California Alternative Energy and Advanced Transportation Financing Authority
California Hub for Energy Efficiency Financing

Affordable Multifamily Energy Efficiency Financing Program Regulations Workshop
Tuesday, February 26, 2019
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[Editor's Note: This transcript has been prepared by the California Alternative and Advanced Transportation Financing Authority (CAEATFA) and it believes it to be a fair and accurate reproduction of the comments of the speakers.]

[Beginning of recorded material]

Susan Mills: Good morning everyone on the webinar. This is Susan Mills. I'm the Program Specialist with CAEATFA developing the Affordable Multifamily Energy Efficiency Financing Program. We do have some attendees in-person but thank you all for being here online and virtual.

00:21 Slide 2 – Closed Captioning is Available

So, just some housekeeping items. There is closed captioning available. You see there the website on the screen. There's a meeting number and a password. If you enter that web into your URL, meeting number and password, and you'll get the closed captioning and it's live closed captioning.

00:39 Slide 3 – We Want Your Comments and Input!

Why are we here? We're here to present the multifamily regulations that we have, and we will welcome your comments and input. We are opening up the public comment period and we ask that comments come in by 5 o'clock on Friday, March 8th of 2019. We will consider all comments and incorporate as appropriate. All of the registrants should have received an email this morning with the link to the regulations. We weren't able to attach it in the Zoom meeting, but there's the link to the multifamily web page. And then, you'll see a link for the regulations. You can use that as a reference and as you decide if you want to make any comments. Comments can be submitted to cheef@treasurer.ca.gov or to me directly at smills@treasurer.ca.gov. You can also give me a call if you'd rather talk in-person. There is a chat button at the bottom of your screen. You can utilize that, as well for comments that you want to make during the webinar.

01:56 Slide 4 – Gain Program Insight and Provide Feedback

Okay. Our goals. You know we're here to give you details about how the pilot program has been developed and get your feedback. So, really details for the finance company, the affordable multifamily owners, implementers, any other energy efficiency industry participants. We'll go over the program details and the status and the time line for launch and get your feedback. We have a few sections where we have specific questions for you to consider. So, we'll take note of that. And then, we'll give you, you know, you can participate through the comment period.

02:41 Slide 5: Table of Contents

Here's our table of contents for today. We're going to start off with the executive summary and go through the background. I'm really going to skip a lot of that. A lot of you, I think, already know the background, but those slides can be there for reference. If you want more detail, you can contact me directly. We'll go through the program structure, and project life cycle, ask for some overall feedback of the whole thing. And then, there are some resources and appendices at the end.

03:12 Slide 7: Affordable Multifamily Program Summary of Features

So, for our executive summary. Here is the summary of features for the Affordable Multifamily Energy Efficiency Program. So, we have eligible customers, our deed restricted properties of five or more units, 50% of the units are reserved for income restricted. This is for existing buildings, so retrofits to existing buildings and the property needs to be serviced by one or more of the investor owned utilities in California. So, types of projects; Energy Efficiency and Demand Response and it is flexible to include non energy-savings measures. As far as financing goes, the financing is provided by private capital, through service agreements, savings-based payment agreements, loans, leases, and EFAs. As far as the credit enhancement, there is no cost for the credit enhancement to the finance company or customer. Of the first $1 million in financing, 15% will go in a loan loss reserve as a credit enhancement. We've developed the program in hopes to be really streamlined and easy to use for all participants and we'll get into all of these details as we go along here.

04:24 Slide 8: CAEATFA Made Key Program Design Revisions Based on Public Input

We did have a workshop in November of 2017 and asked for some stakeholder feedback. And so, here's some changes that were made: The property size requirement went from 20 to 5 or more units. We got a lot of feedback on what measures were really needed in this arena. And so, the ESM List is pretty extensive, but it does include HVAC windows and central systems. Those were the main ones that we heard. There are measures on the ESM List; the Energy Savings Measure List that are eligible for self-install and there is a distinction between service agreements and savings-based payment agreements. And that's in the definition section, so if you have the regulations, you'll see the definitions as 10093.1. And so, in there, you'll see all of the definitions for this Program.

05:20 Slide 9: Ratepayer Funded Credit-Enhancement Results in Benefits for Customers, and Larger Projects

This is a ratepayer funded Credit Enhancement and we're looking to benefit customers with and to do larger projects. So, the finance company receives the credit enhancement in the hopes of the finance company offering better terms. We are working with program partners to present this financing to their customers in hopes of offering attractive financing to allow for deeper energy retrofits. So, what we've seen in our other single family residential program is there are lower rates, and longer terms, and broader approvals and really hoping to see larger finance amounts here in the affordable multifamily sector.

06:12 Slide 10: Who Should Utilize this Program and Why

Who should utilize and why? Well, as far as finance companies go, you mitigate risk through the credit enhancement, the loan loss reserve account and you can offer more attractive financing and approve a wider range of projects in this industry. As far as program implementers, you can integrate this financing into your program to overcome some cost barriers and where your program stops the funding, this program can pick up and offer for more deeper energy efficiency retrofits. And measures qualifying for utility programs qualify for financing in this program. And for local governments, well, this is a great way to integrate financing for sustainability initiatives and grow green jobs in your communities.

07:07 Slide 11: Affordable Multifamily Program Anticipated Timeline

All right. Here's a time line, an anticipated time line. We are here on the left, we're at the regulation workshop today. Public comment goes through Friday, March 8th. And then, we'll be going before the Board on Tuesday, April 16th to present, and the regulations, we need their approval to move forward. And then once they approve, then we go through a process with the Office of Administrative Law. We anticipate that process concluding on May 15th. And then, with that, we can enroll finance entities, so anticipate doing that in May and June. And then, The pilot launch hopefully, with a project in the pipeline in June of 2019.

07:56 Slide 13: California Will Only Achieve Its Building Energy Reduction Goals Through Leveraging Private Capital

So, background, like I said before, we're going to skip all over this. You know, we have some ambitious climate change goals here and we really want to meet those.

08:05 Slide 14: California Public Utilities Commission Authorized $75 Million Toward a Series of Statewide Financing Pilots to:

And so, here we are developing an energy efficiency project "reduce before we produce".

08:08 Slide 15: Residential Energy Efficiency Loan Assistance Program (REEL) Launched in the Summer of 2016 (as of February 2019)

Here's a sheet for the single family, the Residential Energy Efficiency Loan Assistance Program. This pilot, it launched in July 2016, and as of this month, February, we have 372 loans enrolled, 6.4 million, there is seven approved lenders, and over 50% have gone to homes located in the Low-to-Moderate Income census tract. So, there are good things happening there in the single family.

