



**Statewide
Energy
Efficiency
Collaborative**

SEEC Virtual Forum: Webinar 12

September 17, 2020 | 10:00 AM – 11:15 AM PST

State-Administered, Utility-Supported Financing for Energy Efficiency Retrofits



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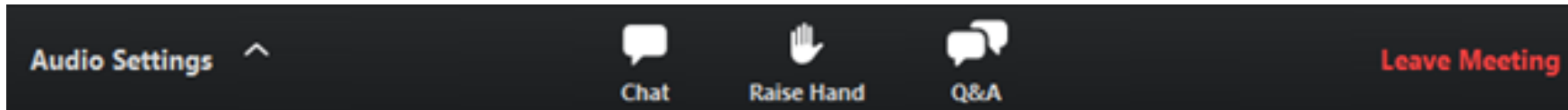
Use this group to connect with other professionals, whether it be for project support or professional development reasons!

Find us at <https://www.linkedin.com/groups/8956010/>



Q&A

- Submit questions for panelists through the Q&A module at any point during the webinar.
- Upvote questions that you are interested in hearing responses to.



Chat

- Engage in a dialogue with your peers – share resources, case studies, and best practices
- Reach out to LGC staff if you encounter technical issues or have questions about the SEEC Forum.



Introducing Today's Panelists



Kaylee D'Amico
Marketing, Education
and Outreach
Specialist
**California Hub for Energy
Efficiency Financing
(CHEEF)**



Julie Lessard
Vice President of
Consumer Loans
**First U.S. Community
Credit Union**



Lynette Kyle
Credit Union Direct
Lending
Administrator
**Valley Oak Credit
Union**



Genevieve Dionne
Project Funding
Specialist
**California Energy
Consultant Service**

State-Administered, Utility-Supported Financing for Energy Efficiency Retrofits

*Greening Communities with the California Hub for
Energy Efficiency Financing*

Administered by the California State Treasurer's Office

Supported by California's Investor-Owned Utilities

SEEC Forum Webinar | 9/17/20



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Welcome! Kick-Off Polls

Poll question #1: What type of organization do you represent?

Select one:

- Local or county government
- Utility, REN or CCA
- State government
- Nonprofit/community-based organization
- Other (please share in the chat!)

Poll question #2: Does your local/regional government actively promote energy efficiency upgrades?

Select one:

- Yes, frequently
- Yes, somewhat or with room for improvement
- Only sometimes/under certain circumstances
- Not at all, or EE is not a current goal

Welcome! Kick-Off Polls

Poll question #3: Through which programs or resources does your organization encourage EE upgrades in residences, small businesses, and/or affordable multifamily properties?

Select all that apply:

