

California Hub for Energy Efficiency Financing

Quarterly Report and Program Status Summary

October 1, 2015 – December 31, 2015



CALIFORNIA HUB FOR
ENERGY EFFICIENCY
FINANCING

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Section 1: Background

Through a series of pilot programs spanning the residential, multifamily, and non-residential market sectors, CAEATFA is partnering with the California Public Utilities Commission (“CPUC”), the investor-owned utilities (“IOUs”)¹, and the Center for Sustainable Energy (“CSE”) to support the development of new, scalable, and leveraged financing products for consumers to help them produce deeper and broader energy efficiency projects than previously achieved through traditional program approaches. The pilots aim to bring broader access to private capital and will assist in removing the upfront cost barrier of financing for consumers to undertake energy efficiency retrofits.

In September 2013, the CPUC approved Decision 13-09-044 (“D.13-09-044”), which authorized two-year pilot programs to be supported by up to \$66 million of IOU ratepayer funds and serving four market segments; credit enhancements to lenders are intended for only the first three markets below:

- Single-family, with one-third of funds reserved for low and moderate income households,
- Multi-family, affordable housing with master meters,
- Small businesses, and
- On-Bill Repayment of financing by non-residential energy users, without credit enhancement.

The pilot programs were established with a myriad of goals, all of which are intended to support the State’s broader energy efficiency and environmental policy goals using an innovative approach. Primarily, the pilots are designed to:

- (a) attract a greater amount of private capital to the energy efficiency retrofit market by reducing risk to lenders;
- (b) broaden the availability of financing to individuals who might not have been able to access it otherwise; and,
- (c) address the upfront cost barrier to energy efficiency retrofit projects.

This report is responsive to D.13-09-044, Ordering Paragraph 21, which directs CAEATFA in conjunction with the IOUs to issue quarterly reports through the pilot period by program and on CHEEF operational expenses. The reports are to notify the CPUC of implementation progress and issues, the platform and space within which CHEEF functions take place, accounts and account managers associated with the CHEEF, database permission criteria and platforms, customer facing products, pilot program performance aggregate profile information regarding borrowers, and an overview of participating financial institutions. Appendix A of this report includes information on each of the above-listed data points that are required pursuant to D.13-09-044.²

¹ The IOUs consist of Southern California Gas Company, San Diego Gas and Electric Company, Southern California Edison, and Pacific Gas & Electric.

² D.13-09-044 directed that quarterly reports be issued beginning on January 31, 2014. However, CAEATFA did not receive approval by that date to operate in the role of CHEEF. Due to that circumstance, SoCalGas requested and the Commission granted a suspension of Ordering Paragraph 21 until the time the CPUC established a revised

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In March 2015, CAEATFA submitted a letter to Edward Randolph, CPUC Energy Division Director, to request that the Commission consider several changes to the pilot program design as identified in D.13-09-044. These recommendations were provided with the purpose of creating a more streamlined implementation and experience for program participants, as well as to support various market needs that may not have been considered in previous phases of program development. In a subsequent Assigned Commissioner and Administrative Law Judge's Ruling that included the letter as an attachment, it was noted that CAEATFA's letter would be treated as a Petition for Modification ("PFM") of Decision 13-09-044.³ Following this determination, the Commission issued Decision 15-06-008 ("D.15-06-008"), dated June 11, 2015, to partially modify Decision 13-09-044 and Resolution E-4680 implementing the energy efficiency financing pilot programs.⁴ D.15-06-008 sought to address adjustments to the financing pilots previously suggested by CAEATFA in its PFM. Most notably, D.15-06-008 extends the finance pilots' terms beyond 2015 so that each pilot is funded for a full 24 months of operation, based on the time that each pilot launches. D.15-06-008 also acknowledged that loans issued during the pilot terms will have ongoing administrative expenses beyond the pilot terms.

Decision 15-06-008 left several of the issues included in the PFM open until later resolution. The issues that were left unresolved under 15-06-008 were:

1. whether to broaden the scope of Eligible Energy Efficiency Measures ("EEEMs");
2. whether to remove a requirement that CAEATFA use a competitive bid process to select lease providers for small business pilots; and,
3. whether to expand the list of eligible financial products and credit enhancements support structures.