08:43 **Slide 16: Affordable Multifamily Program is Designed to Address Barriers to EE Financing**

For the affordable multifamily, we are really trying to come up with solutions for some barriers, so lack of sufficient capital to make these kind of retrofits. We are really hoping through this program we can expand the access to capital and improve the rates and terms. We know that the senior mortgage holders and tax equity investors don't want additional debt on the books, so we have come up with offering a non-debt product like the Energy Service Agreements. We know that property owners see some energy efficiency investments as a lot of work, and they wanted more of a one-stop shop type of option. And so, we've really designed the program to be easy to use and integrating with other existing affordable multifamily programs and there will be a program staff person to help the customer through the process. We know that the rebate incentive process can be a time intensive process. And so, again, we're leveraging IOU and other affordable multifamily programs to streamline the qualifications and the application process. We're also offering a single measure pathway where you might need three measures to qualify for one of the Program Partner options whereas you potentially could just finance one through our program.

10:26 **Slide 18: Program Projects**

We're in the program structure. We're going to go over some key concepts. So, this is just an overview here. We have an example project here. You have the total financed amount on the top. There is no minimum or maximum amount for the total financed. On the left green side, you have the Claim-Eligible Financed Amount and that's again, up to $1 million. And then, within that $1 million, we have this 70/30 split. 70% of those measures are Energy Savings Measures. So, must account for that 70. And Non-Energy Savings Measures can account for 30. You will see the asteriks on the bottom there, that the non-energy components include Non-Energy Savings Measures and capitalized interest and it could include measures that are like in a MUNI territory that could fall into that 30. On the right, we have the claim ineligible financed amount. That would be like solar, battery storage, and things like that. We cannot credit enhance those kinds of measures.

11:36 **Slide 19: Claim-Eligible Financed Amount Can Include Legally Required Installations and Up to 30% Non-Energy Improvements**

Here we are breaking it down a little bit more. That 70/30 split, on the left, we have a pre-qualified Energy Savings Measure List that CAEATFA has published. We have our Program Partner method, which we will get into more detail as we go through the presentation here. Things that are required to complete in installation, so things that are legally and practically required are part of that 70%. And then, you'll see the 30% non-energy component. So, you could do water savings measures, or landscaping, new floors, MUNI measures, and things like that. And then, again, you'll see the claim ineligible side and the Distributed Generation and anything above and beyond the $1 million financed amount, so that would be on the claim ineligible.

12:34 Slide 21: Eligible Customers

Getting into the Customer Eligibility. I just want to make note on the top right, in red, it says, "See Regulations". You'll notice that this slide references 10093.1(n) & (r), so those are some definitions. So, you can look those up later. The eligible customer must receive gas or electric from one of the four Investor Owned Utilities, or Community Choice Aggregator, or an Energy Service Provider. It has to be five or more units. The owner must not reside at the property. There can't be any bankruptcies, judgments, or liens within the last five years, and the property needs to be subject to a deed restriction and occupancy for at least, 50% of the total units to households meeting the requirements of the income limits with no greater than moderate. And that's all detailed. I encourage you to go look at that definition to be very clear about what the eligible customer is.

13:31 Slide 22: Seeking Feedback on Project and Measure Eligibility:

As far as, that's the only criteria that we have to be, as far as being an eligible customer. We really want your feedback here: Is it reasonable to require a recorded affordability deed restriction or covenant to an affordable multifamily home to have ten years of restriction remaining? So, this Program offers a 10-year term. So, the Credit Enhancement will last for ten years and we want to make sure that whoever is accessing this Program is going to remain affordable during that 10-year period. So, just wanted your feedback on that, is that a reasonable expectation or request?

14:22 Slide 24: Energy Saving Measures include EE and DR

Moving into Project Measure and Eligibility. We're going to go into measures first. So, like I said, that's Energy Efficiency and Demand Response. Again, on the right, you'll see the reference to the regulations. The Energy Efficiency side on the bottom left, "an energy using appliance, equipment, control system or practice whose installation or implementation results in reduced grid supplied energy use while maintaining a comparable or higher level of energy service as perceived by the customer." And then, the Demand Response definition, "reductions, increases or shifts in electricity or gas consumption by customers in response to either economic or reliability signals." So, those are our measures side.

15:08 Slide 25: Method 1: Measures on the "ESM List" are Pre-Qualified

And then, we have a project as a whole. There are two ways to qualify a project and this first one is the measures on the ESM List. And these are pre-qualified measures that CAEATFA has created. They can be financed without any additional approval. Some include some additional eligibility requirements and the ESM is published by CAEATFA as part of the commercial regulations. So, some of you on the line who are very familiar with the commercial program, will notice that this Program has been developed very similarly to that. And so, we wanted to streamline the process for different participants who want to participate in both programs, so we are utilizing the commercial ESM List and you'll notice the reference to the California Code of Regulations there. The only measure on that list that doesn't apply to this program is the one named "IOU/REN/CCA Rebate - Other". It's because the IOU approved measures qualify through the Program Partner pathway. In the presentation Appendix, you'll notice there's the ESM List for your viewing.

16:30 Slide 26: Select ESM List Measures are Eligible for Self-Install

So, some ESM List measures are eligible for self-install without the use of a licensed contractor and CAEATFA has identified these measures that can be legally and safely installed without a license, and it's unlikely that the performance will be effected by a non-professional installation. Some examples include screw-in lighting, smart thermostats, and low-flow shower heads.

17:03 Slide 27: Method 2: Program Partner

On to our second method is our Program Partner method. Again, see Regulation .5 and .6 for that. The actual definition here is in .1 of the Regulations under "Program Partner", and that's "an entity that administers and/or implements a State of California or IOU/REN/CCA multi-family property Energy Efficiency, Demand Response, or Distributed Generation program." So, the MCE, BayRen, SocalRen, Energy Upgrade California, San Diego Gas & Electric, and PG&E; their whole building program. So, any of those programs, we work with LIWP and SOMAH, the Low-Income Weatherization Program, and the solar on multifamily. So, any measures that qualify as an Energy Savings Measure through any of those programs and an energy audit conducted by the Program Partner qualifies. The customer must submit a copy of the reservation letter and energy audit on their loan submittal.

18:20 Slide 28: All Projects Must Meet Basic Requirements

And so, there are some basic requirements that we do have here. The contractor's license must be applicable to the work being performed. The permits need to be approved prior to submitting the loan enrollment. And measures must be installed in compliance with Title 24 and other applicable laws. The ESM fuel savings matches the IOU service type at the location, the property location, and there's a bill impact estimate, needs to be provided to a customer and there is a CAEATFA-supplied bill impact estimate that can be used.

19:04 Slide 29: Projects May be Subject to Post-Installation Verification Checks

So, different options for a quality control at the end. There's desktop verification, so it could be electronic review of the data and documentation of the IOU service and rebates, if they got any rebates or incentives, fuel type match, measure cost down, and invoice check. There's also photo verification, so photos of the equipment installed, and which may also include a desktop verification. And the third is a field verification where the CAEATFA Contractor Manager will go out and actually look at the equipment installed and make sure it all aligns with what was included in the loan enrollment and it may also include a desktop review. This is both for the ESM List method and the Program Partner method. We have three different options for the quality control on the end.

