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

Small Business Financing Regulations Workshop
Tuesday, October 9, 2018
10:00a.m. – 12:00p.m. PST

[Editor's Note: This transcript has been prepared by the California Alternative Energy 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]

Jonathan Verhoef: Hello and welcome to the Small Business Financing Program Regulations Workshop. My name is Jonathan Verhoef. I'm a Program Specialist here with CAEATFA. Today, we'll be presenting our proposed program structure and regulations. And we welcome your input and feedback during this workshop. Right now, everyone is on mute. If you'd like to speak, you can raise your hand and we can unmute you or alternatively, you can type your question into the Q&A text box. We will also have question periods at intervals throughout with time for more at the end. This deck is available for your reference. We're not walking through every slide and we just recently sent out an email with an updated deck that has a few changes that we made since yesterday. If you don't see it in your inbox go ahead and check your spam or junk file.

0:56 Slide 2 – Closed Captioning is Available

Closed captioning is available at the following URL. Just enter the meeting number and password when prompted.

1:07 Slide 3 – Workshop Agenda

This is the agenda for today's workshop. We'll be starting with an Executive Summary, which contains a timeline overview of the Program with highlights and changes since our last workshop. Then we'll move on to background on the Authority, as well as our programs and our role in the industry. And then, we'll take a more detailed look at program structure including Key Concepts, Contractor and Project Developer Eligibility and Roles, Project and Measure Eligibility, the Credit Enhancement Structure, Finance Companies and Financial Product Eligibility, Customer Eligibility, and lastly, Enabling a Secondary Market. Then we'll have an illustration on the project life cycle and open up for some more Q&A.

1:50 Slide 4 – Workshop Goals

The goals of the workshop today are to gain program insight and have an opportunity for you all to provide us with feedback. We want to provide program details to all of the different stakeholders, including Finance Companies, Contractors, Implementers, Small Business Advocates and other industry participants. We also want to communicate our Program development status and give people an idea of the time frame towards launch. And we would like to seek feedback on our regulatory language and also outline the participation process for future stakeholders.

2:25 Slide 5 – Executive Summary

And with that, I would like to turn it over to my colleague, Miriam.

Miriam Joffe-Block: Good morning, this is Miriam Joffe-Block with the California Hub for Energy Efficiency Financing, I'm the Program Manager. I'm going to go into a brief kind of Executive Summary of our Program today.

2:41 Slide 6 – Small Business Program Development Timeline

First, starting with a timeline. CAEATFA has been working on the Small Business Program design for a while. And many of you attended a workshop that we held in April of this year where we explained that we redesigned the Program after a California Public Utility Commission decision in 2017 gave us a lot more flexibility. So, after that April workshop, which a lot of you attended, our staff talked to about 50 different stakeholders to solicit feedback. And we've taken all of that feedback into account with the regulation text that we are presenting today. Following this workshop, we're going to take more feedback, and then we are going to utilize the Emergency Rulemaking process to have regulations take effect in December. This means that in December, the Program will be open to enroll Finance Companies, Contractors, and Project Developers. We expect a few months of operational set-up with the Finance Companies and then we expect financing to be available to customers about March of 2019.

3:51 Slide 7 – Comments and Input

We're eager to take your comments either at this workshop, or following by email. We'd like to get your comments by October 19th because we are trying to get the regulations enacted by the end of the year. You can send us an email at the address that you see on the screen or if you prefer to give us feedback by phone, you can email us and setup a call with us.

4:12 Slide 8 – Regulation Text Appears Long

So, I want to just reassure people a little bit about the regulation text. If you have looked at it, you've noticed that it is 50 pages and I want to reassure you that the length of the regs does not mean that the text itself is burdensome for participants. In fact, we have worked to build in a fair amount of flexibility around the role -- around different roles in the Program, around project eligibility and around who can supply us data. Some of crafting that flexibility actually takes up space to do so. If you are looking at the regs you will see the last several pages is actually a list of Eligible Savings Measures.

5:00 Slide 9 – Program Design Revisions from Public Input

For those of you who are familiar with the Program design that we rolled out in April then what this slide is going to do is going to summarize the most significant changes that we've made. For instance, we now have a Project Developer role, which we think is going to be of interest to folks here. We now have created a self-install option for certain measures. We've changed how we do the Credit Enhancement. We've allowed financing up to $5 million and we've streamlined some of the size requirements. And we will talk through all of these in detail as we go through the deck.

5:38 Slide 10 – Summary of Features

This slide gives you an overview of the Program. The basics that we're talking about here is attracting private capital through the use of a credit enhancement. The Program will be open to businesses and non-profits building tenants and owners in the IOU service areas.

In-Person Attendee: If we have a question.

Miriam Joffe-Block: If you can hold. Let me just get through the introduction and a few places where we are going to pause. For folks, we have about 50 people on the webinar and we've got about 7 or 8 attendees here in the room, so sometimes those of you on the webinar might hear us chatting with folks in the room who are attending live.

6:15 Slide 11 – Benefits of Credit-Enhancement

The concept here is that a small amount of ratepayer dollars can be leveraged so that Finance Companies can offer more attractive terms than they otherwise would, or approve a broader range of applicants. And this allows contractors to sell deeper projects and deeper retrofits and the State of California gets more energy savings. That's the theory of this financing pilot.

6:43 Slide 12 – Who Should Participate?

With the addition of our Project Developer role, we believe our Program is a great fit for utility Program Implementers. We want the financing offered by the private capital providers through our Program to be something that you can integrate into your programs to help your customers get their projects done as a complimentary option to OBF. This would provide deal flow to the Finance Companies and higher uptake rates to the Implementers. We think it is a win-win, but we also want to know what you think.

7:15 Slide 13 – Statewide Marketing Plan

All of the CHEEF pilots are part of a statewide marketing plan that includes a new customer facing website, gogreenfinancing.com. It includes social media campaigns and utility marketing campaigns. What we show here are some of the images from marketing related to our residential program, also known as REEL.

7:41 Slide 14 – Background

The next section of the deck is we have several background slides on the Program. I'm actually not going to go through these in detail because a lot of you have heard this before and are familiar with the CHEEF, but they are there for your reference.

7:55 Slide 15 – Policy Background

This is the policy background. This is the legislative action that has gotten us to where we are.

8:02 Slide 16 – Players behind the CHEEF

This is information about the players behind the CHEEF.

8:05 Slide 17 – Residential Program

I will stop here and talk a little bit about our Residential Program because this has been running in the background while we have been working to design and build this Commercial Program. And I want to highlight our growth. We are up to seven participating lenders and those lenders have now completed over $4.8 million in private financing for about 285 projects. We had great growth in quarter three of this year partly due to the success of the gogreenfinancing website. You can see stats on our website traffic in more of these background slides. The other thing that I wanted to point out is about half of our loans are going to homes that are located in low-mod income census tracks.

8:50 Slide 18 – Addressing Barriers to EE Financing
8:51 Slide 19 – Public Facing Platform
8:54 Slide 20 – Private Capital Complements Utility OBF and C-PACE

I'm going to skip a few more, but I do want to pause for a moment on one other piece of background, which is how the pilots relate to other existing financing like On-Bill Financing and Commercial PACE. Most people are familiar that the utilities have a revolving loan fund that they run called On-Bill Financing or OBF where small businesses can borrow at 0% interest and this is a great option for many small businesses. However, we think there are niches where our financing through the CHEEF is going to compliment both OBF and Commercial PACE. For example, most utilities still have $100,000 per meter cap and require a 5-year payback, which means that OBF lends itself really well to lighting projects, but it is hard to do gas measures and it is hard to do expensive HVAC, or large pieces of equipment and get that 5-year payback. We think that's where CHEEF financing is going to play a good role. And on the Commercial PACE side, tenant occupants are eligible for our Program, but that just doesn't work for being a tenant and doing Commercial PACE.

10:08 Slide 21 – Enable Broad Market Participation
10:09 Slide 22 – Key Concepts

Now, it is back to Jonathan.

Jonathan Verhoef: Next, I'm going to talk a little bit about the Program's structure and some of the key concepts here.

10:18 Slide 23 – Financing Limits

This slide provides an overview of the financing limits in the Program and how the various elements fit in. These slides might seem complex at first, but I think when I walk through, they'll become clear. We are going to be returning to these terms throughout the presentation. At the top in the gray bar, you can see that the maximum financed amount in a project is $5 million. And of that, in the green area, up to $1 million can receive a credit enhancement. That's what we call the Claim-Eligible Financed Amount. And that $1 million can be made up of two subcategories. At least 70% of the $1 million that gets the credit enhancement needs to be Energy Savings Measures or ESMs. But also, additionally up to 30% may account for non-energy components. And then, the remainder is what we call the Claim Ineligible Financed Amount, the measures that don't get the credit enhancement. And the next slide has more detail on this.

11:18 Slide 24 – 70%-30% Split

So, in this slide, you can see under the Claim-Eligible Financed Amount, the 70% which captures Energy Saving Measures on the lower left there, you see they are broken out into three subcategories and those are the three ways that measures can qualify, and measures can qualify via any or all of these ways. They can come from our pre-qualified ESM list, they can be approved for a Utility Custom Program, or they can be certified by a Professional Engineer or a Certified Energy Manager. In addition to that, measures that are legally and practically required to complete the installation are also included as Energy Saving Measures. If you need permits, if you have to repair the dry wall and paint after putting in an HVAC system, that counts as Energy Saving Measures. Then, up to 30% can be non-energy components. And this can be pretty much whatever the customer wants, except it cannot be distributed generation. Some examples include you can put in some new landscaping, new floors, you can put in a new patio, you can have a wheelchair ramp. And then, of the Claim-Ineligible Financed Amount, as I said, distributed generation cannot get credit enhanced. That includes solar PV, combined heat and power, and storage. Also, additional Energy Saving Measures above the allowable $1 million and non-energy components beyond the allowable 30%.

12:45 Slide 25 – Program Rules Structured Around Amount of Financing

The way that our rules are structured is around the amount of financing. So, $350,000 and below has fewer customer underwriting requirements and projects can qualify automatically if measures are on the CAEATFA's broad pre-approved list, as I mentioned on the previous slide. And for projects above $350,000, there are stricter customer underwriting requirements. These projects will require either an energy professional - which is those classifications that I just mentioned, the Professional Engineer, the Certified Energy Manager - they will certify the savings on these projects, or it can qualify via a utility custom incentive approval. An exception to this is lighting projects, for lighting measures that are on our pre-approved list, they don't need that certification, you can go all the way up to $1 million with those.
Next, I'm going to hand it off to my colleague, David.

