State-Administered, Utility-Supported Financing for Energy Efficiency Retrofits
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Join the SEEC Peer-to-Peer Network on LinkedIn!

Use this group to connect with other professionals, whether it be for project support or professional development reasons!

Find us at https://www.linkedin.com/groups/8956010/
Q&A

- Submit questions for panelists through the Q&A module at any point during the webinar.
- Upvote questions that you are interested in hearing responses to.

Chat

- Engage in a dialogue with your peers – share resources, case studies, and best practices
- Reach out to LGC staff if you encounter technical issues or have questions about the SEEC Forum.
Introducing Today’s Panelists

Kaylee D’Amico
Marketing, Education and Outreach Specialist
California Hub for Energy Efficiency Financing (CHEEF)

Julie Lessard
Vice President of Consumer Loans
First U.S. Community Credit Union

Lynette Kyle
Credit Union Direct Lending Administrator
Valley Oak Credit Union

Genevieve Dionne
Project Funding Specialist
California Energy Consultant Service
State-Administered, Utility-Supported Financing for Energy Efficiency Retrofits

Greening Communities with the California Hub for Energy Efficiency Financing

Administered by the California State Treasurer’s Office
Supported by California’s Investor-Owned Utilities
SEEC Forum Webinar | 9/17/20
Welcome! Kick-Off Polls

Poll question #1: What type of organization do you represent?

Select one:
- Local or county government
- Utility, REN or CCA
- State government
- Nonprofit/community-based organization
- Other (please share in the chat!)

Poll question #2: Does your local/regional government actively promote energy efficiency upgrades?

Select one:
- Yes, frequently
- Yes, somewhat or with room for improvement
- Only sometimes/under certain circumstances
- Not at all, or EE is not a current goal
Poll question #3: Through which programs or resources does your organization encourage EE upgrades in residences, small businesses, and/or affordable multifamily properties?

Select all that apply:

• Government-provided rebate or incentive programs (e.g., tax credits)
• Utility-provided rebate or incentive programs (e.g., marketplace discounts)
• Financing (PACE, OBF or other)
• General marketing or education with no financial assistance
• Other (share in the chat!)
The California Hub for Energy Efficiency Financing (CHEEF, or the Hub) helps Californians make their homes and businesses efficient, comfortable and healthy.

The CHEEF:

• **Provides attractive financing** by leveraging private capital

• Supports efficiency measures in **existing buildings**

• Works towards the State’s climate and energy savings goals

• Manages EE financing programs in the **residential, small business, and affordable multifamily** sectors

GHG emissions down 40% by 2030

- 50% reduction in petroleum use in vehicles
- 50% renewable electricity
- Carbon sequestration in the land base
- Reduce short-lived climate pollutants
- Double energy efficiency savings in existing buildings by 2030

Safeguard California
The CHEEF in Context

California Public Utilities Commission created the CHEEF to bring private capital into the energy efficiency marketplace and authorized CAEATFA as its administrator.

California State Treasurer’s Office houses CAEATFA and over 15 other financing authorities and commissions.

California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA, pronounced “kate-fuh”) administers the CHEEF and other programs.

