Energy Efficiency Financing Contractor Roundtable

S I N G L E F A M I L Y L O A N P R O G R A M

C O N T R A C T O R R O U N D T A B L E S
O C T O B E R 2 4 A N D 2 7 , 2 0 1 4
The California Public Utilities Commission (CPUC) issued a decision on September 20, 2013, creating a series of new energy efficiency financing pilots with the following goals:

- Increase the flow of private capital to energy efficiency
- Kick start a new wave of financing
- Deploy approximately $66 Million for credit enhancements, direct marketing and collateral, program administration and contractor training
Electric and Gas Utility Service Territories
The Pilots - Overview

- Available to customers of Investor-Owned Utility (IOU) service territories:
  - PG&E, SCE, SoCal Gas, SDG&E

- **$30 million in credit enhancements** available to participating financial institutions

- Add financing charges directly to the utility bill for certain programs:
  - “On-Bill Repayment” (OBR) for Multifamily and Non-Residential
  - “Energy-Financing Line-Item Charge” (EFLIC) for the Single Family Program in PG&E territory

- For OBR, allow disconnection of utility service to non-residential properties for failure to pay financing obligation. OBR financing obligations may be transferred to new occupants with consent of all parties.

- Each pilot will run for at least two years (estimated through June 2017) and may be extended by the CPUC
### The Pilots – Overview (cont.)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Pilot Type</th>
<th>Credit Enhancements</th>
<th>On-Bill Repayment</th>
<th>Disconnection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Single Family</td>
<td>$21 million Loan Loss Reserve</td>
<td>Optional in PG&amp;E territory</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Multifamily</td>
<td>$2 million Loan Loss Reserve, Debt Service Reserve</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Non-Residential</td>
<td>Small Business</td>
<td>$9 million Loan/Lease Loss Reserve</td>
<td>Loans – Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Loan/Lease</td>
<td></td>
<td>Leases – Optional</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Residential</td>
<td></td>
<td>Loans -- Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>On-Bill Repayment</td>
<td>None</td>
<td>Off-Bill Leases -- Yes</td>
<td>Yes</td>
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</table>
California Hub for Energy Efficiency Financing (CHEEF)

- OBR/EFLIC Billing Information
- Account Info and OBR/EFLIC Payment Remittance
- IOUs
- Loan/Lease Enrollment Applications and Claims
- Participating Lenders
- OBR/EFLIC Payments Loss Reserve Reimbursements
- Rebate Process (optional)
- Customer
- Loan/Lease Application
- Agree on Project Scope
- Project Info
- Contractors
Single Family Program Details
What is the Single Family Loan Program (SFLP)?

• Goal: help homeowners and renters access low-cost financing for energy efficiency projects by reducing risk to participating lenders
• Helps lenders offer low-cost financing with a loan loss reserve
• Helps contractors offer larger and more comprehensive projects with easy access to financing
• Energy efficiency and related home improvements for 1-4 unit residential properties:
  • Simple appliance or HVAC replacements
  • Comprehensive home energy improvements
• Customers not required to participate in an IOU efficiency rebate or incentive program
What are the Benefits for you as a Contractor?

• Improve your closing rates on customer proposals

• Increase project scope and size

• Up to 100% financing with attractive rates and terms

• Multi-million dollar marketing budget to support the programs and increase consumer awareness

• Online directory of participating contractors
Key Program Features and Goals

- Simple process with training provided to contractors
- No fees to enroll or participate
- Streamlined paperwork, leveraging existing processes
- Marketing materials to explain financing options and benefits to homeowners and renters
- Launch in Q1 2015
Eligible Properties

Eligible properties include:

• Single family homes (1-4 unit properties)
• Located in the service territory of a California IOU
• Rental properties allowed with landlord and lender consent
Loans enrolled with the Program may finance energy efficiency and demand response measures as well as other, related measures as follows:
Qualified Measures