On June 16, 2015, the Commission issued a Notice of Prehearing Conference and Administrative Law Judge's Ruling Regarding Prehearing Conference Statements. A Prehearing Conference was held on July 6, 2015, regarding these remaining issues. A July 23, 2015 amended scoping ruling⁵ stated that the only issues the Commission would consider before the pilots have run were (1) whether to authorize

schedule of requirements. Although the CPUC has not provided further direction regarding the timing for issuing quarterly reports, CAEATFA issued the initial report in 2Q, 2015, which is in close proximity to the timing of implementing the first pilot program. See letter of SoCalGas to Paul Clanon dated January 24, 2014, and response of Paul Clanon to SoCalGas dated February 4, 2014 regarding this matter:

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M086/K120/86120334.PDF>.

³ Revised Assigned Commissioner and Administrative Law Judge's Ruling Re: California Alternative Energy and Advanced Transportation Financing Authority's Proposed Modifications to Decision 13-09-044 (Energy Efficiency Financing Pilots): <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M148/K824/148824390.PDF>.

⁴ Decision 15-06-008 Partially Modifying Decision 13-09-044 and Resolution E-4680 Implementing Energy Efficiency Financing Pilot Programs:

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M152/K787/152787673.PDF>.

⁵ Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge Regarding Issues Remaining from the California Alternative Energy and Advanced Transportation Funding Authority March 9, 2015 Letter Requesting Changes To Decision 13-09-044, dated July 23, 2015 (Amended Scoping Memo).

<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=153414090>

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financing for energy service agreements (“ESAs”) (related to issue 3 above), and (2), whether to dispense with the requirement for a competitive selection process for lessors of energy equipment. Issues deferred to after the pilots have run are:

- a. Whether to make EEEMs that are only eligible as part of package measures individually eligible for financing.
- b. Whether to mandate adoption of a single list of EEEMs statewide.

The assigned Commissioner also deferred consideration of whether CAEATFA could offer different types of financial support or credit enhancements besides Loan Loss Reserve and Debt Service Reserve Funds. The deferral was without prejudice to CAEATFA renewing its request when it had a more concrete proposal for Commission consideration.

In December 2015, Decision 15-12-002, concluded that (1) ESAs are eligible for OBR financing, and (2) CAEATFA may choose an open market approach based on standard lease company qualifications much like the Residential Energy Efficiency Loan Assistance (“REEL”) program to qualify lease providers to participate, and (3) removed the requirements to competitively select lease providers for small business pilots.

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Section 2: Budget

The Decision directs the IOUs to allocate a total of \$65.9 million to the finance pilots over the initial pilot period. Table 1 provides an itemized breakdown of costs and expenditures.

Table 1. Finance Pilot Budget with CAEATFA Expenditures from September 12, 2014 through December 31, 2015		
ITEM	FUNDING AMOUNT	Expenditures Through 12/31/2015
1. CHEEF start-up cost (includes CAEATFA administrative and contracting costs)	\$ 5 million	\$ 1,129,475.63
2. Marketing, education, outreach	\$ 10 million	
a. Statewide MEO plan	\$ 8 million	NA
b. CAEATFA outreach and training to financial institutions and contractors	\$ 2 million	\$ 56,179.26
3. Residential pilots	\$28.9 million	
a. Single family loan loss reserve	\$ 25 million	
b. Energy Financing Line Item Charge (\$ to PG&E)	\$ 1 million	
c. Multi-family debt service reserve fund	\$2.9 million	
4. Non-residential pilots	\$ 14 million	
a. Small business sector OBR with credit enhancement	\$ 14 million	
i. Sub-pilot: OBR for lease providers		
ii. Sub-pilot: Off-bill for lease providers		
b. Non-residential OBR without credit enhancement		
5. Information Technology (\$ to IOUs)	\$ 8 million	
TOTAL FUNDING FOR EE FINANCING PILOTS	\$ 65.9 MILLION	
TOTAL CAEATFA EXPENDITURES		<u>\$ 1,185,654.89</u>
TOTAL CAEATFA FUNDING BUDGET REMAINING	<u>\$ 5,814,345.11</u>	

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To date, CAEATFA has expended approximately \$1,185,654.89 of the \$7 million allocated for CHEEF start-up costs, education, outreach, and training for lenders and contractors. This funding covers CAEATFA's expenditures from September 12, 2014 through December 31, 2015. As of, December 31, 2015, \$122,333.31 of the funds has been expended on contracts with third parties – specifically the master servicer (Concord Servicing Corporation) and the trustee (US Bank).

