

# SBF Program Public Workshop: Proposed Modifications to Regulations

May 21, 2021



# Zoom Closed Captioning



Button at the bottom of the screen for attendees to toggle the captions on/off.

# Introduction

## Staff Introductions

- **David Gibbs**  
*Program Manager*
- **Jonathan Verhoef**  
*CHEEF Program Specialist*
- **Miriam Joffe-Block**  
*CHEEF Senior Manager*

## Questions & Comments



- For questions, please **type your question into the Q&A box** or click the button to **raise your hand** and you can speak live, and for comments please **click the button to raise your hand** and we will unmute you.

## Distribution of Slides



- Workshop slides will be available at <https://www.treasurer.ca.gov/caeatfa/cheef/sblp/regulations/index.asp>

# CAEATFA administers the CHEEF and SBF



California State Treasurer's Office

California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA)

California Hub for Energy Efficiency Financing (CHEEF)

Residential Energy Efficiency Loan (REEL) Program

Small Business Financing (SBF) Program

Affordable Multifamily Financing (AMF) Program



**California Public Utilities Commission** created the CHEEF to bring private capital to energy efficiency financing, and authorized CAEATFA as its administrator

**gogreen**  
FINANCING™



# SBF leverages private capital for energy efficiency

**Private finance companies offer attractive financing terms** for energy efficiency upgrades:

- Unsecured or equipment-secured; no property liens.
- Credit enhancement allows lenders to offer **lower interest rates, longer repayment terms and broader credit approvals**
- Open to **building owners and tenants** that are considered small businesses (100 or fewer employees, \$15MM or less in receipts, or considered a small business by the U.S. SBA size standards).
- Product types currently offered include loans, leases/equipment service agreements and savings-based payment agreements.

**\$12.69** in private capital for every **\$1** in credit enhancement

**\$116,538** leveraged **\$1.5 MM** in private lending

**4** participating finance companies

**59** participating contractors and **15** project developers

**50-400** Basis point reductions for borrowers

Repayment terms extended from **5** to **10** years



# Proposed modifications add a pathway for microloans, expand the allowable Energy Savings Measures and add OBR functionality

CPUC Decision 13-09-044 authorized an On-Bill Repayment (OBR) mechanism as part of the CHEEF.

- The purpose of these proposed modifications is to:
  - Add OBR functionality to the SBF program pursuant to D.13-09-044.
  - Create the framework for operational improvements such as the inclusion of a microloan product with streamlined underwriting, reporting requirements and expanding self-install eligibility
  - Incorporate other participant feedback and stakeholder suggestions.
  - Make improvements based on implementation.
- Proposed modifications are generally categorized as one of three types:
  - **Additions:** New policies added.
  - **Changes:** Shifting existing policy.
  - **Clarifications:** Resolving ambiguity or bringing regulations in line with current practice.

# Key Proposed Modifications

On-Bill Repayment

Modifications to list of Energy Savings Measures

Establishment of a “Microloan”

Simplifying Self-Install rules

Eased reporting requirements

# This workshop will address substantive changes

This presentation highlights the most significant **additions and changes**

Text cleanup and **clarifications** not covered today can be viewed in the redlined document.

- + Additions
- ↻ Changes
- 🔍 Clarifications

The proposed edits to regulations are available at:

<https://www.treasurer.ca.gov/caeatfa/cheef/sblp/regulations/index.asp>

# Regulation Modification Anticipated Timeline

Friday May  
28, 2021

- Public comment period closes at 5pm PDT

Tuesday  
June 15,  
2021

- Regulations presented to CAEATFA's Board for approval

Late June  
/Early July  
2021

- CAEATFA posts Notice of Emergency Regulations and follows with regulations package to OAL

Mid-July  
2021

- Emergency regulations adopted

# We want your input!

- Please provide comments during this workshop or afterwards by **Friday May 28, 2021 at 5pm PDT**.
- Comments can be submitted to: [cheef@treasurer.ca.gov](mailto:cheef@treasurer.ca.gov) or reach out to us for a phone call.
- CAEATFA will consider all comments and incorporate them as appropriate.
- Modified SBF regulations are available at: <https://www.treasurer.ca.gov/caeatfa/cheef/sblp/regulations/index.asp>.



# Workshop Agenda

OBR:  
Overview

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Eligibility

OBR:  
Repayment  
Process

OBR:  
Operational  
Reserve

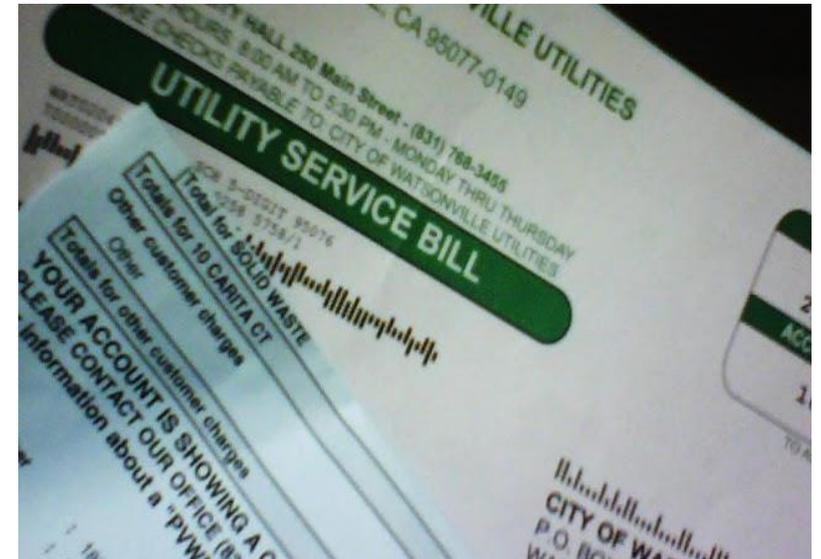
Microloan  
Pathway

Self-Install

Energy Saving  
Measures  
(ESMs)

# What is OBR?

- + On bill repayment is a mechanism by which a financing customer repays their private financing charges through their utility bill.



# Key OBR Principles



1. CAEATFA is adding **an OBR option** to the existing Small Business Financing Program.
  - Lenders can opt-in and decide if they want to offer On Bill Repayment through SBF
  - Existing rules for SBF still apply. In some cases, the OBR requirements are stricter, and are explained in the next section
  - Several rules refer to the “OBR Tariff” which are filed by the Investor Owned Utilities and approved by the CPUC
2. Any financial product eligible for SBF (loans, leases, service agreements and savings based payment agreements) can be repaid through OBR.
3. Potential energy service disconnection for non-payment of OBR charges, for non-residential customers.

# IOU Tariffs

## What is a tariff?

- Essentially, a Tariff governs interactions between the IOUs and the customers they serve.
- Tariffs are approved by the CPUC
- Because OBR involves how an IOU bills its customers, each IOU has an OBR Tariff for each fuel they deliver. The OBR Tariffs define the rules governing that billing process and more.
- Payments are applied to past due OBR Charges prior to current charges under both structures.
- In each case, partial payment or non-payment can result in service disconnection and removal from OBR. Once removed from OBR, a finance company would begin directly billing their customer.
- Utilities use two different methodologies for how partial payments are applied to balances due: Waterfall and Pari Pasu (pro-rata)

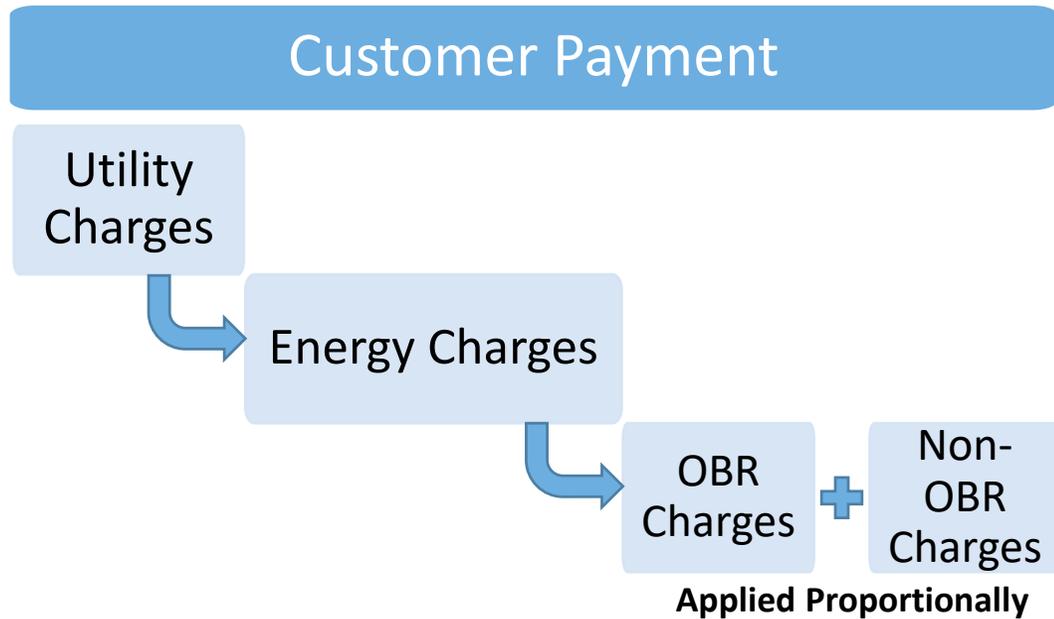
SOUTHERN CALIFORNIA GAS COMPANY Revised CAL. P.U.C. SHEET NO. 58555-G  
LOS ANGELES, CALIFORNIA CANCELING Revised CAL. P.U.C. SHEET NO. 51825-G