- Eligible Energy Efficiency Measures (EEEMs) include those that are:
  - Eligible for efficiency rebates such as efficient HVAC systems, appliances, windows, insulation, etc.
  - Related costs such as installation, patching, painting, permits, and other legally required improvements
  - A full list of eligible measures, by utility territory, will be available online and included in contractor trainings
- Demand response measures including any measures financed to support a customer’s participation in an IOU demand response program
- Other related home improvements can include cabinets, fixtures, etc.
IOU Discussion on Eligible Energy Efficiency Measures List
Accommodating Ineligible Measures

• The Program may allow loans to be partially enrolled, where some of the loan proceeds could be used for ineligible measures
  • Loss reserve contribution amount would be based on eligible costs only

Would it be helpful to have the ability to include measures that are not eligible, such as solar, in your projects through partial loan enrollment?
Quality Assurance Requirements by Project Type

- For single-measure, infiltration projects:
  - BPI certified staff must perform CAS testing after installing measure

- For multiple-measure projects including one or more infiltration measures:
  - BPI certified staff must perform a full BPI test-out
  - Or conform with rebate/incentive program requirements if receiving a rebate or incentive

Do you have any concerns with these quality assurance requirements?
Discussion on Eligible Energy Efficiency Measures

1. Do you generally provide a quote and/or invoice that details the individual improvements and eligible efficiency measures? If so, at what point in your sales process do you provide this detailed quote to customers?

2. How would you suggest we verify that project meet the 70/30 minimum ratio (EEEMs vs. Other Improvements)?

3. What do you think is the best way to determine if a measure is eligible?
Minimum Underwriting

- Loans must be underwritten and funded by participating lenders
- Maximum loan amount: $35,000
- Minimum borrower FICO: 580
- Maximum debt-to-income: 50%
- Participating lenders may have additional requirements
Discussion on Underwriting

- Is the $35,000 limit high enough to cover most or all of your projects?
- Are the other limits too stringent or not stringent enough?
Contractors will provide the following information and forms to the lender:

1. Customer information releases authorization for energy use and other data needed for program evaluation
2. Signed certification that the completed project meets the requirements
3. Info on contractor’s licenses and certifications and project description
4. Itemized invoice including measure description and cost
5. Bill impact estimate
6. Building permit and final inspection (if required)
7. Incentive/rebate reservation or approval forms (if applicable)
Proposed Data Required for Job Submission (1)

Contractor Information:
• Name and Company
• CSLB License Type and Number
• BPI Certification Type and Number (if applicable)

Project Site Information:
• Address
• Property Type (single family detached, 2-4 units, etc.)
• Year Built
• Approximate Square Footage
• Electric and Gas Utility Account Number(s)
Project Information – Itemized Invoice:

- Eligible Energy Efficiency Measure (e.g. HVAC, Attic Insulation)
  - Cost
  - Description (e.g. HVAC Type, Insulation Type)
  - Efficiency Rating (e.g. AFUE/SEER Rating, R-Value)
  - Description of Equipment/Measure Being Replaced
    - Type
    - Approximate Age
    - Efficiency Rating (if Applicable)
- Other Improvements (Description and Cost)
- Anticipated or Actual Rebate/Incentive Amount
- Financed Amount
Discussion on Required Information

- Are you already providing your customers with itemized invoices? If so, what level of technical specifications do you include? If not, are there other documents that you provide to your customers that provide this level of information?

- How do you recommend we collect proof that a project received a building permit and final inspection certificate (if required)? Are there other ways to verify that a project meets code requirements?

- Are you used to providing incentive/rebate reservation or approval forms (if applicable) and is this requirement challenging to meet?
Bill Impact Estimate: Participating contractors will be required to provide the customer with an estimate of the impact of improvements on the customer’s utility bill(s). CAEATFA is seeking input on the appropriate methodology or methodologies for this estimate.

