

DOCKETED

Docket Number:	17-IEPR-08
Project Title:	Barriers Study Implementation
TN #:	217580
Document Title:	New & Existing Clean Energy Financing Pilots for Low-Income Customers
Description:	Presentation by Deana Carrillo of California Alternative Energy and Advance Transportation Financing Authority
Filer:	Raquel Kravitz
Organization:	California Hub for Energy Efficiency Financing
Submitter Role:	Public Agency
Submission Date:	5/12/2017 2:01:46 PM
Docketed Date:	5/12/2017

Joint Agency Workshop on Senate Bill 350 Low-Income Barriers Study Implementation

New & Existing Clean Energy Financing Pilots for Low-Income Customers

May 16, 2017



CALIFORNIA HUB FOR
ENERGY EFFICIENCY
FINANCING



New & Existing Clean Energy Financing Tools for Low-Income Californians

Moderator: Deana Carrillo, California Alternative Energy and Advanced Transportation Financing Authority

- Al Gaspari, Pacific Gas & Electric
- Justin Wynne, California Municipal Utilities Association
- Stephanie Wang, California Housing Partnership Corporation
- Tammy Agard, EEtility
- Erica McConnell, Interstate Renewable Energy Council

Overview of Panel Presentation

- I. Overview of Recommendations in the Barriers Report

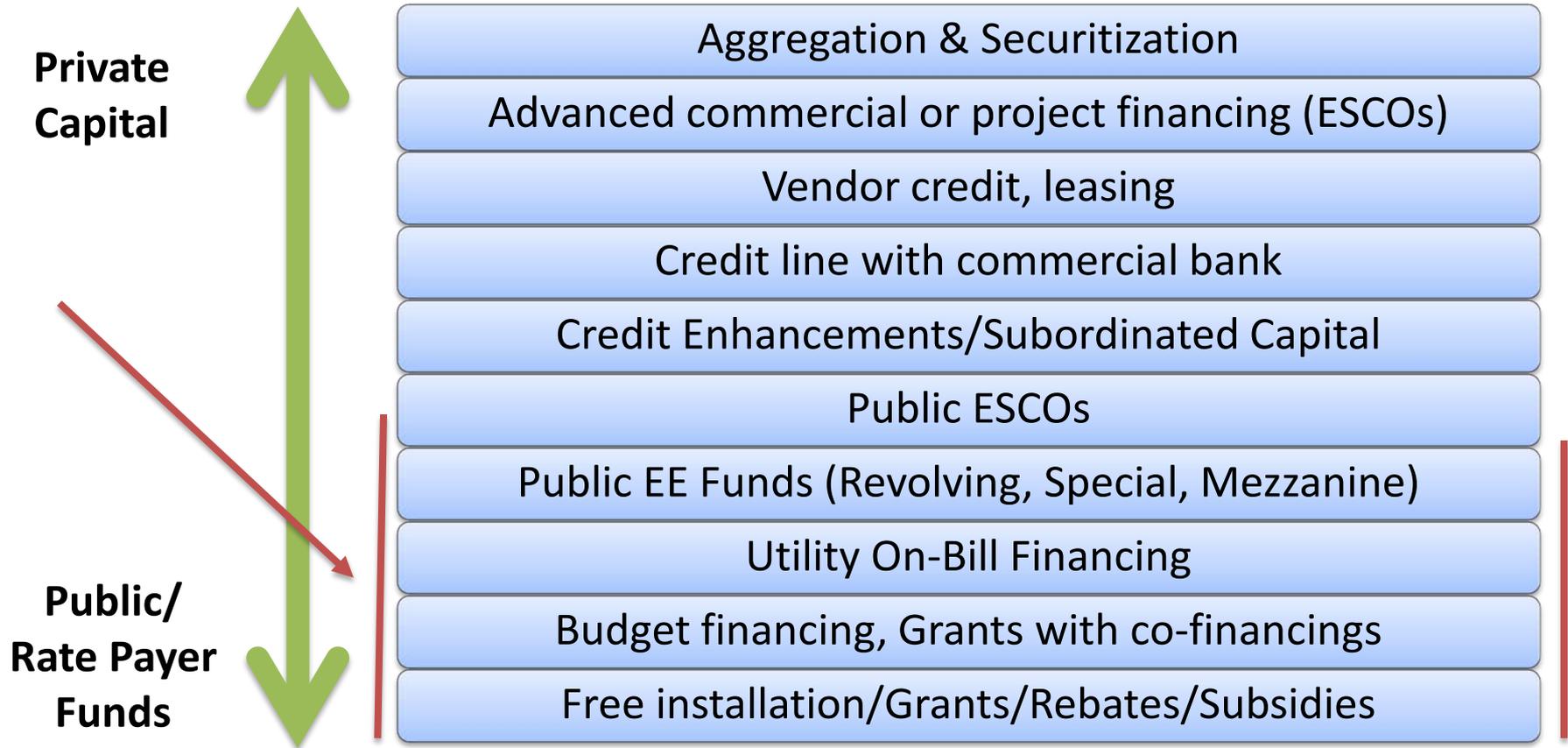
- II. Discussion of Financing Structures and other Creative Solutions to reach the Low-Income market.

- III. Q & A

Why Financing?