20:06 Slide 30: Seeking Feedback on Project and Measure Eligibility

So, we do have a question for you all is that we've asked that or requiring that all permits be closed by the appropriate governmental entity and we require that copies be submitted upon the loan submittal, and we want to know: Does this create an undue burden or is this a reasonable request to have all copies, all permits be closed prior to submitting the loan packet for enrollment? That's something for you all to ponder.

20:56 Slide 32: Credit Enhancement is Structured as a Loss Reserve No Cost to Finance Company or Customer

Going into the Credit Enhancement Structure. Again, this is very similar to the commercial program, but for this affordable multifamily we have $2.9 million allocated for the Loan Loss Reserve, and we are capable of shifting more funds to the program if there is a demand. There's the trustee account, so we have designated loss reserve accounts for participating finance entities at the Trustee Bank. Contributions will be made within ten days of receiving an eligible financing and access to funds. In case of a default, the finance entity can file a claim to recoup up to 90% of the principal loss. And there are options for sub-accounts in case the finance entity wants to sell any of the financings, so different investors might benefit from having sub-accounts.

21:56 Slide 33: Credit Enhancement Amount

Here's our credit enhancement structure. It's pretty simple. We have the Claim-Eligible Financed Amount is $1 million, so maximum $1 million. And then, it is a 10-year term and the contribution rate is at 15%. And the finance entities build their loss reserve account by financing multiple projects. So, the more projects that get financed and 15% of that, it adds up into their loan loss reserve account. Again, on the top right, just note the Regulation Section there.

22:35 Slide 34: Finance Company May Recoup 90% of Claim-eligible Charge-off Amount

So, here's a bit more of a breakdown of the 90% recoup. You will see on the left, there's the claim process. If there is a default, we should knock on wood there, we have been pretty good on our residential side, if there is a charge-off, there are steps that are detailed in the regulations that the finance entity needs to do in order to do this process. So, they do have to go through some reasonable collection steps and the finance entity files a claim with the program within 180 days of charge-off, and the program pays out 90% of claim-eligible charge-off amount, the funds in the loss reserve account permitting. So, whatever funds they have in their loss reserve account, those will be available for the submittal for the claim, the charge-off. Again, it's a 10-year term. Payments are net of recovery, so we can't pay out more than 100% of the whole. If the finance company recovers additional funds after the claim is paid and they agree to reimburse the program. The finance company takes reasonable steps to recovery through liquidation of collateral, personal guarantees if applicable. The finance company can assign payment to a third-party. If the loss reserve funds are insufficient, the future contributions can be accessed to cover the charge-off. I just want to note, on the top right, there's the Regulation Section and these are exactly the same as the commercial and small business program.

24:26 **Slide 35: CAEATFA is aiming for product parity in terms of the Credit Enhancement; Ongoing service fees are not "Claim-Eligible"**

Again, the same regulation text on the top right. This is all the same as the commercial program, nothing has changed here. So, you have the different, we have loans and leases and equipment finance agreements on top. It's the original principal amount is disclosed to the customer or you have the savings-based payment agreements or service agreements, which is the total installation amount paid to the contractor are disclosed on the job addendum, inclusive of equipment, taxes, and labor, shipping costs, and exclusive of the ongoing oversight payments. You'll see the definitions for these in .1, so I encourage you to go take a look at what an eligible loan, lease, equipment finance agreement, the energy service agreements, and the savings-based payment agreements are. That's in Section 1 of the Regulations. And the total charge-off amount, and again here, it just details loans and leases. It is pretty simple. It's the principal at the time of charge-off and for the service agreements, the total initial installation amount paid to contractors divided by the number of months on the term multiplied by the number of months remaining in the term. Again, this is the same as the commercial and small business program.

25:55 **Slide 36: CAEATFA Will Rebalance the Loan Loss Reserve Accounts Annually**

CAEATFA will rebalance the loss reserve accounts annually and the regulation reference is on the top right and here's the rebalancing process on the right. In July, we will look at the previous fiscal year to see which finance agreements have been paid off and then, they'll recoup the original loss reserve contribution amount for any paid off agreements. And if claims have been made during that fiscal year, the recapture amount will be reduced and if the claim is larger than the recapture amount, there will be no recapture of funds for that year.

26:48 **Slide 38: Finance Companies Can Perform Multiple Functions**

So, that's for the Credit Enhancement structure. Now, moving into the Finance Company Eligibility and Roles. A lot of this is the same as the commercial and small business regulations and I will point out where the differences are. So, there's a marketing, underwriting, and origination roles. There's a few others on the next slide. So, you can have a marketing rep underwriting who follows program guidelines of approving projects and financing. There's the origination role, who works on the contracts and repayments of the financing, obtains the customer certifications.

27:26 **Slide 39: Finance Companies Can Perform Multiple Functions (cont.)**

There's the financing submittal, servicing, monthly reporting and loss reserve account roles. As far as the financing submittal, so reviews customer and contractor data for projects, submits along with financing to CAEATFA for enrollment in the program. There's a servicing role, so the ongoing billing and collections and payments to investors, and response to customer questions, monthly reporting, who supplies information to CAEATFA on the monthly reporting requirements of the program. And then, the loss reserve account representation, whose name is going to be set-up at the Trustee Bank? Who files claims in case of a charge-off? Who receives the claims? And who can distribute them?

28:23 Slide 40: To Accommodate Various Business Models, CAEATFA is Proposing a Flexible Participation Strategy

We've really worked on making a flexible participation strategy here. So, two entities can join together to apply for the program. There's a primary applicant and an affiliate-applicant option. Both must sign the enrollment application certifications, representations, and warranties. The primary applicant fulfills the role of submitting loans to CAEATFA. Applicants need to disclose in their enrollment application who's doing what? So, what roles are being done by who? You may designate a third-party to be the marketing representative or the primary or affiliate-applicant can do this role. Also, needs to be disclosed, what entity is funding the actual agreements and named on the documents. This also can be a third-party. Again, reference the regulations on the top right.

29:27 Slide 41: Regardless of Structure, Applicants Must Meet Key Requirements

However, you work it out, there are some key requirements here. Again, there's representations, so you need to follow the rules of the Program and also, a proposed products. So, one applicant outlines and certifies proposed rates, terms, and credit requirements to be offered as part of the program. What are the customer benefits? How is this financing that is going to receive a credit enhancement going to benefit the customer? We need to know that. Make sure that all the licenses are valid and that you're able to do business in California. And what is your intent with the enrolled financing? So, whether you plan to hold it, or sell it or transfer it or whatever that is, we just want to know what your intentions are here.

