FINDING OF EMERGENCY

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY
Title 4, Division 13, Article 5 (commencing with Section 10091.1)

Finding of Emergency

Pursuant to California Public Resources Code 26009, the regulations being adopted herewith by the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority" or "CAEATFA") as emergency regulations ("Emergency Regulations") are, by legislative mandate, deemed to be necessary for the immediate preservation of the public peace, health and safety, and general welfare.

Authority and Reference

Authority: Public Resources Code Section 26009. Section 26009 of the Public Resources Code authorizes the Authority to adopt emergency regulations necessary for the immediate preservation of the public peace, health, safety, or general welfare in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

Reference: Public Resources Code Sections 26003(a)(3)(A), 26003(a)(8)(A), 26003(a)(6) 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"). CAEATFA'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, CAEATFA received 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.

Informative Digest

The California Alternative Energy and Advanced Transportation Financing Authority Act establishes the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA") and requires CAEATFA to establish programs to provide financial assistance to participating parties for projects related to alternative energy sources and advanced transportation projects. Existing law authorizes CAEATFA to receive and utilize grants or loans from the federal government, a public agency, or any other source for carrying out the purposes of the Act.

Pursuant to this statutory authority, CAEATFA is the administrator of the California Hub for Energy Efficiency Financing ("CHEEF") under a Memorandum of Agreement with the Public Utilities Commission ("CPUC"), known as the Decision Implementing 2013-14 Energy Efficiency Financing Pilot Programs, Decision 13-09-044. The GoGreen Home Program is one of several energy efficiency financing programs as part of that Memorandum of Agreement.

GoGreen Home launched in 2016 as a pilot program and, throughout early development and implementation, CAEATFA advocated 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 CAEATFA's perspective, to facilitate more energy efficiency projects and expand GoGreen Home to reach more customers. In March 2017, the CPUC issued Decision 17-03-026, which granted CAEATFA some additional flexibility to amend GoGreen Home from previous CPUC guidance. Leveraging this flexibility, CAEATFA 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 that approved GoGreen Home's transition from a pilot program to a full program and permits CAEATFA to improve GoGreen Home in order to facilitate scaling. CPUC Decision 21.08.006 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. Under Decision 21.08.006, and through a rulemaking process that was completed in 2022, CAEATFA brought on the TECH Clean California program in 2022 and the City of Palo Alto Utilities (CPAU) in October 2023 as additional sources of credit enhancement funding, which has allowed GoGreen Home to finance electric projects in electric POU territories and to offer GoGreen Home for the first time to CPAU customers, which were previously excluded due to not receiving any IOU fuel services.

In December 2023, CAEATFA submitted an emergency regulation modification package to OAL, following a public workshop in October and approval by CAEATFA's Board in November. OAL approved the modified regulations, which took effect on December 12, 2023. The modifications proposed in these emergency regulations are of a different scope, which warranted a separate emergency regulation approach. CAEATFA will continue working towards completing the Regular Rulemaking process for both emergency regulations packages, and is considering the possibility of combining them under a single Certificate of Compliance.

Under Decision 23-08-026, published in the summer of 2023, the CPUC authorized CAEATFA to begin using its current funding source, IOU energy efficiency ratepayer funds, to credit enhance loans for comprehensive clean energy measures. 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.

Other proposed regulation amendments respond to challenges, lessons learned, and extensive stakeholder feedback received while implementing GoGreen Home. It is CAEATFA’s intention to expand the opportunity for consumers to access GoGreen Home, streamline processes, and facilitate energy efficiency improvements. The amendments:

- Raise the maximum loan amount from $50,000 to $75,000 if the project includes the new “solar photovoltaic + battery storage” bundled measures, 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 bundle, in order to align with solar financing industry standards; this will also keep monthly payments affordable for Borrowers.
- Clarify that Borrowers can be someone other than the owner or renter of an Eligible Property (e.g. a close family member).
- 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.

The benefits of this proposed regulatory action will be to owners and renters of residential homes, including single-family properties, condominiums, townhomes, and apartments. GoGreen Home mitigates the risk of default for Lenders by providing a credit enhancement for enrolled loans in the form of a Loss Reserve Contribution. This protection enables participating Lenders to offer more attractive financing terms, such as reduced interest rates, longer terms, and larger amounts to a broader group of Borrowers. The Program has seen significant growth in recent years and the modifications support CAEATFA’s intentions to facilitate more efficient deployment of credit enhancement funding and support further growth and scale.