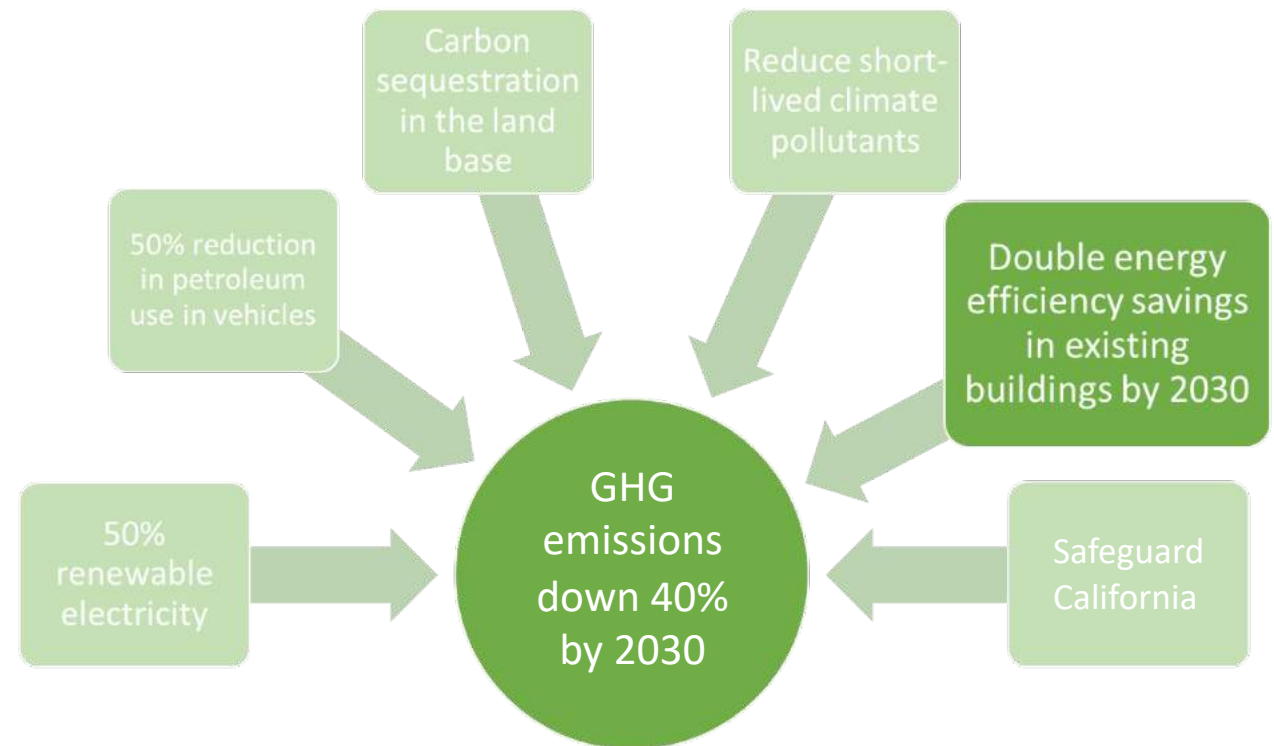
- Government-provided rebate or incentive programs (e.g., tax credits)
- Utility-provided rebate or incentive programs (e.g., marketplace discounts)
- Financing (PACE, OBF or other)
- General marketing or education with no financial assistance
- Other (share in the chat!)

The CHEEF Supports State Energy Goals

The **California Hub for Energy Efficiency Financing** (CHEEF, or the Hub) helps Californians make their homes and businesses efficient, comfortable and healthy.

The CHEEF:

- **Provides attractive financing** by leveraging private capital
- Supports efficiency measures in **existing buildings**
- Works towards the State's climate and energy savings goals
- Manages EE financing programs in the **residential, small business, and affordable multifamily** sectors



The CHEEF in Context



California Public Utilities Commission created the CHEEF to bring private capital into the energy efficiency marketplace and authorized CAEATFA as its administrator.



California State Treasurer's Office houses CAEATFA and over 15 other financing authorities and commissions.



California Alternative Energy & Advanced Transportation Financing Authority (**CAEATFA**, pronounced "kate-fuh") administers the CHEEF and other programs.



California Hub for Energy Efficiency Financing

REEL, SBF and AMF Programs

Financing Available Through The CHEEF's Programs



REEL Program



SBF Program



AMF Program

	Residential Energy Efficiency Loan	Small Business EE Financing	Affordable Multifamily EE Financing
Customers	Owners or renters of single-family residences (including mobile homes, condos, multiplexes up to 4 units)	Small businesses and nonprofits (building owners or tenants)	Multifamily properties where at least 50% of units are restricted to low-to-moderate income households
Financing Products Currently Available	Loans from \$2,500 to \$50,000 with terms up to 15 years	Leases and equipment finance agreements from \$10,000 to \$5 million with terms up to 10 years	Equipment finance agreements from \$10k-\$250k for up to 84 months; energy service agreements from \$250,000 to \$10 million, up to 10 years
Collateral Requirements	Unsecured – loan is not tied to customer's property	Equipment-secured – loan is not tied to customer's property	Equipment-secured – loan is not tied to customer's property
Key Features	Rates range between 3.48% and 8.12%, compared to national average of 6% (for unsecured 5-year loans). Extended terms keep monthly payments low.	Can be combined with utility incentives and financing programs (e.g., OBF)	Complements existing affordable multifamily energy programs, like SOMAH and LIWP
Customer Access Points	Self-driven (supported by statewide marketing campaign) or through contractors	Contractors and project developers	Organizational partners

How do CHEEF programs work?