30:31 Slide 42: Non-Financial Institutions Can Participate with Additional Requirements

For non-financial institutions there are some additional requirements. And just so, there's the definition for Financial Institution at the top, but for those who aren't that, you must maintain General Liability, Motor Vehicle Liability, and Worker's Compensation insurance. These are three additional requirements. Under underwriting, you must demonstrate experience with underwriting for equipment financing. Describe your underwriting process and demonstrate qualifications of key personnel and net worth of at least, $1 million. And for the origination role, to demonstrate at least $20 million in committed capital for general financing, net worth of at least, $1 million, demonstrate an ability to originate commercial financing in accordance with all applicable laws, and provide sample documentation. And for the servicing, demonstrate capacity for and experience with servicing, net worth of at least, $1 million, and describe personnel, software, and systems use.

31:39 Slide 43: Seeking Feedback on Finance Company Eligibility & Roles:

So, we do have some questions here. We'd like your feedback on Finance Companies: Is the requirement to demonstrate at least $20 million in committed capital for general financing too much for some financing companies? And the second question is: Should we consider a requirement to demonstrate at least, $20 million in committed capital or a certain amount of transactions originated? If that $20 million is too high or is there a number of transactions that would be more appropriate to use here? We know this affordable multifamily arena is a much different market than commercial and small business, so we just want to make sure that we are in line with industry.

32:41 Slide 45: Program Supports a variety of financing instruments

Moving along to Financial Product Eligibility. So, here are our different financing instruments. You can see the definitions for these in Section 1 (q)(p)(t) and (s) in the Regulations. I think that everyone knows what a loan is and a lease. I pretty much defined. You can see more of the definitions for the service agreements, the customer gets use of the measures, regular and ongoing service and maintenance is provided to the customer, the title doesn't transfer during the term of the agreement, and guarantees of functionality or a guarantee of energy savings and the Savings-Based Payment Agreement and the savings measure verified at least, annually, the agreement is cash flow positive to the customer compared to prior energy bills, customer shares and benefits if savings exceed expectations, and customer does not bear risk if savings are less than projected.

33:44 Slide 46: Product Requirements

Here are product requirements detailed in Section 3.4. There's the disclosure aspect. What is the Annual Percentage Rate if there are any fees included or the total cost of the project comprised of monthly payments and number of months in the agreement plus any fees, if there is an interest rate, there is no cap, but the finance entity must demonstrate some kind of benefit in exchange for the Credit Enhancement, which may or may not reduce interest rates. So, there is no fixed or variable aspect here. Like I said, the term is ten years. No open-ended lines of credit, there is no minimum or maximum financing amount though, the credit enhancement stops at $1 million.

34:42 Slide 47: Product Requirements, Continued

Continuing on here, there is a refinance and renewal aspect. It's permitted if it is enrolled in the program within 90 days of project completion and the fees must be disclosed on the finance company's application, it must be reasonable and in line with industry standards and must be disclosed to customer or representative as part of an Annual Percentage Rate.

35:11 Slide 48: Seeking Feedback on Finance Company Requirements:

So, some more questions here: Is $2 million in General Liability Insurance the appropriate amount? Just want your feedback there, $2 million of General Liability Insurance is that a reasonable amount to require from finance companies?

35:38 Slide 50: Program Should Enable Sale and Transfer of Enrolled Financings

And we've got enabling a secondary market here. This is the same as the commercial and small business program. So, those of you who are familiar, you won't see any changes here. You can see Regulations 3.9 and 3.10. These financings can be sold or transferred. Our goals are bringing more private capital into this affordable multifamily energy efficiency retrofitting space, so again, you know, permitted activity; sale transfer assignment in whole or in part, the reporting of the sale needs to be made to CAEATFA. There is a monthly reporting requirement so in that monthly report, we'd need to be notified that the sale was made. Trustee sub-accounts, up to three sub-accounts can be opened for a financing company. Ongoing program responsibility, just the entity originally responsible for this reporting and the loss reserve account can retain responsibility, unless a successor enrolls in the program. If there was a successor, they would need to enroll in the program and be active. And once they did, then it could be transferred over to them. That's it for the program structure.

37:14 Slide 52: Project and Financing through the Program Partner Method

We're getting into a program life cycle here. This details a project and financing through a Program Partner method. The Program Partner method being something coming from, potentially, the Low-Income Weatherization Program, or through Energy Upgrade California, the Program Partners would flag eligible projects. They would see projects coming through their programs and they know the criteria for our program, and they can offer this financing to their customers to do deeper energy efficiency retrofits and the Program Partner does an audit to determine energy savings. So, they do that audit anyway for their program, and so, we're just requiring the customer to submit that energy audit. The Program Partner determines the scope of work, which they do for their program. And then, after that process, an initial project review is done by CAEATFA and an estimate of the loss reserve contribution. Then the customer would choose a finance company. And then, the underwriting process would begin. The customer, if all goes well there, then the customer can start their project and have a contractor work on it. Once the project is complete and the Program Partner certifies that their program has been all checked off on their quality control side, the customer certifies the satisfaction and disclosures that all measures were installed to their satisfaction. And then, there is a submittal process from the financing company, so the financing company gets all of this information and they are the ones that are submitting all of the documentation to CAEATFA within 90 days of the project completion. And then, CAEATFA, if all goes well, enrolls the financing agreement and funds the loss reserve account. And know in this process that CAEATFA program staff is available to help the customer through this process of the program and available for Program Partners and available for financing companies. So, we understand this is a more hands on program.

39:49 Slide 53: Finance Company Reports Monthly on all Enrolled Financing Agreements

This details the monthly reporting. You'll notice that in section of the Regulations 3.10. I've kind of already mentioned this, that there's the monthly reporting aspect. The financing status needs to be documented, so if it is current or a past due amount, what is that? When is it fully satisfied or if there is a charge-off? Some other data, what's the outstanding financed amount? Updates on any maturity or the end date, interest rates, if it's sold or transferred, the date of the sale and the name of the purchaser or transferee. And for delinquencies and charge-offs, the date and the amount of the charge-off and what enforcement proceedings have happened, if any? Any anticipated losses and whether acceleration notices have been sent and amount of any recoveries or proceeds from charged-off financing? It's a simple Excel report and it should be readily available data that you are already collecting, so really hoping for ease of transfer here.

41:11 Slide 55: Summary of Questions for Feedback

That's an overview of our program. There's obviously a lot more detail in our regulation text and I really do encourage you to take the time to read the sections, you know, especially, as they relate to you as a stakeholder and to really understand the program. I'm available for questions or comments, but just a summary of our questions that I asked you throughout the presentation for the finance companies, is the $2 million of General Liability Insurance an appropriate amount? Is requiring $20 million in committed capital reasonable in order to enroll a project? And should we consider a requirement to demonstrate at least $20 million in committed capital or a certain amount of transactions originated before a finance company can enroll in the program? The other questions for project requirements, this one for the affordable multifamily property owners, is having ten years remaining on the deed restriction a reasonable amount of time in order for you to participate in the program? Again, we really want to meet the affordable multifamily market needs and so, we want to make sure that whoever is accessing this program is really going to stay affordable for this 10-year period. So, your feedback there would be greatly appreciated. Also, another question: As we are requiring that all permits be closed and approved before funding of the loss reserve accounts, before the project can be enrolled in the program, so before the financing entity can submit a financing for enrollment, which needs to happen within a 90-day period of the project completion is having copies of all of those permits, does that cause any concern or burden?

