

**TITLE 4, DIVISION 13, ARTICLE 6
OF THE CALIFORNIA CODE OF REGULATIONS**

NOTICE OF PROPOSED RULEMAKING

The California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”), organized and operating pursuant to Division 16 (commencing with section 26000) of the California Public Resources Code (the “Act”)—pursuant to the authority vested in it by the Public Resources Code Section 26009 to promulgate regulations and Public Resources Code Section 26011 to provide financial assistance to a participating party, and acting pursuant to the Memorandum of Agreement (“MOA”) between the Authority and the California Public Utilities Commission (“CPUC”) which sets forth the policies and procedures for establishment of a series of ratepayer-funded pilot programs as authorized and described in the initial CPUC-approved Decision 13-09-044, Decision Implementing 2013-14 Energy Efficiency Financing Pilot Programs issued September 19, 2013 and modified through Decision 15-06-008, Decision 15-12-002, Decision 17-03-026, Decision 21.08.006 and Decision 23-08-026 —proposes to amend the GoGreen Home Energy Financing Program (known publicly as the “GoGreen Home Program” and referred to as the “Program” in this document) regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING

The Authority has not scheduled a public hearing on this proposed action. However, the Authority will hold a hearing if it receives a written request for a public hearing from any interested person, or his or her authorized representative, no later than 15 days prior to the close of the written comment period. A hearing may be requested by making such request in writing addressed to the individuals listed under “Agency Contact Person” in this notice.

WRITTEN COMMENT PERIOD

Any interested person or their authorized representatives may submit written comments relevant to the regulations to the Authority. All comments must be submitted in writing to cheef@treasurer.ca.gov and **must be received by July 16, 2024**, or must be received by the Authority at the hearing, should one be scheduled, in order for them to be considered by the Authority.

In the event that substantial changes are made to the regulations during the written comment period, the Authority will also accept additional written comments limited to any changed or modified regulations for fifteen (15) calendar days after the date on which such regulations, as changed or modified, are made available to the public pursuant to Title 1, Division 1, Chapter 1, Article 2, Section 44 of the California Code of Regulations. Such additional written comments should be addressed to cheef@treasurer.ca.gov.

AUTHORITY AND REFERENCE

Authority: Public Resources Code Section 26006 and 26009. Section 26006 and 26009 of the Public Resources Code authorizes the Authority to adopt necessary regulations relating to its authority established by the Act, and Public Resources Code 26011 establishes the authority to provide financial assistance to a participating party.

Reference: Public Resources Code Sections 26002, 26002.5, 26003(a)(3)(A), 26003(a)(6), 26003(a)(7)(A), 26003(a)(8)(A), 26011 and 26040. 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 (“CHEEF”), funded by ratepayer funds collected by the four investor owned utilities – Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company (collectively the “IOUs”). The Authority’s purpose is to advance the State's goals of reducing the levels of greenhouse gas emissions, increasing the deployment of sustainable and renewable energy sources, implementing measures that increase the efficiency of the use of energy, creating high quality employment opportunities, and lessening the State's dependence on fossil fuels. The Authority’s statute enables it to provide financial assistance to various participating parties that carry out eligible projects. 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.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Existing law establishes the California Alternative Energy and Advanced Transportation Financing Authority and authorizes the Authority to provide “financial assistance” to “participating parties” for the implementation of “projects” as those terms are defined in Public Resources Code Section 26003. A Memorandum of Agreement between the Authority and the CPUC sets forth the policies and procedures for establishment of a series of ratepayer-funded pilot programs as authorized and described in the CPUC-approved Decisions.

Decision 13.09.044 established the California Hub for Energy Efficient Financing (“CHEEF”) to be administered by the Authority. The Authority was authorized to develop and implement a number of energy efficiency financing programs. These programs were intended to attract a greater amount of private capital to the energy efficiency retrofit market by reducing risk to finance companies; broadening the availability of financing to individuals and businesses who might not have been able to access it otherwise; and addressing the upfront cost barrier to energy efficiency retrofit projects.