13:41 Slide 26 – Contractor and Project Developer Eligibility and Roles

David Gibbs: Good morning everybody.

13:48 Slide 27 – Contractor and PD Roles Compared

My name is David Gibbs and I'm an analyst here at CAEATFA working on the development of the Small Business Energy Efficiency Program. First, a quick housekeeping note. On this slide and throughout the presentation today, you'll see a little red text box in the upper right-hand corner of some slides. This box identifies what section within our proposed regulations each slide is addressing. You can use this information to follow along with us today and for your future reference. One of the exciting changes we've made involves the addition of the Project Developer role to the Small Business Program. We heard from you after our prior workshops that within the commercial space, business owners are often skeptical when they hear that energy efficiency upgrades can save them money leading to an improved bottom line and that they are also busy running their businesses and just don't have time to interact with, and learn, a program. We also heard that contractors are often too busy or have minimal desire to spend time interacting with a program. This Project Developer role is intended to address these issues. It's ideal for small and green business advocates and chambers of commerce, who are trusted within the small business community and program implementers who are designing and running energy efficiency programs on behalf of the IOUs, RENs, and CCAs. These organizations have already gained the trust of the business community and can help them see how energy efficiency savings can save them money and do right by the environment at the same time. We also think this role will work for those Project Developer companies who are looking to fill a niche in this burgeoning field. Ultimately, we see this Project Developer as someone who will help guide customers and contractors through our Program and interact with our new web-based interface. Hold your comments just for a couple more minutes and we're going to open the floor up here in about two minutes. There is some overlap between the types of things that a Project Developer and a Contractor can do. As you can see, both can develop a scope of work for the customer and come up with a plan for achieving energy savings. They can provide a Bill Impact Estimate to the customer and interact with, again, our web-based interface to input customer project data. Alternatively, there are some clear differences between what the Project Developer and Contractor can do.

16:23 Slide 28 – Contractor Participation Criteria

This slide describes what state law requires of a Contractor, namely a license. And some additional requirements that CAEATFA has put in place. The licensing requirement is a big differentiator between the Project Developer and Contractor roles. These Contractor requirements will look familiar to those of you who are aware of our residential program. As you can see only a Contractor can install and certify measures, certify that work was completed according to code, and that all permits were pulled and finalized.

16:55 Slide 29 – Project Developer Participation Criteria

By comparison, because a Project Developer has no license, we're asking them to provide us with demonstrated experience in this role. We're trying to strike the right balance in making the

Program role as streamlined as possible while providing an adequate level of consumer protection. To that end, we're asking for your input now into our proposed Project Developer requirements. Specifically, whether requiring Project Developers to have completed 25 projects as a Project Developer is the right threshold. Should this number be higher or lower? Is it just right? And why? Are there any qualifications that we're missing that should be considered? And should we allow Utility Program Implementers to automatically qualify for enrollment regardless of the 25-project minimum threshold? And with that, we'd now like to open the floor to you to get any feedback that you can provide regarding this new role, and the questions you see on your screen. You can type feedback to us or answers to the questions by clicking the Q&A button on the bottom of your screen or if you'd like to speak, please raise your hand electronically and we'll unmute you. Obviously, for those of you who are here with us today, just raise your hand and we'll be happy to field your questions. I'm going to start with Jacqueline Reynoso, who has raised her hand. Miss Reynoso, we are in the process of unmuting you now.

Miriam Joffe-Block: If folks, before they ask their question or give their comment, can just give their name and organizational identification, please.

David Gibbs: And Miss Reynoso, I think that you are unmuted, please begin.

[Gap in audio]

Miriam Joffe-Block: Does she need to unmute herself?

David Gibbs: You might need to unmute yourself on your computer if you are muted.

Miriam Joffe-Block: Okay, while we're working on that let's take a couple of questions in the room and we'll repeat these. Is yours in response to what we just pointed out, or is it something…?

In-person Attendee: [Unintelligible]

Miriam Joffe-Block: Okay, let's start with what we just pointed out and then we will work our way back. Let's start with you.

Michael Day: My name is Michael Day and I'm with Trane/Ingersoll-Rand. One of the things on your Project Developer here is if you're looking at Certified Energy Managers, Certified Energy Managers by definition need to file in order to be granted that certification, experience in the industry and performing this. So, you may wish to have anyone who holds a CEM that has been through the registration process automatic simply because they have already been peer reviewed in addition to passing an examination and it includes their experience.

Jonathan Verhoef: I like that idea.

Miriam Joffe-Block: I'm going to repeat the feedback just in case folks couldn't hear it but thank you for projecting. The feedback was to consider allowing anyone with a CEM, Certified Energy Manager credential as a Project Developer since they have already been peer reviewed and through a fairly rigorous process. How are we doing with the woman who -- was it Miss Reynosa?

[Unintelligible]

David Gibbs: Jacqueline, Miss Reynoso, we don't see you. For some reason we weren't able to field your question live. If you --

Miriam Joffe-Block: So, she has typed it in.

David Gibbs: Great. I will go ahead and read that to everybody. “My speaker is not working, but my phone line is. My question is if Utility Program Implementers will also be subject to training by CAEATFA?” And I think that the answer to that is - yes. We want everybody who is going to be enrolling as either a Project Developer or a Contractor to go through our training. We're designing the training so that it’s not going to be too burdensome or time consuming for you. It will likely be interactive, and you can do it from the comfort of your office or home. But, yes, we would require them to attend our training.

Miriam Joffe-Block: And just to be clear that our training here at CAEATFA is really about how to use the Program. We do not have training on anything technical, it is just how to interact with the Program. Take another one in the room?

David Gibbs: Yeah.

Eric Taylor: My name is Eric Taylor from the California Energy Alliance. I just have a comment. There's a special designation by the California Energy Commission called the Third-Party Quality Control Program, which basically can have relationships with HVAC contractors. In other words, they are like a home energy rating company. They provide diagnostic equipment to the HVAC Contractor for verification purposes that are uploaded to the California Energy Commission's registry, and I just wanted to point out that that program exists, and I think it would be a perfect match for a Certified Designator or Developer of these projects because they work with contractors every day.

Jonathan Verhoef: Excellent. Thank you.

Miriam Joffe-Block: We have one come in that we wanted to answer live.

David Gibbs: Yeah, Jeff Guild asks “is there anything that prevents a licensed Contractor from acting as a Project Developer?” The answer is - no. In fact, we understand there is going to be some overlap and that there are going to be companies out there who do both. However, we do want you to, if you are a licensed Contractor and you would like to enroll as a Contractor to perform installations, we would want you to enroll as a Contractor. Alternatively, if you're going to be filling the Project Developer role, we’d want you to enroll as a Project Developer also. So, you would be one company or one person holding two different enrollments and two different hats within our Program. Great question.

Miriam Joffe-Block: All right, I think we had some more folks in the room.

Mike Thompson: Mike Thompson, California Energy Alliance. A real basic question. You mentioned that the Project Developer role would be ideal for Utility Implementers and CCAs and this program is a private business also, right? It is not just utility associated projects?

Miriam Joffe-Block: I'm going to repeat the question. The question is that we mentioned this program would be ideal for utility implementers, but this is for private business and not just utility associated projects. By utility associated projects, do you mean those where a customer is seeking a rebate or incentive from the utility?

Mike Thompson: I don't know. You list here Utility Implementers and you mentioned not-utility projects. So, my question is --

Miriam Joffe-Block: So, this program is for -- I'm not sure exactly what you mean. This program is for small businesses and non-profits in the private sector who want to undertake energy upgrades. They may be pursuing a project with using a utility rebate or incentive through a custom deemed program. And that's why we think that having contact with utility program implementers who are out there every day knocking on small business doors and telling them about various programs, various rebate options could make a lot of sense because the rebate almost never covers the full cost of the equipment and that's where the financing would come in. However, participation in our Program and access to our financing does not require the use of utility rebate or incentive. In our residential program, about 80% of our projects, there is no utility rebate or incentive, so the financing and the energy upgrades are happening, they are utility customers but they're not getting the utility rebate or incentive. We think it is going to be higher in the small business world because we think that small businesses aren't out there doing a lot of projects without having some of that incentive, but it is certainly not required.

Mike Thompson: Thank you.

Tod O'Connor: Tod O'Connor with CLEAResult. Related to that question, since the customer does not have to qualify for an IOU energy efficiency rebate to participate in this program, is this program limited only to those customers located in Investor Owned Utility?

Jonathan Verhoef: That is correct. We need the person, the customer to be a customer of the utility, which matches the fuel source for the measure that they're putting in. So, if you are in PG&E territory and you've got PG&E gas and electric, then you qualify for both gas and electric saving measures.

Tod O'Connor: That includes CCAs?

Jonathan Verhoef: Yes, that is correct.

Tod O'Connor: My second question has to do with how you define non-profits. Does it include faith-based organizations located in those territories?

Miriam Joffe-Block: Yes. The second question was "how do we define non-profits and does non-profit includes faith-based?" and I think the answer is yes. We're actually not being very prescriptive on how we define non-profits. We don't even define it in the regs. We're open to feedback on that if folks think that we should, but our intention was to allow faith-based organizations to access the financing. There are a few comments that have come in that are not so much questions, but comments that I thought we might want to read, just so that everybody can have access to them.

David Gibbs: Sure. Phillip Kopp commented: "Any company who is qualified to support an IOU program should also be qualified to support this program. The only requirements for a vendor to perform utility incentive program work is a Certificate of Insurance." Thank you, Phillip, for your comments. Josephine Fleming commented: "You may have CBOs and government organizations that could fulfill the Project Developer role. The agreements and insurance requirements may be a deterrent for the bureaucratic process involved." Thank you, Josephine. For comments like that, what we're really hoping to get from you all in the industry is maybe some insight into what you might be thinking would be a more reasonable amount. So, if in addition to your comments, if you have any suggestions, we would gladly take those, so that we can help craft the Program to better suit industry's needs. And then, from Jessica Johnson: "With regards to the Project Developer participation criteria, will you please provide some clarity on what type of projects need to have been completed to meet the 25 completed projects threshold?"

Miriam Joffe-Block: This is Miriam again. I think this is another area where we have not defined things too rigorously. There are sometimes occasions when one wants to be a little open in the regulations. I think that our thought was these should be energy efficiency projects. They should utilize the type of measures that would be available through our Program. But we're not requiring that they be a certain type of business or that they have been done with a certain type of utility. I also did want to go back to the comment about CBOs and government organizations fulfilling the Project Developer criteria. I think we are imagining that there could be some community-based organizations, some non-profits or some local government efforts who work with small businesses and we absolutely would want to encourage them to be in the Project Developer role. We didn't think that the $2 million of liability insurance was overkill, but if there are real barriers, again, we'd want to know specifically which requirements and which agreements might be too much?