Deana Carrillo: To clarify on that last question. It’s because we are not sure if that's realistic given the timing of the local permitting process, so we just want a reality check from the industry on whether 90 days is too optimistic and should be used as a standard, is that the issue?

Susan Mills: Yes. Just to clarify that for all permits being closed. We had set it at 90 days to enroll a project in the program. Is that a realistic expectation? We just don't know what’s the cycle of getting a permit through the governmental agency for these types of projects and what's the time line there? And if it is reasonable to have all projects closed within a 90-day period? If you could give your feedback on that, that would be great.

44:21 Slide 56: We Want Your Comments and Input!

Again, back to this slide where there's my contact information, my email, my phone number. If you don't want to submit them directly to me, there's the CHEEF web email. You can also send it to me and cc the CHEEF, just making sure that you got everything covered. The regulations are con CAEATFA's website. I do request that all comments be in by 5 o'clock on Friday, March 8th. That's a little over a week and a half.

David Gibbs: Good morning everybody. This is David Gibbs. I'm a Program Manager at the California Hub for Energy Efficiency Financing. Thank you, Susan, for that presentation. Before we open the floor for questions, I did want to remind participants that we are recording this webinar. So, if you have questions, you forget something, or you are taking notes and missed a slide, the presentation got away from you, it will be available for you to reference at a later date. As Susan just mentioned, the regulations and the slides are available on the CAEATFA website. The link is on your screen right now. They were also sent to you in an email that went out this morning. So, look in your inbox for an email from a CHEEF email account, you will find a link to both there. Also, if you were a late registrant, like I was, you might not have gotten that link this morning. We will be sending a follow-up second email this afternoon with those links. So, if you didn't get it this morning, you will receive it this afternoon. I beg your pardon, the slides are not on the website, just the proposed regulations are, however.

Susan Mills: We will post the presentation on the website and we'll work, in order for us to be able to post a video, we have to have actual captioning involved, posted along with it. So, it might take a little bit of time before we can actually get the recording up and out to you all, a few days, but that will be available too. We will open it up to the floor. Does anyone have any questions in the room or online?

Miriam Joffe-Block: Folks in the room who want to comment, we’ll ask that you guys stand up and move towards the microphone and introduce your name and organization.

David Gibbs: And for those of you online, we will repeat the questions that are asked here in the room, so you are able to hear them online. If you are online, you are able to use the Q&A button. Please, click on that button and if you have any questions, we'll either answer your question through text or we'll repeat it here live. If you have a question that you would like to ask of the group, you can raise your hand, and we'll unmute you, and you can ask that live as well.

Susan Mills: Hi Eugene.

Eugene Lee: Hi. Eugene Lee from the California Energy Commission. Just a quick read looking at a few of your questions. With respect to the affordability deed restriction, did you consider that the deed restriction should be perhaps, *at least*, ten years of the restriction remaining or what was the thought process of actually establishing that ten years *exactly* on the mark?

Susan Mills: We did the ten years, at least, have ten years remaining because our program is a 10-year term, so the claim-eligible finance amount that gets that credit enhancement is a 10-year term. So, we want to make sure that anyone that’s using the program that’s going to benefit from that credit enhancement that it’s going towards an affordable multifamily property.

Eugene Lee: It appears in the regulation that it specifies exactly ten years and it doesn't exactly say "at least".

Susan Mills: That's a good catch.

Eugene Lee: Yeah, which may be unintended to be too restrictive.

Susan Mills: Yeah, we want at least ten years on that. Did everyone hear that question? I can repeat it back, but it was about in the regulations, we have that ten years must be remaining on the deed restriction. That might be really restrictive, which we were really intending to say at least, ten years. So, we want at least, ten years on the deed restriction in order for a project to qualify for our program. So, we will definitely make that note to make sure that we open up that regulation. Yes?

Tod O'Connor: One question. Todd O'Connor with CLEAResult. On Page 41 of your presentation, down at the bottom, it talks about intent with Enrolled Financing. At the time of the application, if I understand it correctly, the applicants describe the intent for the Enrolled Financing and you gave several options - hold, sale, transfer, participate, or a warehouse, and the purchaser if known. What if there is a change of mind after the application? Are you requiring an addendum to the application in case the intent changes?

David Gibbs: The question is on slide 41, we ask applicant entities, finance entities, when applying to the program, disclose their intent with regard to Enrolled Financing, whether they intend to hold, sale, transfer, participate, portfolio, warehouse, etc. The question is: What if the finance company at a later date, if they have already been accepted into the program, and what if they change their mind and something else happens, they were holding and now, they want to participate some portion of all of their financings, would we ask for an addendum to their application be submitted or some other action on behalf of the finance entity? I'm going to open the floor and turn the mic over to Miriam Joffe-Block, who is our Senior Manager here at CHEEF to answer that question for you.

Miriam Joffe-Block: Good morning everyone. This is Miriam. The intent with that section is that we are interested to know who is the ultimate -- I'm sorry, the intent with that section of regs, is that CAEATFA is interested to know who is the ultimate beneficiary of the loan loss reserve. We do want to facilitate a secondary market and we do want to have a lot of flexibility in terms of what the finance companies can do with the agreements they have made. We understand that market conditions may change, they may find a new buyer, they may decide they want to hold, they may get a new source of capital and want to do something different with it. So, we are totally open to that. We want them to tell us in the beginning what their plans are, but in the reporting section that Susan went over, we also ask for reporting deal-by-deal if it was sold or not? We are a little bit flexible. If it is a one off, we probably don't need an addendum to the application. If they all of a sudden, are going to change with everything, we might want one. We are also not expecting that this Program is going to be very high volume in its pilot phase. I think that we're expecting and because it is a very niche market and these deals are complicated to do and it is something that we can just document as the transactions go forward. If we do become high volume, then we may want to take a look at it. But we're looking at intent and we're open to things shifting. We also realize that we can't track the ultimate beneficiary if loans or deals are resold or securitized, but we also think that's less likely to happen in the multifamily market than in other spaces like residential or small business.

David Gibbs: We had a question online from Suzanne Kim. Thank you for your question. The question is: Are there any performance reporting requirements to understand whether the ESM actually results in anticipated energy savings? Is there a requirement for owners to provide CHEEF access to utility bills in order to track resource efficiency over time or reporting via some other method like Energy Star or similar platforms? I'm going to turn the mic back over to Miriam.