California Hub for Energy Efficiency Financing

REEL, SBF and AMF Programs
## Financing Available Through The CHEEF’s Programs

<table>
<thead>
<tr>
<th></th>
<th>REEL Program</th>
<th>SBF Program</th>
<th>AMF Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers</strong></td>
<td>Residential Energy Efficiency Loan</td>
<td>Small Business EE Financing</td>
<td>Affordable Multifamily EE Financing</td>
</tr>
<tr>
<td></td>
<td>Owners or renters of single-family residences</td>
<td>Small businesses and nonprofits</td>
<td>Multifamily properties where at least</td>
</tr>
<tr>
<td></td>
<td>(including mobile homes, condos, multiplexes up to</td>
<td>(building owners or tenants)</td>
<td>50% of units are restricted to low-to-</td>
</tr>
<tr>
<td></td>
<td>4 units)</td>
<td></td>
<td>moderate income households</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>Loans from $2,500 to $50,000 with</td>
<td>Leases and equipment finance</td>
<td>Equipment finance agreements from $10k-$250k</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td>terms up to 15 years</td>
<td>agreements from $10,000 to $5 million</td>
<td>for up to 84 months; energy service agreements</td>
</tr>
<tr>
<td><strong>Currently</strong></td>
<td></td>
<td>with terms up to 10 years</td>
<td>from $250,000 to $10 million, up to 10 years</td>
</tr>
<tr>
<td><strong>Available</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Collateral</strong></td>
<td>Unsecured – loan is not tied to customer’s property</td>
<td>Equipment-secured – loan is not tied to</td>
<td>Equipment-secured – loan is not tied to</td>
</tr>
<tr>
<td><strong>Requirements</strong></td>
<td></td>
<td>customer’s property</td>
<td>customer’s property</td>
</tr>
<tr>
<td><strong>Key Features</strong></td>
<td>Rates range between 3.48% and 8.12%, compared to</td>
<td>Can be combined with utility incentives and</td>
<td>Complements existing affordable</td>
</tr>
<tr>
<td></td>
<td>national average of 6% (for unsecured 5-year loans)</td>
<td>financing programs (e.g., OBF)</td>
<td>multifamily energy programs, like SOMAH and</td>
</tr>
<tr>
<td></td>
<td>(for unsecured 5-year loans). Extended terms keep</td>
<td></td>
<td>LIWP</td>
</tr>
<tr>
<td></td>
<td>monthly payments low.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer</strong></td>
<td>Self-driven (supported by statewide marketing</td>
<td>Contractors and project developers</td>
<td>Organizational partners</td>
</tr>
<tr>
<td><strong>Access Points</strong></td>
<td>campaign) or through contractors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# How do CHEEF programs work?

## Program provides finance companies with credit enhancement

**Finance companies offer better terms and approve a wider group of customers**

**Contractors present financing options to their customers**

**Attractive financing allows more customers to start or complete deeper EE upgrades**

**Customers reduce energy use; state and local govs make progress toward goals**

## Key project features:

- Projects qualify using a simple, statewide list of EE measures (with additional pathways for SBF and AMF)
- Financing can be combined with utility rebates or used on its own
- Part of the financing may be used for non-energy saving measures, like landscaping or remodeling

## Key financing features:

- Financing is unsecured or equipment-secured; no property liens
- For REEL, minimum FICO score is 580
- No prepayment, origination, or closing fees
- Credit enhancement is structured as a Loss Reserve
What can be financed through CHEEF programs?

1. **Eligible energy efficiency measures (EEEMs)**
   - Examples: Efficient HVACs, heat pump water heaters, LED lighting, insulation, windows, low-flow showerheads, well pumps, Energy Star appliances, and more!
   - Supports decarbonization/fuel switching, e.g., gas to electric
   - Addresses air quality concerns – EEEMs include air purifiers, HVACs, and windows

2. **Legally and practically required measures related to installation**
   - Examples: code-required repairs, upgraded electrical panels, permits

3. **Non-energy improvements** (can comprise up to 30% of total financed amount and still be eligible for full credit enhancement)
   - Examples: landscaping, remodeling, water efficiency measures
REEL Loan Scenario

Customer with FICO of 600 needs $30,000 to:
1) Upgrade HVAC unit ($12,000)
2) Install energy efficient windows ($8,000)
3) Bring electrical panel up to code ($5,000)
4) Landscape the backyard ($5,000)