David Gibbs: Real quick. Michelle Vigen with Common Spark Consulting asks: "If a project needs to be within an IOU/CCA territory, can you clarify if this excludes POUs in Muni territories?"

Miriam Joffe-Block: We will get a little bit more into that, but I'm actually going to go back to the early slide that Jonathan showed.

29:48 Slide 24 - 70%-30% Split

A customer needs to have at least one IOU servicing them in order to participate in the Program. If they are in a split territory where they have a utility gas service but then they have a public utility as their electricity, they can still qualify for the Program, but the electric measures would not be considered Claim-Eligible. We would not provide a credit enhancement on the electric measures because the -- I think actually they can be included in the 30% if I have it correct, but no more than 30% of the Claim-Eligible Financing can be the electric measures.

Jonathan Verhoef: I think that's correct, yes.

Miriam Joffe-Block: Thank you for confirming. So, there is some way to participate but that's because these are utility ratepayer funds so we have to use them mostly for utility ratepayers. We are seeing that in our residential, we are seeing customers in the Muni locations in Los Angeles and Sacramento doing projects with some small amount of electric measures that fit into that 30% bucket that we can still provide a credit enhancement on. And I think we've got time for one more question or comment here, and then, we need to move on and we'll continue to open it up as we go. Let's get the gentleman who has not spoken.

Robert Ridgley: At the energy commission, we have been looking at technology --

Miriam Joffe-Block: Can you introduce yourself?

Robert Ridgley: I'm sorry. My name is Robert Ridgley and I'm with the California Energy Commission. So, we have been looking at heat pump technology as a strategy for decarbonization, particular water heating and space heating. So, my question is what we're saying is that without subsidy may not be viable, so if a heat pump on a particular business was not viable without subsidy then if they were to receive a rebate from the utility for example, and they can cash flow and show the cost savings, at least. Would that be something you would consider? I mean, it is not really clear what your underwriting criteria are here.

Miriam Joffe-Block: I think that we can repeat that question. It is a little bit soft. I think that question is: if you have technology like heat pumps where there's maybe still some questions around cost effectiveness without subsidy, is it eligible? So, we are not applying a cost-effective test to measures for financing. This is a big difference between this private financing program and the utility's on-bill financing we're they are looking for a certain payback. I believe in our ESM List, we do have heat pumps on there. Yeah, so that means if it is a heat pump and it is on that list and a private capital provider is willing to finance it through our Program, then we welcome it. There are some private finance companies, some of who are on the line now, who I know do not underwrite to energy savings because they are asset-based lenders or looking at cash flow and others who are offering more complicated products like Savings-Based Payment Agreements and Energy Service Agreements where they are really underwriting savings, so I think that we are going to have a mix, but the Program will allow that technology.

Robert Ridgley: As long as there is cash flow?

Miriam Joffe-Block: The Program is not requiring -- CAEATFA is not requiring a cash flow analysis based on a particular technology. We have minimum underwriting criteria that we'll get to a little bit later on and then private capital providers are going to decide if they are willing to make a loan or a lease or a service agreement and they're going to be looking at other factors like the business' overall cash flow and they may or may not include the projected energy savings into their underwriting. We've got a lot of different models in the mix here.

Robert Ridgley: Thank you.

Miriam Joffe-Block: Thank you for pointing that out because that is one major difference between us and some other programs.

Robert Ridgley: So, does a specific measure would not necessarily have the cash flow, as long as the business overall cash flow?

Miriam Joffe-Block: Yes, the confirmation is that the specific measure does not need a cash flow as long as the overall business and this is really on finance provider discretion.

Robert Ridgley: Right.

Miriam Joffe-Block: So, we are certainly not looking at any individual measure and our cash flow requirements are actually fairly liberal, as well, and left up to the lender. And we'll get there in about 30 slides.

Robert Ridgley: Thank you.

Miriam Joffe-Block: Now, we are going to pick up with our next section.

David Gibbs: Really quick, everybody. Thank you very much for the comments both online and in person. Just so you all know, we are recording this webinar, so all of these questions if you weren't able to kind of get what was answered or hear the question, this will be available for you to refer back to at a later date as soon as we have that posted, I'm sure that we will reach out to you electronically to let you know.

34:48 Slide 30 – Project and Measure Eligibility

Jonathan Verhoef: Okay. Next up, I would like to talk about project and measure eligibility.

34:54 Slide 31 – ESMs Qualify via Three Methods

As I mentioned previously, Energy Saving Measures can qualify via any of the three methods -- any or all on any given project. We have the pre-qualified Energy Saving Measure List. That includes any measure that qualifies for a rebate through a utility program, third-party administered program, or REN or a CCA. Also, anything that has been approved through a utility custom program can qualify. And the third method that I mentioned previously is what we call professionally certified Energy Saving Measures that is where the Professional Engineer or Certified Energy Manager signs off on the measures. I wanted to highlight our definition of Energy Saving Measure as any energy efficiency or demand response measure, including alteration and improvements as I mentioned before, that are legally or practically required to complete the installation of these measures. For your reference, we have got our definitions of energy efficiency and demand response on the right.

35:52 Slide 32 – Method 1 – ESMs are Pre-Qualified

Our first method Energy Saving Measure List, we have a pre-qualified list. On the left of the slide, you can see a number of overall categories into which these measures fit and we're trying to have a very inclusive Small Business Program. And each of these categories will have subcategories that are broad categories such as efficient HVAC or lighting controls that will capture in essence what the Energy Saving Measure does. So, measures that are on the list, can be financed without any additional approval for up to $350,000 or in the case of lighting measures, all the way up to $5 million although, only the first $1 million will get the credit enhancement. Some ESM List measures will include additional eligibility requirements, for example, Energy STAR or DesignLights Consortium standards. As I mentioned there is a "IOU, REN, CCA Rebate – Other" category which is a catch all so that we are allowed to approve measures that have already been approved by utilities and given a rebate even if it is not listed specifically on the list. And the full draft of this list is available in the Appendix of this slide deck and the back of the regulations, as well.

37:12 Slide 33 – Select ESMs are Eligible for Self-Install

We introduced a self-install measure option after considering impact from different stakeholders that we talked to because we realized that small business owners may wish to install for example, an efficient refrigerator or some screw-in lighting and we really don't want them to have to pay for a Contractor for something small and simple like that, which can actually start saving them energy right away. In addition, non-energy components also qualify for self-install, so if you want to paint your restaurant and add that into the financing, you can do that. We have set specified measures on the list, which are eligible for self-install. A few other examples include plug-in appliances or equipment, smart thermostats or low-flow shower heads. And on these self-install projects, we are requiring a Project Developer because we need someone who is going to provide us with the Program data and certify that the measures were installed.

38:16 Slide 34 – Method 2 – Measures Approved for IOU Custom Incentives

As I mentioned, measures can also qualify for our Program via the utility custom incentive programs. So, any measure that has already been approved by an IOU, REN, or CCA custom program is approved for financing we just need to see the letter of approval or notice to proceed.

38:33 Slide 35 – Method 3 – Professionally Certified Measures

And the third method, which we call the professionally certified method. We added this because we have gotten a lot of external feedback that custom processes can take a long time, and sometimes customers will install a less efficient measure rather than wait to get approval for the custom measures. We wanted to offer a faster process that has more flexibility and customization to the Program. The Certified Energy Manager or Professional Engineer, who is not working for the customer can certify these measures will save energy and then provide us with an estimate with how much energy they think it is going to save. We have gotten a lot of positive feedback from the industry on this method.

39:19 Slide 36 – Project Basic Requirements

All projects are going to be required to meet basic requirements. We need you to be in compliance with state and local laws, and licensing and permitting requirements. I wanted to highlight a few program-specific ones, as we touched on before, we need a fuel source match. If a customer is getting electricity from a municipal energy provider such as SMUD, then a lighting measure is not going to qualify as an Energy Saving Measure. We also require a bill impact estimate. You don't have to write your own, we can provide a template for you. We need Contractors and Project Developers to make certain certifications that the project is completed in compliance with our Program requirements.

40:00 Slide 37 – Project Flexibility

A big part of the effort that we've put into writing these regulations is to give these projects a lot more flexibility and this slide highlights some of the various ways that we've allowed for that. So, you can have only one Contractor on the project, you can have more than one. You could have a general contractor, several contractors, or they could be independent of each other. For example, if you have one Contractor who is putting in your HVAC and another one who is doing your windows, they probably don't want to interact with each other, so they can independently interface with our Program. Also, you can combine self-install measures with other qualifying measures so that you could have a Contractor install some of the project, but you could install some of it yourself. And we've allowed for a lot of flexibility in terms of non-energy saving components for up to 30% of the claim-eligible amount and these can be installed by the customer through self-install, through a Participating Contractor or through a non-Participating Contractor. Maybe they don't want to interface with our Program at all. We also have scalability as a huge goal, we wanted to capture the smallest projects, as well as all the way up to those $5 million projects. If the Finance Company allows it, these budges can include solar. It really depends on working it with the lender and they will be able to look at our Program and understand what kind of credit enhancement they are going to get on the overall project.

41:24 Slide 38 – Post-Installation Verification Checks

We're going to be doing some post installation verification checks. After the project is done and the financing is enrolled, within a year CAEATFA will be reviewing the documentation which was submitted to do quality control. You can see that we are listing some of the documentation here. We are going to be verifying utility service and utility rebates, fuel type match, the breakdown of Energy Saving Measures versus non-Energy Saving Measures, looking at the invoice, and making sure the project is compliance with program requirements. For a smaller portion of the projects, we may perform photo verification or a site visit.

42:04 Slide 39 – Credit-Enhancement Structure

I would like to take another pause here for questions or comments on the things that we have just covered.

Michael Day: Hello, this is Michael Day with Trane/Ingersoll-Rand. I have two questions. First is, you made a comment that said a Professional Engineer or CEM not working for the customer. These professionals are not free, they are typically being paid for out of project funds. Could you please clarify what you meant by that and how that's supposed to work?

Jonathan Verhoef: Thank you. The question was: "Can you please clarify what the Professional Engineer or Certified Energy Manager is not working for the customer means?" You are being paid by the customer, you are not an employee of the customer within the customer's organization. We just wanted to assure there is some measure of distance and a third-party verification going on there.

Michael Day: All right.

Miriam Joffe-Block: I believe that that is clarified in the regulations. I think that we used shorthand in this slide deck, so that's good feedback. We should not use that shorthand, but I believe in the regulation text it says the word "employee".

