undertake these measures as a package item.

5. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary and, in fact, the Authority finds that the proposed regulation may increase participation amongst a new group of Contractors who install solar and battery storage systems and EV chargers, which were previously not eligible for GoGreen Home financing.

6. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulation may have a positive effect on businesses of contractors who perform the work, especially those working in the solar and battery storage installation sector. The proposed regulation may also have a positive effect on the State's economy and environment generally because of the increased economic activity and energy conservation due to the Borrower's access to additional energy measures.

§10091.13 (FORMERLY 12) SALE OF ENROLLED LOANS

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

The intention of the Regulations has always been to support a secondary market for energy efficiency loans by allowing Participating Lenders to sell, transfer or assign the associated repayments of an Enrolled Loan.

This section describes the processes and requirements by which a Lender may apply to GoGreen Home to serve as a Successor Servicer.

This section is amended to reflect Program-wide changes regarding the addition of clean energy measures.

2. Specific Purpose of the Regulation

§10091.13(c)(10)(D)(iii): This subsection is amended to change the term "energy savings" to "energy impacts."

§10091.13(c)(10)(E)(i): This subsection is amended to change the term "energy efficiency improvements" to "energy impacts."

§10091.13(e): This subsection was added to ensure that Successor Servicers are subject to the same provisions regarding loan performance as other participating Lenders.

3. Necessity

§10091.13(c)(10)(D)(iii): As the GoGreen Home Program has expanded to include financing for the clean energy measures which may not always generate savings, this necessitated the removal of language strictly relating to "energy savings."

§10091.13(c)(10)(E)(i): As the GoGreen Home Program has expanded to include financing for the clean energy measures, this necessitated the conversion of language strictly relating to “energy efficiency.”

§10091.13(e): Section 10091.2(j), the GoGreen Home Program added a new provision for assessing each Lender’s loan performance, with the ability to suspend/amend the Lender’s GoGreen Home loan product due to poor performance. This addition ensures that Successor Services are subject to the same provision.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on internal analysis by Staff; these were reasonable modifications to consistently reflect changes made in other sections.

5. Alternatives to the Regulations Considered by the Agency and the Agency’s Reasons for Rejecting those Alternatives

The Authority finds that there is no alternative wording that would better describe the clarification of existing terms following internal analysis conducted by Staff.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The changes made to this section have no direct bearing on small businesses as the changes made to this section merely change existing wording or reflect reasonable changes made elsewhere.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses, as participation in the Program is voluntary and the changes made to this section merely change existing wording or reflect reasonable changes made elsewhere.

§10091.14 (FORMERLY 13) TERMINATION AND WITHDRAWAL

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

This section describes the processes and requirements by which a Lender may withdraw or be terminated from GoGreen Home.

This section is extensively reorganized to reduce confusion and improve readability, and additional clarity was made to reporting requirements for Enrolled Loans. The previous structure of this section incorrectly implied that withdrawn Lenders must fulfill the same commitment as terminated Lenders regarding continued reporting on their Enrolled Loans. The new structure of this section clarifies that regardless of termination or withdrawal, a Lender must decide if it wants to keep its Loss Reserve Accounts and if it does, it must commit to ongoing required reporting.

2. Specific Purpose of the Regulation

§10091.14(a)-(c): This subsection is amended to describe the reasons for and process by which Lenders may be terminated from the Program (originally described in subsections 10091.14(c)(1) – (6)) or may withdraw from the Program voluntarily. It also consolidates language revoking

withdrawn or terminated Lenders' authorization to enroll loans from two separate subsections (formerly 10091.13(a)(2) and 10091.13(c)(7)).

§10091.14(d): This subsection is amended to describe reporting commitments and notifications to the Authority that Lenders must make after withdrawing or being terminated from the Program.

3. Necessity

§10091.14(a)-(c): This reorganization of existing language regarding how termination or withdrawal may occur makes the regulations easier to understand and sets up the requirements for decisions about post-withdrawal/termination Loss Reserve Account maintenance described in the following subsection to be more clearly conveyed.

§10091.14(d): The previous structure of Section 1009.14 did not explicitly state that withdrawn Lenders must fulfill the same ongoing loan reporting requirements described in Section 10091.12 that terminated Lenders were required to perform (formerly subsection 10091.13(c)(7)(A)-(B)). This cleaned up subsection consolidates duplicative language regarding how Lenders must notify the Authority about the ongoing maintenance of their Loss Reserve Account and codifies ongoing reporting requirements for both withdrawn and terminated Lenders. It also clarifies that, for both terminated and withdrawn Lenders, failure to comply with reporting requirements may result in the return of the Lender's Loss Reserve funds to the appropriate Program Holding Accounts.'