Rule No. 43 <u>ON-BILL REPAYMENT</u>		Sheet 1
<p><b>A. APPLICABILITY</b></p> <p>This Rule is applicable to natural gas service to non-residential End-Use Customers, and to residential multi-family End-Use Customers, who meet the criteria specified in Section E (CUSTOMER ELIGIBILITY), below, and receive service under SoCalGas Utility gas rate schedule.</p> <p>On-Bill Repayment (OBR) is designed to facilitate billing for an Eligible Agreement on the Customer's Bill to finance Qualified Measures and their installation at the Customer's Premises.</p> <p>OBR is available for Eligible Agreements funded by Participating Finance Companies as directed by the California Public Utilities Commission (CPUC).</p>		
<p><b>B. DEFINITIONS</b></p> <p>The definitions of capitalized terms used in this Rule are defined below. If a capitalized term used in this Rule is not defined below, it is defined in Rule No. 01, Definitions.</p> <p><b>Bill:</b> The Customer's utility bill.</p> <p><b>California Hub for Energy Efficiency Financing (CHEEF):</b> A central enabling entity through which energy users, finance and/or service companies, energy efficiency providers, and Participating Utilities can participate in a program to help finance the installation of Qualified Measures. The CHEEF may act through agents or third-party service providers.</p> <p><b>Customer:</b> The individual or entity that takes service from SoCalGas.</p> <p><b>Eligible Agreement:</b> An agreement between the Customer and Participating Finance Company that satisfies the requirement for participation in OBR pursuant to OBR Rules.</p> <p><b>Financing Charge(s):</b> Amounts due to a Participating Finance Company during a repayment period for an Eligible Agreement, including any late fees, late payments, or any other fees as calculated by the Participating Finance Company pursuant to the Eligible Agreement.</p> <p><b>On-Bill Repayment:</b> A process whereby OBR Charges are billed through the Customer's Bill, and collected OBR Charges are forwarded to the Participating Finance Company.</p> <p><b>OBR Charge(s):</b> Finance Charge relating to an Eligible Agreement for the financing of Qualified Measures and their installation at the premises associated with the Customer's account and included on a Bill pursuant to the Eligible Agreement and OBR Rules.</p>		
(Continued)		
<p>(TO BE INSERTED BY UTILITY)</p> <p>ISSUED BY <b>Dan Skopec</b> Vice President Regulatory Affairs</p> <p>ADVICE LETTER NO. 5766 DECISION NO. D.15-06-008</p>	<p>(TO BE INSERTED BY CAL. PUC)</p> <p>SUBMITTED <u>Feb 19, 2021</u> EFFECTIVE <u>Mar 21, 2021</u> RESOLUTION NO. _____</p>	

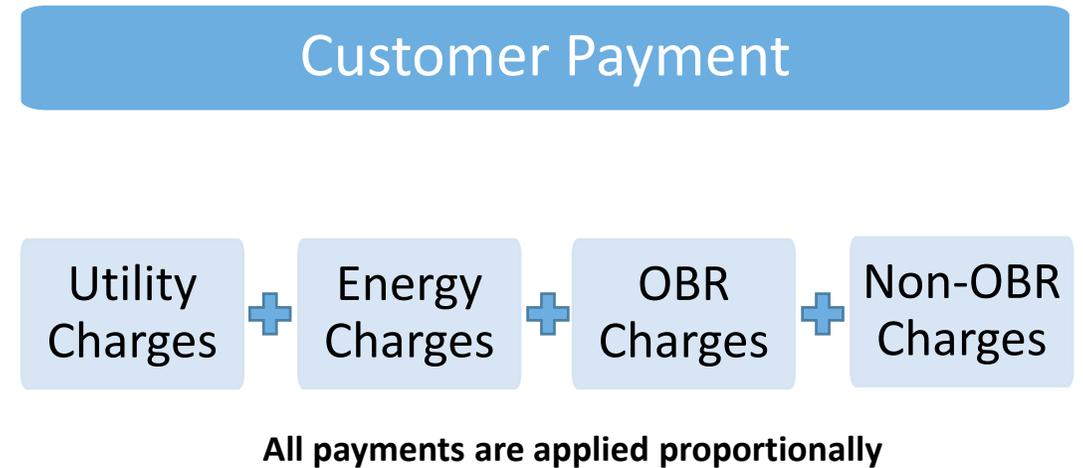


# Application of Partial Payment of Financing Charges (per OBR Tariffs)

## Waterfall Payments: SDG&E and SoCalGas



## Pro Rata Payments: PG&E and SCE



**Utility Charges** Include utility service and credit establishment charges

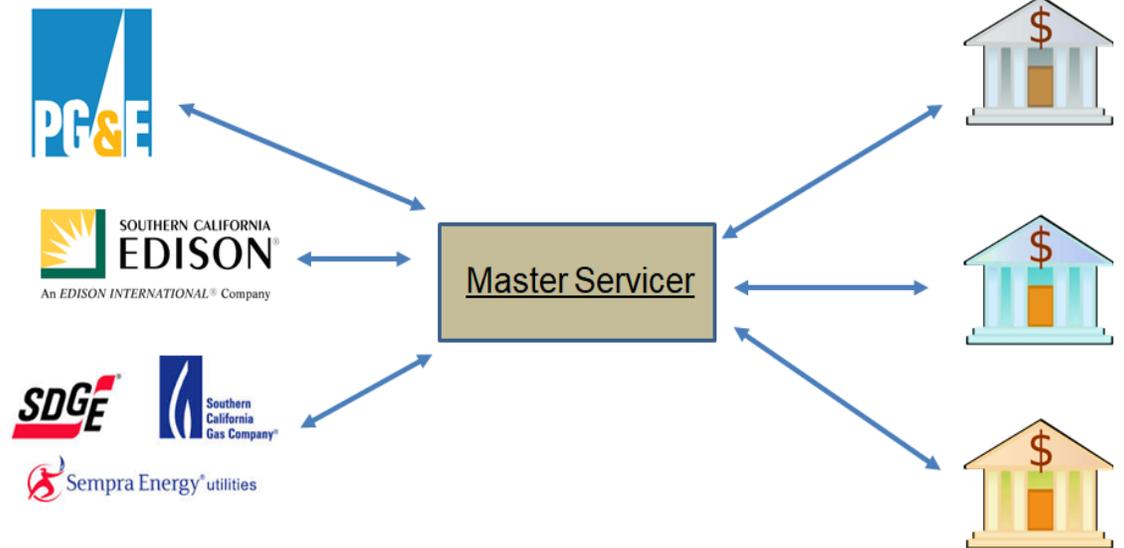
**Energy Charges** include charges based on energy consumption

**Non-OBR Charges** include all other services billed by the IOU

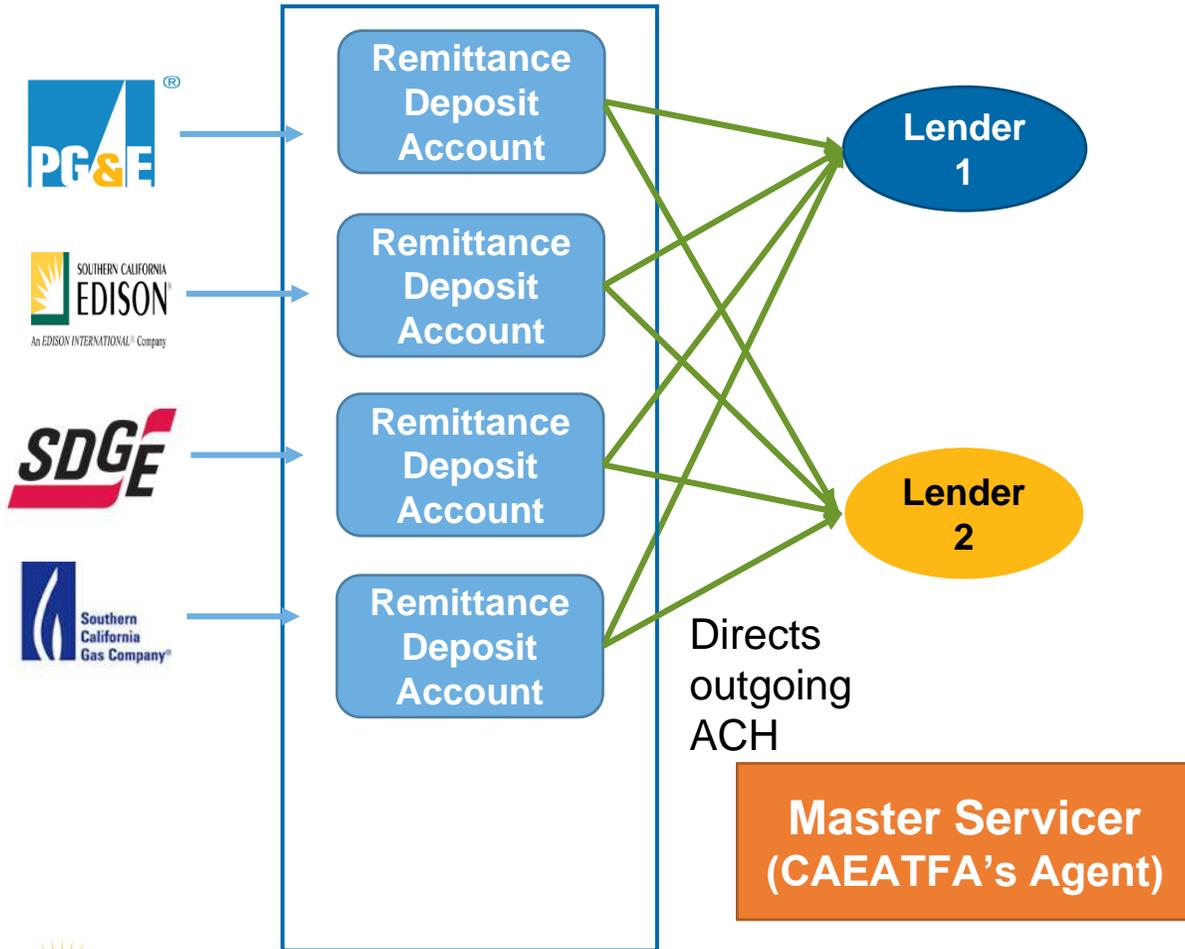
Payments applied to past due OBR Charges prior to current charges under both partial payment structures.