Customer’s loan options:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Cost</th>
<th>EE or Non-EE?</th>
<th>Subtotal</th>
<th>Program Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>HVAC</td>
<td>$12,000</td>
<td>EE</td>
<td>$25,000 (83% of loan)</td>
<td><strong>At least 70%</strong> of each REEL loan must be used for EE or related legal/practical measures.</td>
</tr>
<tr>
<td>Windows</td>
<td>$8,000</td>
<td>EE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Panel Upgrade</td>
<td>$5,000</td>
<td>EE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landscaping</td>
<td>$5,000</td>
<td>Non-EE</td>
<td>$5,000 (17% of loan)</td>
<td><strong>Up to 30%</strong> of each REEL loan may be used for non-EE measures.</td>
</tr>
</tbody>
</table>

Customer’s invoice:

<table>
<thead>
<tr>
<th>Measure</th>
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<td>$8,000</td>
<td>EE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Panel Upgrade</td>
<td>$5,000</td>
<td>EE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landscaping</td>
<td>$5,000</td>
<td>Non-EE</td>
<td>$5,000</td>
<td></td>
</tr>
</tbody>
</table>

Without REEL

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Length</td>
<td>5 years</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$734</td>
</tr>
</tbody>
</table>

With REEL

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>7.48%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Length</td>
<td>15 years</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$306</td>
</tr>
</tbody>
</table>
How do customers access CHEEF programs?

➢ **Through our statewide marketing platform**
  - GoGreenFinancing.com is the customer-facing hub for EE financing
  - Local governments and nonprofits are trusted messengers who can tell customers about GoGreenFinancing.com

➢ **Through their utility or energy provider**
  - The state’s investor-owned utilities (PG&E, SCE, SCG, and SDG&E) market CHEEF programs directly to customers
  - CCAs, RENs, MUNIs, and local government energy divisions promote CHEEF programs

➢ **Through their contractor**
  - Contractors enroll with our programs and receive training on the financing to offer them to customers directly – some contractors use REEL exclusively!
Statewide Marketing Efforts
Examples shown from the REEL Program

Print collateral with co-branding opportunities

Social media campaigns

Utility marketing campaigns reaching millions
REEL’s Statewide Reach and Energy Impact

REEL Loans Enrolled by County
Q3 2016 – Q2 2020

As of 9/14/20:

868 loans enrolled
453 participating contractors

$7 in private capital leveraged for every $1 of ratepayer credit enhancement

Top 3 Measures Installed with REEL:

- HVAC
  Equipment and ductwork
- Building envelope
  Air sealing, insulation, cool roofs, windows
- Water heating
  Water heaters, low-flow fixtures

Energy Savings:
Electric: 12.8% gross, 5.4% net
Gas: 2.6% gross, 1.5% net

Per CPUC-authorized evaluation of REEL’s first 212 projects
REEL is reaching underserved borrowers

1 in 7
REEL projects are completed in CalEnviroScore disadvantaged communities

54%
of REEL projects are on properties located in LMI census tracts

- Program open to renters and includes manufactured homes
- Minimum debt-to-income requirement prevents giving customers loans they can’t repay
- Credit-challenged facility provides higher credit enhancement for loans to borrowers with lower credit scores
- REEL is appropriately serving moderate income borrowers; low income borrowers may be better served by no-cost programs rather than taking on debt

“Underserved” includes borrowers who are Low/Moderate income, with lower credit scores, and/or living in Disadvantaged Communities per CalEnviroScore.

REEL Loans by Credit Score

<table>
<thead>
<tr>
<th>Credit Score</th>
<th>Number of Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>580-640</td>
<td>53</td>
</tr>
<tr>
<td>641-700</td>
<td>157</td>
</tr>
<tr>
<td>701-760</td>
<td>246</td>
</tr>
<tr>
<td>761-820</td>
<td>214</td>
</tr>
<tr>
<td>820+</td>
<td>56</td>
</tr>
</tbody>
</table>

Data valid through June 30, 2020
REEL’s Loan Portfolio

$14.45 million
REEL loans financed by 7 participating lenders

$16,600
average REEL loan size

6.06%
average interest rate (5-year term)