- Rebates and Incentives alone won't enable California to reach its EE goals.
- Creative market solutions, and public-private partnerships are necessary to address unique challenges to the Low-Moderate Income Market:
 - Split incentives
 - Upfront Costs
 - Insufficient Credit
 - Lack of Ability to Pay/Income Barrier

Continuum of EE Financing Products



Source: World Bank (2015)

Financing Recommendation in the CEC's Low-Income Barriers Study

- CPUC consider developing a tariffed on-bill pilots targeting low-income customers

- Legislature consider authorizing programs:
 - Provide low-income customers the option to use CA Alternative Rates for Energy (CARE) for community solar offering. Expand to EE
 - Credit enhancement/Risk Sharing Financing for energy projects targeted to:
 - Market rate low-income multifamily housing
 - Across all industries in disadvantaged communities

- State should explore social impact bonds

California Hub for Energy Efficiency Financing (CHEEF)



CALIFORNIA HUB FOR
ENERGY EFFICIENCY
FINANCING

- Standardized, statewide platform designed to:
 - Bring private capital into energy efficiency space
 - **Provide more attractive financing** reaching a **broader customer base**, enabling **more EE projects** with **deeper energy savings**
 - Establish statewide database of EE project and financing data to spur future investments
- Developing and implementing EE finance pilots targeting **single family residential, multi-family residential**, small business and large commercial sectors.
- Public-private partnership of state agencies, lenders, contractors, investor-owned utilities, and borrowers.
- Program features include
 - credit enhancements to mitigate risk for lenders
 - on-bill repayment options
 - statewide marketing and outreach campaign

Residential Pilots Comparison

	Residential Energy Efficiency Loan Assistance Program (REEL)	Efficiency Finance Line Item Charge	Master-Metered Affordable Multi-Family
Products	Loans, Retail Installment Contracts (Up to \$50,000)	Loans, Retail Installment Contracts, Payment Plans (up to \$1,000)	Loans, Leases, Energy Service Agreements (ESAs)
Repayment and disconnection	Off-Bill	On-Bill	On-Bill / Off-Bill
Credit Enhancement	Loan Loss Reserve \$25 MM Credit		Loss Reserve \$2.9 MM
Occupancy Requirement	Tenant or Owner	Owner Occupants	<ul style="list-style-type: none"> - Owner may NOT Occupy - At least 50% of Property - Deed Restricted - Affordable
Project Requirements	EE and (DG permitted, but does not count toward 70% and not Credit Enhanced)	70% EE No DG	70% EE, Solar Hot Water, No DG
Service Territory	IOU Service Territories	PG&E	IOU Service Territories
Status	Launched	TBD	Late 2017/early 2018



CHEEF Commercial Pilot Features

Loans, Leases, & ESAs

Small Business

Meets SBA size restrictions,
for-profits and non-profits

Credit Enhancement
Up to \$14 MM

EE, DR, and DG*

On Bill

Off Bill

Non Residential

Any size business, non-
profit or government

No Credit Enhancement

EE, DR, and DG**

On Bill

EE = Energy Efficiency; DR = Demand Response; DG = Distributed Generation

ESA = Energy Service Agreement

*70% of financing must be EE, or DR to receive credit enhancement; DG measures cannot be credit enhanced

How is the CHEEF Meeting the Low-Income Market

REEL

- 1/3 of Credit Enhancement Funds targeted to Low-Moderate Income Borrowers
- Lenders Providing Expanded Loan Terms
 - Lower interest rates
 - Broader Underwriting Criteria (Higher DTI/expanded income)
 - Longer loan terms = lower monthly payment
- Alternative Underwriting Criteria Available (Bill Payment History)
- Single Measures, meet the borrower where they are
- Allow financing for:
 - Renters
 - Mobile home owners
- Consumer Protection
 - Contractor Network
 - Regulated financial entities, special requirement for finance lenders
 - Capped Interest Rates
- New Modifications under Consideration:
 - Streamlined pathway for lenders to provide low dollar financing products
 - Expanding to include payment plans

Residential Energy Efficiency Loan (REEL) Assistance Program

Program Ramp Up:

- ✓ First loan enrolled July, 2016
- ✓ Over 100 contractors enrolled
- ✓ 5 approved lenders, 4 active
- ✓ Over a dozen loans enrolled, 20% to LMI Borrowers
- ✓ Consumer marketing has not actively begun

Tangible benefits provided by Lenders to Borrowers due to CHEEF Loan Loss Reserve



Credit expansion	FICO min reduced from 660 to 640	FICO min = REEL min of 580	FICO min remained at 600	FICO min = REEL min of 580
Rate reduction	640 bp (for FICO of 640)	668 bp (for FICO of 580)	1200 bp (for FICO of 600)	1050 bp (For FICO of 580)
Term extension (means lower monthly payments)	From 1 years to 5, 10 or 15	From 5 years to 5, 10 or 15	From 5 years to 5, 10 or 15	From 5 years to 5, 10 or 15
Amount available to borrow	From \$10k to \$50k	From \$20k to \$50k	From \$20k to \$50k	From \$15k to \$50k

A CalCoast borrower with a 600 FICO score taking out a \$10,000 5-year loan would save **\$3,668** over the five years.



How is the CHEEF Meeting the Low-Income Market

Affordable Multifamily

- Restricted to units that are at least 50% deed restricted to affordable housing

- Supporting structures that allow for off-balance sheet financing
 - Energy Service Agreements
 - Operating Leases

- Developing technical assistance support for building owners.

Financing Strategies, Creative Solutions and Opportunities

Questions for Panelists:

- How do we address homeowners and business owners who can't take on new debt?
- What type of strategies are you employing to meet this market?
 - Status
 - Benefits of Structure
 - Challenges and Solutions
 - Remaining Risk
- What market segments remain to be the most challenging?
- What are the challenges and solutions to grow on-bill financing? On bill repayment? PAYS? CARE flexibility?
- What stakeholders/business actors need to be at the table?
- What can we learn from other States?