Michael Day: Thank you. The second question was it looks as if energy storage at large is not considered energy efficiency. However, there are types of energy storage like, say, thermal energy storage which, if you are running your air-conditioner at night, can actually reduce the kilowatt-hours over the course of the day, over the course of a year that have energy efficiency and quite certainly, can have -- they are enabling demand response. It is easier to participate turning off your air-conditioner if you can get your cooling out of the ice bank or water tank up on a hill. So, with regards to those measures, which are sort of dual use energy storage, but also are energy efficiency or demand response, do the rules as written exclude them because they are energy storage, or are they in if they are something that promotes KWH or therm efficiency or DR participation?

Miriam Joffe-Block: So, I think that Mike, is it Mike? No, it is Michael. Michael was pretty loud, so I think that came through. In terms of the -- our restrictions around storage, we are subject to the California Public Utility Commission's Guidance Decision which really designated this as an energy efficiency program and did not allow storage. Do we have a definition of storage in our regulations?

Jonathan Verhoef: I don't think that we have storage specifically defined in the regs, no.

David Gibbs: DR, we have...

Miriam Joffe-Block: I think that we have a DR definition that includes storage. I'm trying to pull up the regulations right now. I think what we'll do on this one is if you have specific measures that you think, or technology should be included, if you can follow-up and send us an email and kind of make an argument as to why. We will look at that with a consultant, who we may bring on the line later if we have more time. We have Dan Mellinger from Energy Futures Group who is our technical consultant around these measures and he will welcome your comments on that. What we have found is that so far, the Public Utility Commission has really included storage within distributed generation. For instance, combined heat and power is not allowed in this program and that's already been sort of litigated. So, if it is technologies along those lines I'd say the prospects are slim. If you can make an argument that it's different and it somehow really is true demand response or energy efficiency, we'll take a look at it.

Michael Day: Thank you.

Tod O'Connor: Tod O'Connor with clear result. On a related question - and I appreciate the question - getting to the definition of energy efficiency, and I apologize to those who hear me cite it, but it is important. "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." It seems to me given that definition that storage fits, number one. And number two, it also seems that photovoltaic also fits. And also, photovoltaic has been identified by the U.S. Department of Energy in a memorandum with Southern California Edison to qualify as an eligible energy efficiency measure. So, if it is good enough for the U.S. Department of Energy, I would suggest that it is good enough for the Program here. With respect to storage, if you're looking at external attributes, I think that's the important thing, and if any technology product or system meets this definition, shouldn't it be included?

Miriam Joffe-Block: So, I think -- so, I appreciate the impassioned arguments here and I will tell you that CAEATFA does not like having to run programs in silos. We don't think that customers see any of these distinctions when they are looking to install projects. However, we are in a world of funding silos and our Program will not be able to provide a credit enhancement for distributed generation which is defined and includes photovoltaic. If it is not clear that our energy efficiency definition excludes distributed generation, we should make it more clear in our regulations. But this is a California Utility Commission guided decision for the Program. It can be part of a project; the lender will just not get a credit enhancement for it. And I'm sorry, Tod, we are going to have to move on. This has been litigated -- This discussion isn't going to advance beyond… Photovoltaic is not going to get a credit enhancement.

Tod O'Connor: I want to say something else.

Miriam Joffe-Block: Okay.

Tod O'Connor: It's related to -- We keep using the term "distributed generation", but the term has been enhanced over the past 5 to 6 years has been "distributed energy resources". So, if you are not restricted by CPUC regulations.

Miriam Joffe-Block: We are.

Tod O'Connor: On distributed energy resources, DER?

Miriam Joffe-Block: I believe we are. I believe we can take a closer look at this later. I know we do have a couple of CPUC representatives on this call right now, are analysts there, so it is something that we can work on afterwards.

Tod O’Connor: Okay.

Miriam Joffe-Block: I'm a little hesitant to make too many promises about what CAEATFA can and can't look at because we are under that guidance decision. But, I appreciate the sentiment and the desire to be as inclusive as possible. And, maybe what the finance companies who are on this call can take away if there is market demand and we are able to credit enhance a certain portion of the project, then maybe they would want to include it anyway and not have every dollar credit enhanced, but still hear that demand might generate more deals. So, to that end I think that we can roll with it. I think what we're going to do now is we're going to move on to the finance side and we will continue to come back and have pauses for questions. And so, if we have time at the end and folks want to continue chatting, we can return to specific measures and more on the project side.

50:14 Slide 40 – Credit Enhancement Structured as a Loss Reserve

We've got about 70 people online now, so we appreciate all of the comments. Getting to the credit enhancement structure, the actual structure has not changed since what we presented in April. The credit enhancement is going to be structured as a loss reserve. CAEATFA is going to set up an account at a Trustee bank for each Finance Company that enrolls in the Program. As your company enrolls loans or leases or service agreements with the Program, we will contribute funds to the Loss Reserve Account and these are these utility ratepayer dollars that we have been talking about and what they're approved for and what they're not. In the case of a default, the Finance Company can request funds to be paid out of the loss reserve for up to 90% of the Claim-Eligible Financed Amount. We will also open up to three sub-accounts for each Finance Company in case you wish to benefit from having funds segregated for different investors and want to keep your pools of loss reserve funds separate.

51:20 Slide 41 – Finance Company Incentives

We have changed the structure of the contribution for the credit enhancement. So, we are currently proposing to contribute 20% of the first $50,000 of Claim-Eligible Financing and 5% of the next $950,000. In the proposed structure that we presented in April, we had three tiers of financing with different contribution rates and that led to some very awkward jumps in the loss reserve contribution, so here we have really smoothed it out. What this new methodology does is it is gradual, so it smoothed out, it also provides an incentive for small deals which are hard to finance, so those Finance Companies doing those $50,000 and under deals are getting a 20% contribution to help them with that underwriting and burden. And then, we've reduced the amount to 5% on the next $950,000 because the Finance Companies told us that anything over 5% wasn't making too much of a difference at that point, so we might as well preserve the ratepayer funds.

52:27 Slide 42 – Claim-Eligible Charge –Off

Now, in the event of a charge-off, the Finance Company can submit a claim for up to 90% of the Claim-Eligible charge-off amount. We expect the Finance Company to take reasonable collection and recovery steps in line with its normal practices. And if the Finance Company has made a recovery, our payment won't make them more than 100% whole. The Finance Company can assign the payment to a third-party if they have sold off the agreement and there is another investor who needs to be paid. And we are also allowing Finance Companies to use future contributions to cover charge-offs if they don't have enough in their account at the time of the default. And this would be allowed until the end of the fiscal year. So, the details of this, I really encourage the Finance Companies to read the credit enhancement section in the regulations, which is pretty short, but has all of these details.

53:16 Slide 43 – CAEATFA is Aiming for Product Parity

Now, this next slide gets a little bit technical. We are trying in our Program to keep up with this changing market for energy efficiency financing and to allow products beyond traditional loans and leases. We think that's also a niche where the CHEEF financing can provide value to small businesses who may want a service agreement or a cash flow positive or what we are calling Savings-Based Payment Agreement because these are product types that you cannot get through OBF. So, we need to have - we're trying to have - what we call product parity where we are treating the different products the same or similar in terms of what we consider financed and what we consider to be a charge-off. So, bear with me while I read these definitions because this is an area where I'd like some Finance Company feedback to make sure that we've gotten this right. But the total financed amount for loans and leases is very simple, it is just the original principal that was disclosed to the customer through the loan or lease documentation or job addendum. For a service agreement or a Savings-Based Payment Agreement and we'll get to those product definitions in a moment, this is the total installation amount paid to the Participating Contractor and disclosed on the job addendum and it is inclusive of equipment, taxes, labor, and shipping, but it is exclusive of service and oversight payments. So, what we we're considering to be financed is that upfront investment to do the install, not the ongoing monthly charge that the customer might pay for maintenance of these agreements. And then, when we get to the charge-off, it is pretty clear for loans and leases, it is outstanding principal. For the service agreements and the Savings-Based Payment Agreements, it is going to be this sort of complex equation -- well, it looks more complex than it is. It is the total initial installation amount divided by the number of months of the term multiplied by the number of months remaining. So, the gist is that we're not going to reimburse a Finance Company for monthly service charges that were unpaid because the customer defaulted early. We're not considering that to be part of the charge-off.

55:33 Slide 44 – CAEATFA to Rebalance LLR Accounts Manually

The CPUC Guidance Decision requires that CAEATFA rebalance Loan Loss Reserve Accounts periodically to be able to revolve the funds for ratepayers and this slide talks through our methodology to do so. We will take into account any claims from the fiscal year prior to the rebalance so that Finance Companies can use their loss reserve contribution as portfolio insurance, which is our intention.

55:57 Slide 45 – Finance Company Eligibility and Roles

I'm going to go through another section on the financing and then, pause for comments. So, I'm going to talk about the company eligibility and roles.

56:05 Slide 46 – Finance Company Roles

So, again, we're really trying to be flexible here and accommodate a lot of different business models. And what we see in the commercial world is that there is a huge variance in how the financing is offered. And what we also see is that there are even some ESCOs where the line between “Is it a Contractor?” or “Is it a finance provider?” - you know, “What are you?” - gets a little blurry. So, what we have done is we have nailed down here what the roles are in the Program. And so, we're starting with marketing representation. This is going to be the entity that gets listed on our Program websites and gets advertised in our marketing materials. And then, there is an underwriting role to follow program guidelines for approving the financing and the projects.

56:56 Slide 47 – Finance Company Roles cont’d.

There is an origination role. There is a financing submittal role, which is basically giving us data about the project. Note that CAEATFA doesn't actually get any loan or lease documents, we just get program information. There is a servicing role. There's a monthly reporting role to supply CAEATFA with regular monthly reports on the status of the performance. And then, there's a role of being the Loss Reserve Account representative and filing a claim and getting the claim payment and dealing with any investors.

57:31 Slide 48 – Flexible Participation Strategy

So, you've seen this slide before from April. We are proposing this flexible strategy where two entities can team up as a primary and affiliate-applicant and together decide who is going to perform these roles and even designate a third Marketing Representative if they want to. This might work well if a Finance Company is offering a white label product and just wants to allow its client to be the one who is advertised. Or at least, that’s our theory and you can tell us if we are right.

58:02 Slide 49 – Applicant Key Requirements

All applicants are going to need to make some key requirements. Most importantly, the Finance Company is going to need to tell us “what are the benefits to the customer from this access to the credit enhancement?”