Miriam Joffe-Block: Hi, this is Miriam again. One of the things that the building owners will sign or the property owners or the customers will sign is a CHEEF privacy disclosure and I believe that is in the regulations, kind of towards the back. You can take a look at it. What property owners are consenting to do is to give CAEATFA and the CPUC some access to billing analysis. Section 11 in the regs. So, there will be after the project is complete, the utilities will be providing 12 months of pre and post billing data to the CPUC's Evaluation Measurement and Verification Team. So, they will be able to look at the projects and see whether or not they have truly resulted in energy savings and how much energy savings, but there's no requirement to prove this to maintain access to the credit enhancement. The only requirement to get access to the loss reserve for the finance companies is on the front-end. And we have a list of pre-approved measures where we have some reasonable degree of certainty, that if those are installed properly, they will save, or we have the Program Partner pathway. We also know that in the multifamily market, there is a lot of focus from the finance company and the installation company to really make sure that the savings are going to pencil out on the front-end. So, we know there is a lot of due diligence up front to make sure these projects are going to be able to service their financing agreements and we are not adding to that burden or complexity. We are simply capturing what actually happens on the back-end and at some point, in an anonymized fashion, CAEATFA will make that data publicly available. I also just wanted to clarify because the question included water savings that water savings are great and those can be financed and claim-eligible through that 30%, that Susan mentioned, of non-energy measures, but we will not be measuring or tracking water savings as part of our program.

David Gibbs: Thank you, Miriam. Tom White has asked online: Would this program integrate or layer into an IOU on-bill financing program?

Susan Mills: Down the line that is a possibility, but right now, we are a manual process.

Deana Carrillo: So, to clarify. This is Deana Carrillo at CAEATFA. So, to clarify, there's nothing that precludes leveraging of financing. However, at this point, the affordable multifamily pilot won't be offering on-bill repayment functionality. It is a functionality that we hope to add in 2020, and we're working towards this year, but won't likely have the regulations approved this year. So, we're offering this program off-bill first and then plan to add OBR functionality.

David Gibbs: And Mr. White, if your question was referring specifically to an IOU on-bill financing program, there is nothing in the program that precludes you from mixing and matching. So, if you are able to, or if a builder owner is able to acquire financing at a 0% interest rate through an IOU through their on-bill financing program, we encourage them to do that. They can finance anything that wasn't financed through OBF through our program or if projects aren't qualifying for OBF, they can finance the entirety of their project as long as it qualifies and meets the program requirements through our program here.

Tod O'Connor: Todd O'Connor with CLEAResult. Going back to the previous question, it had to do with the privacy disclosure and the requirement that utilities have to provide to the PUC, to CAEATFA 12 months of bill information, of energy savings information to the PUC for evaluation and I believe verification. Are there payments that will be triggered by that or is this post-payment?

Miriam Joffe-Block: This is just informational collection post-installation for the evaluation of how well the pilot programs are saving energy. There might, depending on the structure of the financing between the finance company, and the customer, and the contractor, there may be some, if it is a Savings-Based Payment Agreement where payments are based on actual savings that can be verified, then that might be happening. But that's happening between the finance company, their own monitoring and installation, and their own ESCO or contractor, and the customer, and we're not involved in that. Our look is really 12 months later on the back-end, how much energy was saved overall, and that's for a program evaluation. And then, we are hands off of how that deal is structured between the actual players, although, we do have some buckets of definitions that they fall into.

Tod O'Connor: A quick follow-up question. Todd O'Connor with CLEAResult. Does the PUC have a time frame in which to provide that information?

Miriam Joffe-Block: So, there is an evaluation contract that has been awarded to Opinion Dynamics with a subcontractor, Dunsky, and I believe that Opinion Dynamics has released a plan for their EM&V for all of the CHEEF pilots. They are currently evaluating the residential program. I believe next year they look at our small business program and after two years, so in 2020 or 2021, they would look at the multifamily. But their plan should be available publicly, because it is all part of the proceeding around energy efficiency. And then, they will be performing an evaluation on the pilot program, and then submitting that as part of the proceeding for the PUC to make a decision on the long-term future of the Program.

Deana Carrillo: Just to springboard off that a little bit. Unlike some of the other PUC programs and rebate programs, this program doesn't require bill neutrality. And so, the program was designed to expect energy savings and that is what we expect from the ESMs, but that's the EM&V process is on the back-end. We can anticipate that if the pilots are continued that there will be some more robust reporting as they put around some scaffolding and more infrastructure around it, but right now, we're just looking at financing as the ability to really move the energy efficiency savings. And so, we're making some assumptions for the market to help streamline that process.

Tod O'Connor: Thank you.

David Gibbs: And I got a question in from Amanda Clevinger. Why is SOMAH noted as an eligible program path if solar PV is not claim-eligible? And I'll hand that over to Susan.

Susan Mills: Great. Well, SOMAH, they require an energy audit prior to installation of solar and it is really a "reduce before you produce" kind of mentality in these programs. And so, we want to open up the door to solar programs or other energy efficiency, if you will, other energy programs that are, you know, they do the energy audit and they're going to notify the customer, if you do these energy savings measures, then your solar that would be needed to be installed would be this, instead of something greater than. So, we want to streamline with other programs that are, you know, providing that they do the energy audit, and we're all working in the energy arena and we can offer that "reduce before you produce" aspect. So, they could take that energy audit, come to our program and say, Ok, I want to install A, B, and C, and finance it through our program and then get an appropriate solar installation done through SOMAH. So, we want to compliment those programs and offer a financing tool that SOMAH isn't responsible for doing.

David Gibbs: Just a point of clarification there, so you are correct in that solar is not claim-eligible, however, it can be included in the financing.

Susan Mills: Yeah. Anything that, again, that 70/30 split of the Claim-Eligible Financed Amount up to $1 million is 70% Energy Savings Measures, 30% other, excluding solar and battery storage, those types of things. But it can be included in the total financed amount outside of that $1 million. Good clarification there. But we do want to streamline this for the affordable multifamily property owners and developers, so they can get access to financing for improving their properties for their tenants, for themselves, and kind of a win-win for everyone. Anyone else have a question in-house? Eugene?

Eugene Lee: Hi, this is Eugene Lee from the California Energy Commission again. A question with respect to the $20 million in committed capital or general financing. I'm noting the word "committed", and it begs just clarification, committed to general financing or is the intent that there's at least $20 million of unrestricted capital? Is the word that there's $20 million available to the project? It's just worth kind of flushing out. Are you looking for the committed capital or committed to the purpose of the $20 million?

David Gibbs: So, the question surrounds the $20 million in committed capital requirement that we have for our non-finance entities and kind of what is our meaning behind the word "committed" when we are say that we're requiring $20 million in committed capital? And Miriam will answer that question for us.