Program provides finance companies with credit enhancement

Finance companies offer better terms and approve a wider group of customers

Contractors present financing options to their customers

Attractive financing allows more customers to start or complete deeper EE upgrades

Customers reduce energy use; state and local govts make progress toward goals

Key project features:

- Projects qualify using a simple, statewide list of EE measures (with additional pathways for SBF and AMF)
- Financing can be combined with utility rebates or used on its own
- Part of the financing may be used for non-energy saving measures, like landscaping or remodeling

Key financing features:

- Financing is unsecured or equipment-secured; no property liens
- For REEL, minimum FICO score is 580
- No prepayment, origination, or closing fees
- Credit enhancement is structured as a Loss Reserve

What can be financed through CHEEF programs?



1. Eligible energy efficiency measures (EEEMs)

- Examples: Efficient HVACs, heat pump water heaters, LED lighting, insulation, windows, low-flow showerheads, well pumps, Energy Star appliances, and more!
- Supports decarbonization/fuel switching, e.g., gas to electric
- Addresses air quality concerns – EEEMs include air purifiers, HVACs, and windows

2. Legally and practically required measures related to installation

- Examples: code-required repairs, upgraded electrical panels, permits

3. Non-energy improvements (can comprise up to 30% of total financed amount and still be eligible for full credit enhancement)

- Examples: landscaping, remodeling, water efficiency measures

REEL Loan Scenario

Customer with FICO of 600 needs \$30,000 to:

- 1) Upgrade HVAC unit (\$12,000)
- 2) Install energy efficient windows (\$8,000)
- 3) Bring electrical panel up to code (\$5,000)
- 4) Landscape the backyard (\$5,000)

Customer's loan options:

	Without REEL	With REEL
Interest Rate	12%	7.48%
Term Length	5 years	15 years
Monthly Payment	\$734	\$306

Customer's invoice:

Measure	Cost	EE or Non-EE?	Subtotal	Program Requirements
HVAC	\$12,000	EE	\$25,000 (83% of loan)	At least 70% of each REEL loan must be used for EE or related legal/practical measures.
Windows	\$8,000	EE		
Panel Upgrade	\$5,000	EE		
Landscaping	\$5,000	Non-EE	\$5,000 (17% of loan)	Up to 30% of each REEL loan may be used for non-EE measures.

How do customers access CHEEF programs?

➤ Through our **statewide marketing platform**

- GoGreenFinancing.com is the customer-facing hub for EE financing
- Local governments and nonprofits are trusted messengers who can tell customers about GoGreenFinancing.com

➤ Through their **utility or energy provider**

- The state's investor-owned utilities (PG&E, SCE, SCG, and SDG&E) market CHEEF programs directly to customers
- CCAs, RENs, MUNIs, and local government energy divisions promote CHEEF programs

➤ Through their **contractor**

- Contractors enroll with our programs and receive training on the financing to offer them to customers directly – some contractors use REEL exclusively!

Statewide Marketing Efforts

Examples shown from the REEL Program

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Take control of your comfort

Financing solutions for your energy efficiency projects

The Residential Energy Efficiency Loan (REEL) program helps California homeowners and renters access attractive financing for energy efficiency projects. REEL is a state-administered program available to California residents who own or rent and receive electric and/or natural gas service from any of the following investor-owned utilities: Pacific Gas and Electric Company (PG&E) / San Diego Gas & Electric Company (SDG&E) / Southern California Edison (SCE) / SoCalGas.

Explore loan options, find a contractor and more for your residential energy efficiency upgrade today.
GoGreenFinancing.com

Benefits

- No lien on your property
- Competitive rates and no prepayment penalty
- Borrowers with a credit score as low as 640
- Use up to 30% of a home's value toward nonenergy

Broad list of energy products to choose from

- Heating & Air Conditioning
- Windows & Cool Roofs
- Lighting
- Insulation & Air Sealing
- Water Heaters
- ENERGY STAR® Appliances

See the future through efficient windows

Comfort you can afford

GoGreenFinancing.com

Print collateral with co-branding opportunities

Social media campaigns

PG&E Homeowners and Renters

Remodel plans? Get financing from the State of California

You can get up to 100% financing for energy efficiency improvements through California's Residential Energy Efficiency Loan program.