58:18 Slide 50 – Additional Requirements for Non-Financial Institutions

At the last workshop, we solicited feedback on additional competency requirements for the Finance Companies and what we have laid out here is for Financial Institutions, who are either federally insured depositories: banks or credit unions or CDFIs. It is kind of like being a licensed Contractor, just by being a federally insured depository or CDFI, they are in the Program. That's enough. For the specialty Finance Companies who do not fit that category, we have some additional requirements that we have now laid out in the regulations to make sure that the companies that are participating in our Program are going to be ongoing concerns that have customer service and that have a good reputation of dealing with customers. So, you see those requirements here. We are looking for a net worth of at least $1 million for the underwriting generation and servicing roles. We're looking for demonstrated experience and competency. For origination, we are looking for $20 million in committed capital generally. That doesn't need to be just for our Program. We are just looking to see that someone has entrusted you, as an originator with $20 million to -- or not entrusted but has committed $20 million for financing activities. And we're looking for at least 50 transaction or $50 million in transactions funded. And we're open to feedback on these requirements.

59:46 Slide 51 – Feedback on Finance Company Requirements

A couple of other things we are looking for feedback on, we are looking for feedback on whether the FDCs, or Financial Development Corporations, should be considered Financial Institutions? Is it a problem to require a single servicer? Do we need flexibility as financing agreements are sold? And do any of the Finance Companies foresee any concerns with the acknowledgments, representations, and certifications that are asked for in the regulations? So, it is 11 o'clock. We are only four minutes behind. That's so exciting.

[Laughter]

So, I'm going to pause now to see if anybody wants to comment or ask questions on the Finance Company…? I had a hand go up and then, go down.

David Gibbs: We had one question come in from Randy Cherwin, who asked "Are savings-based service agreements off-balance sheet agreements. How do they accept payment for energy savings?"

Miriam Joffe-Block: I'm going to actually hold on that because I'm going to get to the products in the next section. All right, we have a question in the room and then we'll go to phones.

Michael Day: Michael Day with Trane/Ingersoll-Rand. Leasing agreements often front-load their interest payments and the principal is paid relatively late over the term of it, whereas traditional finance, it's a straight-line amortization. How is CAEATFA going to look at, if it is 90% of the outstanding principal, how are you going to equitably deal with ones that have straight-line depreciation under a loan and under a lease where the interest is more front-loaded?

Miriam Joffe-Block: I think that we will get into this a little bit more when we look at the product definitions. But, I think the short answer is that we are not going to have pure product parity when it comes to an institution's decision on how they amortize payments.

Michael Day: Okay.

Miriam Joffe-Block: I think that what we have found in looking at the industry is that loans and leases are actually quite similar where I think it comes into play is with the service agreements where some of the -- the service agreement providers like to say there is no interest to the customer. But the truth is they have a cost of capital that they have had to borrow funds in order to do that initial installation and the customer does have some financing charges passed on to them and how they apply those payments over time, my guess is there's variety in the industry, and we are electing not to police that. So, we will have something close to, something that is reasonably achievable in terms of product parity, but we will not pretend to have it pure.

Michael Day: Thank you.

David Gibbs: One more online. Josh Lampl is asking, "I don't understand what it is meant by contribution rate. Who is paying this, and to whom?"

Miriam Joffe-Block: So, the contribution rate -- let me go back to that slide.

1:03:03 Slide 41 – Finance Company Incentives

The contribution rate is CAEATFA using the ratepayer funds.

1:03:13 Slide 40 - Credit Enhancement Structured as a Loss Reserve

So, we have a $14 million budget right now. There are $14 million in IOU ratepayer funds allocated to this Small Business Program. If we spend it, we can access more from our residential program where we are over-funded. But we are starting with this budget of $14 million that CAEATFA is structuring as this loss reserve.

1:03:33 Slide 41 – Finance Company Incentives

And the contribution rate has to do with for every enrolled financing agreement, what is the credit enhancement that that lender or lease provider is going to receive? And so, it is going to be 20% of the first $50,000, and 5% on up to $1 million, we talked about $1 million being claim-eligible. I'm going to keep moving then -- I'm not seeing any other questions, but feel free to raise your hand and we will unmute you if you want to give us feedback.

1:04:08 Slide 53 – Financing Instruments

Now, we are going to go into the products and we'll answer Jeff Guild's question or someone's question. As I mentioned, a goal is to support a diversity of financing products. And I do want to say that for our definitions we're really considering a lease and an efficiency financing agreement to fall under the same definition. Traditionally, one the title transfers at the beginning of the term and the other, it is at the end, so there is a big distinction in the industry, both qualify under our Program, but I just want to reassure anyone who works with EFAs that your product is in. One big change that we made from the April design, actually it's a small change from the April design, was to separate out what we are calling service agreements and Savings-Based Payment Agreements. So, putting the loans and leases aside, there are Finance Companies out there advertising to customers these service agreements where the customer does not necessarily take title to the equipment. And these are often billed as off-balance sheet agreements, or they are technology subscriptions. CAEATFA is not taking an opinion as to whether they are on- or off-balance sheet because we are not tax lawyers and there are going to be a lot of different opinions on whether something is truly off-balance sheet or whether it is a mandate to repay. But, we understand that these service agreements present a lot of value to small business owners because if you can pay someone a small fee every month and they're going to come in and make sure that your lights, and your HVAC, and everything is running, well great! Because small business owners don't want to worry about it. So, we want to support the inclusion of these products in our Program. So, what we have done is we have distinguished a service agreement from a Savings-Based Payment Agreement. A service agreement has regular ongoing service and maintenance of measures, there's not a title transfer, and there's a guarantee of functionality of the measures or there's a guarantee of energy savings but this is probably going to be a fixed amount per month that is set up with the customer. The Savings-Based Payment Agreement is really a type of service agreement where we're distinguishing here, but it is one where the customer shares in the upside from the savings and is cash flow positive. If the savings aren't realized, the customer doesn't bear the risk. And this can come either from a guarantee or a payment structure that is actually based on savings. And we understand there are some Savings-Based Payment Agreement models out there where there is no defined term because the customer will just pay until they've -- the savings agreement will continue until the customer has recouped or repaid that initial installation cost. And we want to allow that model in there too. We think that being cash flow positive right out of the bat for the customer is a fantastic option. And there are Finance Companies that we have been talking to that have now been able to offer these types of agreements for projects as small as $200,000 or even in some cases $100,000, which was not really heard of in the industry even 5 years ago.

1:07:23 Slide 54 – Product Requirements

Next, I'm going to go on to the product requirements. And our product requirements are pretty minimal. The most significant one for the Finance Companies is disclosure. We want the customer to either know what their annual percentage rate is going to be inclusive of fees or advance payments or the total cost of the project comprised of monthly payments times number of months plus fees. This is again, we're looking for some product parity and we want to make sure if it is a service agreement and the customer is being told there is no interest, there is no financing here, it is just a service agreement that they really understand what they are paying for that entire project because they really are paying for the company's cost of capital. We still think it might be a great deal for them, we think they should just know what the bottom line is. These disclosure requirements were changed based on industry feedback, so I'd be very curious from the Finance Companies that are on the line to give us feedback on whether or not you can do this now and whether we have improved it. We are not capping the interest rate but there is one. However, as part of the application process to the Program, the finance entity needs to demonstrate what the benefits are to customers in exchange for receiving the credit enhancement. And sometimes, this is going to be a reduced rate, we understand that sometimes it is not, depending on that company's model. Term length, no restriction. The funds are claim-eligible for ten years. No open-ended lines of credit, these need to be termed, or at least have an amortize-to-zero if there is not a defined term. Financing minimum: there's none. And then, you already know the maximum: the credit enhancement stops at $1 million but will go up to $5 million.

1:09:06 Slide 55 – Product Requirements, cont'd.

We are going to permit refinances, if the financing agreement is enrolled with the Program within 90 days of project completion because we want to allow construction financing to be taken out with financing through our Program. We just want to be careful, the 90 days is really to make sure that we don't have a project that's been done five years ago now enrolling in the Program because that would be free ridership. So, tell us if this 90 days makes sense? If it's enough? Fees need to be disclosed to us and to the customer. They need to be reasonable and in line with industry standards, but we're not going to regulate them. Progress payments to contractors are permitted. We are not going to require them because that's a private capital provider decision, but we know that's a biggie for contractors. Collateral, we are requiring a security interest in financed amounts greater than $50,000. We are not regulating what that security interest needs to be other than it cannot be real property with the exception of the UCC-1 fixture filing. And then, personal guarantees are not required. They are permitted. Although, you'll see when we get to customer underwriting, there are some cases in which they are actually, they can be an option to meet a requirement.

1:10:22 Slide 56 – Feedback on Product Requirements

So, we want to know if these updated product definitions work for the industry. And does the updated disclosure requirement provide parity across product types? And is it doable for your company?

1:10:40 Slide 57 – Customer Eligibility

I'm going to go through the customer requirements and then, I'm going to pause again. I think that we did have one question about the net worth requirement and just to clarify the net worth requirement for the originator, servicer, and underwriter is $1 million with an "M".

1:11:07 Slide 58 – Eligible Customers

Customers. Who's eligible? Thanks for bearing with me I know this is a long webinar. The customer must receive their gas or electricity from one of the four utilities. In terms of the size requirement, we have updated and tried to streamline this. The CPUC Guidance Decision mentioned that the small business needed to meet the SBA size standards based on -- they base them on these NAICS industry codes for the businesses industry. In talking to the Finance Companies, we found that most are not looking at the particular NAICS revenue or customer employee cap for each industry, that's kind of burdensome. What we have done is we've created two kind of fast tracks for a customer to qualify and we are leaving the SBA standard in there as an option. If a customer has less than 100 employees, they're a small business. If a customer has annual revenues less than $15 million, they are a small business for our Program. We think that takes care of maybe 75% of the businesses and non-profits that would want to use our Program. However, there are some industries where that SBA standard gets us a little more wiggle room that we think are going to be attractive industries for this program, like grocery. Under the SBA standards a grocery customer can actually have annual revenue of $37.5 million. So, the Finance Company has the option of utilizing the SBA size standards if they want to qualify someone who can't fit in through the easy ways or they could just go with the easy and streamlined if they want to be easy and streamlined. And that hundred or fewer and $15 million is based on a California Department of General Services small business designation, so we didn't just pull that out of thin air. There is a little bit of precedent for it. These can be owners or tenants. There are some credit standards. We do have a question coming in about cannabis related industries. Are they eligible if they meet the other requirements? The short answer is we're working on that. We would like them to be because we know they don't have access to federal funds. If a Finance Company is willing to underwrite them and make that financing, but we are still working on making sure that that's something that we can do. So, in the current regulations as they stand, they are eligible, and we are working on that right now.