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 Decisions regarding 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. In April 2020, the CPUC issued Resolution E-5072, which approved GoGreen Home's transition from a pilot program to a full program and provided funding for the Authority to facilitate scaling, including streamlining operations for Lenders, making planned technology improvements, and continuing with education and outreach efforts. CPUC Decision 21.08.006 in 2021 supported further expansion by authorizing GoGreen Home to utilize non-IOU ratepayer sources of funding for credit enhancements in order to set up more consistent project eligibility across utility jurisdictions. CAEATFA then implemented amendments through an emergency rulemaking process that began in 2021 and ended with a Certificate of Compliance in September 2022.

In August 2023, CPUC Decision 23-08-026 enabled CAEATFA to expand its program technologies and begin using its current funding source, IOU energy efficiency ratepayer funds, to credit enhance those technologies. This marks a significant expansion of the Program to encompass a broader range of clean energy measures in addition to energy efficiency measures. This expansion is in line with State goals, and supports Californians seeking to more fully decarbonize or electrify as well as improve the efficiency of their homes. Accordingly, CAEATFA is adding several new clean energy eligible measures: a bundled "solar photovoltaic + battery storage" measure, "smart electric vehicle chargers", and "battery storage expansion" for properties that wish to add battery storage to an existing solar generation system onsite. The new clean energy measures do have impacts that go beyond how much energy is being saved; for example, solar photovoltaic systems don't reduce the amount of energy consumed in the way that an efficiency measure can, and instead simply shift the source of generation. Accordingly, CAEATFA has revised the term "Eligible Energy Efficiency Measures" to "Eligible Energy Measures," and has amended references to "efficiency" and "savings" in the regulations to "energy upgrades" and "energy impacts". Further, given the average cost of undertaking a solar + storage project in conjunction with efficiency improvements can be quite high, the maximum amount of financing for an Eligible Project has been raised from \$50,000 to \$75,000 for projects that include the solar photovoltaic + battery storage bundled measure.

These clean energy measures were implemented as part of an emergency regulations package that took effect following OAL approval in April 2024. Prior to that, in December 2023, CAEATFA submitted a separate emergency regulation modification package to OAL, which was approved and entered into effect on December 22, 2023. The modifications proposed in these two different sets of emergency regulations were of a different scope and relative urgency, and thus warranted separate emergency regulation approaches and timelines. CAEATFA is now combining both emergency rulemaking packages into a single Certificate of Compliance on advice from OAL.

As part of both emergency rulemakings, 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, followed by a public comment period. The changes discussed in November were approved by the OAL and took effect on December 22, 2023 (OAL File No. 2023-1212-02E). Further, the changes discussed in February were approved by the OAL and took effect on April 15, 2024 (OAL File

No. 2024-0403-02E). The emergency regulations will be submitted for a second re-adoption in May 2024, to become active mid-June, in order to grant enough time to complete the regular rulemaking process.

The proposed regulations associated with this Notice seek to make permanent most of the emergency modifications through the Certificate of Compliance regular rulemaking process.

Anticipated Benefits of the Proposed Action:

The benefits of this regulatory action will be to owners and renters of residential properties, including single-family homes, condominiums, townhouses, and apartments, as well as Participating Lenders and the hundreds of enrolled Contractors who complete the upgrades. The addition of the ability to utilize IOU Public Purpose Funding for energy generation measures is intended to reduce complexity and increase Program access to more Californians by expanding the types of measures for which Lenders can receive a credit enhancement. This furthers the State's goals of reducing energy consumption and greenhouse gases. Changes and additions to the list of Eligible Energy Measures are intended to provide more options for the types of energy saving installations that can be financed through the Program, helping Borrowers save more energy. Changes to how Loan Loss Reserve Contributions are calculated, and how Loan Loss Reserve Accounts are rebalanced, provides for more efficient deployment and recycling of loss reserve funds to support Program scaling. The addition of functionality by which GoGreen Home can channel external funds as Interest Rate Buy-Downs (IRBDs) provides will allow funding partners to incentivize particular types of climate projects, such as heat pump installations, and will also result in lower financing costs for Borrowers.

Evaluation of Inconsistency/Incompatibility with Existing State Regulations:

Government Code Section 11346.5(a)(3)(D) requires that the notice of proposed rulemaking include, "[an] evaluation of whether the proposed regulation is inconsistent or incompatible with existing state regulations." The Authority's Staff reviewed the California Code of Regulations and found no existing regulations with which there might be inconsistency or incompatibility. Therefore, the Authority believes that the proposed regulation is neither inconsistent nor incompatible with existing state regulations.