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on internal analysis by Staff in the suggestion of this regulation amendment.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

The Authority finds that no alternatives it has considered would be either more effective in carrying out the purpose of the proposed regulation or equally effective but less burdensome to affected Lenders.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The changes made to this section have no new implications on small businesses; the modifications simply clarify and restate what was already expected.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses, as participation in the Program is voluntary and the modifications simply clarify and restate what was already expected.

§10091.16 (FORMERLY 15) CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PRIVACY RIGHTS DISCLOSURE

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

State and federal laws protect the right to privacy of one's personal information. As a result of Borrower participation in the Program, the Authority may come into possession of personal information (including credit scores, payment history, and details about Projects and financing agreements) which will be maintained for the life of the loan. Therefore, it is imperative that the Authority inform the customer of their rights and obtain permission to collect this data. Certain disclosures and utility account information are also required under the Authority's contractual agreements with the CPUC and IOUs.

This section describes the CHEEF Privacy Disclosure that advises the Borrower of their privacy rights under the CHEEF, informing them that certain information may be shared with utility companies and other state or federal agencies.

Modifications to this section reflect changes in other sections such as the addition of the role of Project Developer.

2. Specific Purpose of the Regulation

§10091.16(a)(1): This subsection is amended to change "energy efficiency financing program" to "energy financing program"

§10091.16(b): This subsection is amended to add Project Developer as an entity that can provide Borrower information to CAEATFA.

§10091.16(d): This subsection is amended to change "energy efficiency project performance" to "energy project performance."

3. Necessity

§10091.16(a): With the expansion to include clean energy measures, it is necessary to clarify to Borrowers that they are participating in a program that finances many types of energy measures, not just energy efficiency.

§10091.16(b): This amendment is necessary to account for the new role that a Project Developer will play in GoGreen Home. As a Project Developer may handle Borrower information during the course of a project, this amendment ensures that Borrowers will know their information can also be provided to CAEATFA by the Project Developer.

§10091.16(d): With the expansion to include clean energy measures, it is necessary to clarify that all energy project performance information, not just energy efficiency project performance, will be made available to the public in an anonymized form.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The Authority relied on internal analysis by Staff; these were reasonable and minor modifications so changes made in other sections are reflected consistently across all the regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

The Authority finds that no alternatives it has considered would be either more effective in carrying out the purpose of the proposed regulation or equally effective but less burdensome to Borrowers

completing the CHEEF Privacy Disclosure; these were reasonable and minor modifications so changes made in other sections are reflected consistently across all the regulations.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority finds that this section is unlikely to have any negative impact on small businesses, nor has the Authority identified any alternatives, or had alternatives brought to the attention of the Authority that would lessen any adverse impact on small businesses, if any. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses, as participation in the Program is voluntary and the changes proposed here do not add additional burden to participating small businesses.

§10091.18 INTEREST RATE BUY-DOWN DISBURSEMENT

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

Even though GoGreen Home works with Lenders to reduce interest rates made available to Borrowers, interest costs persist and can be a barrier to Borrowers' ability to finance Eligible Improvements. Interest Rate Buy-Downs (IRBDs) are a tool that financing programs can deploy to make financing offerings more attractive and increase uptake. In addition to making energy upgrade financing more affordable for Borrowers, IRBDs can be utilized to support a variety of Program goals, such as incentivizing certain project types (e.g., whole building retrofits, or decarbonization/electrification projects), improving access for low- or moderate-income Borrower types, and driving Lender and Contractor participation in financing programs.

CAEATFA has identified a few potential sources of IRBDs for GoGreen Home, including federal, state, and local utility entities. Each funder has their own goals and requirements for eligibility; however an IRBD funder's requirements will never supersede or amend, and instead will only be layered on top of GoGreen Home's existing eligibility criteria and requirements. This potential variability makes it necessary to have a new section that specifies, generally, what will happen when CAEATFA secures IRBD funding and how GoGreen Home Lenders can participate, while establishing a standardized and consistent process.

2. Specific Purpose of the Regulation

§10091.18(a): This subsection is added to indicate that CAEATFA may from time to time gain access to funding for IRBDs, and how the IRBDs shall be calculated.