1:13:47 Slide 59 – Underwriting Processes

Okay, let's talk about the underwriting. I mentioned that we had streamlined this in one of those very first slides. We're trying to balance allowing Finance Companies to follow their own underwriting standards with the need to have some guide rails in place to protect the ratepayer funds. Now, remember the Finance Companies are only going to get to claim 90% of a charge-off. They have skin in the game on every single deal. I just say to reassure the policy types on the calls who want to see these stricter, but we've really loosened these up. So, for companies borrowing less than $350,000. And remember, that $350,000, that's that amount that any project that has measures on our pre-approved list just qualifies. On the underwriting side, we want to see a credit check using a standard industry credit scoring service or, I believe utility bill pay history is an option, since that's something the Commission would like to test. We are not even saying what the credit score needs to be. We're just saying you have to do it and please tell us what it was. And one of the following three requirements: Either there is a positive operating profit or taxable income for the last two years, or the customer's been in business at least five years, or they provide a personal guarantee. And we think from talking with the Finance Companies that we believe that with those options you can pretty much make a loan lease or service agreement to those that you would want to with our credit enhancement for that amount. Please tell us if we have gotten it right. For amounts over $350,000, we're looking for the credit check, we're looking to make sure that the business shows a positive operating profit or positive taxable income for at least two out of the last five years, and the Debt-Service Coverage Ratio is greater than 1.1 for two out of the last five years. We made that those two out of the last five years based on your feedback from the last workshop.

1:15:47 Slide 60 – Enabling a Secondary Market
1:15:49 Slide 61 – Sale and Transfer of Enrolled Financings

My final slide on the financing piece is just that we are looking to make sure -- we know that Finance Companies need to sell or transfer their agreements to replenish funds and we permit the sale transfer assignment of financings portfolio level or single agreements. We ask that you report that to us and we will set up the Trustee sub-accounts to do so. And then, we do have some provisions in the regulations to account for if a Finance Company were to leave or choose a new servicer and how that would work with the Program that are in more details in the regulations.

Okay, so I'm going to pause and see if there are any questions or comments about this piece. Let me take the one that is coming in online first. And then, we will take the gentleman in the room. Okay, actually these questions are on the savings measures, so Joseph Benson, I'm going to hold your question until we get to the next section. So, questions or comments right now about financing.

Michael Day: Michael Day, Trane/Ingersoll-Rand. Regarding the size, for those who are under $350,000, projects over $350,000, what about a new business?

1:17:18 Slide 59 – Underwriting Processes

All of your underwriting criteria there appear to be for growing concerns, whereas new construction often times will have a lot of opportunity to move from a standard efficiency to higher efficiency option that this will presumably incentivize that move and has good public policy, but I don't think they would be eligible is a new concern.

Miriam Joffe-Block: So, we need to differentiate between a new business and a new building. So, we cannot finance the construction of a new building.

Michael Day: A lot of times this would be tenant improvement, a new data center going into a new building.

Miriam Joffe-Block: Just to be really clear, because we are an efficiency retrofit program --

Michael Day: Sure.

Miriam Joffe-Block: I don't believe that our underwriting criteria does preclude a business in its first year of operation. So, all of that the Finance Company would need to satisfy here is one of the options under (bullet point) two. So, if the customer provided a personal guarantee, then if they are in their first year of business that would work for our Program as long as it works for the Finance Company.

Michael Day: Sure.

Miriam Joffe-Block: And some of them have told us they do want to be able to -- and we actually loosened this because I think before we required maybe a year or two in business and they had some they would want to be able to loan to if they had access to our credit enhancement that would help them. You know, those are risky businesses, right, in their first year of operation?

Michael Day: Exactly.

Miriam Joffe-Block: But we think a personal guarantee is appropriate in that first year of business.

Michael Day: Okay. Thank you.

Miriam Joffe-Block: Yep. Are there any other comments on the -- from anybody on the call related to the finance elements that we have covered?

Jonathan Verhoef: We have one in the room.

Miriam Joffe-Block: Oh, I'm sorry.

Tod O'Connor: Tod O'Connor with CLEAResult. Two quick questions. You mentioned those customers who are located in Investor Owned Utilities that are being serviced by Investor Owned Utilities or CCAs or Energy Service Providers. Legislation was recently passed that increased the amount of gigawatt hours that opened up the direct access market for small businesses and I think this covers it. So, energy service providers would be those who provide direct access services to those customers? I just need a clarification on that.

Miriam Joffe-Block: So, I'm not sure that -- I'm going to answer with a caveat because this is not an area of strength for me. I understand that the energy service providers are still using the utility's kind of pipes and wires as delivery systems.

Tod O'Connor: That's true.

Miriam Joffe-Block: And that those customers are still paying the program fees.

Tod O'Connor: Correct.

Miriam Joffe-Block: So, that's why they are included in the Program. I don't think that I can tell you anything more. Do we have a definition in the regulations for Energy Service Provider?

Tod O'Connor: I just want to clarify this; those customers who [Unintelligible] still qualify?

Miriam Joffe-Block: We have a definition in the regulations of what an Energy Service Provider is. I'm not familiar enough with direct access to say yes or no.

Tod O'Connor: Okay.

Miriam Joffe-Block: I just don't know enough.

Tod O'Connor: I just wanted to flag that.

Miriam Joffe-Block: Thank you. We will take a look at that afterwards.

Tod O'Connor: With respect to the 4 financial products, you did a great job of discussing. I didn't see any requirements that would require a notification to the customer that no lien is required.

1:20:46 Slide 53 – Financing Instruments

I didn't know whether we hadn't had any feedback on whether that was important to customers or not. But, just based on anecdotal experience, it would seem to me that's always a concern in the back mind of the customer. Maybe if not required, that ought to be a requirement that they tell the customer that.

Miriam Joffe-Block: So, the question, just in case folks can't hear it is about liens and it's kind of a marketing question to customer concerns about liens. We are actually requiring that the lender or lease provider, service agreement provider take a security interest in amounts over $50,000.

1:21:29 Slide 55 – Product Requirements, cont'd.

It is pretty standard in the industry to put a lien on the equipment.

Tod O'Connor: Right. I understand that, but on the…

Miriam Joffe-Block: On the property itself? Right. So, we will -- that's a marketing kind of effort on our part to explain that this is not real property, this is not property secured financing. The UCC-1 fixture filing gets a little bit complicated in terms of how to explain it to a small business or a residential customer because depending on the type of equipment, if it's free standing equipment and it's personal property and not real property then you know, it is easy. But, if it's windows, the lease company is going to put a fixture filing on there and it is going to cloud the title. It's still not -- we're familiar with this challenge from our residential program and I think that it is a marketing and communications effort that CAEATFA needs to lead and help maybe work with the implementers on the messaging to the Project Developers and also, the Finance Companies.

Tod O'Connor: Thank you.

Miriam Joffe-Block: So, I'm going to turn it back to Jonathan.

1:22:45 Slide 62 – Project Lifecycle

What we're now going to talk a little bit about and we're nearing the end here, but we are going to talk about the project lifecycle. And then, after we go through that, we will get to the Energy Savings Measures and your specific comments on those.

1:23:01 Slide 63 – Web-Based Interface

Jonathan Verhoef: Based on our experience from the residential program, we really wanted to streamline and make it easy to interface with the Program. We have come up with a web-based interface, which allows the various parties involved in a project to submit information to the Program that we need in order to enroll a project. We wanted to get rid of forms altogether. This allows the various parties - as you can see there is a Finance Company, Contractor, and Project Developer - to provide program data to the CHEEF via a web-based interface. And in some cases, there's a lot of flexibility too. For example, for customer data, it could be the Contractor that enters the customer data, it could be the Project Developer, or it could be the

Finance Company. And the customer themselves does not interface directly with the CHEEF, instead they'll get a certification notice to them they can certify remotely and sign off that the project is complete.

1:23:58 Slide 64 – Easy Interaction with the Program

This web interface enables easy interaction with the Program. As I said, we wanted to get rid of program forms and there's a lot of automated notifications so that, for example, if there's an energy professional on the project, they can get an email that lets them know "Now it is time for you to certify those savings." It can generate program certifications for the customer to sign. Finance Companies will get a calculated loss reserve. So, they will know what the contribution is based on the inputted data for the project and make their decision on funding based on that. They will also get an approved project notification once all key data has been entered. There will also be a dashboard where Finance Companies, Project Developers, and contractors can see all of their CHEEF projects. This web interface does not replace any real-world communication between the Finance Company and Contractor, the Finance Company and the customer, or the Contractor and the customer. We are just trying to facilitate the data exchange with the Program to make it as simple and easy as possible.

1:25:01 Slide 65 – Project and Financing Interaction with Program

This slide provides an illustration of a project life cycle. This is where all the work that you all are doing independently can be plugged into the CHEEF Program, so that it shows the various stages where the plugins happen. You can see the different rows. On the top there's a green row for Finance Company. The next row we have a combined row for Contractor and Project Developer and the energy professionals. There's a blue row for CAEATFA, and a yellow row at the bottom for the customer. The customer starts off by choosing a Finance Company, and Contractor, and possibly a Project Developer. The Finance Company would have the option to pre-approve credit at this point. Then, the Contractor, or possibly the Project Developer will enter the scope of work into the CHEEF interface. This could take place in multiple stages if there's multiple contractors. Then, if necessary, a notice will go out to Certified Energy Manager or the Professional Engineer that they need to certify those energy savings. After which, that's when we get notification there's a project that has been submitted to us, and we'll do a check on a few points just to make sure that the project qualifies, and then the UI will provide the estimated loss reserve contribution amount. At that point, the lender can do another credit check if necessary, or if not already done, and that's when installation happens. After that, the various contractors and Project Developers will certify that their work is complete. The customer certifies they are satisfied and gives us their disclosures. And then, the lender will add the financing data and submit the project data to us within 90 days. At that point, it's up to CAEATFA adding the enrollee agreement to fund the Loss Reserve Account for the lender.

1:26:53 Slide 66 – Finance Company Reports

Miriam Joffe-Block: This next slide shows the monthly reporting requirement for the Finance Companies, which is pretty straightforward and pretty easy. We're basically just asking you to report on performance data, which you have close at hand. Whether the financing is current or past due or charged off, the current outstanding amount and this gets back to how do we define the financed amount. Any updates to the maturity or contractual end date, payment amount or interest rate, if you sell or transfer the financing, the date and the name of the purchaser. And then, some information about delinquencies and charge-offs, so we can keep an eye on the portfolio and know what funds are on the hook at any given point. This is a simple Excel report, it's been very easy for the lenders in our residential program, it's one of the simplest parts of the Program, but we welcome your comments on it. The specific data points are in the regulations. We welcome your comments from contractors, Finance Companies, and Project Developers on any of the data points in the regulations. We've really tried to balance getting program data with not making this burdensome. There are many people who would love us to collect more data. We're not getting establishing existing conditions baseline data because we want the Program to be streamlined and easy to use. But we do want to make sure that the data that we have is -- that we are asking for is easy for folks to give us. Let's see, why don't we pause here and see if there's any questions on any of this engagement with the Program and the use of the user interface or reporting or data? And then, we'll go on to the measures.

