INITIAL STATEMENT OF REASONS

California Alternative Energy and Advanced Transportation Financing Authority

Sections 10091.1, 10091.2, 10091.5, 10091.6, 10091.7, 10091.8, 10091.9, 10091.11, 10091.13, 10091.14, 10091.16, 10091.18.
Title 4, Division 13, Article 5
of the California Code of Regulations

INTRODUCTION

The California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA" referred to herein as "the Authority") is organized and operating pursuant to Division 16 (commencing with section 26000) of the California Public Resources Code and pursuant to the authority vested in it by Public Resources Code Section 26009 to promulgate regulations. These regulations are necessary for the Authority to carry out its functions as the administrator of the California Hub for Energy Efficiency Financing ("CHEEF") under its Memorandum of Agreement with the California Public Utilities Commission (CPUC). Specifically, these Regulations will update the GoGreen Home Energy Financing Program ("GoGreen Home" or the "Program"), one of several programs devised in the CPUC-approved Decision 13-09-044, *Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs* ("Decision") issued September 20, 2013, and modified through Decision 15-06-008, Decision 15-12-002, Decision 17-03-026; and Decision 21.08.006.

On September 19, 2013, the CPUC approved Decision 13-09-044, and requested the Authority act as the master administrator of the California Hub for Energy Efficiency Financing, funded by ratepayer dollars collected by the four investor-owned utilities—Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company (collectively, the "IOUs"). In July 2014, the Authority received initial Legislative budget authority to administer the CHEEF functions, and subsequently entered into a Memorandum of Agreement with the CPUC and a receivables contract with the IOUs to implement the CHEEF.

GoGreen Home launched in 2016 as a pilot program and, throughout early development and implementation, the Authority advocated to the CPUC for specific changes to the CHEEF programs to broaden their relevance to the private market and streamline operations for participants. These efforts were necessary, from the Authority's perspective, to facilitate more energy efficiency projects and allow the Program to assist more customers. In March 2017, the CPUC issued Decision 17-03-026, which granted the Authority some additional flexibility to amend GoGreen Home from previous CPUC guidance. Leveraging this flexibility, the Authority implemented amendments through an emergency rulemaking process that began in 2017 and ended with a Certificate of Compliance in September 2018.

Early in 2023, CAEATFA staff recognized the need for more efficient deployment of program capital to better utilize existing funding. This led to a restructuring of the calculation for Loss Reserve Contributions to reflect Borrower risk without sacrificing the risk coverage of Participating Lenders. To this same end, CAEATFA established a new methodology for rebalancing Loss Reserve Accounts and crafted a framework whereby it could channel external funding for Interest Rate Buy Downs (IRBDs). These were implemented, by the emergency regulation process on December 22, 2023 (OAL File No. 2023-1212-02E).

In August 2023, CPUC Decision 23-08-026 enabled CAEATFA to expand its program technologies to use its current funding sources to credit enhance those technologies. This was a significant expansion of the Program to encompass a broader range of energy upgrades beyond efficiency measures. Accordingly, CAEATFA is adding several new clean energy items to its eligible measures list. Unlike traditional efficiency measures, these items have impacts that go beyond how much energy is being saved as, for example, solar photovoltaic systems do not reduce the amount of energy consumed in the way that an efficiency measure can, but instead shift the source of generation. This led to changes in how energy measures are defined by the Program in the regulations. Finally, given that the average cost of undertaking a solar + battery storage project in conjunction with efficiency improvements can be higher than the existing financing cap of $50,000, the maximum amount has been raised from $50,000 to $75,000 for projects that include solar and battery storage. These changes were implemented on April 15, 2024 through the emergency regulation process (OAL File no. 2024-0403-02E).

In October 2025, CAEATFA adopted new emergency regulations to clarify the inclusion of homes affected by natural disasters for the financing of energy efficiency measures. The emergency regulations also specified a maximum timeline from the completion of an energy efficiency project to submittal to the GoGreen Home Program for program eligibility. This was added to facilitate program operations and accurate tracking of program activity. These emergency regulations were then readopted once in April 2026 and then a second time in June 2026 to prepare for the Certificate of Compliance.

CAEATFA is now codifying these emergency regulations via the Certificate of Compliance process. As part of the emergency rulemaking, the Authority made publicly available the proposed modified emergency regulations through the original adoption, 1st, and 2nd readopts. The emergency regulations were submitted for a second readoption in June 2026, to become active mid-July, in order to grant enough time to complete the regular rulemaking process.