As of July 1, 2015, CAEATFA received extended legislative budget authority to carry out the services of the CHEEF within the initial existing \$7 million budget through June 30, 2017 (FY 16-17). During this period, CAEATFA developed a legislative budget request to seek 1) legislative approval of two new staff positions necessary to effectively implement the CHEEF, and 2) extend legislative budget authority beyond FY 16-17, to accommodate the minimum two-year terms of the pilots. This Budget Change Proposal was submitted to Department of Finance for review and approval. Department of Finance determined that it would be more appropriate for CAEATFA to seek additional budget authority starting in FY 17-18. As the timeframe for development of the IT infrastructure for the pilots is determined, CAEATFA will work with the CPUC to identify the appropriate level of future budget augmentations.

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Section 3: CHEEF Infrastructure

This Section complies with the direction from the CPUC to provide updates on the “The platform and space within which CHEEF functions take place.”

CAEATFA is creating a streamlined, statewide platform for lenders and contractors to participate in the uptake of energy efficiency projects through increased access to financing. As the manager of the CHEEF, CAEATFA is developing uniform program requirements, standardized documentation and processes, and a central administrative entity to facilitate investment in energy efficiency projects and implementation of the pilot programs.

CHEEF Infrastructure

Central to the infrastructure needed to implement the CHEEF Pilot Programs are a Master Servicer, Trustee bank, Contractor Manager, Data Manager, and Technical Advisor. Below are descriptions of each of these roles and information on the current status as it relates to CAEATFA’s procurement processes.

- **Master Servicer.** The Master Servicer (MS) plays a key role in the daily administration of the program, accepting lender and loan enrollment applications, and processing on-bill repayment transactions. Through a competitive solicitation, CAEATFA selected Concord Servicing Corporation as the MS under a contract that became effective on April 23, 2015. CAEATFA Staff has continued worked to familiarize the MS with the Pilot Programs, specifically focused on developing the infrastructure for the Residential Energy Efficiency Loan Assistance Program (“REEL”) while simultaneously developing the foundation for on-bill repayment functionality.

On December 7, 2015 the Department of General Services (DGS) approved an amendment that extended the Concord Servicing Corporation contract for one-year. The current contract with Concord Servicing Corporation is now set to expire on December 31, 2016.

- **Trustee Bank.** The Trustee holds the ratepayer funds provided by the IOUs to serve as credit enhancements under the various pilot programs. CAEATFA will maintain the integrity of ratepayer funding, and provide direction to the Trustee bank to transfer credit enhancement funds between IOU program holding accounts and participating lender accounts. The program regulations under development will identify the amount of credit enhancement funds available for each enrolled loan/lease, and will also identify the processes for payment of claims under the program.

Since the Trustee contract was approved by the Department of General Services on March 11, 2015, US Bank has worked with CAEATFA to establish (1) one holding account for each of the four IOUs; (2) one IOU program holding account for each IOU-program combination; (3) one IOU-program reservation account for each IOU-program combination and (4) one lender reservation account for each IOU program in which the lender chooses to enroll. As of

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September 30, 2015 all of the IOUs have transferred credit enhancement funds into their Holding Account for the Residential Energy Efficiency Loan (REEL) Assistance Program.

On October 30, 2015 the Department of General Services (DGS) approved an amendment that extended the US Bank contract for one-year. The current contract with US Bank is now set to expire on December 31, 2016.