- No prepayment penalty
- No closing costs
- Borrow \$2,500-\$50,000
- No up-front cash required
- Optimal income requirements

SoCalGas & **Sempra Energy**

Residential Energy Efficiency Loan
Affordable Comfort is Available through REEL

Are You in Need of New Appliances or Other Home Improvements? Costs are Putting Your Comfort on Hold?

Affordable Comfort is Available through REEL

The Residential Energy Efficiency Loan¹ (REEL) program offers flexible lending solutions for energy improvements to make your home more comfortable and more energy-efficient. REEL financing also has no prepayment penalty for borrowers with limited income or those with lower credit scores. Unlike other loan programs, your home won't be used as collateral with REEL.

Additional REEL Program Benefits

Utility marketing campaigns reaching millions

REEL PROGRAM

HOMEOWNERS:
Looking to Make Energy-Efficient Upgrades to your Home?

The Residential Energy Efficiency Loan (REEL) program is an affordable lending solution to help LADWP customers make their homes more energy-efficient. Borrowers have been using REEL to finance heating and air conditioning systems, windows, energy-efficient appliances and other products. With its attractive interest rates and terms, REEL appeals to borrowers with a broad range of income and credit scores. And, unlike other loan programs, your home won't be used as collateral with REEL.

REEL Program Benefits

- 100% financing available - no upfront cash required
- No prepayment penalty
- No closing costs or fees
- Project costs may be reduced through utility rebates and incentives

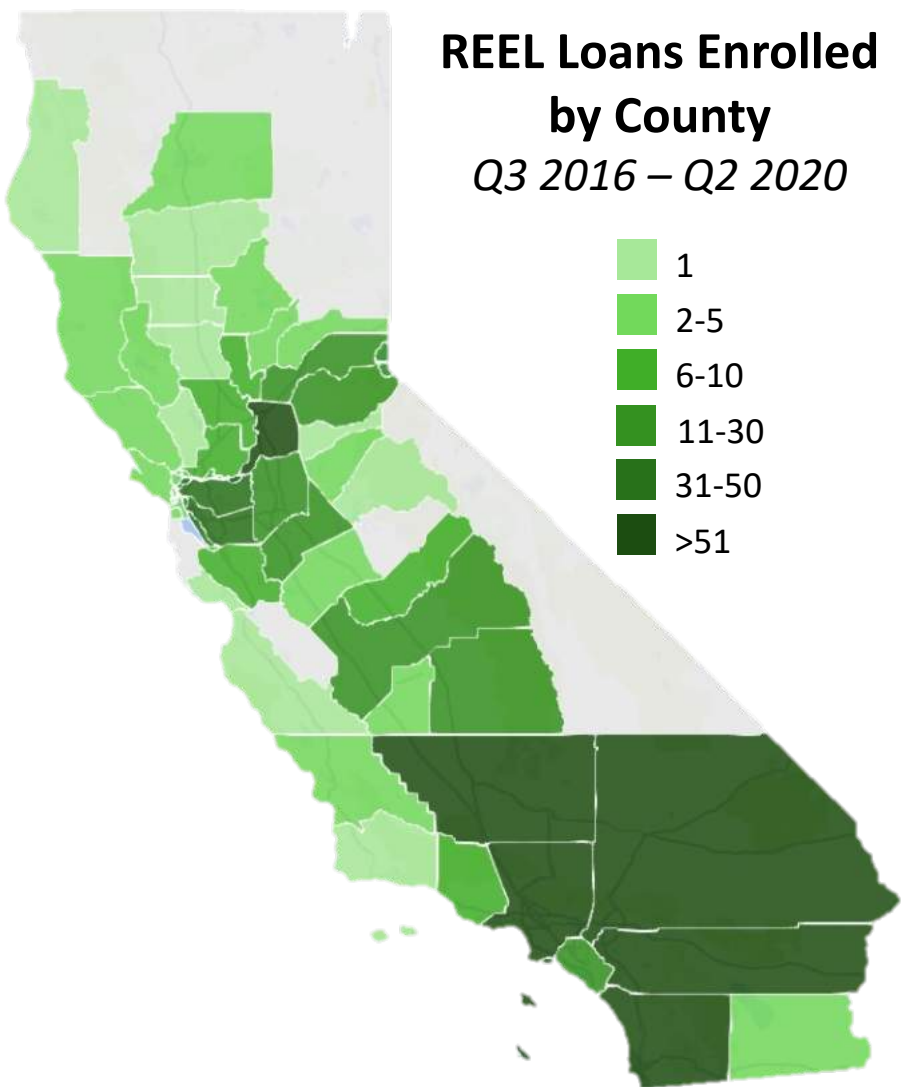
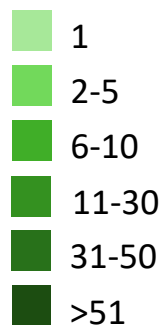
Save energy AND money! ▶