# Party Roles in OBR

1. **CAEATFA** issues regulations, enrolls lenders and procures a **Master Servicer** which:
  - manages the flow of remittances and data from 4 utility companies
  - organizes payments to multiple participating financial entities
2. **Customer** makes single payment for both energy and financing charges.
3. **Finance Company** is responsible for underwriting, origination, and all primary servicing functions including calculating & transmitting customer payment amount, to Master Servicer.
4. **IOU** bills customers, receives remittances (payments), and forwards to lenders via the Master Servicer.
  - IOU is not a party to the finance transaction



# OBR Remittance Deposit Account Process and Structure



Each utility makes daily deposits to a single remittance deposit account for each IOU. The Master Servicer accesses the remittance deposit accounts to direct outgoing transfers to the correct lenders.

## CAEATFA owns the Remittance Deposit Accounts

- Master Servicer has limited, third-party access to disburse funds only to lenders in the program through restricted templates

# Managing the Flow of Funds

Funds received in the Remittance Deposit Accounts are not IOU funds nor public funds. They are not the property of the Master Servicer and will not be co-mingled with Master Servicer funds at any time.

## Blocked Account Control Agreement

- CAEATFA holds the Remittance Deposit Accounts (RDAs) at Chase Bank and has granted the Master Servicer limited access to manage and control the accounts
- CAEATFA can revoke the Master Servicer's access to the Chase accounts at will

## Fund management

- Daily files sent from IOUs to Master Servicer detail payments received from specific customers and owed to specific finance companies
- Transfer of funds out of RDAs to finance company accounts will be restricted through CAEATFA pre-approved templates, established only for participating finance companies
- IOU Data files provide an **auditable record** in the event of a dispute

# OBR sounds great! What can go wrong?

CAEATFA has identified two major scenarios that could cause finance companies concern under the OBR structure:

1. **CAEATFA, or its contractors, fail to perform their roles** in the program as required by contracts with CAEATFA.
2. **IOUs fail to perform their roles in the program**, as required under the CA Public Utility Commission Decision.

Finance Company Remedies:

1. Finance companies are strongly encouraged to address any concerns about the OBR program directly with CAEATFA.
2. Should the informal engagement with CAEATFA staff prove unsatisfactory, lenders have the option to:
  - a. Pursue legal action against CAEATFA;
  - b. Pursue action through a formal complaint process with the CPUC against an IOU.

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# Utility Account Requirements:

Regulations Section  
§10092.15(a)(3)

## The IOU account:

- cannot be past due.
- cannot be in a payment arrangement for past due payments.
- needs to be for a non-residential IOU customer.
- must receive a single bill for service to all addresses, if the project includes installations at more than one service address.
- the IOU bill needs to be issued on a monthly basis.

## Why:

Customers who are already behind on utility charges are at risk for disconnection and adding financing charges to their bill increases that risk. OBR is set-up as a monthly billing program and practically, charges for multiple sites need to be aggregated on a single bill.



# Financing Product Requirements:

Regulations Section  
§10092.15(a)(4)

The individual or entity named on the IOU bill on which the OBR charges appears must also be named on the financing agreement.

Example 1: Utility Customer is a subsidiary

- Name on IOU Bill is “Joe’s Pizza LLC”
- Finance Company’s legal counterparty is “JP Holdings LLC”
- Lease agreement needs to include “Joe’s Pizza LLC”

Example 2: Utility Customer is not a legal entity or is a DBA

- Name on IOU Bill is “Sam’s Bikes”
- Finance Company’s legal counterparty is “Sam Torres”
- Lease agreement needs to include “Sam Torres dba Sam’s Bikes” or “Sam’s Bikes”

## Why:

IOUs are authorized to collect financing payments for their utility customers. They need to tie their customer back to a financing agreement.



# We want your feedback

**Q1:** For Finance Companies: Is requiring the individual or entity named on the IOU bill to also be named on the financing documentation problematic for you?

**Q2:** How could this requirement be integrated into your current processes?

# Financing Product Requirements continued :

Regulations Section  
§10092.15(a)(4)

**Time Frame:** An Enrolled Financing Agreement is eligible for OBR for ten years from the Enrollment Date.

**Why:** This requirement matches the 10-year time limitation within which a finance provider can submit a **claim** under the SBF regulations.

**Claims:** Qualifying Energy-Saving Measures (ESMs) receive a credit enhancement in the form of a loss reserve and are considered **Claim-eligible**. Finance providers may make a **claim** against the funds in the loss reserve in the event of a default. Up to 30% of the claim-eligible amount may also be non-energy saving measures.

# Costs Eligible to Be Repaid through the Utility Bill:

Regulations Section  
§10092.15(a)(4)

Costs eligible to be repaid through the bill include:

- 1) The Claim-eligible Financed Amount (capped at \$1MM)
- 2) The costs of any *additional ESMs* in excess of those included in the Claim-Eligible Financed Amount
- 3) The costs of any *Distributed Generation (DG)* such as solar panels and batteries
  - Reminder: Costs for DG are not claim-eligible

**Why:** While the off-bill program allows for non-energy measures beyond the 30% to be included in the financing (while not receiving a credit enhancement), the IOUs want to ensure that charges on their bill are reasonably linked to energy projects.

# OBR Charges with multiple IOUs:

Regulations Section  
§10092.15(a)(4)

If an OBR Customer receives service from more than one IOU, financing charges will appear on the bill provided by the IOU whose fuel source accrued the greatest ESM installation costs.

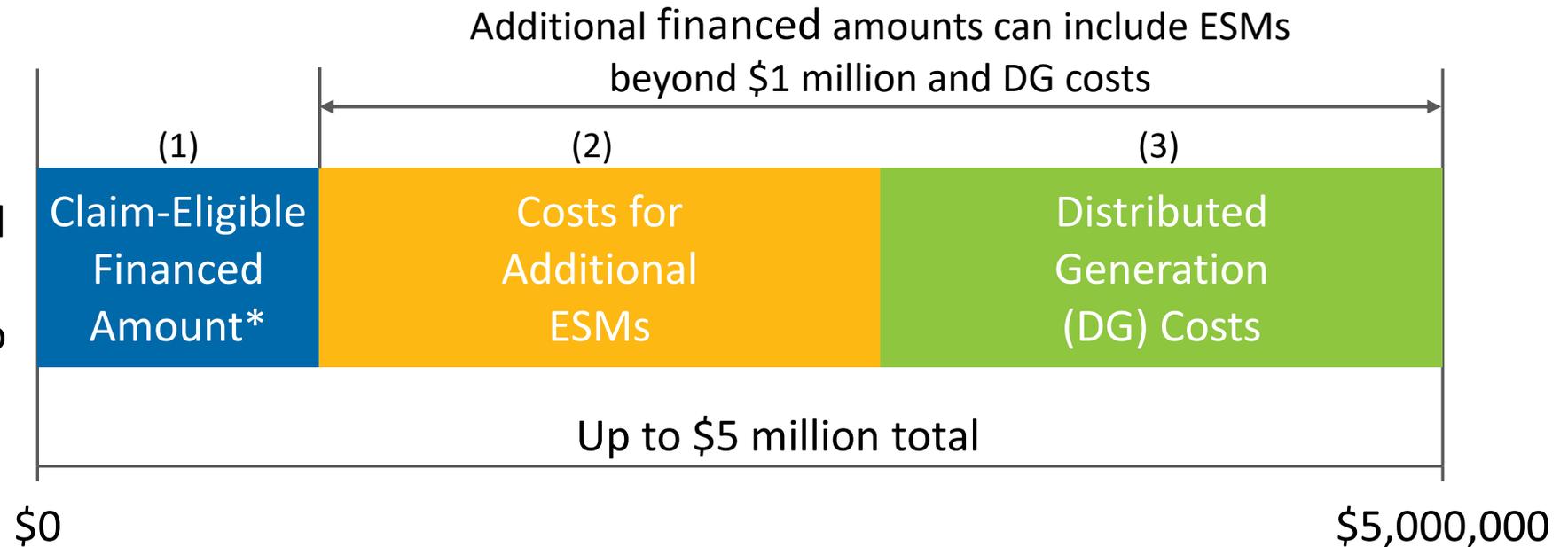
**Why:** This was identified as the simplest method for determining on which bill charges should appear when multiple IOUs deliver service to a customer. The costs of ESMs which utilize a particular fuel is relatively simple to ascertain and therefore, for a given project, the total cost of ESM utilizing a particular fuel is also easily calculated. This requirement was identified as the best of several options for determining on which bill OBR charges should appear.

