

GoGreen Home Program Public Workshop: Proposed Modifications to Regulations

February 22, 2024



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Introduction

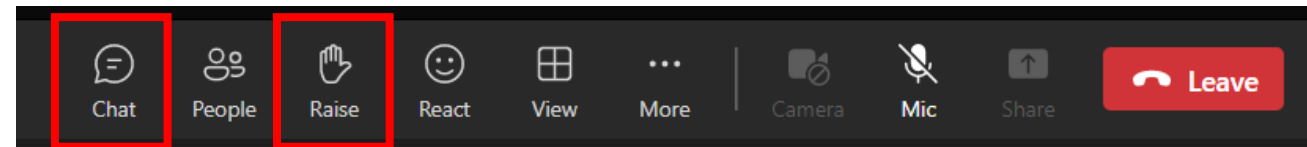
Staff Introductions:

- **Bill Heberger**, CHEEF Program Manager
- **Kelly Delaney**, CHEEF Program Specialist
- **Aaron Lingenfelter**, CHEEF Program Analyst
- **Geoff Fattig**, CHEEF Program Analyst

Questions & Comments



- For questions, please **type your question into the chat box** or click the button to **raise your hand** and we will unmute you.


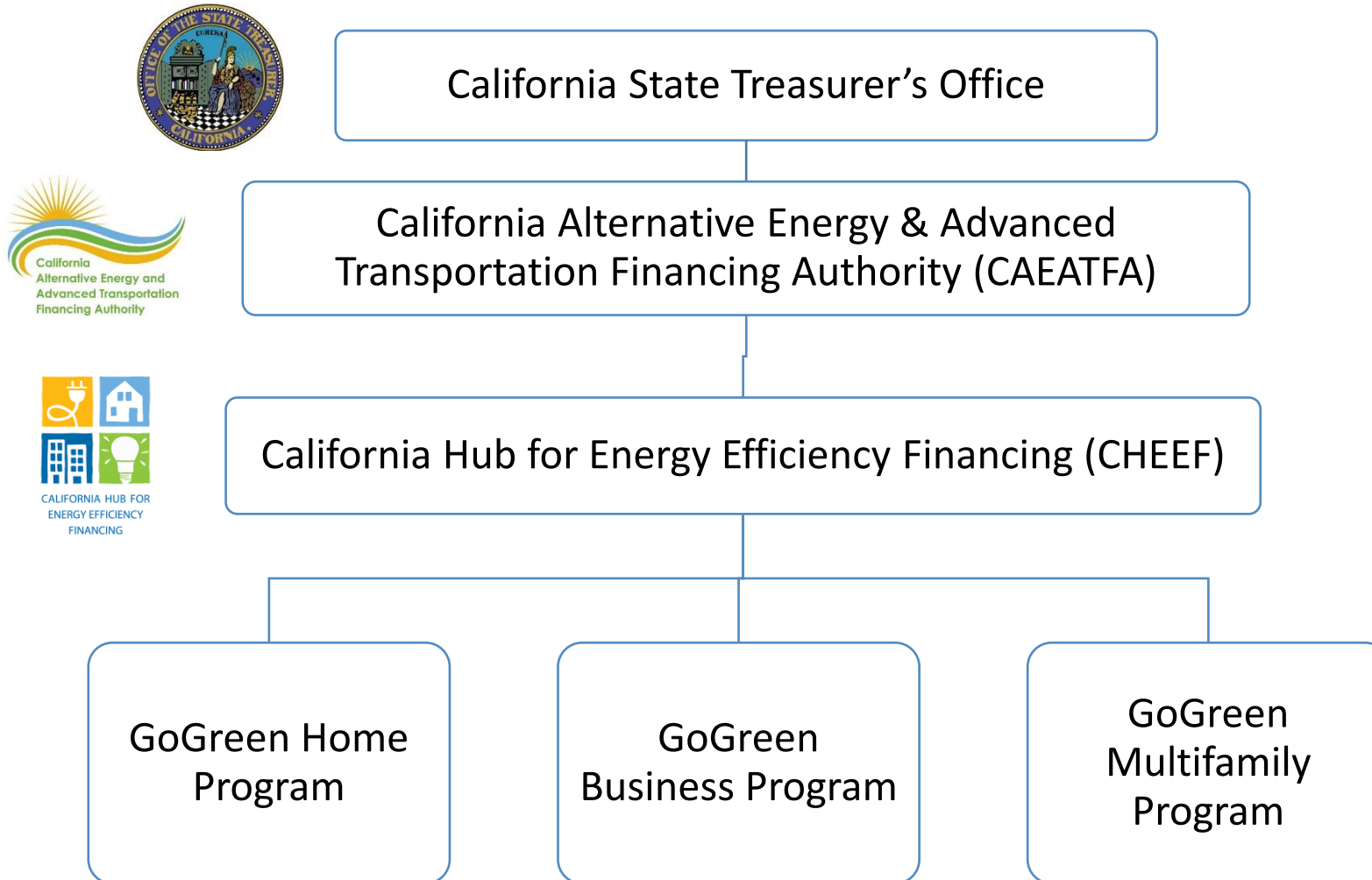


Distribution of Slides



- Workshop slides will be available at <https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations/index.asp>

CAEATFA administers the CHEEF and GoGreen Home



California Public Utilities Commission
created the CHEEF to bring private capital to energy efficiency financing, and authorized CAEATFA as its administrator



GoGreen Home Leverages Private Capital for Energy Efficiency

Private lenders offer attractive loan terms for energy efficiency upgrades:

- Unsecured or equipment-secured; no property liens.
- Credit enhancement allows lenders to offer:
 - Lower interest rates (over 1000bps), longer payback terms (up to 15 years), larger amounts available to borrow
 - Broader credit approvals (Borrowers with a 580 FICO score can access a 5,10 or 15 year loan at 5%, 6% or 7%)
- Open to homeowners and renters in single-family homes, town homes, condominiums, mobile & manufactured homes.
- Top measures installed have been HVAC, windows, duct work, insulation, cool roofs.

4,923
loans

\$14.87MM
leveraged
\$93.04 MM
in private
lending

8
Lenders and
850
Contractors

58%
Loans for
properties in LMI
census tracts

5.25%
avg interest
rate (Dec 23)




\$2,000
avg interest \$
saved*

** For borrowers taking 60 month term loans when compared with non-GoGreen Home rates offered by the same credit union*

This Workshop will Address Substantive Changes

This presentation highlights the most significant **additions and changes**

Text cleanup and **clarifications** not covered today can be viewed in the redlined document.

-  Additions
-  Changes
-  Clarifications