Visit GoGreenFinancing.com/residential to learn about eligibility and more.

LA DWP Los Angeles Department of Water & Power

REEL's Statewide Reach and Energy Impact

REEL Loans Enrolled by County Q3 2016 – Q2 2020



As of 9/14/20:

868

loans enrolled

453

participating contractors

\$7

in private capital
leveraged for every \$1 of
ratepayer credit
enhancement

Energy Savings:

Electric: 12.8% gross, 5.4% net

Gas: 2.6% gross, 1.5% net

Per CPUC-authorized evaluation of REEL's
first 212 projects

Top 3 Measures Installed with REEL:



HVAC

Equipment and ductwork



Building envelope

*Air sealing, insulation,
cool roofs, windows*



Water heating

*Water heaters, low-flow
fixtures*

REEL is reaching underserved borrowers

1 in 7

REEL projects are completed in CalEnviroScore disadvantaged communities

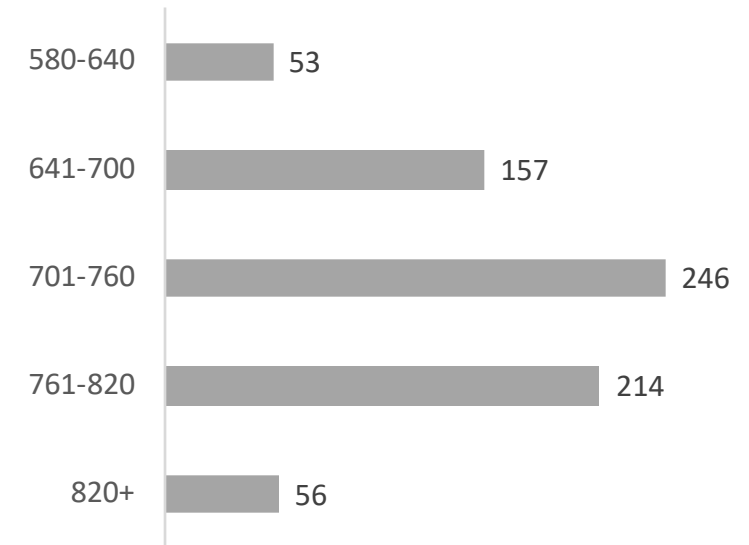
54%

of REEL projects are on properties located in LMI census tracts

- Program **open to renters** and **includes manufactured homes**
- Minimum debt-to-income requirement prevents giving customers loans they can't repay
- Credit-challenged facility provides **higher credit enhancement for loans to borrowers with lower credit scores**
- REEL is appropriately serving moderate income borrowers; low income borrowers may be better served by no-cost programs rather than taking on debt

“Underserved” includes borrowers who are Low/Moderate income, with lower credit scores, and/or living in Disadvantaged Communities per CalEnviroScore.