During this regulation amendment process, CAEATFA surveyed and engaged key stakeholders for feedback, and conducted a public workshop on February 22, 2024, followed by a five-day public comment period. Stakeholder feedback is represented in these proposed modifications.

CAEATFA has reviewed existing regulations on this topic and has concluded that the proposed regulations are not inconsistent or incompatible with existing state regulations.

The substantive amendments, and their objectives and rationales, for each section of the regulations are as follows:

Universal Changes in Multiple Sections

- Throughout the regulations, the acronym "EEEMs" was amended to "EEMs" to reflect the Programs 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.

§10091.1. Definitions.

This section defines and describes the terms used throughout the GoGreen Home Regulations. Amendments were made to the defined terms of Eligible Energy Efficiency Measures and Eligible Property, and CAEATFA is creating new terms to encompass the proposed Project Developer role in GoGreen Home and making several other amendments and clarifications.

- *§10091.1(b):* "Bill Impact Estimate" was 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.

  Necessity: 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 was 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(k)* The term "Eligible Channel Partner" was amended to remove language that did not consider business models that assist Lenders with underwriting, origination, and servicing.

  Necessity: 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. Therefore, CAEATFA finds it appropriate to remove language which did not accommodate this kind of business partnership.

- *§10091.1(m)(n)(o) and (r):* The term "Eligible Energy Efficiency Measures" and its acronym "EEEMs" was amended to "Eligible Energy Measures (EEMs)".

  Necessity: 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), and 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 that Lenders and Contractors have already become familiar. This change was 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):* "Eligible Improvements" was amended to remove language restricting the inclusion of distributed generation or renewable energy measures.

  Necessity: 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" or "EPD" and "Participating Project Developer" or "PPD" roles were 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.

  Necessity: 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” was amended to clarify that Borrowers are eligible to receive loans for projects done at properties not directly owned or rented by the Borrower.

  Necessity: 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.

§10091.2. Eligible Financial Institution and Eligible Finance Lender Applications to Participate.

This section defines and describes the terms under which eligible Lenders can apply to and participate in the GoGreen Home program, and the certifications and acknowledgements they must make.

- *§10091.2(f)(8)(a)* This subsection was amended to change the term “energy efficiency improvements” to “energy improvements.”

  Necessity: 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.”

- *§10091.2(g)(4)* This subsection was amended to change the term “energy savings” to “energy impacts.”

  Necessity: As the GoGreen Home Program has expanded to include financing for the clean energy measures, this necessitated the removal of language strictly relating to “energy efficiency.”

- *§10091.2(j)* This subsection was amended to add a mechanism to pause Lender’s GoGreen Home loan programs when a threshold of “risk” to the Loss Reserve (loan defaults and delinquencies) is breached for three or more consecutive months.

  Necessity: 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 intention is to allow CAEATFA to intervene before significant losses occur, and ensure that the protection of the loss reserve is being utilized appropriately.

10091.5 Loan Eligibility and Minimum Underwriting Criteria.

This section outlines the requirements and parameters for loans to be enrolled in the GoGreen Home Program.

- *§10091.5(g)*: This subsection was 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.

  Necessity: This change is intended to support credit-worthy Borrowers seeking financing for the high costs of projects that combine solar generation, battery storage and efficiency measures. The average cost of a residential combined solar and battery storage system can rise up to $26,000 (Homeguide, 2023). 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(i)(1)*: This subsection was amended to require that PFI/PFLs income verification for all Borrowers regardless of credit score if the Total Loan Principal Amount exceeds fifty thousand dollars ($50,000).

  Necessity: 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.

§10091.6. Contractor Qualification and Management.

This section outlines the processes by which an Eligible Contractor applies to become a Participating Contractor, describing the information it must provide in its application and its responsibilities under GoGreen Home. Changes are proposed to this section to help CAEATFA manage Contractors who are not actively participating in the Program.

- *§10091.6(a)(8)*: This subsection was 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.

  Necessity: This amendment was 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):* This subsection was amended to change “energy efficiency improvements” to “energy improvements”.

  Necessity: 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 subsection was amended to allow for the removal of Participating Contractors from the public-facing Contractor list on the GoGreen Financing website (“delisting”) if they fail to enroll a project with the Program within a one (1) year period.

  Necessity: 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. CAEATFA will always reach out 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 subsection was amended to allow for the disenrollment of Participating Contractors who fail to enroll a project with the Program within a three (3) year period.

  Necessity: This amendment was 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 for full Program removal to give the Participating Contractor as much time as possible to actively re-engage.