- **Data Manager.** The Data Manager will receive Pilot Program data from the Master Servicer and other energy efficiency finance program administrators to prepare it for public presentation and use. The RFP for this service has not yet been released; CAEATFA staff is working on developing the RFP for the data manager as the data points for the residential and commercial pilots are still under development. Concurrently, the program will continue to collect the appropriate data to ultimately be transmitted to the data manager when it is on-board.
- **Contractor Manager.** The Contractor Manager will enroll and manage participating contractors, coordinate with the Center for Sustainable Energy on outreach, and conduct quality control oversight of projects not participating in an IOU rebate/incentive program. The RFP for this service is under development, and is expected to be released in May 2016.
- **Agent Bank.** The Agent Bank is a new entity envisioned under the CHEEF infrastructure. In CAEATFA Staff's research and outreach to interested lenders on the On-Bill Repayment Pilots, lenders expressed the need for additional safeguards around their funds, as the IOUs remit daily payments designated for all participating lenders to the Master Servicer. In working with Concord Servicing, legal counsel, and advisors, it was determined that an Agent Bank is an appropriate role to accommodate interested lender needs. The IOUs will remit borrower repayments to accounts held at the Agent Bank and the Agent Bank will receive directions from the Master Servicer to transfer funds to the designated lender. Staff have begun developing the agent bank RFP to accommodate OBR functionality. CAEATFA anticipate advertising the RFP for the agent bank in April/May 2016.
- **Technical Advisor.** The Technical Advisor will provide necessary expertise, outside of the scope possessed by the CHEEF. The RFO for this service is currently under development and being further refined. During this time, CAEATFA has been working in close collaboration with industry experts and stakeholders to obtain the relevant subject matter expertise and continues to receive support from Harcourt Brown & Carey, a long-time advisor on the pilots in coordination with the IOUs as they hold the contract. CAEATFA anticipates that the Technical Advisor RFO will be released in April 2016.

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Section 4: Program Development

Residential Energy Efficiency Loan Assistance Program

The Residential Energy Efficiency Loan Assistance (“REEL”) Program (previously referred to as the Single Family Loan Program) is the first in the sequence of the pilots to launch.

Regulatory Development

The program regulations were approved by the Office of Administrative Law (“OAL”) and considered effective as of March 9, 2015. CAEATFA is able to statutorily adopt emergency regulations, which serves as a shortened rulemaking process. Under State law, emergency regulations are effective for an initial 180-day period, and may be re-adopted for two additional 90-day periods as an agency completes its regular rulemaking process. The REEL regulations were re-adopted with some amendments to incorporate early lessons learned in August 2015, and were effective September 8, 2015.

On October 30, 2015, CAEATFA issued a Notice of Proposed Rulemaking for the REEL program along with the proposed regulation text and the Initial Statement of Reasons, beginning a 45-day public comment period which concluded with a public hearing on December 15, 2015. CAEATFA received no public comments during this period. However, due to additional experience in early program implementation establishing program operations, CAEATFA determined additional changes were necessary. CAEATFA staff revised the regulations to clarify provisions for users to accommodate the partial enrollment of loans and add additional data points at the request of CPUC staff. These revised regulations will be provided to the public for consideration and comment in Q1 2016.

Infrastructure Development and Operations

Although the REEL Regulations have been effective, loan enrollments in the program cannot occur until the Master Servicer has established its functionality, and processes and procedures are established to enable the enrollment of Participating Financial Institutions/Participating Finance Lenders and eligible loans. The processes, procedures, and checklists have been developed. In November 2015, the MS and CAEATFA began testing the loan enrollment process to 1) ensure that the enrollment procedures were effectively operationalized and practical 2) ensure the MS’s ability to evaluate loan and project eligibility and 3) identify and test possible functionality issues that may arise as data is uploaded onto the database being built out for the program.

In conjunction with CAEATFA, the MS continues to meet with the IOUs to discuss overall program development, data collection, data transfer, and data storage functionality necessary for both the off-bill and on-bill pilots, including the operational functionality of the IOU’s Authorization to Release Customer Information form. The MS and CAEATFA are in the process of developing the lender on-boarding and loan enrollment documents and processes and data transfers. Concord’s information technology department is also building out their database functionality to manage the day-to-day activity of the pilot programs.

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Eligible Energy Efficiency Measures

During this period CAEATFA and the IOUs have continued to analyze the usability of the online data portal that identifies the Eligible Energy Efficiency Measures (EEEMS) under the program, which will be used by contractors, lenders, and the Master Services, to ensure project eligibility. The portal can be found at <http://eeems.azurewebsites.net/>. CAEATFA worked with staff at the CPUC and the IOUs to clarify requirements for EEEMs when a project is completed without an IOU rebate or incentive (Finance-Only Path). CAEATFA will continue working with the IOUs to make updates in the first Quarter of 2016 to ensure that the portal conveys financing requirements clearly.