§10091.18(b): This subsection is added to describe what CAEATFA will do in the event funding is secured from an external source to administer an IRBD in the form of a payment provided by CAEATFA directly to a participating GoGreen Home Lender. If CAEATFA is able to secure this external funding, it will work with the funding source to develop an overview of the IRBD campaign's terms and eligibility requirements (a "term sheet"), including information about (A) the amount of IRBD

funding available, (B) target interest rates or rate reduction amounts, (C) any maximum amount of IRBD funding available per loan (if applicable), (D) eligibility criteria, and (E) the process by which Lenders may apply to participate in the IRBD campaign.

§10091.18(c): This subsection is added to describe how the Authority will adopt that term sheet via formal resolution of CAEATFA’s Board, publish the terms on its website and notify interested parties, and accept applications from Lenders to participate in the IRBD campaign.

§10091.18(d): This subsection is added to describe how Lenders who wish to participate in an IRBD campaign shall apply to the Authority for access to this funding.

3. Necessity

§10091.18(a): This provision is necessary to specify where IRBD funding may come from for public transparency. It is also necessary to clarify that the IRBD amount must be calculated against the Claim-Eligible Principal Amount, as the amount of the IRBD is affected by the loan amount. Sometimes Lenders may enroll only a portion (the “claim-eligible” amount, or the amount of the loan against which the Loss Reserve Contribution is calculated) of a total loan amount with GoGreen Home, and CAEATFA believes that only the amount that is deemed “claim-eligible” should be considered in the calculation of the IRBD.

§10091.18(b): This provision is necessary to specify the information that will be developed and made publicly available about the IRBD campaign via a “term sheet”. This information shall include information about the amount of IRBD funding available, target interest rates or rate reduction amounts, any maximum amount of IRBD funding available per loan (if applicable), eligibility criteria, and the process by which Lenders may apply to participate in the IRBD campaign. As mentioned, each source of funds may have dollar or timeline limits, geographic or measure restrictions, or other criteria for recipients and CAEATFA will need to explain the details and eligibility criteria of each IRBD campaign on a case-by-case basis. For example, an electric utility providing IRBD funding may decide that the IRBD should only be available for loans including gas-to-electric heat pump conversions. This provision also notes explicitly that the terms of the IRBD will never contradict existing requirements described in the regulations.

§10091.18(c): This provision is necessary to establish that CAEATFA will utilize the public process of a CAEATFA Board meeting to publish the terms of participating in an IRBD campaign and that the details of the IRBD will be made available to the public and interested parties. This ensures that the terms of each new or amended IRBD campaign term sheet is transparently discussed and affirmed through the public forum of CAEATFA’s governing Board’s meetings.

§10091.18(d): This provision is necessary to affirm that a GoGreen Home Lender must agree to the terms and processes outlined in the term sheet, and that their participation in an IRBD campaign is contingent upon their ability to meet the requirements of the funding.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

The creation of this new section is the result of input from Lenders and other utility- or state-operated financing programs around the country that offer IRBDs.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

The Authority originally considered defining the role of and relationship with the external funder. Because the nature of that relationship could vary (e.g. the scope of the relationship or the type of funder is difficult to predict), and defining it does not affect how Lenders, Contractors and Borrowers interact with IRBD campaigns (the term sheet, instead, defines this interaction), the Authority ultimately decided to not further define the role and relationship with the external funder.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses as Program participation is voluntary. In fact, the Authority anticipates that the IRBDs that will be facilitated by this section will support home energy upgrade sales and financing for Participating Contractors and Lenders.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulation may have a positive effect on businesses of Participating Contractors and Lenders, as well as on the State's economy and environment generally because of the increased economic activity and energy conservation due to improved affordability of GoGreen Home financing for more Californians.

ECONOMIC IMPACT ASSESSMENT

Creation or Elimination of Jobs and Businesses within the State of California:

The regulations are designed to establish the Program structure, provisions and the type and level of financial assistance finance companies may obtain if accepted to participate in the Program. Existing staff will carry out these regulations, participation in the Program is voluntary, and these regulations do not place a burden on businesses within California, therefore these regulations do not affect the ability to create or eliminate jobs within the State of California.