The proposed edits to regulations are available at:

<https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations>.

Proposed Modifications Expand GoGreen Home

Noteworthy modifications and additions we'll cover today:

- Expand measure eligibility beyond efficiency with new measures, such as solar generation, battery storage, solar water heaters, and EV chargers.
- Create the role of Project Developer to help Contractors and Borrowers maximize the scope and impact of their upgrades.
- Raise maximum interest rate for Microloans to support economic competitiveness for these Lenders.
- Provide ability to pause Lender's loan programs in order to protect loss reserve in case of significant defaults and delinquencies.

Additional changes have been made since draft regulations were originally published – the updated draft regulations will be available today.



Regulation Modification Anticipated Timeline

February
29, 2024

Public comment
period closes at
5pm PDT

March 19,
2024

Regulations
presented to
CAEATFA's
Board for
approval

March 22,
2024

CAEATFA posts
Notice of
Emergency
Regulations and
follows with
regulations
package to OAL

April 15,
2024

Emergency
regulations
adopted



We Want Your Input!

- Please provide comments during this workshop or afterwards by **February 29, 2024 at 5pm PDT**.
- Comments can be submitted to: cheef@treasurer.ca.gov or reach out to us for a phone call.
- CAEATFA will consider all comments and incorporate them as appropriate.
- Modified GoGreen Home regulations are available at: <https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations>.



Workshop Agenda

Clean Energy Measures

Increase Project Amount Max

Increase Loan Term

Add Project Developer Role

Pause Lender Programs to Protect Loss Reserve

Increase Interest Rate Cap for Microloans

Contractor Removal & Delisting

Lender Termination & Withdrawal

“Fuel Switch” Reporting Requirements

Amend Channel Partner Definition



Analyzing Eligible CE Measures

Regulations Section
§10091.11(j)



CAEATFA utilized a 9-point benefits test analyzing the impacts of a proposed measure across three sectors: consumers, utilities, and society. This methodology was approved by the PUC.