Lender Recruitment and Training

CAEATFA has begun to recruit, enroll and train Participating Financial Institutions (“PFIs”) and Participating Finance Lenders (“PFLs”). As PFIs and PFLs enroll and establish functionality under the program, CAEATFA will train contractors to participate in the program. To date, CAEATFA has approved one PFL, Viewtech Financial Services (“Viewtech”) and one PFI, Valley Oak Credit Union. CAEATFA Staff is working with Viewtech and Valley Oak to prepare them for onboarding loan enrollments with the Master Servicer. These lenders are also in the process of building and modifying their internal systems to accommodate their new CHEEF loan products. In addition, CAEATFA Staff is in the process of reviewing additional lender applications and continuing to engage prospective program participants. Staff expects to receive its first loan enrollment in April/May 2016.

Contractor Recruitment and Training

Contractor training material was also developed during this period, and will be finalized upon completion of the EEEMs list and incorporation of the final loan enrollment documents and new data points defined in the current regulatory process. Upon consultation with CSE and the IOUs, it was determined that Contractor training would begin once the first PFI or PFL established the functionality to enroll a loan.

In addition, as the basic foundations for on-bill functionality are established as described below, the REEL Program regulations will be updated to incorporate the Energy Finance Line Item Charge for customers in PG&E service areas, and may also include other revisions resulting from lessons learned during CAEATFA’s experience onboarding lenders and contractors.

On-Bill Repayment Programs

Several of the Pilot Programs will include On-Bill Repayment (“OBR”) as a key feature. CAEATFA staff is continuing to work with the IOUs and the MS to lay the foundation and establish the OBR infrastructure.

Infrastructure Development and Operations

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One key components of the OBR infrastructure is the Data Exchange Protocol (DEP), which establishes the specific data points, file layout and frequency under which data and payments will be exchanged via secure and automated processes between the MS and IOUs. This will enable the IOUs to remit payment data securely to the MS/Agent Bank. CAEATFA, the MS and the IOUs worked through multiple residential and commercial customer data scenarios, making significant strides toward finalizing the Data Exchange Protocol (DEP) during this period. Though mostly significant for the on-bill pilots, the DEP is critical for the sharing of customer energy consumption data within the REEL program. CAEATFA expects the DEP to be finalized in early 2016.

Once the DEP is finalized, the Master Servicer, PGE, SDG&E, SoCalGas, and SCE, will all work independently to build their individual customized IT systems and modify their billing systems. Concurrently, the parties will work together to develop a testing plan and testing schedule. Once the testing plan is finalized, CAEATFA will be able to determine the timeframes for the launch of the OBR Pilot Programs.

The MS and CAEATFA continue to work through the on-bill lender interaction process. This work includes development of communication, data flow, and cash flow between the lenders and the MS/Agent Bank.

Program Development and Regulations

During this time, CAEATFA staff has continued to research program design features and financial structures for the small business loan, lease, and multifamily pilots . The regulatory process will begin, once CAEATFA staff is able to adequately incorporate the on-bill repayment features as described above.

CAEATFA staff currently estimates that the OBR pilots are expected to launch in the fourth quarter of 2016; depending on the length of time for IT infrastructure build-out and subsequent testing.

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Section 5: Additional Information

More information on the CHEEF Pilot Programs is available on CAEATFA's website at <http://www.treasurer.ca.gov/caeatfa/cheef>. To receive notifications regarding workshops, regulations, and other items related to the CHEEF, please sign-up [here](#) for CAEATFA's listserve. Please direct inquiries on this report or generally on the CHEEF Pilot Programs to CAEATFA at (916)651-8157 or cheef@treasurer.ca.gov.

Appendix A: Reporting Components Required by D.13-09-044

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Below is a full list of data points required by D.13-09-044 to be submitted as part of this Quarterly Report. Many of these components are related to the implementation stages of the program. As detailed above, CAEATFA is in the process of establishing the basic infrastructure for implementing the financing pilots. Additional information will be provided in subsequent Quarterly Reports as program activity ramps-up.

- **The platform and space within which CHEEF functions take place**
 - See Section 3 on p. 5.