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

  Necessity: This amendment brings the GoGreen Home regulations into alignment with the GoGreen Business and GoGreen Multifamily programs' regulations, and is necessary to document a formal method for Contractors to voluntarily withdraw from the Program, which did not previously exist in the regulations.

§10091.7. Project Developer.

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.

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.

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. As mentioned, this role was based off 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.

§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. This section sets Loss Reserve

Contribution eligibility and application requirements. Modifications to loan term eligibility requirements are proposed below.

- *§10091.8(c):* This subsection was 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.

  Necessity: 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 and storage financing to reflect the longer lifespan of solar panels and battery equipment.

§10091.9. Loan Enrollment.

This section describes all data that is required for a loan to be enrolled in GoGreen Home and CAEATFA's timeframe for reviewing that loan. CAEATFA 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.

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

  Necessity: This amendment was necessary to align with the change to the definition of a Borrower in §10091.1(c), 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)(10) and (11):* This subsection was 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 10091.10(j).

  Necessity: 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) below for more information.

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

  *N*ecessity: This amendment was 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(u), 10091.1(hh), and 10091.7 above.

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

  Necessity: 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 was calculated accordingly.

- §10091.9(c)(26): - This subsection was amended to add “Evidence of Grid Interconnection” as a required data point for projects utilizing solar photovoltaic and storage measures.

  Necessity: 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): - This subsection was amended to add “Evidence of on-site solar photovoltaic generation” as a required data point for projects utilizing the “Battery Storage Expansion” measure.

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

  Necessity: 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". This correction thus eliminates an implication that Eligible Improvements can only be captured on an invoice.

- *§10091.9(d)(3):* This subsection was amended to remove an implication that Title 24 is the only applicable building standard in California.

  Necessity: Title 24 is the base building standard for energy efficiency for all structures in California, but jurisdictions may have their own additional building codes that Contractors must consider. This modification clarifies that there may be other applicable building standards.

- *§10091.9(f):* This subsection was 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.

  Necessity: 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) below for more information.

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

  Necessity: 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.

§10091.11. Project Requirements.

This section describes measure and project eligibility for GoGreen Home, installation and safety testing requirements, and CAEATFA's field verifications and inspections of projects. New characterizations and a new category of clean energy measures are proposed.

- *§10091.11(f)(1):* This subsection was amended to add the "duct sizing/optimization" measure as a CAS test trigger.

Necessity: 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". Combustion Appliance Safety 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):* This subsection was amended to add “heat pump clothes dryer” as an EEM.

  Necessity: 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):* This subsection was amended to add an Energy Star rating requirement to the existing “induction cooktop” measure under the appliance category.

  Necessity: 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):* This subsection was amended to add “clean energy” as a new EEM category.

  Necessity: 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”.

  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):* This subsection was amended to add “solar photovoltaic + battery storage” as a new measure under the new Clean Energy category.

  Necessity: 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. 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):* This subsection was 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.

  Necessity: 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):* This subsection was 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.

  Necessity: CAEATFA identified that the installation 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)(10) and (11) above for more information.

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

  Necessity: This change was 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):* This subsection was amended to add "smart home energy management systems" as a new measure listed under the "Other" category on the EEMs list.

  Necessity: "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 is 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):* This subsection was 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.

  Necessity: 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.

§10091.13. Sale of Enrolled Loans

This section describes how Lenders may sell, transfer, or assign the associated repayments of an Eligible Loan, and how the Lender shall report these activities to CAEATFA.

- *§10091.16(c)(10)(D)(iii): T*his subsection was amended to change the term "energy savings" to "energy impacts."

  Necessity: 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."

- *§10091.16(c)(10)(E)(i):* This subsection was amended to change the term "energy efficiency improvements" to "energy improvements."

  Necessity: 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."

§10091.14. Termination and Withdrawal

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

- *§10091.14(a)-(c)*: This subsection was 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 up from two separate subsections (10091.14(a)(2) and 10091.14(d)(7)).

  Necessity: 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)*: This subsection was amended to describe reporting commitments and notifications to the Authority that Lenders must make after withdrawing or being terminated from the Program.

  Necessity: The previous structure of Section 1009.13 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 (originally, subsection 10091.12(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'.

§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 CHEEF, informing them that certain information may be shared with utility companies and other state or federal agencies.

- *§10091.16(a)(1):* This subsection was amended to change "energy efficiency financing program" to "energy financing program".

  Necessity: 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 subsection was amended to add Project Developer as an entity that can provide Borrower information to CAEATFA.

  Necessity: This amendment was 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):* This subsection was amended to change "energy efficiency project performance" to "energy project performance".

  Necessity: 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.