Key components of the modifications made through this rulemaking:

- Clarify the eligibility of residential properties that were adversely affected by a natural disaster for energy efficiency or clean energy projects as an exception that can qualify for the GoGreen Home program
- Establish a maximum timeline of 180-calendar days, which a completed project must be submitted to the GoGreen Home program within, to qualify for enrollment

Now the Authority is soliciting input for any modifications or amendments to these proposed regulations in completing the Certificate of Completion through the regular rulemaking process. Pending public comments and any need for a public workshop, and staff expects to present final regulations to the CAEATFA board in September 2026.

SECTION-BY-SECTION ANALYSIS

§10091.5 LOAN ELIGIBILITY AND MINIMUM UNDERWRITING CRITERIA.

1. <u>Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address</u>

   This section defines and describes the minimum requirements for a loan to be eligible for the GoGreen Home program to ensure that stakeholders and participants are provided a clear and transparent description of Program requirements.

Current regulation definitions require amendments or additions to clarify the criteria for the program. As the Program has grown and changed due to stakeholder input and practical necessity, the criteria have needed to change to reflect the present usage and needs.

2. Specific Purpose of the Regulation

   Modifications were made to the following defined terms:

   §10091.5(b)(2): The description of an Eligible Loan is expanded to include an exemption for "reconstruction of a residential building that was destroyed, in whole or in part, due to a natural disaster."

3. Necessity

   §10091.1(b) – Buildings that must be rebuilt due to a natural disaster can be misconstrued as a new construction and therefore not qualified for GoGreen Home. This clarification will note that such reconstructions would fall under an exception to the general rule and allow homeowners and renters who have experienced severe financial stress due to natural disasters outside of their control may gain the support of the GoGreen Home program.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents
   The Authority did not rely on any technical, theoretical, or empirical studies in proposing the adoption of this regulation. The Authority relied on authorizing statute and existing regulations, its historical experience administering the Program and input from stakeholders and industry participants.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

   The clarification to allow reconstruction for buildings affected by a natural disaster could have been added to another section such as the definitions. However, because this section is where the disallowance of new construction is stated and another exception is also stated, it was determined that this section was the most fitting to make the clarification.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and, in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform energy efficiency retrofits or similar work. The proposed regulations may also have a positive effect on the State's economy and environment generally because of the increased economic activity and energy conservation due to the Borrower's investment in energy improvements for their homes.

§10091.9 LOAN ENROLLMENT.

1. Public Problem, Administrative Requirement or Other Condition or Circumstance that the Regulation is intended to address

   This section defines the process for enrollment a project into the GoGreen Home program for the purposes of granting a Participating Lender a Loan Loss Reserve contribution for their Trustee Account.

   In order to properly maintain accurate tracking and ensure valid projects for enrollment into the GoGreen Home program, it is critical that projects are submitted into the program at a reasonable timeline.

2. Specific Purpose of the Regulation

   §10091.9(j): This section is amended to add a maximum timeline that a project may pass by which it must be submitted to the Program for enrollment. This timeline is set to 180-calendar days after the final project certification date and applies to projects submitted after 11/1/2025.

3. Necessity

   §10091.9(j): This amendment sets a clear timeline by which a project must be submitted to the Program for enrollment. This gives clarity to Participating Lenders and Participating Contractors to enable smooth submittals and a streamlined process. A 180-calendar day window ensures that all project documentation provided is accurate and can be reviewed for approval without obstructions such as outdated information or not meeting current requirements.

4. Technical, Theoretical, and or Empirical Studies, Reports, or Documents

   The Authority relied on authorizing statute and existing regulations, its historical experience administering the Program, including working with Lenders and analyzing loan defaults.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives

   The Authority considered several ways to administer a timeline for project submittals. A 90 day period was considered but discarded due to the longer-term nature of some projects taking multiple months to finalize. A 1-year period was also considered but significant changes to the Program can happen over a full year period so a 180-day period was selected as a middle ground standard.

6. Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary.

ECONOMIC IMPACT ASSESSMENT

Creation or Elimination of Jobs and Businesses within the State of California:

The regulations are designed to establish the Program structure, provisions and the type and level of financial assistance finance companies may obtain if accepted to participate in the Program. Existing staff will carry out these regulations, participation in the Program is voluntary, and these regulations do not place a burden on businesses within California, therefore these regulations do not affect the ability to create or eliminate jobs within the State of California.