Miriam Joffe-Block: I think that's a good question. I think that we might like to be a little bit vague in the regulations and not overly prescriptive, so we have some flexibility. Our intention here is that because we expect to engage as finance entities in the program, basically, non-banks, but more specialty companies, we are using the committed capital as a bit of a proxy for other funders having done due diligence around that finance company's ability to issue credit worthy deals and also, to have a quality portfolio, and to basically remain a going concern that is solvent. So, we're looking to see examples of things like a line of credit from a bank or investors, who have said, if you originate 410 million in EE loans, we'll buy them. So, we're a bit flexible in terms of what that looks like and we're not requiring there be $20 million on hand for this program. That's not the intention of the requirement, that's why we say general financing. We're just looking to see that through a combination of sources, other investors or creditors have said, yes, we will extend up to $20 million for your financing activities. Does that kind of answer it?

David Gibbs: Great question. Thank you very much, Eugene. We have another question here from the audience, just announce who you are and who you are with.

Siobhan McCabe: This is Siobhan McCabe with TRC. We run the Energy Upgrade Program, the multi-family upgrade program for PG&E. I actually had a few questions. One was for the verification process for the pre-qualified measures, will that be different, like, a separate process than projects that go through a utility program or a REN program? So, I mean, if they go through one of those programs, is that it basically, if they receive an incentive, assuming that those programs do their own desktop field reviews, then does CHEEF or CAEATFA require an additional layer of verification that the pre-qualified measures are also subject to?

Susan Mills: So, we're requiring the customer to submit the energy audit and a reservation letter. So, whatever they would be getting through your program, there's a reservation letter, so we require that to verify that they are part of your program.

Siobhan McCabe: Right. And then, sometimes, we also act as PG&E's single point of contact and so, we have customers that don't necessarily come through one of our program so we can refer them to this particular program.

Susan Mills: Yes.

Siobhan McCabe: So, we would be able to brief them, what would they expect in terms of a closeout? Like would anyone be going to their site or is it entirely desktop?

Miriam Joffe-Block: Are you asking if somebody were installing a measure that would not be getting an incentive for?

Siobhan McCabe: Correct.

Miriam Joffe-Block: So, in that case, all we're looking for is that it is on our list.

Siobhan McCabe: Okay.

Miriam Joffe-Block: And that would be enough, from our perspective, that would be enough to finance the project. The finance company may require their own separate due diligence and then, we would enroll it. And then, we will be doing a certain amount of back-end inspections later just to confirm that installation has taken place. And we would ask for a copy of the permit if one was required. As long as it is on our list or one of your programs has approved it, we are good to go.

David Gibbs: And our back-end QA/QC, those requirements, CAEATFA is reserving the right basically, to inspect any project after whether it qualifies through the ESM List method or the Program Partner method.

Siobhan McCabe: Okay. And one of my other comments was about the permit, because we require it for our program. It seems like you guys are asking, and enrollment really happens after construction and that's when you're asking for the permit. Our experience has been that it can be difficult to get, but permits are usually done by then at that point and they are in hand by someone, so I don't think that's an issue if you're asking for it after the fact.

David Gibbs: Great.

Susan Mills: So, within that 90-day?

Siobhan McCabe: Yeah. It is always difficult to get documents, but someone has it somewhere. Where we have had issues in collecting some documents goes back to the billing, the 12 months pre and post. Are you asking for the common owner that the owner pays for and also, the residents? Sometimes it comes down to what the measures are impacting, but I don't know how much of this has been defined on your end, but collecting the resident billing is very tedious. And so, it depends on what level you're seeking that impact ultimately on a property?

Miriam Joffe-Block: So, if the upgrades are made to the common area, we're asking for the utility account numbers and the commodities -- actually, I think that we're just asking for the roll up utility account numbers for the building's account. And that's not the burden of the building owner or the program implementer to provide, that's a direct request to PG&E. Where we say, here's the account number, please give us 12 months pre and post and they make sure that that's been authorized. If we're going to, if the improvements are made to the individual units and those individual units have individual account numbers that each resident is responsible for maintaining with PG&E, I think that it gets more complicated and we probably do need more discussion because then we would have to figure what that consent looks like for those individual unit renters to release. So, that's probably a good point that you are bringing up that we have to flush through, kind of operationally. In your experience, what proportion of the projects that you are doing include upgrades to the actual units themselves?

Siobhan McCabe: Most of them. We do have a couple of projects where they are a little more constrained, so they will only touch the common areas or what the property pays for, but a vast majority do go into the units.

Miriam Joffe-Block: And those are master metered or individually metered?

Siobhan McCabe: It's a mix. Usually, it's the gas that is mastered metered, but a lot of cases, the electric is individually metered. So, it's usually a combination that we see.

Miriam Joffe-Block: Okay. We appreciate you flagging this.

Siobhan McCabe: Yeah.

David Gibbs: And then, I've got a question online from Amanda Clevinger again. How long will CHEEF's initial project review take once a customer submits an audit and a reservation letter? I know right now with BayRen properties have only six months to install the measures once we get a reservation letter, so I'm concerned that the CHEEF intake process will mess with those IOU program deadlines.

Susan Mills: We haven't specifically detailed how many days exactly it would be, but we are really working on being as streamlined as possible and as efficient as possible, and getting it done ASAP. So, I really appreciate you sending in or making this comment and with regard to the other programs and their deadlines and so we'll sure that we work that into our internal operations.

David Gibbs: I think we're expecting this program to be low enough volume at the beginning that we are going to have a very high touch, so I would expect that initial review to be days or weeks and not months.

Susan Mills: Yeah, it would be quick.

Miriam Joffe-Block: And I just want to add something on that initial project review. That is a courtesy review that CAEATFA is providing that is not a requirement for the regulations. You won't find it in the regulations because you are not required to use it. The reason we're doing that is we don't want a situation where a project gets installed, a lender has made a financing agreement with the assumption that it would go through our program and then, they try and enroll it and say, wait a second this is in a MUNI, this is not in PG&E territory, or there's a problem with it. So, we are offering that project review just to give everybody comfort that the credit enhancement will be able to be made and that it fits the program requirements, but it is not required. And so, we imagine as we build relationships and work with some of the Program Partners and implementers and they learn what can be financed and what can't, they may choose, once they know what eligible projects look like, they don't have to come through us. But to the extent they do come through us, we will do our best to be very quick. Remember, it's also a paperwork review on our end. We're not going out and looking at your energy measures. We are just checking things like it is an IOU customer, the property is indeed deed restricted, that the measures are on our list, that you have the audit. So, it is a pretty simple review compared to what you already have to do to meet the requirements of some of these utility and Program Partners.

Deana Carrillo: I would just add that I think that we might be talking about different points in the process. With the courtesy review, I think the timing, of when you would get your financing for the participating lender is going to be based on the different lender's review process on the front-end. We don't need the approval letter until the project is complete and enrolled, unless I was just corrected? Go ahead.

Miriam Joffe-Block: During the courtesy review, if you want to use the courtesy review, we are looking at that audit letter, that reservation letter for our check that the Program Partner has approved it.

Deana Carrillo: I understand on the courtesy review. To reclarify, I think it is the timing of how long does the lender take to approve a loan for financing. That would be more of the constraint for you to get it done in 90 days or whatever it is than the courtesy review.