REEL Loans by Credit Score



Data valid through June 30, 2020

REEL's Loan Portfolio

\$14.45 million

REEL loans financed by
7 participating lenders

\$16,600

average REEL loan size

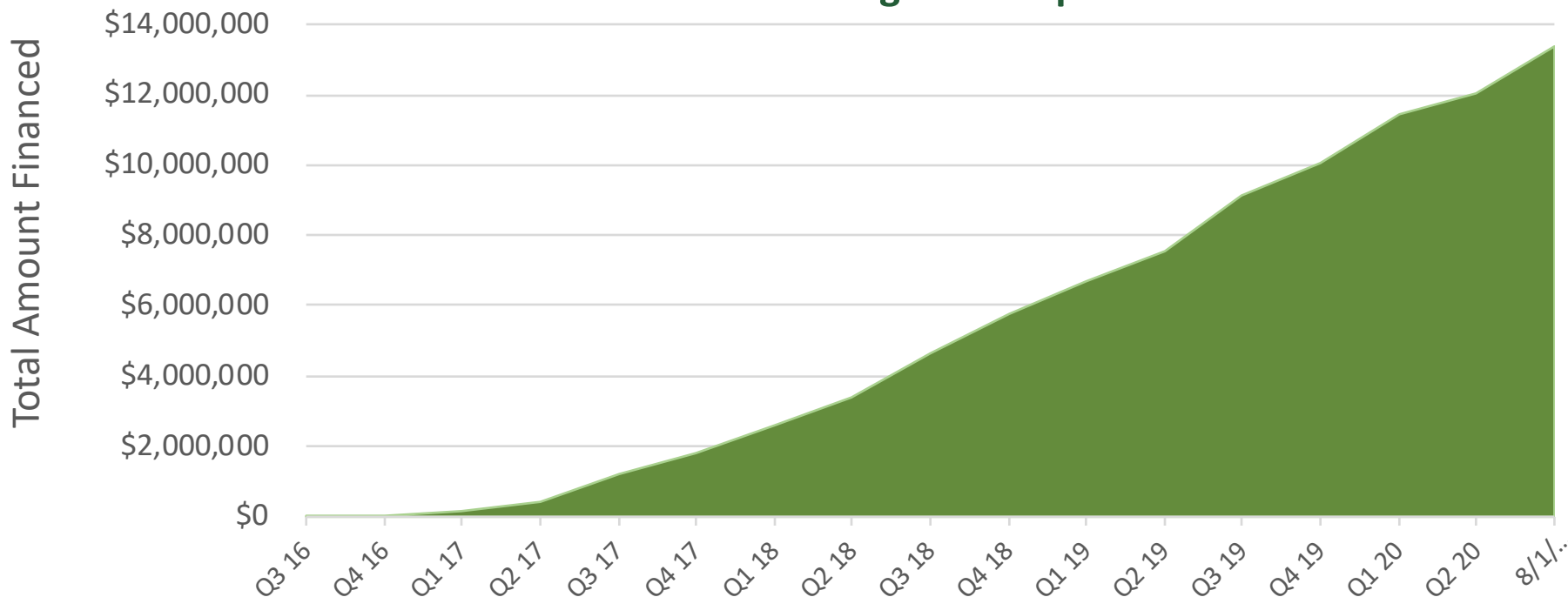
6.06%

average interest rate
(5-year term)

11 (1.3%)

total defaults since
program inception

Loan Growth Since Program Inception



SBF and AMF: Poised for Growth

- Launched in 2019, the SBF and AMF Programs are both in their pilot periods
- **SBF has completed 7 projects to date**, with 3 more pre-approved for enrollment
 - Most popular measures: HVAC units, HVAC ductwork/insulation, LED lighting
 - Next steps for program growth: enrolling a microlender to issue financing for projects under \$10,000, partnering with IOU programs led by third-party implementers
- **AMF is ready for its first project**
 - In August, AMF began offering equipment finance agreements of \$10,000 - \$250,000 (to complement already-available financing for \$250k - \$10 million)
- Growth has been slower for these programs
 - SBF has been significantly impacted by COVID-19 as small businesses struggle to stay afloat
 - AMF has faced complex challenges within its sector, such as lengthy project development timelines

Local government partnerships can help get the word out about these attractive financing options!