The Authority finds that the regulations will have a positive effect on the State's economy and environment generally because of the anticipated increased economic activity, energy conservation and reduction of greenhouse gas emissions due to investments in energy upgrades and clean energy generation measures. Studies have cited the need for lower cost financing as a main impediment to increasing the number of residents investing in energy efficiency upgrades; therefore, the Authority finds there would be increased economic activity for certain businesses who manufacture energy efficiency and generation measures, and for contractors who conduct energy efficiency retrofits or install solar generation and storage. Additionally, residents that make energy efficiency and clean energy upgrades are likely to experience energy savings and/or reduced utility bills, and may be able to apply those monetary savings toward other types of economic activity.

The Authority finds that the regulations may have a positive impact on the creation of jobs within California, particularly those commonly referred to as "green jobs," such as manufacturers of energy efficiency and generation measures benefitting from increased demand, and energy efficiency retrofit or alternative energy contractor companies who perform installations. The Authority has not estimated the number of direct and indirect green jobs that may be created as a result of this Program.

Creation of New or Elimination of Existing Businesses within the State of California:

The regulations facilitate the provision a credit enhancement, in the form of a Loan Loss Reserve, to finance companies offering credit to California residents and, therefore, are not anticipated to eliminate existing businesses within the State of California. The Authority finds that the proposed regulations will have a positive effect on the businesses that are involved as installers for Eligible Energy Measures. The regulations are unlikely to significantly affect the creation of new businesses within the State of California.

Expansion of Businesses or Elimination of Existing Businesses Within the State of California:

Studies have cited the need for lower cost financing as a main impediment to increasing the number of residents investing in energy upgrades; therefore, the Authority finds there could be increased economic activity for certain businesses of and contractors who conduct energy retrofits and upgrades, thus potentially expanding existing businesses.

Benefits of the Regulations:

As the amendments make the Program more attractive to finance companies, contractors, and borrowers, there may be additional reduction of greenhouse gas emissions and an improvement of air quality. This could benefit the State's environment and residents' health. These amendments will have no impact on worker safety. Further, the amendments may benefit the State's fiscal health by incentivizing finance companies to enter into financing agreements and offer new products to borrowers who wish to invest in energy efficiency improvements and upgrades to their property(ies) and/or appliances.

California has aggressive energy reduction goals. A series of legislation passed in recent years, including Assembly Bill 32 (Nuñez, Chapter 488, Statutes of 2006), Assembly Bill 758 (Skinner, Chapter 470, Statutes of 2009), Senate Bill 350 (De León, Chapter 547, Statutes of 2015), and Senate Bill 100 (De León, Chapter 312, Statutes of 2018) have addressed energy efficiency issues and provided direction for establishing ambitious energy goals for the State. Additionally, in July of 2021, Governor Newsom directed the CPUC and the California Air Resources Board to accelerate California's progress to achieving carbon neutrality to 2035, in advance of the previous 2045 target.

In 2008 the California Public Utilities Commission adopted the California Long-Term Energy Efficiency Strategic Plan ("Strategic Plan"), which set forth a statewide roadmap to maximize the achievement of cost-effective energy efficiency in California's electricity and natural gas sectors from 2009 through 2020 and beyond. While the residential sector is not restricted by lack of financial products, two of the main barriers to achieving the energy efficiency goals laid out by the Strategic Plan are the high interest rates associated with that financing and the fact that many of the financing products currently available can be difficult to access.

The purpose of the GoGreen Home Energy Financing Program is to provide credit enhancement support for finance companies financing energy improvements. Through the use of these credit enhancements, finance companies are able to mitigate risk and thus offer better rates and terms to a broader base of customers. The goals of the Program are to attract a greater amount of private capital to the energy efficiency retrofit and upgrade market by mitigating risk to finance companies, to broaden the availability of financing to those who might not have been able to access it otherwise, and to address the upfront cost barrier to energy efficiency retrofit or generation projects.

The goals of the amendments are to include residential properties that have been adversely affected by natural disasters to receive support for energy efficiency and clean energy measures. Additionally, it allows the program staff to more efficiently administer the program and provide quality service to Participants.

Small Business:

The proposed regulations will not have an adverse impact on small businesses in California. Participation is voluntary and designed to offer access to attractive financing that a resident otherwise may not have.