[Gap in audio]

Jonathan Verhoef: Go ahead.

Tod O'Connor: Tod O'Connor with CLEAResult. On Page 65 we have the box, certified estimated energy savings.

1:28:59 Slide 65 – Project and Financing Interaction with the Program

If a project had already qualified under the PUC for its custom review program and that savings has already been certified with the PUC, does it need to go through a second certification?

Jonathan Verhoef: The question was "If the PUC had already certified a project's energy savings from their program does it need another certification from the Certified Energy Manager?" I don't know if we'd actually consider PUC custom certification --

Miriam Joffe-Block: He's talking about the IOU.

Jonathan Verhoef: Oh, the utilities.

Miriam Joffe-Block: Yeah, the PUC has a parallel review process for the IOU custom, so I think, no. If something qualifies, if there's an IOU custom notice to proceed or approval letter to the customer, that's good enough. They're done. There's a question here from – it just disappeared.

David Gibbs: It's been answered. Ask them to rephrase.

Miriam Joffe-Block: Vanya Konn, maybe you can raise your hand and she can ask the question live?

Jonathan Verhoef: Is she unmuted?

David Gibbs: Vanya, we are working on unmuting you. Give us just a minute.

Miriam Joffe-Block: She may need to unmute herself also.

Darren Shearer: Maybe.

David Gibbs: It looks like you are live, Vanya.

Miriam Joffe-Block: All right, Vanya, we're not able to hear anything, so maybe you can rephrase your question in the chat box? I'm getting a note from an attendee that you guys don't seem to have your own mute or unmute button for yourselves. So, maybe we control it all? But, Vanya, we show you as unmuted, but we are not able to hear you. So, please send us your question or comment again. Why don't we move forward to the Energy Savings Measures?

Jonathan Verhoef: Do you want to pull up the regulations?

Miriam Joffe-Block: Sure.

Jonathan Verhoef: Okay. There's going to be a brief interval while I stop sharing the slide deck and share the regulations.

[Gap in audio]

1:32:31 Displaying ESMs List from Regulations

Okay, we are now displaying the beginning of the Eligible Savings Measures list.

Miriam Joffe-Block: So, I think that we want to make the point here that maybe we can scroll through it a little bit. It is easier to see in the regulations text that we sent to you, but it is also in the back of the slide deck as an Appendix. These measures were put on the list because we believe that these are technologies that have a reasonable, pretty good chance, of saving energy in kind of any application. So, we're trying to make our pre-approved list as broad as possible. We think regardless of building type or situation; these measures are going to save energy. And so, we are interested in folk's feedback. If you believe that a certain technology should be on this list and it's not, and that could be -- so I think that it keeps going for several pages. That could be the DER question that we were just addressing, or it could be a particular technology, then we would like your comments on that and what should be included in addition to what's here. If anybody would like to speak to this, I know there's a gentleman on here, Joseph Benson, I know you wanted to talk about a particular technology. If anyone wants to address the Energy Saving Measures, now is the time to do so. We can unmute you or you can send us a comment and we will share it. We also encourage you if you want something and you believe something should be on this list and it's not, please send us an email also. That's another way that you can give us feedback on that. If you believe that, I think that we did get some comments earlier on what feedback on a couple of the requirements for some of the specific measures. So, we will also take all feedback on the Energy Saving Measure List now through October 19th. Why don't we go to you?

Mike Thompson: Mike Thompson, California Energy Alliance. I haven't had a chance to read through this list, but I didn’t see in a quick glance, monitoring of energy -- building energy, is that on the list?

Miriam Joffe-Block: So, the question is “Is monitoring of building energy on this list?” And I'm actually going to bring Dan Mellinger in now, I think he's unmuted. Dan, do you want to address the building monitoring question?

Dan Mellinger: Yes, I can address that one quickly. And then, I want to make a couple other broad points. We do have energy management systems on the list. We received a couple of comments during the webinar about that particular measure, about how it is more cross cutting. We have it currently categorized under HVAC and so that's some good feedback that we'll take into account. We don't specifically have an energy metering like sub-metering or anything like that if that's what you intended by the comment. More broadly, a few comments I want to make so that people are orientated to the list. The measure category at the left will sometimes address a technology like HVAC we're seeing here. You also see a few specific customer types like agriculture or food service where the equipment is specific to that end use. The requirements column, the third column, will provide any requirements that are over and above or different than Title 24. So, if the requirements field is blank for a particular measure, it means that the measure must minimally meet Title 24. But here, we're looking at some food service measures. The commercial dishwashing equipment needs to be an Energy STAR certified piece of equipment. The electric or gas column second from the right indicates if that measure is eligible for electric IOU service or gas IOU service. And then, finally, the last column on the right is the self-install measure. This indicates whether or not the measure can be self-installed without the use of a Participating Contractor. Again, the criteria that we presented earlier talks about how we determine whether or not a measure could be eligible for self-install. That's chiefly whether or not it can be legally and safely installed without a license and if the installation by a non-professional is unlikely to effect the performance of the equipment.

Miriam Joffe-Block: Thank you, Dan. There's a comment also here. There's a comment from John Handy saying, "I would add high efficiency transformers. They are approved by the CEC for Prop 39 projects." Is there anything that you would like to ask John about regarding high efficiency transformers?

Dan Mellinger: No, it's a good comment. It's a measure I'm familiar with and we can certainly add it to the list. Thank you.

Miriam Joffe-Block: Okay. And then, we've got Joseph Benson. Do you want to speak to the reflective coating? I believe you are unmuted.

[Gap in audio]

Joseph Benson: Can you hear me now?

Miriam Joffe-Block: Yeah!

Joseph Benson: Terrific. I had a quick question just because if you look on the list currently, you can see cool roof. It says, "It must be certified by Cool Roof Rating Council, CRRC."

Miriam Joffe-Block: Can you identify your affiliation, please?

Joseph Benson: Yeah, Life Paint Corporation. So, we are a manufacturer of elastomeric coating, and heat reflective elastomeric coatings. We work with PACE. We worked with HERO in the past. I see cool roof on there and I feel that the elastomeric coating, the heat reflective elastomeric coatings could be something that is on this list. I don't currently see it on the list, but the fact that I see cool roof on there leaves an opening.

Dan Mellinger: We do have and I'm not specifically familiar with this product or technology, but I'm wondering if you would consider it would fall under the radiant barrier measure that we do have on the list?

Joseph Benson: Radiant barrier? Can you point out where that is?

Dan Mellinger: It is under building envelope.

David Gibbs: Top of your screen there. Second item on the list.

Miriam Joffe-Block: It just says, "Radiant Barrier". There really is nothing more to it.

Joseph Benson: Okay. It definitely could. Heat reflective coating, the whole point is that the temperature inside the home is reduced about 3%. It saves on energy costs for the homeowner. So, that probably could fit in that category, correct.

Miriam Joffe-Block: We did get a process question here, if participants had a particular technology that you want added, I think this conversation is very helpful, your comments in the chat box are very helpful. I think sending an email to cheef@treasurer.ca.gov or those addresses we showed you and we'll show you them again and just saying “Here's the technology I think should be included, and here's why.” Because this is such a black and white part of the regulations I would like to get a little bit of those recommendations just to make sure that we get everything from this webinar in. And I do want to clarify, Joseph that this list is for our commercial program. The regulations for our residential program and those measures are totally separate. That's a separate regulatory process, but this list right here we're looking at is for our commercial program. Likely a lot of these technologies will be available for our multi-family, as well. I will get to you in one moment.

Joseph Benson: Thank you. I will send an email.

Miriam Joffe-Block: Perfect. Dan, we had a follow-up here just to clarify the energy metering monitoring system. Can you clarify your answer to that?

Dan Mellinger: Energy management systems are on the ESM List, the pre-qualified list. I'm not sure if there was another question related to that?

Miriam Joffe-Block: Why don't we -- this is a question that is coming from Phillip Kopp. Phillip, I'm going to promote you as a panelist if you want to address the energy management systems.

Jonathan Verhoef: It might take him a few seconds to log back in.

Miriam Joffe-Block: In the meantime, why don't we go to the question in the room.

Dan Mellinger: You know what, Miriam, I am reading his specific question and he's saying "metering". Energy metering equipment is not on the list. We did have a discussion about that early on in the Program design and choose to exclude it from this list because energy metering by itself doesn't save any energy. It is not an Energy Efficiency Measure. We would certainly acknowledge that energy savings are possible through having more knowledge and information about energy use. So, if people feel strongly about energy metering equipment being eligible, we'd welcome that input and feedback.

Miriam Joffe-Block: Phillip, you're unmuted if you want to speak to that.

Phillip Kopp: Hi, everyone. This is Phil Kopp here.

Miriam Joffe-Block: Where are you from? Who are you?

Phillip Kopp: I'm from Conectric Networks down in San Diego. We are a technology company and we have an interest in energy metering systems being a principle component of overall energy management strategy, and in particular, software. What we see is a trend in certainly in that more software solutions are becoming available to help business energy managers and business managers in general get a handle on their consumption patterns and behaviors and being able to implement savings measures in programs. Obviously, energy metering is an important component of that. So, I just wanted to see looking at how some of these software's work, they're sold as a service maybe, and then there is an energy metering component that is physical hardware, so there is an install cost to that. There is a professional contracting labor component to that. But the actual energy service being performed is usually based on a software or subscription. So, I was just wondering how that fits into this general EMS category. And then, maybe what portion of that would be considered under the credit enhancement? If that makes sense?

Jonathan Verhoef: Dan, did you want to respond to that first because I had a comment. Okay, this is Jonathan. Hi, Phillip. One of the challenges that we had because I was one of the people thinking this could be a valuable addition, but at the same time, one of the challenges that we had how do we limit the amount that a customer is spending on a non-Energy Saving Measure if they're investing in an expensive system because that is kind of a risk of our Program is not realizing energy savings.

Miriam Joffe-Block: I put Phillip back as an attendee.

Jonathan Verhoef: Okay.

Miriam Joffe-Block: So, he's not able to respond to us, but we can continue the dialogue. We have this question in the room and then I'm going to go to the line and then go back to the room.