- Do you currently provide monetary or energy savings estimates to your customers?
- Is there a simple and effective way to provide this estimate?
- Are there existing tools we can leverage?
- Do any rebate or incentive programs you participate in have a similar requirement? If so, would it be problematic to satisfy both requirements?
- How might this differ for single and multi-measure projects?
Anticipated Project Workflow

1. Meet with customer, quote work and provide a bill impact estimate.

2. Ensure customer is eligible:
   - Residential customer of PG&E, SCE, SoCalGas, or SDG&E
   - Note if customer has split gas and electric utilities – this may affect which measures are eligible

3. Customer will apply to a participating lender for financing

4. Once approved for financing, work can begin

5. Invoice customer or lender and submit required documents upon completion (depending on direct or indirect lending requirements)

6. Lender submits loan enrollment application to CHEEF
Contractor Participation Requirements: A Phased Approach

**Phase 1:** Initially, the program will leverage existing programs and certifications to manage contractors. Examples include:

- Energy Upgrade California: Home Upgrade
- Building Performance Institute (BPI)
- League of California Homeowners

**Phase 2:** The CHEEF will develop a contractor management system to train and enroll contractors in the program. The contractor management system may include mechanisms to:

- Provide trainings for contractors on the program and financings basics
- Check licenses, certifications, and insurance, and run reference and public records checks on participating contractors
- Perform job inspections and related quality control for financed projects
- Address and resolve customer and lender issues
Phase 2: Contractor Requirements

- Participate in a CHEEF Contractor Training
- Contractors must hold a valid license for the work they perform from the Contractors State License Board (CSLB)
- No outstanding liens or judgments
- Proof of current liability and worker’s compensation policies
- Additional requirements depending on measure type
Phase 2: Maintaining Your Participation

- Comply with all applicable building standards and regulations
- Participate in contractor management process:
  - Complaint/Issue resolution
  - Periodic eligibility review (checking licenses and insurance)
- Post-project inspections for non-rebate projects
Phase 2: Post-Inspection Rates by Project Type

For projects *not* participating in an IOU residential rebate or incentive program:

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Measure Type</th>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Measure</td>
<td>Any Measure</td>
<td>5% Random Inspections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple Measures</td>
<td>Non-Infiltration Measures</td>
<td>3 out of first 5 projects</td>
<td>1 out of every 20 projects</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Includes 1+ Infiltration</td>
<td>100% of first 5 projects</td>
<td>5 out of next 10 projects</td>
<td>1 out of every 20 projects</td>
</tr>
<tr>
<td></td>
<td>Measures</td>
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</tbody>
</table>
Phase 2: CHEEF Contractor Training

- CHEEF Contractor Trainings will cover rules and policies of the financing programs and the data and forms required to submit a project
- Available online and in person
- Coordinated with other rebate program trainings
- Additional trainings will be available on how to use financing as a marketing tool to help sell projects *(not required)*
- Upon completing the training and meeting eligibility criteria, contractors will be added to the online contractor directory
Phase 2: Issue Resolution

Upon receiving a customer or lender complaint about a participating contractor, the CHEEF will:

1. Investigate the complaint and perform a site inspection if necessary;
2. Send the contractor a written warning, including opportunity to rectify the issue;
3. If a contractor receives $X$ unique complaints within $X$ days, the contractor may be suspended from starting any new projects for $X$ days;
4. If any additional complaints are received in this period, the contractor may be terminated from program participation;

Participating lenders will be notified of all suspension and termination actions. If complaints are related to significant health and safety concerns, this process may be accelerated.
Center for Sustainable Energy
Discussion on Marketing, Education, Outreach and Training
Timeline

- **October 24th – 28th**: Lender and contractor roundtables
- **October 30th**: Roundtable comments due at 12 PM
- **November, 2014**: Formal regulatory workshops
- **December, 2014**: CAEATFA Board approval of regulations
- **January, 2015**: Regulations adopted
- **February, 2015**: Trustee, Master Servicer and Contractor Management infrastructure established
- Program launch in February, 2015. Begin accepting lender applications and enrolling eligible loans.
NEXT STEPS

Please submit written comments to CAEATFA by noon on October 30th at CHEEF@treasurer.ca.gov.

For more information please visit http://www.treasurer.ca.gov/caeatfa/cheef/ or Contact Sarah Taheri at Sarah.Taheri@treasurer.ca.gov
Thank You