What does this mean for you?

Grow local business through enrolled contractors



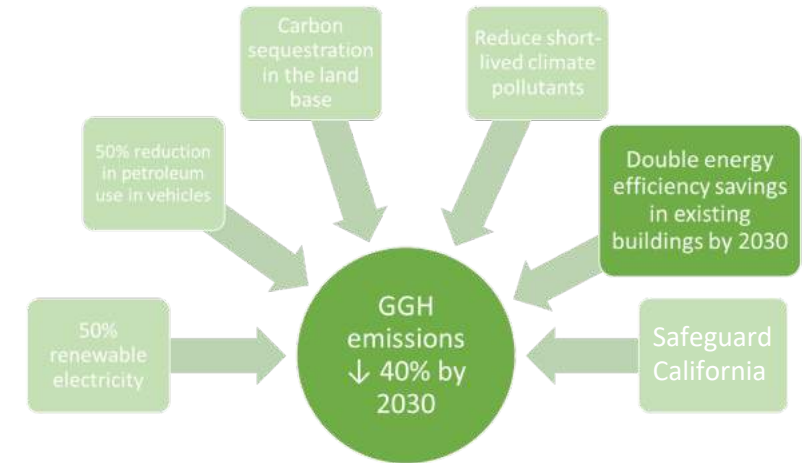
CHEEF programs help local businesses thrive by fostering more projects and employment through the green economy.

Help your constituents save money and energy



CHEEF programs are used by real families. The Flores family (above) used REEL to finance a water heater, furnace, heat pump, water filter, and smart thermostat for under \$150/month.

Achieve regional and statewide energy goals



CHEEF programs directly work towards meeting California's climate goals to double EE savings and lower GHG emissions by 40%, as well as reach codes in your region.

Panel Discussion



Genevieve Dionne
California Energy
Consultant Service

***Participating REEL
Contractor***
*installing EE upgrades in
greater Sacramento area*



Lynette Kyle
Valley Oak Credit Union

***Participating REEL
Lender***
*serving Tulare and
Madera counties*



Julie Lessard
First U.S. Community
Credit Union

***Participating REEL
Lender***
*serving 12 counties in
Northern California*



Kaylee D'Amico
CHEEF Programs

Moderator

Framing Questions for Panel

- How has the REEL Program benefitted your customers and helped meet their financing/EE needs?
- In what ways has working with a government program supported your business and community?
- How do you think local governments can support energy efficiency financing?

Submit your questions through
the Q&A function!

Stay in Touch

Learn more about the CHEEF online:

GoGreenFinancing.com

For customers, contractors, and statewide marketing resources

treasurer.ca.gov/caeatfa/cheef

For policy resources and quarterly reports

Call or email us:

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Marketing, Education & Outreach Specialist

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Appendix

REEL improves loan terms and access

Credit enhancement allows lenders to improve their products significantly

- ✓ Lower interest rates
 - 8.95%-20.88% without REEL → 3.48%-8.12% with REEL
- ✓ Longer terms
 - 5 years without REEL → 10-15 years with REEL
- ✓ Increase in maximum loan amount
 - \$15k-\$30k without REEL → \$50,000 with REEL
- ✓ Broader FICO approval (for 4 lenders)
 - 660 to 640 without REEL → 580-600 with REEL



“The affordable monthly payments really helped. We improved the efficiency and comfort of our home while staying within our budget.”

— Jesse Flores, El Cajon

“It was a no-brainer to save my cash and utilize the financing offered through REEL.”

— Sammie Allen, Ridgecrest



REEL facilitates interest savings and affordable payments

REEL helps borrowers meet their household budget goals by offering lower interest rates and longer payback terms (which translate to lower monthly payments) than standard loan products.

Scenario: \$15,000 loan to a California Coast Credit Union borrower with a credit score of 600.

Goal: Interest savings

	REEL (5-year)	Standard (5-year)
Interest Rate	5.48%	20.88%
Monthly Payment	\$286	\$405
Total Interest	\$2,183	\$9,287

Goal: Affordable monthly payments

	REEL (15-year)	Standard (5-year)
Interest Rate	7.48%	20.88%
Monthly Payment	\$139	\$405
Total Interest	\$9,998	\$9,287

Standard loan term maximum is 5 years.