# Costs Eligible to Be Repaid through the Utility Bill: Graphic

Regulations Section §10092.15(a)(4)

OBR: Eligibility

\*The claim-eligible financed amount is capped at \$1 million and may include up to 30% non-energy components



## Project example 1: Two IOUs

Eligible to go on bill: **Yes**

Why: **Project consists of Claim-eligible amount + solar**

Which bill: **SoCal Edison**

Why: **Electric measures for project cost more**

Electric service:



Gas service:



Measure	Type	Fuel	Cost	Notes
Lighting + ceiling repair	ESM	Electric	\$30,000	<i>The charges go on the bill for the IOU with the greatest installation costs related to the fuel type. In this case it is SCE's bill as the cost of electric measures are greater.</i>
Furnace	ESM	Gas	\$12,000	
<b>ESM Total</b>			<b>\$42,000</b>	<i>ESMs must comprise at least 70% of the claim-eligible amount.</i>
Resurface parking lot	Non-ESM	N/A	\$18,000	<i>Up to 30% of the claim eligible amount can be for non-ESMs. In this example, \$18,000.</i>
<b>Non-ESM Total</b>			<b>\$18,000</b>	
<b>Claim-eligible amount</b>			<b>\$60,000</b>	<i>\$42,000 ESM + \$18,000 Non-ESM</i>
Solar water heater	DG	N/A	\$5,000	<i>DG does not receive a credit enhancement</i>
<b>Project Grand Total</b>			<b>\$65,000</b>	

**Project example 2: IOU & POU, eligible for OBR**

Eligible to go on bill: **Yes**

Why: **Claim-eligible (POU measures are Non-ESMs)**

Which bill: **PG&E**

Why: **PG&E is the only IOU providing service**

Electric service:



Gas service:



Measure	Type	Fuel	Cost	Notes
Gas ovens	ESM	Gas	\$70,000	<i>ESMs must represent at least 70% of the claim-eligible amount.</i>
<b>ESM Total</b>			<b>\$70,000</b>	<i>PG&amp;E is providing gas service for these ESMs.</i>
Refrigerated cases	Non-ESM	Electric	\$20,000	<i>Electric measures in a Muni territory such as SMUD may be included in the 30% of non-ESMs which are claim-eligible.</i>
New flooring	Non-ESM	N/A	\$10,000	
<b>Non-ESM Total</b>			<b>\$30,000</b>	<i>Up to 30% of the credit-enhanced financing can be for non-ESMs. In this example, \$30,000.</i>
<b>Financing receiving credit enhancement</b>			<b>\$100,000</b>	<i>\$70,000 ESM + \$30,000 Non-ESM</i>
<b>Project Grand Total</b>			<b>\$100,000</b>	

**Project example 3: IOU & POU, NOT eligible for OBR**

Eligible to go on bill: **No**

Why: **Non-ESM costs exceed 30% of claim-eligible**

Which bill: **N/A**

Why: **N/A**

Electric service:



Gas service:



Measure	Type	Fuel	Cost	Notes
HVAC system	ESM	Gas & Electric	\$70,000	<i>This system saves both gas and electricity so counts as a qualifying ESM because PG&amp;E supplies the gas</i>
<b>ESM Total</b>			<b>\$70,000</b>	
Lighting + ceiling repair	Non-ESM	Electric	\$50,000	<i>Electric-only measure in SMUD territory counts as a non-ESM</i>
<b>Non-ESM Total</b>			<b>\$50,000</b>	<i>This exceeds 30% of the claim-eligible amount</i>
<b>Claim-eligible amount</b>			<b>\$100,000</b>	<i>\$70,000 ESMs + \$30,000 of the Non-ESMs</i>
<b>Project Grand Total</b>			<b>\$120,000</b>	

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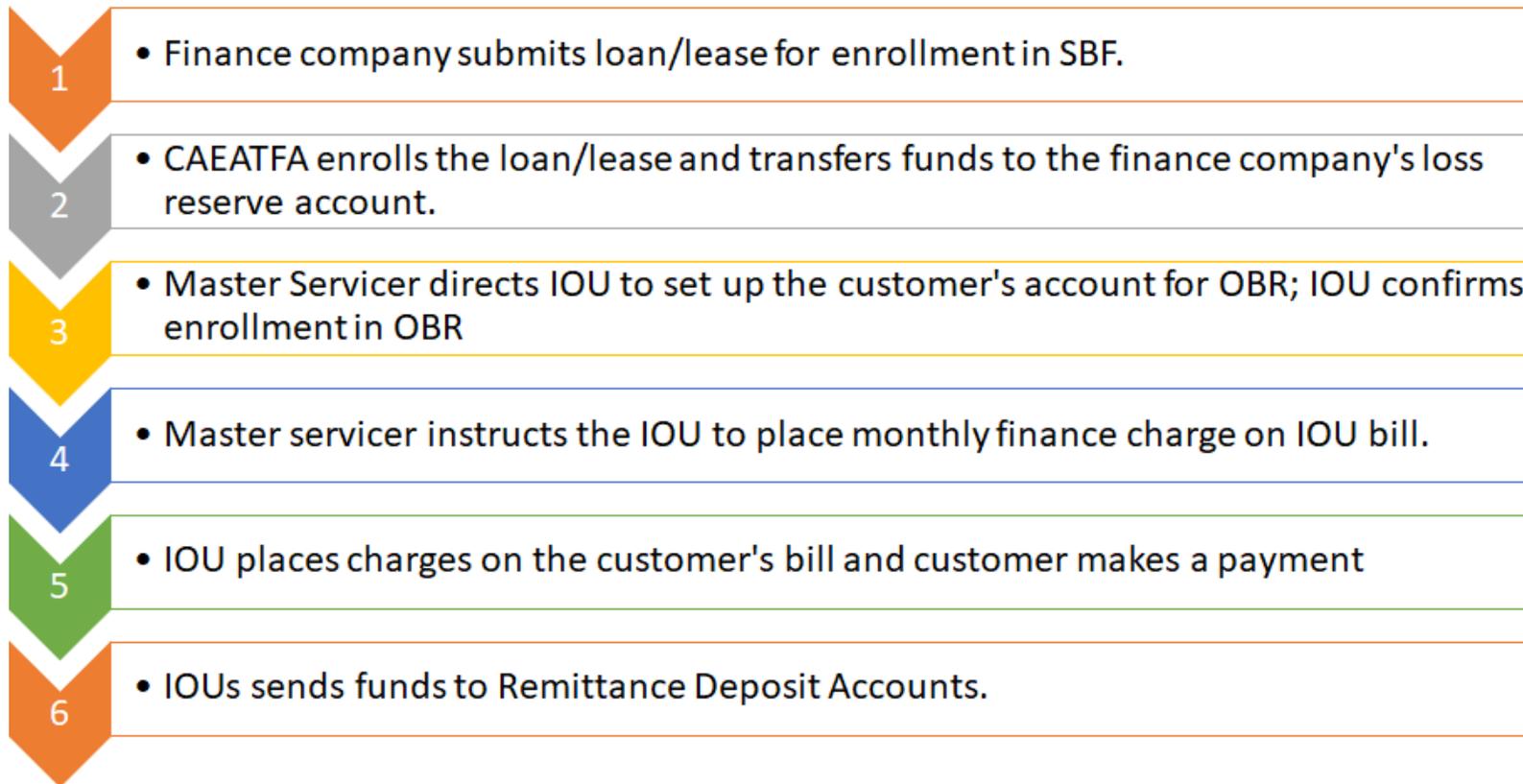
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# From Submittal to Repayment



It may take multiple IOU billing cycles after CAEATFA directs charges to appear on the bill and the first charges appear on the customer's IOU bill due to variations in IOU billing cycle intervals.

# Finance Companies Cannot

Regulations Section  
§10092.15(f)&(h)

- **Directly bill** or require any direct payment from the time the IOU enrolls the customer in OBR until the customer's account is removed from OBR. The customer may still make voluntary payments, in addition to the payments required to be made through OBR directly to the finance company.
- **Accelerate repayment** of a financing agreement while it is being repaid through OBR, consistent with the relevant OBR Tariff.

## Why:

While it may take multiple billing cycles for charges to appear on a customer's bill, it is likely that charges will appear on the customer's next bill after the finance company submits the loan/lease to the Program. Prohibiting direct billing after charges are approved to go on the bill prevents double billing.

OBR is intended to facilitate monthly billing of energy efficiency financing charges. If a finance company needs to accelerate repayment of the financing agreement, the customer will first need to be removed from participation in OBR and then the finance company can accelerate directly with the customer.



# Finance Companies Can:

Regulations Section  
§10092.15(f)&(h)

- Request the removal of an account from OBR at any time at their discretion.
- Still receive their loss reserve contribution if charges are not able to be placed on the utility bill. The financing agreement will be enrolled in SBF as "off-bill" and the finance company can directly bill the customer.