11 (1.3%)
total defaults since program inception

Loan Growth Since Program Inception

Includes loans enrolled through 9/14/20
SBF and AMF: Poised for Growth

• Launched in 2019, the SBF and AMF Programs are both in their pilot periods

• **SBF has completed 7 projects to date**, with 3 more pre-approved for enrollment
  • Most popular measures: HVAC units, HVAC ductwork/insulation, LED lighting
  • Next steps for program growth: enrolling a microlender to issue financing for projects under $10,000, partnering with IOU programs led by third-party implementers

• **AMF is ready for its first project**
  • In August, AMF began offering equipment finance agreements of $10,000 - $250,000 (to complement already-available financing for $250k - $10 million)

• Growth has been slower for these programs
  • SBF has been significantly impacted by COVID-19 as small businesses struggle to stay afloat
  • AMF has faced complex challenges within its sector, such as lengthy project development timelines

*Local government partnerships can help get the word out about these attractive financing options!*
What does this mean for you?

**Grow local business through enrolled contractors**

CHEEF programs help local businesses thrive by fostering more projects and employment through the green economy.

**Help your constituents save money and energy**

CHEEF programs are used by real families. The Flores family (above) used REEL to finance a water heater, furnace, heat pump, water filter, and smart thermostat for under $150/month.

**Achieve regional and statewide energy goals**

CHEEF programs directly work towards meeting California’s climate goals to double EE savings and lower GHG emissions by 40%, as well as reach codes in your region.

CHEEF programs help local businesses thrive by fostering more projects and employment through the green economy.

The Flores family (above) used REEL to finance a water heater, furnace, heat pump, water filter, and smart thermostat for under $150/month.

CHEEF programs directly work towards meeting California’s climate goals to double EE savings and lower GHG emissions by 40%, as well as reach codes in your region.
Panel Discussion

Genevieve Dionne
California Energy Consultant Service

Lynette Kyle
Valley Oak Credit Union

Julie Lessard
First U.S. Community Credit Union

Kaylee D’Amico
CHEEF Programs

Participating REEL Contractor
installing EE upgrades in greater Sacramento area

Participating REEL Lender
serving Tulare and Madera counties

Participating REEL Lender
serving 12 counties in Northern California

Moderator
Framing Questions for Panel

• How has the REEL Program benefitted your customers and helped meet their financing/EE needs?

• In what ways has working with a government program supported your business and community?

• How do you think local governments can support energy efficiency financing?
Submit your questions through the Q&A function!
Stay in Touch

Learn more about the CHEEF online:

GoGreenFinancing.com
For customers, contractors, and statewide marketing resources

treasurer.ca.gov/caeatfa/cheef
For policy resources and quarterly reports

Call or email us:

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(916) 247-9887

Kaylee D’Amico
Marketing, Education & Outreach Specialist
Kaylee.DAmico@treasurer.ca.gov
(916) 653-3036
Appendix
REEL improves loan terms and access

Credit enhancement allows lenders to improve their products significantly

- Lower interest rates
  - 8.95%-20.88% without REEL → 3.48%-8.12% with REEL
- Longer terms
  - 5 years without REEL → 10-15 years with REEL
- Increase in maximum loan amount
  - $15k-$30k without REEL → $50,000 with REEL
- Broader FICO approval (for 4 lenders)
  - 660 to 640 without REEL → 580-600 with REEL

“The affordable monthly payments really helped. We improved the efficiency and comfort of our home while staying within our budget.”
— Jesse Flores, El Cajon

“It was a no-brainer to save my cash and utilize the financing offered through REEL.”
— Sammie Allen, Ridgecrest
**REEL facilitates interest savings and affordable payments**

**REEL helps borrowers meet their household budget goals by offering lower interest rates and longer payback terms (which translate to lower monthly payments) than standard loan products.**

Scenario: $15,000 loan to a California Coast Credit Union borrower with a credit score of 600.