DISCLOSURES REGARDING THE PROPOSED ACTION

The Executive Director of the Authority has made the following determinations regarding the effect of the regulations:

Mandate on local agencies or school districts: None.

Cost or savings to any state agency: None.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.

Other nondiscretionary cost or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Significant effect on housing costs: None.

Significant, statewide adverse economic impact directly affecting businesses including the ability of California businesses to compete with businesses in other states: The Authority has made the determination that the proposed regulations will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. Participation in the program is voluntary, and, in fact, the Authority finds that the proposed regulation may have a positive effect on the businesses of participating GoGreen Home Contractors and California-based Lenders.

Effect on Small Business: The Authority has made the determination that 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 for energy efficiency measures. The Authority believes that any effect on small businesses would be positive, particularly for Contractor businesses installing energy upgrades.

Cost Impacts on Representative Private Person or Business: The Authority is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

RESULTS OF ECONOMIC IMPACT ANALYSIS

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. Studies have cited the need for lower cost financing as a main impediment to increasing the number of energy upgrades; therefore, the Authority finds there would be increased economic activity for certain businesses who manufacture energy measures and for the contractors who conduct energy retrofits, as well as for the California-based Lenders who process and provide the loans. Additionally, participants that make energy upgrades are likely to experience energy savings and may be able to apply those savings toward other economically beneficial activities.

Creation or Elimination of California Jobs:

The Authority finds that the regulations may have a positive impact on the creation of jobs within California, such as the manufacturers of energy efficiency and clean energy generation measures benefitting from increased demand, and 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 as participation is voluntary.

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

As the regulations provide a credit enhancement to finance companies offering credit to California residents, the elimination of businesses is improbable. The regulations are unlikely to significantly affect the creation of new businesses within the State of California.

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

The Authority finds there could be increased economic activity for certain businesses of Project Developers and Contractors who conduct energy related projects, thus potentially expanding existing businesses.

Benefits of the Regulations to The Health and Welfare of California Residents, Worker Safety, and The State's Environment:

The goal of the Program is to increase access to financing for California residents to invest in energy efficiency and clean energy generation upgrades, thus reducing greenhouse gas emissions and helping meet California's ambitious environmental goals. The Program does not directly affect worker safety.

SUMMARY OF PROPOSED CHANGES AND ADDITIONS

Section 10091.1. Definitions.

This section defines terms commonly used throughout the regulations and Program documents.

This section is being updated to facilitate the proposed changes to the regulations; definitions have been added, deleted, or amended in order to establish or refine terms commonly used throughout the Program. The largest changes have centered on the addition of the definition of an Interest Rate Buy-Down, which is expanded upon in a new section (Section 10091.18) and the removal of a type of Borrower designation related to income.

Section 10091.2. Eligible Financial Institutions and Eligible Finance Lender Applications to Participate.

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”) by describing the information it must provide to and responsibilities under GoGreen Home.

Changes to this section include the removal of a portion of the EFI’s/EFL’s required application enclosures. Additionally, a mechanism has also been added 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.

Section 10091.5. Loan Eligibility and Minimum Underwriting Criteria.

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 establish a deadline for Lenders to adjust their interest rates, processes, and systems to reflect a new rate based on the quarterly updates on 10-year Treasury bonds.

Section 10091.6. Contractor Qualification and Management.

This section outlines the process for an Eligible Contractor to become a Participating Contractor (both referred to as “Contractor” throughout this document) including the information it must provide and its responsibilities under the Program.

The amendments to this section address the operational difficulties of managing Contractors as well as changes to the Authority’s expectations for Participating Contractors throughout their participation in the Program.

Section 10091.7 Project Developer.

This new section establishes the formal relationship between CAEATFA and Project Developers. It describes the process by which an Eligible Project Developer applies to become a Participating Project Developer. It includes a list of data points, certifications, and acknowledgements 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 from or voluntarily withdraw from the Program.

Section 10091.8 Establishment and Funding of Loss Reserve Accounts.