# Finance Companies Can (cont'd):

Regulations Section §10092.15(f)&(h)

- Finance company can adjust the charge amount that appears on the utility bill on a monthly basis.
- If a finance company needs to update the monthly payment, they will communicate the updated amount that is to appear on the customer's next bill to Concord by the OBR Modified Charge Cutoff Date. For example:
  - Service Agreements or Savings Based Payment Agreements where monthly fee that the customer pays, changes periodically
  - Updated payment amount due to non-payment, partial payment, or late payment fees (note that if the payment returns to the original amount after the customer pays the late payment, Concord will need to be notified)



## Bill Update Needed

Lender identified need to update the charge that appears on the customer's next bill



## Finance company Notifies Concord

Lender sends new payment amount to Concord



## OBR Modified Charge Cutoff Date

Last day to notify Concord of new charges to appear on the customer's **next** bill. Concord communicates the new amount to the IOU



## IOU Sends Updated Bill

IOU prepares and delivers bill to customer that indicates the updated charge amount. Customer pays bill.

# CAEATFA's obligations:

CAEATFA is required, through the OBR regulations, to do the following:

1. Send data necessary to place financing charges on the IOU bill to the relevant IOU within 10 days of Enrollment Date.
2. Request an IOU to remove an OBR Customer from OBR within five business days of receiving a written request for removal from a finance company.
3. Report to a finance company all OBR remittances deposited to a finance company's account within three business days from the remittance deposit.
4. Communicate the OBR Modified Charge Cutoff Date to the finance company within 15 calendar days of the OBR Approval Date.

# We want your feedback

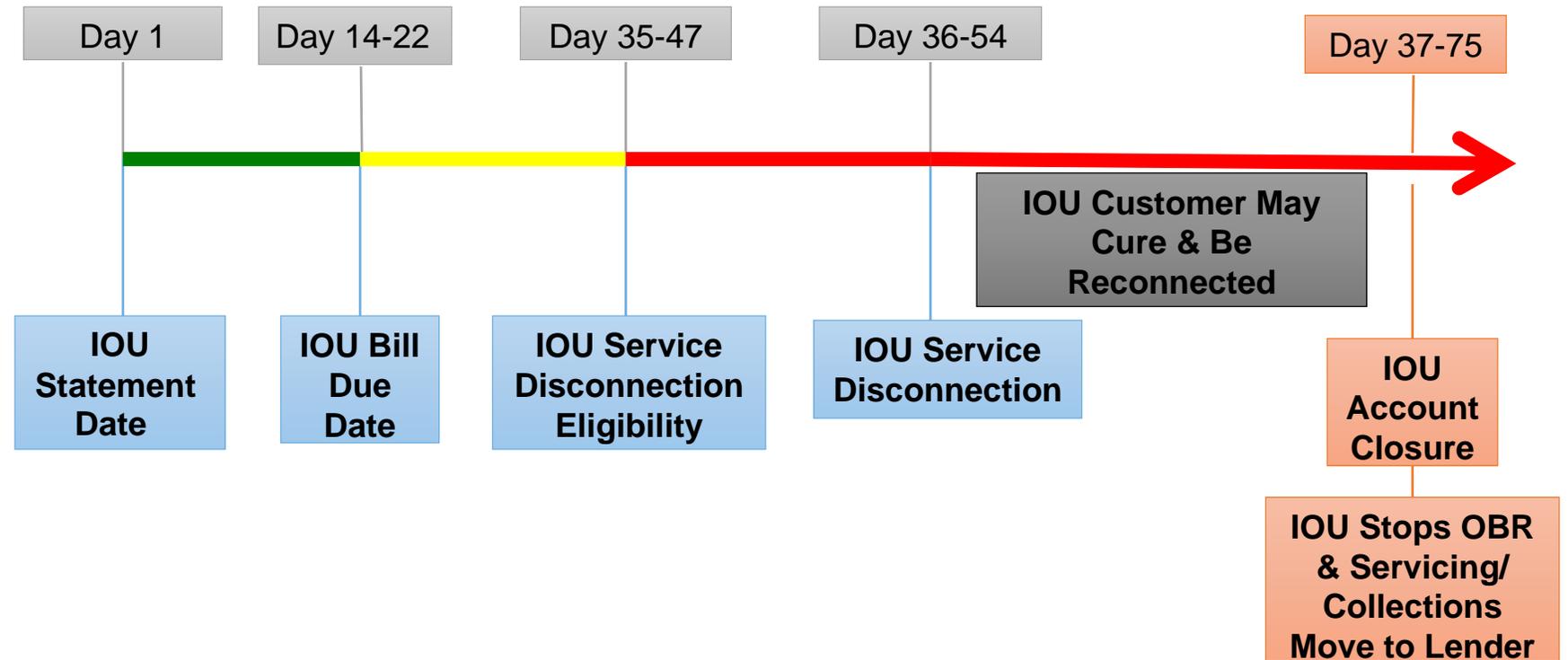
**Q3:** For Finance Companies: What information would you want included in a Remittance Report?

For example: Payment amount, payment date, CHEEF Financing ID, ..... ?

# IOU OBR Delinquency & Termination Timeline

OBR regulations allow finance companies to choose their own delinquency tolerance, stop OBR at any time (may require up to 2 billing cycles to remove from OBR), and directly bill their customer.

IOU delinquency policies vary & fall within the date ranges below



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# Operational Reserve Fund (ORF)

## What is it?

Regulations Section  
§10092.15(i)(1)

- An account administered by the Authority that may be drawn upon if there is a Delayed Bill or Returned Item that creates a shortfall in a payment to a finance company when it is due to no fault of the finance company.
- **Delayed Bill** - A delay of the date on which an IOU will send an OBR customer's utility bill as reported by the IOU to CAEATFA.
- **Returned Item** - A returned payment, closed bank account, scrivener's error or other payment processing issue that results in a negative payment amount to an IOU from an OBR Customer.
- Use of the ORF constitutes a short-term advance of funds that smooth the payment stream to a finance company. Use of the ORF creates an "ORF Balance" that must be repaid by the finance company.

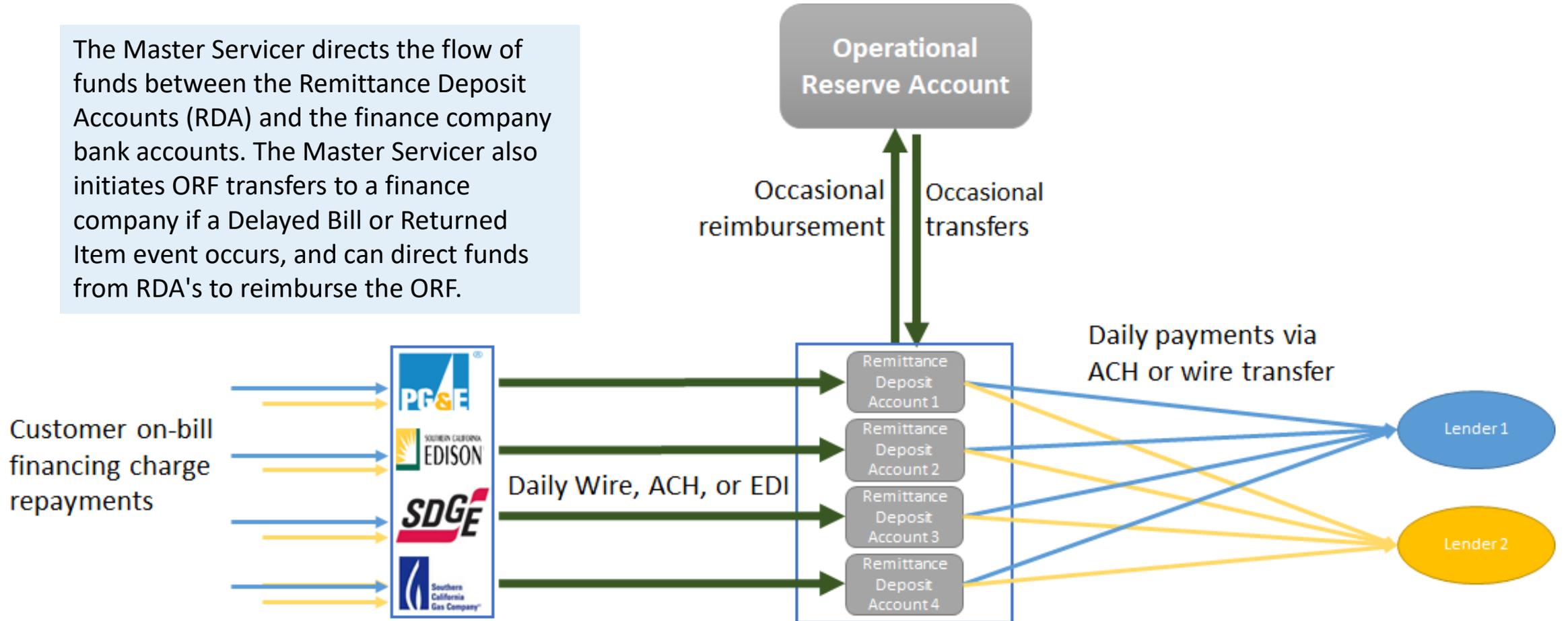
# How is an ORF Balance repaid?

Regulations Section  
§10092.15(i)(2)

1. The Master Servicer will redirect remittances received from any of a finance company's OBR Customers to reimburse the ORF for an ORF Balance due from that finance company.
2. If a finance company no longer has any financing agreements being repaid through OBR, the finance company's outstanding ORF Balance becomes due to the Authority within 30 days. Claims paid to a finance company will be net of any ORF Balance due from the finance company.
3. If a customer whose account initiated an ORF transfer based on a Delayed Bill is removed from OBR prior to the ORF Balance associated with that Delayed Bill being repaid, the ORF Balance associated with that Delayed Bill becomes due within 90 days of the date the customer was removed from OBR.