- **Accounts and account managers associated with CHEEF**

The following CHEEF accounts have been established with US Bank:

- CHEEF PG&E Holding Account
 - CHEEF PG&E REEL Program Account
 - CHEEF PG&E REEL Reservation Account
 - Valley Oak Credit Union PG&E REEL Loss Reserve Account
 - Viewtech PG&E REEL Loss Reserve Account

 - CHEEF SDG&E Holding Account
 - CHEEF SDG&E Program Account
 - CHEEF SDG&E Reservation Account
 - Valley Oak Credit Union SDG&E REEL Loss Reserve Account
 - Viewtech SDG&E REEL Loss Reserve Account

 - CHEEF SCE Holding Account
 - CHEEF SCE Program Account
 - CHEEF SCE Reservation Account
 - Valley Oak Credit Union SCE REEL Loss Reserve Account
 - Viewtech SCE REEL Loss Reserve Account

 - CHEEF SCG Holding Account
 - CHEEF SCG Program Account
 - CHEEF SCG Reservation Account
 - Valley Oak Credit Union SCG REEL Loss Reserve Account
 - Viewtech SCG REEL Loss Reserve Account
- **Database permission (and levels therein) criteria and platforms**

CAEATFA is still in the process of working with the Master Servicer to establish database infrastructure. No permissions have been set at this time.
 - **Customer facing products (such as websites/informational charts)**

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- CAEATFA maintains information about the pilots and related workshops, trainings, and events on its website: <http://treasurer.ca.gov/caeatfa/cheef/>. Information on Eligible Energy Efficiency Measures is available online at: <http://eeems.azurewebsites.net/>. CAEATFA is also working with the Center for Sustainable Energy to integrate messaging about the financing pilots within the Energy Upgrade California efforts (<https://www.energyupgradeca.org/en/>).
- **Transactions of various financial products administered by CHEEF and certain aggregate profile information about borrowers, project purposes/scope, financed amounts, etc.**
 - No transactions have occurred under the CHEEF programs yet.
- **Overview of participating FIs for the REEL program**
 - As of September 30, 2015, two lenders - Viewtech Financial Services and Valley Oak Credit Union- have enrolled in the Residential Energy Efficiency Loan Assistance Program. CAEATFA is currently processing applications from two more Eligible Financial Institutions, and conducting additional outreach.

Viewtech Financial Services anticipates offering their REEL product on a statewide basis through Retail Installment Contracts (RICs) offered to borrowers through the contractor. While Viewtech’s current rate on a non-REEL RIC ranges from 7.99% for borrowers with high FICO scores, up to 14.99% for those with lower FICO scores, the interest for the REEL product has been greatly reduced for those borrowers whose FICO scores fall into the lower end of the spectrum. Through the availability of the CE, Viewtech is able to offer a rate of either 7.99% or 8.99%.

Viewtech		
Borrower FICO	Non REEL RIC Rate Range	REEL loan or RIC Rate
780+	7.99%	7.99
720-779	7.49 to 9.99%	7.99
680-719	8.99 to 12.24%	7.99
640-679	11.99 to 14.99%	8.99
600-639	14.99%	8.99

The lower interest rates will result in customer savings for borrowers with FICO scores lower than 720, as shown here. For example:

- a Viewtech customer with a FICO score of 600, taking out a \$20,000 12-year loan, would save \$10,448 in interest over the life of the loan.

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- a Viewtech customer with a FICO score of 680, taking out a \$15,000 12-year loan, would save \$5,315 in interest over the life of the loan.

Valley Oak Credit Union is a regional credit union offering financial products and services in California's Central Valley, a region dominated by low-to-moderate income households according to the CA Department of Housing and Community Development. Valley Oak serves borrowers in Fresno, Kings, Madera, and Tulare counties and is eager to offer energy efficiency financing to its members in order to help them to reduce their energy consumption, improve their homes, and ultimately lower their cost of living expenses.

While Valley Oak does not currently offer an existing energy efficiency home improvement loan, a member seeking this type of financing would have applied for a "Personal" loan through the credit union at a rate of 8.95% for high FICO borrowers and at rates up to 15.95% for those with a lower FICO. With the availability of the CE they have been able to develop a loan product offering rates that range from 7.41% to 9.91%.

Valley Oak		
Borrower FICO	Non REEL Rate	REEL loan Rate
730+	8.95%	7.41
680-729	9.95%	7.91
640-679	11.95%	8.41
600-639	13.95%	8.91
580-599	15.95%	9.91

The lower interest rates will result in significant customer savings for credit-challenged borrowers. For example:

- a Valley Oak customer with a FICO score of 580, taking out an \$8,000 7-year loan, would save \$2,203.41 in interest over the life of the loan.
- a Valley Oak customer with a FICO score of 600, taking out a \$20,000 12-year loan, would save \$8,668.91 in interest over the life of the loan.