CLEAN ENERGY MEASURES

<i>Measure</i>	<i>Consumers</i>	<i>Utilities</i>	<i>Society</i>	<i>Determination</i>
<i>Stand-alone solar PV</i>	Bill savings, bill stability, energy reduction	N/A	N/A	Fail
<i>New solar PV + battery storage</i>	Bill savings, bill stability, energy reduction, emissions reductions, resilience	Peak reduction, load shifting, risk mitigation, emissions reductions, avoided T&D upgrades, recovery	Emissions reductions, resilience	Pass (eligible for credit-enhanced financing)
<i>Battery storage + pre-existing solar</i>	Bill savings, bill stability, energy reduction, emissions reductions, resilience	Peak reduction, load shifting, risk mitigation, emissions reductions, avoided T&D upgrades, recovery	Emissions reductions, resilience	Pass (eligible for credit-enhanced financing)
<i>Smart EV Chargers</i>	Bill savings, bill stability	Peak reduction, load shifting, avoided T&D upgrades	Emissions reductions	Pass (eligible for credit-enhanced financing)



Add Solar and Battery Storage Measures

Regulations Section
§10091.11(j)

+ Addition:

What: Add two new clean energy measures:

- “Solar Photovoltaic + Battery storage” (bundled).
- “Battery Storage Expansion” with existing onsite solar generation.

Why:

- CPUC Decision 23-08-026 grants CAEATFA ability to add clean energy measures to our list.
- Compared to standalone solar generation, paired solar and storage systems were found to produce high net benefits in our evaluation.
- Onsite solar generation and storage lessens the need for utilities to generate additional power during times of peak demand.
- Provides a clean supply of backup power in the event of an outage or pre-emptive shutoff by a utility.



Add Smart EV Charger Measure

Regulations Section
§10091.11(j)

+ Addition:

What: Add “smart”/wifi-enabled electric vehicle chargers as an eligible measure under the new “Transportation” EEM category.

- Must be ENERGY STAR rated.

Why:

- Electric vehicles are a key component of California’s push to reduce carbon emissions in the transportation sector.
- One quarter of all new car sales in California are EV, increasing demand for home charging stations.
- “Smart” requirement supports flexible load consumption and in the future may support vehicle-to-grid for additional resiliency.
- Emissions reduction benefits across all three sectors of study.



Other New Measures

Regulations Section
§10091.11(j)

Measure Name	Proposed Change/Addition/Clarification	Reasoning
Solar Water Heater	Add ENERGY STAR Solar Water Heater as a new eligible measure	An ENERGY STAR qualified solar water heating system can cut a home's annual hot water costs in half, and is generally designed for use with an electric or gas back-up water heater.
Smart Home Energy Management System	Add ENERGY STAR Smart Home Energy Management System (SHEMS) as a new eligible measure	SHEMS aggregate smart home devices and corresponding user services through a single platform interface, such as an app. Can help residents reduce energy consumption through coordinated control of connected devices.
Induction Cooktop	Add requirement of ENERGY STAR rating	New ENERGY STAR product specification became effective 9/25/23. ENERGY STAR certified electric cooking products are 18% more efficient, on average, compared to standard models.



Modifying Measure Terminology

Modification:

What:

- Changing EEEMs (Eligible Energy Efficiency Measure(s)) to EEMs (Eligible Energy Measure(s)).
- Changing references to “efficiency improvements” and “savings” to “energy improvements” and “impacts”.

Why:

- The new terminology is a more accurate reflection of the evolution of GoGreen Home into a comprehensive clean energy financing program.
- New clean energy measures have impacts that go beyond how much energy is being saved.

Increase Maximum Project Size

Regulations Section
§10091.5(g)

Modification:

What: Raise maximum loan amount from \$50,000 to \$75,000 only if project includes solar + storage measures, and require income verification for all loans that exceed \$50,000 regardless of credit score.

Why:

- Nearly one quarter of GoGreen Home efficiency-only loans since 2022 have been for \$25,000 or higher, and over 200 individual loans were between \$40,000 - \$50,000.
- As electrification trends upwards, more Borrowers will seek to maximize the co-benefits of pairing efficient fuel switching/electrification upgrades with onsite solar generation and battery storage.
- CAEATFA's research indicates that these types of extensive efficiency/electrification retrofits plus solar generation and storage may require more funding and the present cap could limit the scope of achievable greenhouse gas reductions.
- Currently, income verification is only required for Borrowers with credit scores under 640 seeking loans over \$20,000. Requiring income verification for all Borrowers with loans over \$50,000 is a reasonable consumer protection measure.

Increase Maximum Loan Term

Regulations Section
§10091.8(c)

Modification:

What: Raise maximum loan term from 15 years to 20 years only if project includes solar + storage measures.