# ORF Reimbursement through remittances

The Master Servicer directs the flow of funds between the Remittance Deposit Accounts (RDA) and the finance company bank accounts. The Master Servicer also initiates ORF transfers to a finance company if a Delayed Bill or Returned Item event occurs, and can direct funds from RDA's to reimburse the ORF.



# We want your feedback

**Q4:** Are you comfortable with the repayment mechanisms established for ORF reimbursement?

**Q5:** What questions remain about the ORF and how ORF Balances are recaptured/repaid?

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# Microloan category established for financing under \$10,000

Regulations Section  
§10092.1(nnn)  
§10092.6(a)  
§10092.8(b)

## + Addition:

### Simplified Eligibility

- Customer qualification requires only a credit check; other underwriting requirements removed

### Simplified Project Submission

- Streamlined project data requirements
- Only one customer IOU account number is required
- For self-install projects (e.g. plugging in a freezer) we have removed the requirement for a participating Project Developer
  - The finance provider submits the project to SBF
  - Measures that are not eligible for self-install still must be installed by a participating SBF contractor



# Microloan category established, continued

## + Addition:

### The Reason:

- CAEATFA heard from contractors and IOU implementers that there is a need for financing under \$10,000
  - Some IOU programs are focused on the smallest hard-to-reach businesses, with a low rebate copayment where financing can help
- Complements On Bill Finance (OBF) by going below \$5,000
- More scalable approach to help the smallest businesses
- Smaller loans require more streamlined processes to be economically viable for lenders
- Smaller loans pose less risk to customers, lenders and ratepayers; it is reasonable to have a different set of requirements

# We want your feedback

**Q6:** For microloans, we are removing the requirement to check customers' bankruptcy history and to check outstanding judgments and liens. (Lenders can still do this check at their discretion). Is this enough of a safeguard for projects under \$10,000?

**Q7:** Are microloans likely to have variable rates?

**Q8:** Do microlenders gather data such as customer NAICS code, special ownership (woman-owned, veteran, etc.), and whether the customer owns or leases the space?

# We want your feedback

**Q9:** We are removing the requirement for a participating project developer on self-installs financed with microloans. Is the customer's certification sufficient, along with the finance provider's normal vetting process?

# Workshop Agenda

OBR:  
Overview

OBR:  
Eligibility

OBR:  
Repayment  
Process

OBR:  
Operational  
Reserve

Microloan  
Pathway

**Self-Install**

Energy Saving  
Measures  
(ESMs)

# Expanded Self-Installation Options

Regulations Section  
§10092.1(nnn)  
§10092.4(a)(3)  
§10092.7(c)  
§10092.8(b)(2)  
§10092.14

## ○ Change

### Why:

- CAEATFA heard from various industry sectors that self-installation options are needed for a broader set of measures than initially thought, including measures such as lighting, food service, and agricultural equipment
- Under California law, an owner-builder who is not a licensed contractor may perform work on their own building

### What:

- Expanded measures (19) on the ESM List to capture a wider variety of self-installation
- Added a new category under “Other” for measures which qualify as part of an IOU program that allows Self-Install
- Measures for which there is a significant safety or performance risk still require a participating licensed contractor
- A participating Project Developer is still required on self-installed projects over \$10,000
- Non-ESMs may still be self-installed

# Simplified Reporting for Finance Providers

Regulations Section  
§10092.12

## Change

### Why:

- CAEATFA is simplifying the requirements of monthly reporting in response to feedback from participating finance providers that the process is too time consuming

### What:

- Removed data point requirements:
  - Maturity date
  - Interest rate
  - Monthly payment amount
  - Anticipated losses
  - Recovery amounts
  - Acceleration notices
  - Completed applications received
  - Applications approved
- CAEATFA may request application numbers, details of promotions, and ongoing benefits to borrowers as needed, but these will not be part of monthly reporting

# ESMs Newly Eligible for Self-Install (1 of 2)

Regulations Section  
§10092.14

Measure Category	Measure	Rationale for Adding Self-Install
Agriculture	Automatic Pump Shut-off Sensor	Agriculture facilities are likely to have experienced staff who can perform installations, and they can legally do so via the CSLB exemption for owner-builders.
Agriculture	Heat Recovery	
Agriculture	High Efficiency Booster or Well Pump	
Agriculture	High Efficiency Irrigation Pump	
Agriculture	Plate Cooler	
Agriculture	Sprinkler-to-Drip Irrigation	
Agriculture	VFD on Booster or Well Pump Motor	
Agriculture	VFD on Pump or Fan Motor	
Data Centers	Aisle Containment	Participating Contractors are unlikely to possess the specialized expertise necessary for these measures and data centers may have experienced staff who can perform installations.
Data Centers	Aisle Layout Optimization	
Data Centers	Server Consolidation	
Data Centers	Server Virtualization	

# ESMs Newly Eligible for Self-Install (2 of 2)

Regulations Section  
§10092.14

Measure Category	Measure	Rationale for Adding Self-Install
HVAC	Automatic Filter Replacement	Businesses can safely and legally install these measures, and energy performance is unlikely to be affected by non-professional installation
HVAC	Duct Insulation	
HVAC	Hotel Guest Room Occupancy Temperature Control	
HVAC	HVAC Pipe Insulation	
Industrial	Compressed Air Pressure Reduction	
Other	Energy Measurement, Metering or Monitoring Equipment	
Refrigeration	Add Insulation to Refrigerant Lines or Storage Tanks	

# Workshop Agenda

OBR:  
Overview

OBR:  
Eligibility

OBR:  
Repayment  
Process

OBR:  
Operational  
Reserve

Microloan  
Pathway

Self-Install

**Energy Saving  
Measures  
(ESMs)**

# Proposed New ESMs

## + Proposed ESM Additions

- 3 Agriculture
- 4 Appliances
- 7 HVAC
- 2 Lighting
- 6 Other
- 3 Refrigeration
- 2 Water Heating

Agriculture: Dehumidification System using Solid or Liquid Desiccant
Agriculture: Dehumidification System with On-site Heat Recovery
Agriculture: Greenhouse Energy Curtain
Appliances: Convection Electric Oven
Appliances: Convection Gas Oven
Appliances: Induction Range or Cooktop
Appliances: Range Hood
HVAC: Air Filter Alarm or Sensor
HVAC: Air Filter Upgrade - HEPA
HVAC: Air Filter Upgrade - MERV
HVAC: Dedicated Outside Air System (DOAS)
HVAC: Diagnostic or Fault Detection Alert Systems
HVAC: Duct Sizing or Optimization
HVAC: Radiative Cooling

Lighting: LED Horticultural Plug-in Light Fixture or Replacement Lamp
Lighting: LED Tape Lighting
Other: Commercial Laundry - Clothes Washer (Electric Hot Water)
Other: Commercial Laundry - Clothes Washer (Gas Hot Water)
Other: Commercial Laundry - Dryer Moisture Sensor Retrofit (Electric)
Other: Commercial Laundry - Dryer Moisture Sensor Retrofit (Gas)
Other: Commercial Laundry - Modulating Gas Valve
Other: Other Measures Qualifying Through IOU/REN/CCA Programs - Self-Install
Refrigeration: Evaporator Fan Permanent Magnet Synchronous Motor (PMSM)
Refrigeration: Laboratory Grade Refrigerator or Freezer
Refrigeration: Refrigeration Tune-up and Optimization
Water Heating: Recirculating Hot Water Pump Control
Water Heating: Water Pipe Insulation

See appendix for additional measure details

# We want your feedback

**Q10:** Are the proposed ESM additions appropriate for the SBF program, and/or are there other ESMs that should be included?

# Modified ESMs

Regulations Section  
§10092.14



## Proposed ESM Modifications

- 19 measures made eligible for self-install
- 12 measures revised and/or clarified
- 14 measures that previously were split by water heating fuel type have been collapsed into 7 measures

# Revised ESMs (1 of 2)

Measure Category	Measure	Revision	Rationale
Building Envelope	Cool Roof	Removed the requirement that the roof must be certified by the Cool Roof Rating Council (CRRC)	CRRC is a baseline requirement within Title 24, and code compliance is already required for all projects
Building Envelope	Windows/Glass Doors	Expanded the measure to include glass doors	Glass doors, like windows, are available in higher levels of energy efficiency
HVAC	Air-Source or Ground-Source Heat Pump	Removed gas IOU eligibility	The original intent of this measure was electric only
HVAC	ECM Furnace Fan Motor	Changed the measure name from "Furnace Fan Brushless DC Motor"	ECM is a more widely recognized term for a brushless DC motor.
HVAC	Furnace - Residential In-Unit	Removed the ENERGY STAR requirement	ENERGY STAR performance levels require a condensing furnace, and not all sites can accommodate a condensate drain.
Lighting	LED Horticultural Hard-wired Light Fixture	Modified measure name to include "hard-wired"	A separate measure ( <i>LED Horticultural Plug-in Light Fixture or Replacement Lamp</i> ) has been created for corded horticultural lighting.