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"). .

This section is being amended to change Loss Reserve Contribution calculation methodologies and raise the maximum loan term to 20 years only if the project includes the photovoltaic + battery storage bundled measure.

Section 10091.9. Loan Enrollment.

This Section describes all the documentation and data required for a loan to be enrolled into the Program in order to receive a Loss Reserve Contribution. The Section covers documentation provided by the Contractor, Borrower, and Lender, though Lenders are responsible for compiling and submitting the package.

This section is being amended to account for expanding the list of eligible measures and the Project Developer role while adding further clarification around loan enrollment and additions regarding documentation requirements.

Section 10091.11. Project Requirements.

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

This section is amended to bring the regulations into alignment with safety practices already envisioned in the regulations, and to add new measures and measure characterizations.

Section 10091.13. Sale of Enrolled Loans.

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 being amended to clarify that Successor Servicers are subject to provisions outlined in Section 10091.2 regarding Lender participation.

Section 10091.14. Termination and Withdrawal.

The purpose of this section is to describe the processes and requirements by which a Lender or Successor Servicer may withdraw or be terminated from GoGreen Home.

This section is being amended to reduce confusion and improve readability, and additional clarity was added regarding 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.

Section 10091.16. California Hub for Energy Efficiency Financing Privacy Rights Disclosure.

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

The “Project Developer” role as added as a new party who may provide Borrower-related information to CAEATFA.

Section 10091.18. Interest Rate Buy Down (IRBD) Disbursement.

This new section was added to describe what the Authority will do if it secures funding from an external source to administer an interest rate buy-down (“IRBD”), in the form of a payment provided by CAEATFA directly to a participating GoGreen Home Lender to reduce the interest rate of a GoGreen Home loan. If CAEATFA is able to secure this external funding, it will 1) work with the funding source to develop an overview of the IRBD campaign’s terms and eligibility requirements (a “term sheet”), including 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; 2) adopt that term sheet via formal resolution of CAEATFA’s Board, 3) publish the terms on its website and alert the public prior to the Board meeting, and 4) accept applications from Lenders to participate in the IRBD campaign.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code Section 11346.5(a)(13), the Authority must determine that no reasonable alternative considered by the agency or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Authority invites interested persons to present statements with respect to alternatives to the regulations during the written comment period.

AGENCY CONTACT PERSON

Written comments shall be submitted or directed to: cheef@treasurer.ca.gov.

Inquiries and any questions regarding the substance of the regulations shall be submitted or directed to:

Kelly Delaney
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901 P Street
Sacramento, California 95814
Telephone: 916-651-5581
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AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF THE PROPOSED REGULATIONS

The Authority has established a rulemaking file for this regulatory action, which contains those items required by law. The file is available for inspection at the Authority's office at 801 Capitol Mall, Second Floor, Sacramento, California 95814, during normal business working hours. As of the date this Notice is published in the Notice Register, the rulemaking file consists of this Notice, the Initial Statement of Reasons, the proposed text of the regulations, the Economic Impact Statement, and the Technical, Theoretical, and/or Empirical Studies, Reports, or Documents. Copies of these items are available upon request from the Agency Contact Person designated in this Notice or at the Authority's website located at <https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations/>.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After the public hearing and at the end of the written comment period, the Authority may adopt the regulations substantially as described in this Notice, without further notice. If the Authority makes modifications that are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least fifteen (15) calendar days before the Authority adopts the proposed regulations, as modified. Inquiries about and request for copies of any changed or modified regulations should be addressed to the Agency Contact Person identified in this Notice. The Authority will accept written comments on the modified regulations for fifteen (15) calendar days after the date on which they are made available.

AVAILABILITY OF FINAL STATEMENT OF REASONS

Upon completion, a copy of the Final Statement of Reasons may be requested from the Agency Contact Person designated in this Notice or at the Authority's website located at <https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations/>.

AVAILABILITY OF MATERIALS ON THE INTERNET

Materials prepared for this rulemaking, including this Notice, the Initial Statement of Reasons, the text of the proposed regulations, the Economic Impact Analysis, and Technical, Theoretical, and/or Empirical Studies, Reports, or Documents may be accessed on the Authority's website located at <https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations/>.