Tod O'Connor: Tod O'Connor with CLEAResult. My question is also for your consultant because he raised Prop 39. It gets to the earlier question that I raised about non-profits and faith-based organizations and they usually have schools. So, my question is -- and that is the only way those schools can participate in any kind of financing for energy efficiency because they are excluded from Prop 39. Prop 39 only applies to public schools, charter schools, and community colleges. My focus is on the schools that are run by faith-based organizations and that they should be able to in a sense level the playing field with the other schools in terms of getting financing for Energy Saving Measure. Very simply, anything that qualifies under Prop 39, could then also -- would be eligible for these faith-based organizations and non-profits?

Miriam Joffe-Block: I think you've got two questions here. I think that the first one is, and this is back to your earlier question on non-profits, "Does a non-profit school, a faith-based, private non-profit school qualify as a customer under this program?" I believe the answer is yes, but I'd just like to check because we have a separate program for public entities, but that would not be a public entity. The second part is "Should any measure that qualifies under Prop 39 qualify for this program?" I think that we need to look at that because again, we have got different sources of funds. Prop 39 being taxpayer funds, or being public funds and this being utility ratepayer funds. I think it's a good suggestion, but I don't know if Prop 39 includes things like water efficiency, which we actually can't credit enhance.

Tod O'Connor: Excuse me. Tod O'Connor, CLEAResult. I can see, say, a minimum qualifying that sets a minimum requirement, but if you define more technologies that qualify, obviously, Prop 39 should not be a bar, it is just another illustrative way of saying what is qualifying.

Miriam Joffe-Block: Thank you for that feedback. It is good for us to take into consideration. I'm going to go to one question here from the line and then we'll go to the gentleman on the room, Eric. "For any of the measures listed do we need to be concerned with the baseline pre-project conditions?" From CAEATFA's perspective, for this program, we are not focusing on the baseline. There is an evaluation measurement and verification and EM&V team, there's an EM&V contract that the Public Utility Commission has awarded to Opinion Dynamics Corporation, who will be doing the evaluation of this pilot program and figuring out how much we have saved in terms of energy savings. They will be with the PUC determining what is net to gross and whether or not there's a code baseline in some buildings or whether we have an existing conditions baseline and all that. So, we have taken -- and this is on a background slide actually, we're assuming that energy savings are going to be derived through using a normalized metered energy consumption type model. We are not asking anyone to give us information on program baseline conditions. Those of you who are working with utility programs, where this is relevant for your utility program, where your project must meet the utility's standard related to that, then that all applies. But, for the financing piece we're not adding anything there. Let's go to Eric Taylor. Can you introduce yourself again, please?

Eric Taylor: Eric Taylor, California Energy Alliance. I want to reiterate the importance of monitoring and including it into the finance component. And the main reason is that there is a major growing trend on the fact that benchmarking a building down at the circuit level is extremely important especially, with HVAC. So, that the measures that the banks are financing, it's all about measuring the run time of an HVAC system and reducing that run time. And without the measurement component it is almost impossible to do it over time. And so, the idea behind benchmarking and doing an engineering report, there's a big struggle in the marketplace right now convincing the building owners that this is a very important issue. When an engineering report is plopped in front of a customer, they don't know what to do with it, but when monitoring is there, and they are able to see it in real-time and see where the improvements can be made, a lot of companies are adding these energy efficiency services such as lighting as a service, HVAC as a service. Without adding that component it's impossible to basically validate and mitigate the risk of financing those assets.

Miriam Joffe-Block: Thank you for that feedback. Dan, is there anything that you want to say in response or any clarifications there? I'm attempting to unmute you.

[Gap in audio]

Dan Mellinger: Are you able to hear me?

Miriam Joffe-Block: Yes.

Dan Mellinger: I'm sorry, I tried to chime in earlier when Jonathan asked and didn't realize that I muted myself. A broad comment that we have received a number of questions and comments through both the chat and of course, audio. I think that we will take a look at this broader category of energy management and perhaps, it should be expanded to energy monitoring. I will say however, that the absence of a measure on the ESM List doesn't preclude it from the Program. There are still other eligibility pathways or methods. For example, using a CEM or PE if a particular measure like energy monitoring could be documented to save a certain amount of energy it can be accepted through the Program. We'll certainly consider broadening or expanding that definition of energy management systems on the ESM List, but also, keep in mind there's another method.

Miriam Joffe-Block: Thank you for that point, Dan. To that point, we have a follow-up from Jeff Guild on metering as to whether it would be Claim-Eligible under the legally and practically required. Folks remember back to the slides and anything that is legally and practically required to install a particular measure, we tend to think about asbestos removal as an example, we consider that Claim-Eligible included in that $1 million dollars that the lender will get the credit enhancement. Would metering be considered legally and practical, Dan? I'm not sure.

Dan Mellinger: The way that we have considered legal and practical, no, it wouldn't be. But, I think that we can consider broadening that definition of EMS, energy management systems.

Miriam Joffe-Block: And again, if something doesn't qualify through any of our pathways, the customer can always include that 30% of Claim-Eligible Financing can be what we call a non-ESM, a non-Energy Saving Measure. So, even if we don't consider it an Energy Saving Measure, but it is important to the customer, the lender or the finance provider can still get the credit enhancement for it. I think we had two more questions left in the room.

Mike Thompson: Mike Thompson, California Energy Alliance. Two things. Just one last word on monitoring. You can spend a lot of money for instance on an HVAC system, tuning it up, getting it fixed, but unless you monitor it, you have no idea how long that investment is good for. The second thing, a question on the Energy Saving Measures, how about demand response equipment? Installation of demand response equipment?

Miriam Joffe-Block: Demand response is eligible under the Program. We do consider it an Energy Savings Measure. I don't think that you see it here other than maybe a responsive thermostat because we've had -- it doesn't seem like there is a lot of demand response on a prescriptive list. However, using that utility custom pathway approval or the Professional Engineer or Certified Energy Manager saying it will save energy or I suppose shift energy. Maybe, we need to think about having a CEM or PE certification about load shifting as part of what gets certified through that pathway. I'm not sure. I have now gone beyond my technical expertise. Dan, if you want to jump in here you are welcome.

Dan Mellinger: The ESM List is constrained to measures that are equipment. Many of the demand response approaches don't involve equipment. And so, we discussed demand response in that context earlier and decided not to include it on the list. But when there are specific pieces of equipment that are affiliated or associated with demand response I think it's reasonable for us to include it, and so that's certainly an area where we'd welcome input.

Miriam Joffe-Block: Okay, thank you. We had a question from Vanya, I'm not sure if you are still on the line. If you are still on the line, if you can raise your hand again, so we can locate you and unmute you. I was just waiting until we got through the ESM questions. This is our last ESM piece of feedback and then, we are going to show you how to give us more feedback before we hit 12 o'clock.

Eric Taylor: This is Eric Taylor from the California Energy Alliance again. I wanted to -- I don't want to belabor the monitoring, but I wanted the committee here to recognize another growing trend, which is embedded EM&V, which is basically demand response adaptive controllers. In other words, when a demand response event is sent, and you don't turn off fan controllers, you lower the speed of the fan controller. There is an energy savings that again has to be measured during that period of time. And then, as well as proving to the customer if you're selling service agreements on energy savings for example, as HVAC as a service, then without being able to show the customer and integrating these services, like a control system for example. If monitoring was included just as the wording that monitoring is included, so that the customer isn't confused: the "why do I even need that?" And then that sales barrier is put there and then, especially during a demand response event, if it becomes a real-time automated demand response and we get down to the level of being able to measure that event in minutes, in 15 seconds intervals and these types of things.

Miriam Joffe-Block: A question, we are hearing so much about the importance of the monitoring and the metering and I apologize for not -- I'm the finance person and don't know the difference between monitoring and metering. Can you help me understand what size projects are you talking about?

Eric Taylor: Any size project.

Miriam Joffe-Block: Realistically, when is somebody going to install this type of technology? I'm assuming they are not doing it for a $25,000 HVAC lease? So just help me understand the context of what level, what size of projects?

Eric Taylor: No, it's going down to the level of a residential air-conditioner system.

Miriam Joffe-Block: Really.

Eric Taylor: Building it into a service agreement to where the energy savings is paying for the service agreement, to projects as big as the Hilton Village in Hawaii.

Miriam Joffe-Block: Thank you. That's helpful.

Eric Taylor: I have seen major projects from small, big -- an air-conditioner is an air-conditioner, run time is run time.

Miriam Joffe-Block: Thank you and Phillip Kopp has chimed in saying below $10,000. Thank you. We hear you on the monitoring. We hear you on the metering. I will come up to speed on the difference and our consultant is already there and understands it, so we're good. Jonathan, can we go back to the slide deck?
[Unintelligible]
Actually, I think Kevin if you are still there? If he is able to respond?

Jonathan Verhoef: I assigned him to chat.

Miriam Joffe-Block: I asked him. Did he respond?

David Gibbs: No, I didn't see a response.

Miriam Joffe-Block: Never mind. We'll just go to our feedback slides. All right, we appreciate everyone's attention. We really appreciate everyone's engagement both in this round and previous rounds.

Jonathan Verhoef: Okay, so we had an engagement slide.

1:59:01 Slide 68 – Summary of Questions for Feedback

Miriam Joffe-Block: Yeah, I want to summarize here. We've got sort of a summary of questions for feedback. Again, we are happy to take any feedback whether or not we have asked a question, we still encourage you to comment on any provision of the regulations. We suggest if you are going to comment, you comment on the regulation text beyond the specific slides just that's where we get into the nitty-gritty and remember, you can see what part of the regulations any slide is talking about or if you are commenting on the ESM List, you can just say “I'm commenting on the ESM List” and that's fine.

1:59:28 Slide 69 – Comments and Input

Here are the addresses, and again this should be in everyone's inbox or spam box if it wasn't in your inbox, this deck with these addresses. Here's where you are going to send your comments to, or you could call us or email us and tell us that you want to talk to us more. We'd be happy to do so, but we want to do it within the next ten days. We really want to get your comments in by the 19th because we are planning to take these regulations to our board in November and the Office of Administrative Law in December.

2:00:01 Slide 71-73 Appendix

And then you've got an Appendix with some information on the other pilot programs, as well as a claim example for the Finance Companies on here and then, another copy of the ESM List in its current form.

2:00:16 Slide 69 – Comments and Input

So, I will leave this on the comment slide and we are at 12:00 p.m. exactly. So, we are going to end the webinar. Thank you very much. We really appreciate everyone's engagement and attention today.

Jonathan Verhoef: Yes, thank you all and we look forward to your future feedback.

[Indistinct Chatter]

[End of recorded material]

Presentation ends at 2:00:33