# Revised ESMs (2 of 2)

Measure Category	Measure	Revision	Rationale
Other	Commercial Laundry - Ozone System (Electric Hot Water)	Recategorized from "Water Heating" to "Other"	Placing the measure within "Other" aligns is with the new commercial laundry measures.
Other	Commercial Laundry - Ozone System (Gas Hot Water)	Recategorized from "Water Heating" to "Other"	Placing the measure within "Other" aligns is with the new commercial laundry measures.
Other	Other Measures Qualifying Through IOU/REN/CCA Programs	Clarified that eligibility is based on qualification through IOU/REN/CCA incentive programs	Measures may qualify through an IOU/REN/CCA program without receiving an incentive.
Pool Products	Gas Pool Water Heater	Removed the ENERGY STAR requirement	There is not an ENERGY STAR standard for pool heaters.
Pool Products	Heat Pump Pool Water Heater	Removed the ENERGY STAR requirement	There is not an ENERGY STAR standard for pool heaters.
Refrigeration	Evaporator Fan Brushless DC Motor	Removed the requirement for the motor to be BPM or ECM.	The BPM/ECM requirement is redundant and synonymous with the measure name of a "Brushless DC Motor."

# Additional comments?

Please provide comments by  
**Friday May 28, 2021 at 5pm PDT.**

Comments can be submitted to: [cheef@treasurer.ca.gov](mailto:cheef@treasurer.ca.gov).

Please reach out if you'd like to schedule a call.

Modified SBF regulations are available at:  
<https://www.treasurer.ca.gov/caeatfa/cheef/sblp/regulations/>

# Appendix



# Rule No. 43 On-Bill Repayment Tariffs

OBR

## ○ San Diego Gas & Electric

- [http://regarchive.sdge.com/tm2/pdf/ELEC\\_ELEC-RULES\\_ERULE\\_43.pdf](http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-RULES_ERULE_43.pdf)
- [http://regarchive.sdge.com/tm2/pdf/GAS\\_GAS-RULES\\_GRULE\\_43.pdf](http://regarchive.sdge.com/tm2/pdf/GAS_GAS-RULES_GRULE_43.pdf)

## ○ Pacific Gas & Electric

- [https://www.pge.com/tariffs/assets/pdf/tariffbook/GAS\\_SCHEDS\\_G-OBR.pdf](https://www.pge.com/tariffs/assets/pdf/tariffbook/GAS_SCHEDS_G-OBR.pdf)
- [https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC\\_SCHEDS\\_E-OBR.pdf](https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_E-OBR.pdf)

## ○ Southern California Edison

- [https://library.sce.com/content/dam/sce-doclib/public/regulatory/tariff/electric/schedules/other-rates/ELECTRIC\\_SCHEDULES\\_OBR.pdf](https://library.sce.com/content/dam/sce-doclib/public/regulatory/tariff/electric/schedules/other-rates/ELECTRIC_SCHEDULES_OBR.pdf)

## ○ SoCal Gas

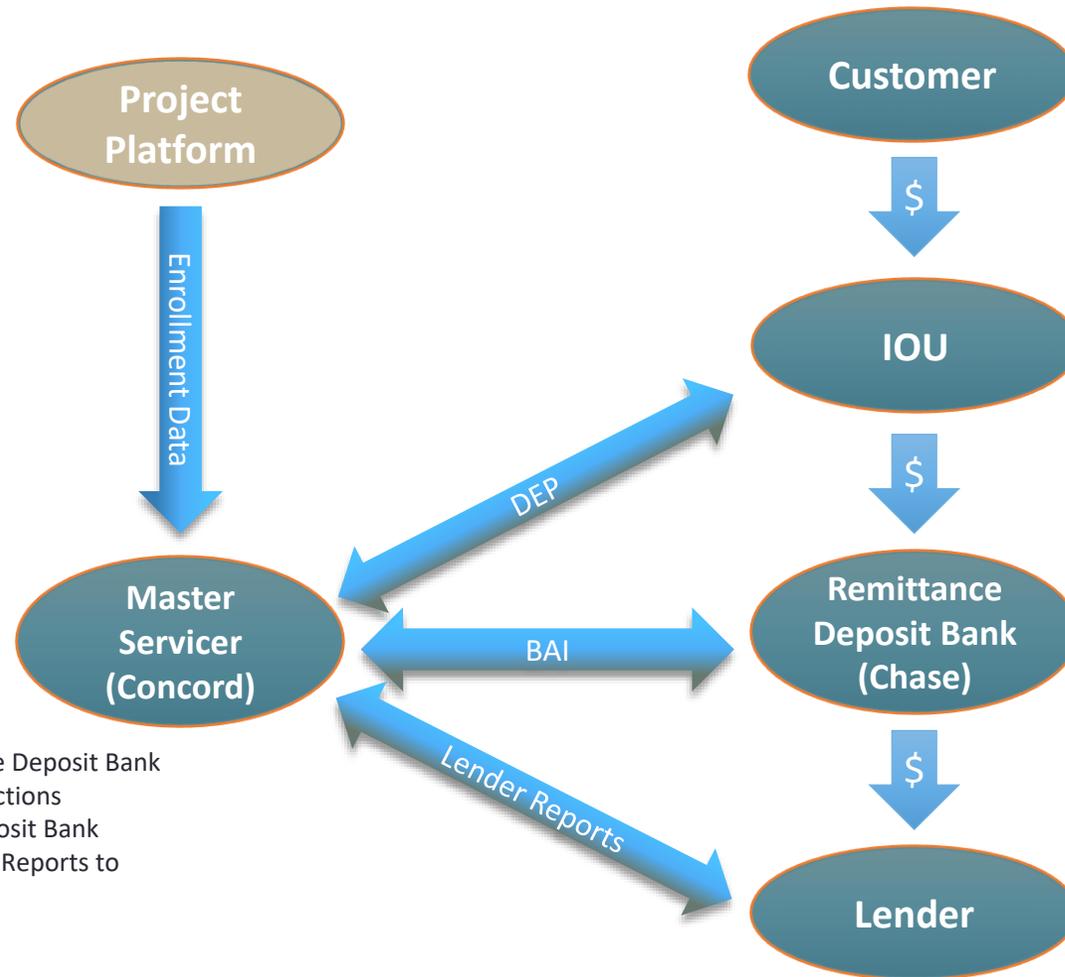
- <https://www2.socalgas.com/regulatory/tariffs/tm2/pdf/43.pdf>

SOUTHERN CALIFORNIA GAS COMPANY Revised CAL. P.U.C. SHEET NO. 58555-G  
LOS ANGELES, CALIFORNIA CANCELING Revised CAL. P.U.C. SHEET NO. 51825-G

Rule No. 43 ON-BILL REPAYMENT		Sheet 1
<b>A. APPLICABILITY</b>		
This Rule is applicable to natural gas service to non-residential End-Use Customers, and to residential multi-family End-Use Customers, who meet the criteria specified in Section E (CUSTOMER ELIGIBILITY), below, and receive service under SoCalGas Utility gas rate schedule.		D,N D,N
On-Bill Repayment (OBR) is designed to facilitate billing for an Eligible Agreement on the Customer's Bill to finance Qualified Measures and their installation at the Customer's Premises.		D,N D,N
OBR is available for Eligible Agreements funded by Participating Finance Companies as directed by the California Public Utilities Commission (CPUC).		D,N
<b>B. DEFINITIONS</b>		
The definitions of capitalized terms used in this Rule are defined below. If a capitalized term used in this Rule is not defined below, it is defined in Rule No. 01, Definitions.		D,N D,N D
<b>Bill:</b> The Customer's utility bill.		N
<b>California Hub for Energy Efficiency Financing (CHEEF):</b> A central enabling entity through which energy users, finance and/or service companies, energy efficiency providers, and Participating Utilities can participate in a program to help finance the installation of Qualified Measures. The CHEEF may act through agents or third-party service providers.		D,N,T
<b>Customer:</b> The individual or entity that takes service from SoCalGas.		D N
<b>Eligible Agreement:</b> An agreement between the Customer and Participating Finance Company that satisfies the requirement for participation in OBR pursuant to OBR Rules.		D,N N
<b>Financing Charge(s):</b> Amounts due to a Participating Finance Company during a repayment period for an Eligible Agreement, including any late fees, late payments, or any other fees as calculated by the Participating Finance Company pursuant to the Eligible Agreement.		D,N N D,N D
<b>On-Bill Repayment:</b> A process whereby OBR Charges are billed through the Customer's Bill, and collected OBR Charges are forwarded to the Participating Finance Company.		L,D,N L,D,N
<b>OBR Charge(s):</b> Finance Charge relating to an Eligible Agreement for the financing of Qualified Measures and their installation at the premises associated with the Customer's account and included on a Bill pursuant to the Eligible Agreement and OBR Rules.		L,D,N L,N L,D,N L
(Continued)		
(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY CAL. PUC)
ADVICE LETTER NO. 5766	<b>Dan Skopec</b>	SUBMITTED Feb 19, 2021
DECISION NO. D.15-06-008	Vice President	EFFECTIVE Mar 21, 2021
	Regulatory Affairs	RESOLUTION NO. _____



# On-Bill Repayment Process



**Master Servicer:**

- i. Receives new enrollment data
- ii. Provides DEP data files to IOUs
- iii. Receives DEP data files from IOUs
- iv. Receives BAI\* data files from Remittance Deposit Bank
- v. Reconciles deposits and confirms transactions
- vi. Provides instructions to Remittance Deposit Bank
- vii. Provides Status, Events, and Remittance Reports to lenders

**1. Customer:**

- i. Executes financing agreement with lender, project is completed and enrolled in the Program.
- ii. Receives bill from utility that contains both energy and finance charges
- iii. Pays the bill (both utility and finance charges)

**2. IOU:**

- i. Receives financing payment from customer
- ii. Remits payment to Remittance Deposit Bank (Chase)
- iii. Provides data file to Chase

**3a. Concord Treasury Management:**

- i. Processes customer data and funds from IOUs (including possible ORF utilization)
- ii. Initiates a directive for Chase to transfer funds to lenders (possibly between accounts at Chase)

**3b. Remittance Deposit Bank:**

- i. Receives customer payment funds from IOU
- ii. Transfers funds to lenders and between accounts at Chase as initiated by Concord TM
- iii. Executes instructions from Concord
- iv. Provides bank account data to Concord

**4. Lender:**

- i. Receives payment from Chase
- ii. Receives reports from Concord about financing status, events, and remittances



# ORF – Additional Information

CAEATFA has identified challenges in the IOU billing and OBR operational mechanisms that could negatively affect the flow of funds from the customer to a finance company.