Credit Enhancement makes energy efficiency accessible

Access to the credit enhancement through SBF allows Finance Companies to offer:



Lower interest rates

Terms up to 10 years
lower monthly payments help projects pencil out

Increased approval rates
from as low as 50% up to 95% expected

Approval in more sectors
e.g., cannabis, houses of worship, restaurants

Broader eligibility
tenants and new businesses



Bringing private capital to finance energy efficiency

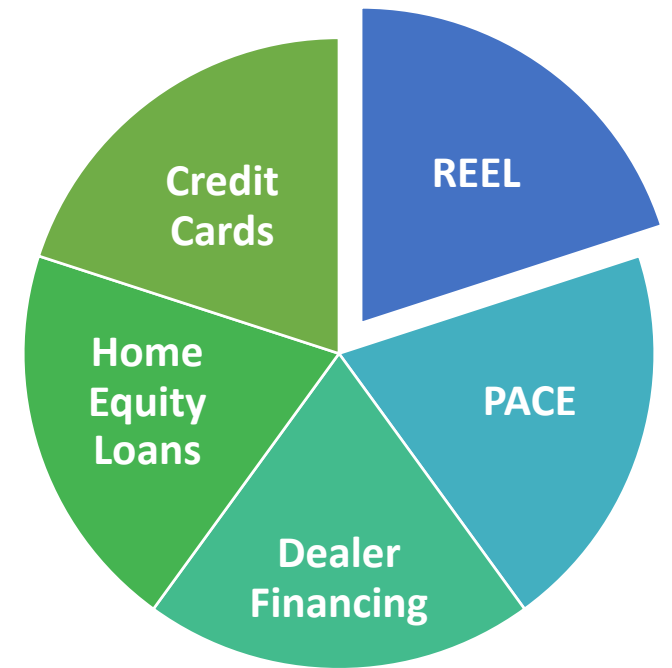
- Complements IOU phaseout of residential rebates
- Leveraging private capital
 - Ratepayer funds are used as a credit enhancement (CE) to incentivize private investment in energy efficiency
 - Thus far, credit enhancement has served as a per-dollar multiplier of approximately 7
 - **\$1.87M in ratepayer funds has leveraged \$13.4M in private financing of energy efficiency retrofits (through May 2020)**
- CE funds can be revolved
 - As loans are paid off, funds are redeployed to support new loans
 - Every \$1 bundled into a CE can be redeployed multiple times
 - Funds are only “expended” when a loan defaults



REEL is filling an important gap in the market

REEL offers attractive financing with terms that customers cannot find elsewhere.

- ✓ Unsecured loans
 - Many homeowners do not want to encumber their property with a lien
- ✓ Reduced rates
 - Credit enhancement allows lenders to lower rates, e.g., from 20.88% without REEL to 5.48% for a 5-year loan for a CalCoast borrower with a 600 FICO score.
- ✓ Terms out to 15 years
 - Makes large projects affordable. Banks and credit unions will only offer 5-year personal unsecured loans without a program like REEL
- ✓ Borrowers with FICOs of 580 can qualify statewide
- ✓ Over 420 contractors to choose from
- ✓ Simple, statewide measure list; online tool to find contractors and lenders



REEL is helping make energy upgrades **without** rebates or incentives. REEL continues to grow as IOUs have phased out Home Upgrade.

SBF early project examples

Two Dairy Projects, PG&E Territory	Bakery SoCal Edison Territory	Office Building SDG&E Territory
\$225,000 and \$170,000	\$145,000	\$900,000
LED High Bays & Wraps, VFD Pumps	Ducts with Diffusers, Dampers, Air Balancer, Venting for Ovens	Chiller, Boiler, Cooling Tower, Building Automation
Two Separate Leases	Equipment Finance Agreement	Lease
Utilized IOU Rebates	Included non-Energy Remodeling	Whole Building Heating and Cooling

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