

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
901 P Street, Room 102  
Sacramento, California**

**November 14, 2023**

**1. CALL TO ORDER AND ROLL CALL**

Khaim Morton, representing the Chair, called the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) meeting to order at 10:32 a.m.

Members Present: Khaim Morton for Fiona Ma, CPA, State Treasurer (Chair)  
David Oppenheim for Malia M. Cohen, State Controller (via  
teleconference)  
Erica Gonzales for Joe Stephenshaw, Director, Department of  
Finance  
Ken Rider for David Hochschild, Chair, California Energy  
Commission  
Khalil Johnson for Alice Reynolds, President, Public Utilities  
Commission

Staff Present: Jennifer Gill, Senior Manager, Core Programs

Quorum: The Chair declared a quorum.

**2. MINUTES**

Mr. Morton asked if there were any questions or comments from the Board concerning the September 19, 2023, meeting minutes. There were none.

Mr. Rider moved for approval of the minutes, and there was a second by Mr. Oppenheim.

Mr. Morton stated there was a motion and a second and asked if there were any questions or comments from the public. There were none. Mr. Morton called for a vote.

The item was passed by the following vote:

Khaim Morton for the State Treasurer	Aye
David Oppenheim for the State Controller	Aye
Erica Gonzales for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Khalil Johnson for the Public Utilities Commission	Aye

### 3. EXECUTIVE DIRECTOR'S REPORT

Ms. Gill gave a report on CAEATFA activity since the September 19, 2023, Board meeting on behalf of Dr. Claudia Quezada, CAEATFA Executive Director, who could not be present:

- Dr. Quezada is attending this feature day of the Asia-Pacific Economic Cooperation (APEC) Summit 2023 in San Francisco. “The Future Starts in California” is co-chaired by the CAEATFA Board Chair, State Treasurer Fiona Ma and AAPI Legislative Caucus Chair Assemblymember Evan Low and will offer a full day of programming and events dedicated to and focused on California’s “secret sauce” of innovation, inclusion, and integration.
- For program updates, Ms. Gill reported the following:
  - The final Sales and Use Tax Exclusion (“STE”) Program application period was held from September 25 through October 9, accepting new applications for the lithium extraction project pool. At the end of the application period, CAEATFA did not receive any new applications. As a result, CAEATFA will be considering any eligible applications that were previously awarded an STE award for the remaining award allocation amount under the lithium project pool at the December board meeting.
  - In October, CAEATFA received and paid its sixth PACE Loss Reserve Program claim since the program’s inception in 2014. The claim amount was \$93,700.70, leaving roughly \$9.6 million for future claims.
- Ms. Gill reported that since the last board meeting, no actions were taken under the Executive Director’s delegated authority.

Ms. Gill then concluded her report. Mr. Morton asked if there were any comments or questions from the Board. There were none.

### 4. BUSINESS ITEMS

#### **A. CONSIDERATION TO APPROVE A CONTRACT WITH ZIONS BANCORPORATION, NATIONAL ASSOCIATION, FOR TRUSTEE SERVICES (CONTRACT NO. CAEATFA03-23) FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PROGRAMS IN AN AMOUNT NOT TO EXCEED \$495,000**

Presented by Bill Heberger, Program Manager

On October 31, 2023, CAEATFA staff advertised a Request for Proposal (“RFP”) No. CAEATFA03-23, seeking proposals to select a qualified firm to serve as the Trustee Bank to manage funds for the California Hub for Energy Efficiency Financing (“CHEEF”) Loss Reserve Program.

This is the fourth contract to be executed for CHEEF Trustee services, with the current contract ending December 31, 2023. The scope of work for this contract has been developed to enable the CHEEF Programs to scale and provides the flexibility to expand and incorporate

potential future financing approaches that encourage clean energy improvements statewide. Primarily, the Trustee will hold funds on behalf of CAEATFA, fund lenders' loss reserve accounts, issue payments for claims, provide monthly account statements and other transactional reports, and provide on-demand electronic account viewing to CAEATFA and lenders participating in the Programs.

The RFP submittal deadline was Monday, November 13, 2023, and CAEATFA received two proposals that were considered responsive. Of the two proposals, CAEATFA staff selected Zions Bancorporation, National Association, the current incumbent, as Trustee. Based on scoring conducted by an evaluation committee consisting of CAEATFA staff and management, Zions scored 96.5 out of a total 100 possible points based on their experience, qualifications, and fees.

Staff recommended the adoption of a resolution authorizing the execution of a contract with Zions Bancorporation, National Association, as Trustee for the CHEEF Programs in an amount not to exceed \$495,000 over three years.

Mr. Johnson moved for approval, and there was a second by Mr. Rider.

Mr. Morton stated there was a motion and a second and asked if there were any other questions or comments from the Board or the public. There were no comments, and Mr. Morton called for a vote.

The item was approved by the following vote:

Khaim Morton for the State Treasurer	Aye
David Oppenheim for the State Controller	Aye
Erica Gonzales for the Department of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Khalil Johnson for the Public Utilities Commission	Aye

**B. REQUEST TO APPROVE MODIFICATIONS TO THE GoGREEN HOME PROGRAM (ARTICLE 5 (COMMENCING WITH SECTION 10091.1) OF DIVISION 13 OF TITLE 4 OF THE CALIFORNIA CODE OF REGULATIONS) UNDER THE EMERGENCY REGULATION RULEMAKING PROCESS**

Presented by Kelly Delaney, Program Specialist

CAEATFA staff is seeking Board approval to adopt the emergency regulations for the GoGreen Home Energy Financing Program (“GoGreen Home” or the “Program”).