These challenges can arise when two types of events occur:

- Delays which affect when an IOU sends a bill to a customer (and therefore delays when a customer pays a bill)
- Returned items (e.g., insufficient funds in customer checking accounts, unsigned checks, etc.) from one or more customers which would potentially affect the remittance stream to finance companies other than the finance company with the account(s) which contain the returned item.

It is important to note the following about the ORF:

- The funds are utility ratepayer funds authorized to support the financing programs.
- Use of the ORF will be initiated by a transfer of IOU ratepayer funds to an account at Chase Bank. The use of the funds is designed to smooth payment flows to lenders.
- The ORF will always be reimbursed from among one of the following three sources:
  1. Customer financing repayments that flow through the RDAs
  2. The finance company's loss reserve account housed at the Trustee Bank (Zions Bank).
  3. The finance company

# Appendix: Microloan submission requirements

Data Requirements Kept		Data Requirements Removed	
Customer contact information	Total financed amount	Qualification as Small business	Permit #s
Months in business, NAICS code	Internal loan/financing ID	# of units being upgraded	Project developer (on self-install)
Woman/minority/veteran owned	Financing product type	Description of measures installed	Description of solar, batteries, etc.
Credit score and service used	Finance company representative	Amount of capitalized interest	Replacement or new installation
Owner/tenant	Financing repayment term	Security type: UCC-1, fixture, etc.	Substituting gas with electricity
Property address	Service agreement charges	Advance payment (in months)	
IOU name and account#	Contractor license #	Interest rate	
Verification of utility service	Contractor installation date	Interest rate buy-down	
Energy-Saving Measure (ESM) name	Contractor certification	Monthly payment amount	
Method of qualifying as an ESM	Finance company certification	Fees	
Quantity of ESMs installed		Description of non-ESM installation	
Total cost of ESMs		Customer's final invoice	
		Amount of rebates applied for	



# New ESMS (1 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
Agriculture	Dehumidification System using Solid or Liquid Desiccant		No	This measure has been identified in studies and evaluations as an energy saving alternative to traditional dehumidification equipment and is proposed for inclusion in Title 24-2022.
Agriculture	Dehumidification System with On-site Heat Recovery		No	This measure has been identified in studies and evaluations as an energy saving alternative to traditional dehumidification equipment and is proposed for inclusion in Title 24-2022.
Agriculture	Greenhouse Energy Curtain		Yes	This measure has been previously identified by at least one of the IOUs as an energy savings measure; CAEATFA is making it eligible statewide.

# New ESMS (2 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
Appliances	Convection Electric Oven		Yes	Convection ovens are estimated to be 20% more efficient than standard ovens, based on information from the U.S. Department of Energy. Convection ovens require less time and lower temperatures to cook food compared to standard ovens.
Appliances	Convection Gas Oven		No	Convection ovens are estimated to be 20% more efficient than standard ovens, based on information from the U.S. Department of Energy. Convection ovens require less time and lower temperatures to cook food compared to standard ovens.
Appliances	Induction Range or Cooktop		Yes	Induction cooktops can save energy compared to electric ranges according to prior studies by DOE and ACEEE.
Appliances	Range Hood	ENERGY STAR	No	Range hoods certified by ENERGY STAR use 70% less energy compared to standard models, according to the EPA.



# New ESMS (3 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
HVAC	Air Filter Alarm or Sensor		No	An air filter alarm or sensor notifies a homeowner or building operator when the filter is dirty and in need of replacement. A dirty filter can negatively affect the energy performance of an HVAC system.
HVAC	Air Filter Upgrade - HEPA	HEPA filter upgrade. Must be installed with an ECM fan motor and a filter sensor or alarm.	No	Adding this new measure to ensure that energy savings are possible, by bundling with an ECM fan motor and a filter alarm/sensor, when a customer chooses to upgrade air filtration. An ECM motor saves energy relative to a PSC motor and can adjust its speed to maintain airflow despite the increased pressure drop caused by the filter upgrade. A filter alarm or sensor ensures that the building operator is aware of the need for replacement when the filter is dirty. A dirty filter can negatively affect the energy performance of an HVAC system.

# New ESMS (4 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
HVAC	Air Filter Upgrade - MERV	MERV 13-16 air filter upgrade. Must be installed with an ECM fan motor and a filter sensor or alarm.	No	Adding this new measure to ensure that energy savings are possible, by bundling with an ECM fan motor and a filter alarm/sensor, when a customer chooses to upgrade air filtration. An ECM motor saves energy relative to a PSC motor and can adjust its speed to maintain airflow despite the increased pressure drop caused by the filter upgrade. A filter alarm or sensor ensures that the building operator is aware of the need for replacement when the filter is dirty. A dirty filter can negatively affect the energy performance of an HVAC system.
HVAC	Dedicated Outside Air System (DOAS)		No	This measure has been identified in studies and evaluations as an energy saving alternative to traditional rooftop unit ventilation strategies.

# New ESMS (5 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
HVAC	Diagnostic or Fault Detection Alert Systems		No	A diagnostic or fault detection system can notify a building operator or homeowner when issues arise with HVAC systems in order to keep equipment operating at the highest level of performance.
HVAC	Duct Sizing or Optimization		No	Poorly sized supply and return ducts can negatively affect HVAC system performance. Duct sizing/optimization can be performed as a stand-alone measure, often without modification to the HVAC equipment, or as part of an overall HVAC upgrade.
HVAC	Radiative Cooling		No	This measure has been identified in studies and evaluations as an energy saving measure. Radiative cooling reduces the load on the compressor and condenser by radiating heat to space, even during daytime.

# New ESMS (6 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
Lighting	LED Horticultural Plug-in Light Fixture or Replacement Lamp	DLC qualified horticultural light fixture (plug-in) or replacement lamp	Yes	This measure bifurcates the existing LED horticultural lighting measure (LI-HORT) so that self-install is an option. Many horticultural lights are sold with a corded plug, which allows a customer to easily self install the light fixture.
Lighting	LED Tape Lighting		Yes	LED tape lighting is a common and popular lighting measure that can save energy versus baseline products such as halogen puck lights, halogen rope light, and linear fluorescent. There is no ENERGY STAR certification for tape lighting.

# New ESMS (7 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
Other	Commercial Laundry - Clothes Washer	ENERGY STAR	No	This measure has been previously identified by at least one of the IOUs as an energy savings measure; CAEATFA is making it eligible statewide.
Other	Commercial Laundry - Dryer Moisture Sensor Retrofit		No	This measure has been identified in studies and evaluations as an energy saving modification to dryers without a moisture sensor.
Other	Commercial Laundry - Modulating Gas Valve		No	This measure has been previously identified by at least one of the IOUs as an energy savings measure; CAEATFA is making it eligible statewide.

# New ESMS (8 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
Other	Other Measures Qualifying Through IOU/REN/CCA Programs - Self-Install	Measure not elsewhere on this list that qualifies for an IOU/REN/CCA energy efficiency or demand response program and for which the IOU/REN/CCA program allows self-install.	Yes	Adding this new measure as a complement to the existing IOU/REN/CCA measure (OT-REBA) to allow for self installation when permitted by an IOU/REN/CCA incentive program.

# New ESMS (9 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
Refrigeration	Evaporator Fan Permanent Magnet Synchronous Motor (PMSM)		No	This measure has been identified in studies and evaluations as an energy saving alternative to traditional evaporator fan motors.
Refrigeration	Laboratory Grade Refrigerator or Freezer	ENERGY STAR	No	This measure has been previously identified by at least one of the IOUs as an energy savings measure; CAEATFA is making it eligible statewide.
Refrigeration	Refrigeration Tune-up and Optimization		No	This measure has been previously identified by at least one of the IOUs as an energy savings measure; CAEATFA is making it eligible statewide. This measure is a refrigeration complement to the existing HVAC Tune-up and Optimization.

# New ESMS (10 of 10)

Measure Category	Measure Name	Requirement (if any)	Self-Install?	Rationale
Water Heating	Recirculating Hot Water Pump Control	Temperature sensor or time clock control	No	This measure has been previously identified by at least one of the IOUs as an energy savings measure; CAEATFA is making it eligible statewide.
Water Heating	Water Pipe Insulation		Yes	Adding this measure as an expansion of the HV-PIPE measure. This new measure covers domestic hot water pipes while HV-PIPE addressed chilled and heated water pipes for commercial space heating. Hot water pipe insulation is known to conserve energy versus an uninsulated pipe.