Why:

- 20 years is common in the solar lending market and in solar warranties; one of GoGreen Home's existing lenders already does solar loans out to 20 years.
- 20-year term helps keep monthly payments affordable for large projects including both solar, storage, and energy efficiency measures.

We Want Your Feedback

Q1: What requirements for Solar, Storage and EV Chargers? (Documentation, grid connection requirements, etc)?

Q2: Any other non-efficiency focused measures we should consider?

Project Developer Addition

Regulations Section
§10091.07

+ Addition:

What: Establish a Project Developer role to support Contractors and Borrowers in scoping and coordinating GoGreen Home projects.

- New section governs the terms under which a potential Project Developer can apply to and participate in the GoGreen Home Program.

Why:

- Project Developers can help Borrowers maximize the scope and impact of their retrofits by planning comprehensive “whole home” projects play an important role in advancing the program as it transitions from strictly energy efficiency and incorporates comprehensive clean energy measures.
- Project Developers could perform a variety of functions for GoGreen Home: energy audits, upgrade recommendations and planning, consumer rebate processing, contractor coordination, etc.



Pause Lender's Programs to Protect Loss Reserve

Regulations Section
§10091.2(j)

+ Addition:

What: Provide ability to pause Lender's loan program if ratio of defaulted and delinquent loan principal to paid off and current loan principal is breached for three or more consecutive months.

- Ratio (25%) indicates the amount of loan principal at risk (and thus, loss reserve dollars at risk).

Why:

- If a consistent pattern of default and delinquencies indicates problems with Lender's underwriting or servicing processes, CAEATFA needs ability to step in before losses become significant.
- Allows CAEATFA and Lender to work together to remediate the issue and track improvements.

We Want Your Feedback

We welcome feedback for this new “Lender Pause” feature.



Increase Maximum Interest Rate Cap

Regulations Section
§10091.5(h)

Modification:

What: For Microloans only, raise the maximum interest rate amount from 750 basis points plus of the 10-year Treasury bond to 1,000 basis points plus of the 10-year Treasury bond.

Why:

- More economically feasible for Lenders focusing on this area of lending (small-dollar, short term loans).

We Want Your Feedback

We welcome feedback regarding this proposed increase of the maximum allowable interest rate for Microloans.



Create Ability to Remove or De-List Non-Active Contractors

Regulations Section
§10091.6(g) and 6(h)

Modification:

What: Create a formal process for delisting or removing non-participating contractors.

- 1 year of inactivity = Removal from Contractor search list on GoGreenFinancing.com.
- 3 years of inactivity = Program removal.

Why:

- Delisting: Ensures prospective Borrowers have productive experience using search tool to find actively participating Contractors.
- Removal: Helps CAEATFA keep Contractor list clean and target resources towards actively participating Contractors.

*Contractors can always request re-listing or re-apply later.

Clarify Lender Withdrawal & Termination Process

Regulations Section
§10091.14

Clarification:

What: Resolves ambiguity in the withdrawal or termination process and Lender's options/expectations regarding currently enrolled loans.

Why:

- Makes regulations easier to understand.
- Clarifies the decisions that Lenders must make when they withdraw or are removed from GoGreen Home, such as whether to keep their Loss Reserve Accounts and ongoing loan reporting requirements.

Fuel Switch Measure Distinction Changes Utility Account Number Reporting

Regulations Section
§10091.11(j)

🔍 Clarification:

What: Create new designation for measures that commonly result in a fuel switch (heat pumps and electric tankless water heater) and require both gas and electric account numbers for these measures for Microloans.

- Currently, only the account number associated with the measure fuel source is required for Microloans (<\$5,000).

Why:

- CAEATFA has determined that both gas and electric account numbers are needed in order to show cost impacts on the fuel being saved (gas) as well as the fuel being newly utilized (electricity).
- Most HVAC and water heating systems are gas powered in California (~90%), so assumption is that these measures will result in a fuel switch.

Amend Definition of Channel Partner

Regulations Section
§10091.1(k)

Modification:

What: Remove language regarding the Channel Partner's role in underwriting, origination and servicing.

Why:

- This role was added two years ago; since then CAEATFA has become aware of more business models that *do* assist Lenders with these types of activities.

We Want Your Feedback

Any other questions or comments?



Later comments?

Please provide comments by
February 29, 2024 at 5pm PDT.

Comments can be submitted to: cheef@treasurer.ca.gov.

Please reach out if you'd like to schedule a call.

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