David Gibbs: Agreed. Yeah. Thank you for that question. I got from Suzanne Kim, thank you very much for this feedback, Ms. Kim. Her comment was with regarding the reporting for individual units, if they're occupied during an upgrade, our experience is that occupants are willing to consent to access to utility bills in exchange for upgraded appliances etc. If not occupied, it could be done at lease signing. Thank you for that feedback. Very helpful. We have a question in-house here.

Robert Ridgely: I'm Robert Ridgely and with the California Energy Commission and I work on Eugene's team. I did work at HCD Housing and Community Development for four years in asset management and during that time, I was responsible for reviewing annual financial audits of my portfolio of affordable housing projects and I think probably most people are aware that the operating margin for those projects is very thin. So, there's not a lot of excess cash there. They're under written instructions in a way where the debt service coverage ratio is usually 1.1 to 1.2. And also, for replacement items there are reserve funds that are established. On the one hand, I congratulate you all for taking on a very complex challenge here, but on the other, is the underwriting or the financial or the lenders are they the ones that are going to be establishing the underwriting criteria? It would seem they will favor projects that have a little bit more cash flow probably. And what about the issue of replacement reserve funds? Will lenders, such as HCD, who are in second lien position want to see additional debt being taken on and debt servicing when they have already established replacement reserve funds and possibly for the same purpose? I hope that my question is kind of clear.

Susan Mills: Good question. The first one was about underwriting and if the finance entities are responsible for that? Yes, the finance entities are solely responsible for the underwriting criteria. In order to enroll in our program they have to submit what that is so then we would have to approve them for our program so we will be very aware of what they are offering. They have to show some kind of benefit to the customer to enroll in our program. The second question about taking on debt and having lien holders, so very aware of that in the affordable multifamily market. In one of my slides I put service agreements and the Savings-Based Payment Agreements in front because just talking with industry and doing the research here and developing the program, we understand that in order to take on debt, you need to get sign off by these other lien holders and they don't want to see extra debt added to the stack. So, with the service agreement option, you know, again, CAEATFA is not requiring that they be, on that front-end, that they save energy, but if through a service agreement, it is a much more rigorous process where the customer will work with the lender. They will identify where Energy Savings Measures can be seen, and they are going to pencil out all of that before they would be willing to make the deal. And so, this payment is based off of the energy saved and it's a service and it's not being added to the debt. So, it wouldn't be coming out of any reserve funds or anything like that, it is actually the payment for the financing would be coming out of the energy that was saved, right, the money saved from the energy savings and that would be going towards the payment. So, there wouldn't be additional debt added to the stack and then, you wouldn't need that lien holder sign off.

Robert Ridgley: One more comment that we hear about and I'm sure this will all come out in the wash. Again, I really congratulate you all for taking on this challenge, is the phenomena of take back. In other words, when you create energy savings and cost savings, tenants and potentially, the property managers may use more energy and stay at the same level. You know, I assume you've looked at that. Projected or deemed savings, cost savings are certainly not certain, right, that's the challenge here, isn't it?

Susan Mills: Definitely.

Miriam Joffe-Block: I just want to add one piece about the finance companies because we also had a question online about could we speak to the level of lender interest. So, I think that we have a handful of finance companies who are interested in the program, it is not a ton, it is a handful because it is a very, very niche market. But I know that amongst those finance companies, there are a couple of them that have tried really hard to perfect their product, so that it could be considered off-balance sheet for the building owner. Now, we're not accountants, so we're not making a ruling on that, but that it is something they are very aware of in terms of structuring their non-debt product that meets various FASBE guidelines or smoke tests. So, there is that. I think in terms of the take back, I think it's a real issue and when they model out between the finance company, and the escrow, and the customer, what the projections are for these service agreements, they have to take that into consideration and that's certainly that our evaluation measurement and verification team will catch when we get to the true billing later and we take a look.

Susan Mills: Again, this is a pilot program, and this is our opportunity to see if that's happening here and hopefully not, where we are actually seeing this.

David Gibbs: And that comment online came from Candis Mary-Dauphin related to speaking to lender interest at this point. Thank you.

Susan Mills: Okay, well, it doesn't seem like there are any more questions in-house. Any others online?

David Gibbs: Giving a call to our online participants, if there are any more questions, send them now or forever hold your peace.

Susan Mills: Again, the contact information is on the slide now. By 5 o'clock on Friday, March 8th. I do want to make a quick announcement for those in PG&E service area that tomorrow they're hosting a webinar for their Energy Savings Assistance Common Area Measures Program that is up and coming. It's no cost energy upgrades and technical assistance for affordable multifamily properties. For those of you in PG&E service area, the webinar is tomorrow, February 27th from 10 to 11 o'clock. I'm looking for a website. I think that you can go to pgemultifamily.com to find more information there.

Deana Carrillo: Susan, before we close, can you summarize next steps for everybody?

Susan Mills: Absolutely.

Deana Carrillo: And after give comments and why we are looking for comments now and some of the next steps on timing?

Susan Mills: Yes, we can go back to that time line in the beginning. So, we really want to make sure that we've built a program that works for everyone. And so, we really need your feedback now to make sure we've got it before we go to the Board. So, we'll take this next week and a half or so to collect your comments, to analyze them, to make any adjustment to the regulations that need to be made and get all ready for the Board. As a state agency, we are required to write regulations, we're required to go through the Office of Administrative Law process in order to launch the program. As you see on that time line, going to the Board in April and through the OAL process in May, and we're really hoping to get those finance entities enrolled into the program by May and June. I really encourage if there are any Program Partners out there that you see, potential customers that would benefit from this program, it would be great to be in touch, or property owners, asset managers that are on the line now, we can start the conversations now and get things in alignment and really, we need a finance entity and we need a customer project in order to launch the program. And so, again, we want this program to work for you and we really want to see energy efficiency retrofits going into existing affordable multifamily properties. And so, we need your help in order to do that. Yeah, if you have any other questions about time line, I'm available for conversation. The next step is going to the Board with any changes for the regulations in April. Nothing else. We're good. Yeah?

Siobhan McCabe: Regarding the deed restriction, who takes on the responsibility of verifying that? Is that something that your team will do or the owner?

Susan Mills: The customer. Yeah.

Siobhan McCabe: Thanks.

Susan Mills: So, we're really collecting information from two people, is the finance entity and the customer. So, the Program Partner isn't responsible for submitting any information, but we will take what the customer gets from the Program Partner, like the letter, the verification letter, anything like that, then we'll take those. But they will be the ones supplying that. There are no requirements of the Program Partner in the regulations. All right, with that it is coming to 11:30. I really appreciate all of your participation and excellent comments and questions today, and we look forward to moving forward and working with you all as we launch the program. So, have a great day everyone and we'll be in touch.

[End of recorded material]

Presentation ends at 01:28:01