The Authority finds that the regulations will have a positive effect on the State's economy and environment generally because of the anticipated increased economic activity, energy conservation and reduction of greenhouse gas emissions due to investments in energy upgrades and clean energy generation measures. Studies have cited the need for lower cost financing as a main impediment to increasing the number of residents investing in energy efficiency upgrades; therefore, the Authority finds there would be increased economic activity for certain businesses who manufacture energy efficiency and generation measures, and for contractors who conduct energy efficiency retrofits or install solar generation and storage. Additionally, residents that make energy efficiency and clean energy upgrades are likely to experience energy savings and/or reduced utility bills, and may be able to apply those monetary savings toward other types of economic activity.

The Authority finds that the regulations may have a positive impact on the creation of jobs within California, particularly those commonly referred to as "green jobs," such as manufacturers of energy

efficiency and generation measures benefitting from increased demand, and energy efficiency retrofit or alternative energy contractor companies who perform installations. The Authority has not estimated the number of direct and indirect green jobs that may be created as a result of this Program.

Creation of New or Elimination of Existing Businesses within the State of California:

The regulations facilitate the provision a credit enhancement, in the form of a Loan Loss Reserve, to finance companies offering credit to California residents and, therefore, are not anticipated to eliminate existing businesses within the State of California. The Authority finds that the proposed regulations will have a positive effect on the businesses that are involved as installers for Eligible Energy Measures. The regulations are unlikely to significantly affect the creation of new businesses within the State of California.

Expansion of Businesses or Elimination of Existing Businesses Within the State of California:

Studies have cited the need for lower cost financing as a main impediment to increasing the number of residents investing in energy upgrades; therefore, the Authority finds there could be increased economic activity for certain businesses of and contractors who conduct energy retrofits and upgrades, thus potentially expanding existing businesses.

Benefits of the Regulations:

As the amendments make the Program more attractive to finance companies, contractors, and borrowers, there may be additional reduction of greenhouse gas emissions and an improvement of air quality. This could benefit the State's environment and residents' health. These amendments will have no impact on worker safety. Further, the amendments may benefit the State's fiscal health by incentivizing finance companies to enter into financing agreements and offer new products to borrowers who wish to invest in energy efficiency improvements and upgrades to their property(ies) and/or appliances.

California has aggressive energy reduction goals. A series of legislation passed in recent years, including Assembly Bill 32 (Nuñez, Chapter 488, Statutes of 2006), Assembly Bill 758 (Skinner, Chapter 470, Statutes of 2009), Senate Bill 350 (De León, Chapter 547, Statutes of 2015), and Senate Bill 100 (De León, Chapter 312, Statutes of 2018) have addressed energy efficiency issues and provided direction for establishing ambitious energy goals for the State. Additionally, in July of 2021, Governor Newsom directed the CPUC and the California Air Resources Board to accelerate California's progress to achieving carbon neutrality to 2035, in advance of the previous 2045 target.

In 2008 the California Public Utilities Commission adopted the California Long-Term Energy Efficiency Strategic Plan ("Strategic Plan"), which set forth a statewide roadmap to maximize the achievement of cost-effective energy efficiency in California's electricity and natural gas sectors from 2009 through 2020 and beyond. While the residential sector is not restricted by lack of financial products, two of the main barriers to achieving the energy efficiency goals laid out by the Strategic Plan are the high interest rates associated with that financing and the fact that many of the financing products currently available can be difficult to access.

The purpose of the GoGreen Home Energy Financing Program is to provide credit enhancement support for finance companies financing energy improvements. Through the use of these credit enhancements, finance companies are able to mitigate risk and thus offer better rates and terms to a broader base of customers. The goals of the Program are to attract a greater amount of private

capital to the energy efficiency retrofit and upgrade market by mitigating risk to finance companies, to broaden the availability of financing to those who might not have been able to access it otherwise, and to address the upfront cost barrier to energy efficiency retrofit or generation projects.

The goals of the amendments are to more efficiently deploy and recycle Loss Reserve Contributions provide more energy efficiency and clean energy generation measure and financing options, and establish a process by which external funding can be disbursed to reduce interest costs for Borrowers. The addition of the new Project Developer role is intended to facilitate more comprehensive and data-driven home energy upgrades, which in turn can drive business for Participating Contractors and Lenders and drive new levels of Program uptake.

Small Business:

The proposed regulations will not have an adverse impact on small businesses in California. Participation is voluntary and designed to offer access to attractive financing that a resident otherwise may not have. Modifications in these regulations should equip energy efficiency and solar contractors with more financing options for their customers, and thus grow their own businesses.