<table>
<thead>
<tr>
<th>Goal: Interest savings</th>
<th>Goal: Affordable monthly payments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REEL (5-year)</strong></td>
<td><strong>Standard (5-year)</strong></td>
</tr>
<tr>
<td>Interest Rate</td>
<td>Interest Rate</td>
</tr>
<tr>
<td>5.48%</td>
<td>7.48%</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>Monthly Payment</td>
</tr>
<tr>
<td>$286</td>
<td>$139</td>
</tr>
<tr>
<td>Total Interest</td>
<td>Total Interest</td>
</tr>
<tr>
<td>$2,183</td>
<td>$9,998</td>
</tr>
</tbody>
</table>

| **REEL (15-year)**      | **Standard (5-year)**            |
| Interest Rate          | Interest Rate                   |
| 7.48%                  | 20.88%                           |
| Monthly Payment        | Monthly Payment                 |
| $139                   | $405                             |
| Total Interest         | Total Interest                  |
| $9,998                 | $9,287                           |

*Standard loan term maximum is 5 years.*

![Logo](image-url)
Credit Enhancement makes energy efficiency accessible

Access to the credit enhancement through SBF allows Finance Companies to offer:

- **Lower interest rates**
- **Terms up to 10 years**
- **Lower monthly payments**
- **Help projects pencil out**
- **Increased approval rates**
- **From as low as 50% up to 95% expected**
- **Approval in more sectors**
- **E.g., cannabis, houses of worship, restaurants**
- **Broader eligibility tenants and new businesses**
Bringing private capital to finance energy efficiency

- Complements IOU phaseout of residential rebates

- Leveraging private capital
  - Ratepayer funds are used as a credit enhancement (CE) to incentivize private investment in energy efficiency
  - Thus far, credit enhancement has served as a per-dollar multiplier of approximately 7
  - $1.87M in ratepayer funds has leveraged $13.4M in private financing of energy efficiency retrofits (through May 2020)

- CE funds can be revolved
  - As loans are paid off, funds are redeployed to support new loans
  - Every $1 bundled into a CE can be redeployed multiple times
  - Funds are only “expended” when a loan defaults
REEL is filling an important gap in the market

**REEL offers attractive financing with terms that customers cannot find elsewhere.**

- Unsecured loans
  - Many homeowners do not want to encumber their property with a lien
- Reduced rates
  - Credit enhancement allows lenders to lower rates, e.g., from 20.88% without REEL to 5.48% for a 5-year loan for a CalCoast borrower with a 600 FICO score.
- Terms out to 15 years
  - Makes large projects affordable. Banks and credit unions will only offer 5-year personal unsecured loans without a program like REEL
- Borrowers with FICOs of 580 can qualify statewide
- Over 420 contractors to choose from
- Simple, statewide measure list; online tool to find contractors and lenders

REEL is helping make energy upgrades *without* rebates or incentives. REEL continues to grow as IOUs have phased out Home Upgrade.
### SBF early project examples

<table>
<thead>
<tr>
<th>Two Dairy Projects, PG&amp;E Territory</th>
<th>Bakery SoCal Edison Territory</th>
<th>Office Building SDG&amp;E Territory</th>
</tr>
</thead>
<tbody>
<tr>
<td>$225,000 and $170,000</td>
<td>$145,000</td>
<td>$900,000</td>
</tr>
<tr>
<td>LED High Bays &amp; Wraps, VFD Pumps</td>
<td>Ducts with Diffusers, Dampers, Air Balancer, Venting for Ovens</td>
<td>Chiller, Boiler, Cooling Tower, Building Automation</td>
</tr>
<tr>
<td>Two Separate Leases</td>
<td>Equipment Finance Agreement</td>
<td>Lease</td>
</tr>
<tr>
<td>Utilized IOU Rebates</td>
<td>Included non-Energy Remodeling</td>
<td>Whole Building Heating and Cooling</td>
</tr>
</tbody>
</table>
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- SJVCEO Clean Energy Organization
- SGVCOG
- TRC
- USGBC Central California