GoGreen Home is part of the CAEATFA-administered California Hub for Energy Efficiency Financing, a suite of financing program funded with Public Purpose Program funds collected from the ratepayers of the investor-owned utilities (IOUs) and authorized by the Public Utilities Commission. GoGreen Home provides a loss reserve for participating lenders to mitigate risk and allow them to offer attractive financing for residential energy efficiency improvements.

In the past two years, the GoGreen Home program has seen significant growth. In fiscal year 2022/23 alone, the Program enrolled nearly 40 percent of total loan volume across all seven years of the Program's operation. It is anticipated that the Program will pass a milestone of \$100 million in private capital deployed in the next few months. The Regulation modifications proposed for the Board's approval respond to lessons learned through the last several years and are intended to enable CAEATFA to meet and increase this growth.

The modifications can be summarized as follows:

1. CAEATFA is proposing an update to the methodology by which Loss Reserve Contributions are calculated. For every loan enrolled with CAEATFA, Staff calculates and contributes an amount of funding into the lender's loss reserve accounts. Staff is proposing changes to the calculation methodology that will reduce the contributions and narrow the eligibility for a higher 20% contribution only to borrowers with lower credit scores. These modifications were arrived at with close engagement from our enrolled lenders and better reflect Lender's actual underwriting practices and Borrower risk, while reserving funds for more loans.
2. Staff is also proposing a new rebalancing method, which is the process by which the Program recaptures loss reserve contributions that are no longer needed as loans are paid off, that will allow CAEATFA to recapture loss reserve funds more quickly. This modification better reflects actual liabilities and loss coverage needs while ensuring that funds are recycling more quickly for redeployment for more loans. The modifications were generated with the support and engagement from the Program's lenders and involved much analysis and forecasting.
3. The final significant change proposed in these regulations is adding the ability for CAEATFA to receive and deploy funds from external sources to the Program's lenders in the form of an interest rate buydown ("IRBD"). IRBDs can be used to not only make financing more attractive and affordable, but also to incentivize particular types of upgrades. CAEATFA has been approached by several funding sources interested in using IRBDs to incentivize, for example, switching to heat pump technologies, or to receive a comprehensive energy audit and customized project recommendations that will help drive California's ambitious decarbonization goals. Because every funder has different requirements and IRBD campaigns might need to adjust as time goes on, Staff will work with each funder to create a "term sheet" describing the terms, requirements, and application process to be eligible for the IRBD, and publish it through a board resolution.

The proposed regulation modifications will help the GoGreen Home Program to grow and scale. Upon approval, Staff will proceed with the rulemaking process and submit the emergency regulations to the Office of Administrative Law. The regulations will be effective for 180 days until mid-June 2024, with an option for a second readoption prior to submitting the regular rulemaking Certificate of Compliance.

Staff recommended the adoption of a resolution to authorize the Chair and Executive Director to adopt the emergency Regulations for the GoGreen Home Program.

Mr. Rider moved for approval, and there was a second by Ms. Gonzales.

Mr. Morton stated there was a motion and a second and asked if there were any other questions or comments from the Board or the public.

Mr. Morton asked what kinds of interest rates might result from the interest rate buydown for consumers, and whether the inflation in the current economic environment was having an effect on consumer rates for the Program. Ms. Delaney replied that inflation is influencing rates to a degree, but the Program's lenders have not raised rates much due to inflationary pressures. She stated that the interest rate buydown amount can be set by the GoGreen Home Program in cooperation with the funder; additionally, the funder might have their own goals in mind for the IRBD. Ms. Delaney gave an interest rate example, stating that a heat pump or HVAC system might have a two percent interest rate as a result of an IRBD, whereas low-income borrowers under a particular income threshold could be as low as zero percent.

Mr. Rider expressed gratitude to Ms. Delaney and CAEATFA staff on behalf of California Energy Commission Chair, David Hochschild, for adding new tools like IRBD and continuing to improve the GoGreen Home Program. He stated that the Energy Commission looks to CAEATFA as a financial arm of the green energy transition, and as the Energy Commission is receiving both federal and state funding to meet climate goals, it will be looking into new ways to partner with CAEATFA to continue working to provide funding and loans to do energy retrofits and create energy savings for Californians.

There were no further comments or questions, and Mr. Morton called for a vote.

The item was approved by the following vote:

Khaim Morton for the State Treasurer	Aye
David Oppenheim for the State Controller	Aye
Erica Gonzales for the Department of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Khalil Johnson for the Public Utilities Commission	Aye

## 5. PUBLIC COMMENT

Mr. Morton asked if there were any comments or questions from the public.

A member of the public who joined via teleconference asked when the schedule for the STE Program application periods for the 2024 calendar year would be posted. Ms. Gill replied that CAEATFA anticipates publishing the application periods schedule within the next few weeks.

There were no further comments from the Board or public.

**6. ADJOURNMENT**

There being no further business, public comment, or concerns, the meeting was adjourned at 10:50 a.m.

**Respectfully submitted,**

Claudia Quezada, Ed.D.  
Executive Director