EFFICIENCY CITIES NETWORK

December 8, 2009

3pm EDT

State Enabling Legislation for Energy Efficiency Programs

Moderators:

Joel Rogers, Director of Center on Wisconsin Strategy (COWS)

Satya Rhodes-Conway, Administrator of Efficiency Cities Network (ECN)

Agenda

- Welcome and intro (5 min)
- Presenters (45 min)
  - **Representative Jules Bailey,** Oregon State Legislature
  - **Bryan McDaniel,** Senior Policy Analyst, Illinois Citizens Utility Board
  - **Emmaia Gelman,** Policy Director, Center for Working Families
- Questions and discussion (35 min)
- Next call and other items (5 min)

The Oregon Energy Efficiency and Sustainable Technology Program (EEAST)

Making energy efficiency and renewable energy accessible to Oregonians

What is EEAST?

- EEAST provides easy-to-use financing for residential and commercial energy efficiency and renewable energy projects in Oregon by providing 100% up-front long term, low-interest loans to property owners that can be paid back on the utility bill and transferred to a subsequent owner
- Up-front project financing and difficulty navigating incentives and contractors are the two biggest hurdles to energy efficiency and renewable energy projects in Oregon. EEAST provides an impartial project manager walk busy property owners through the process.
- EEAST builds on state and federal tax credits and other incentives already offered, as well as the energy efficiency and renewable efforts underway to date through utility and public purpose charge based programs
- EEAST is the first program in Oregon to blend public and private capital, leveraging the power of the private market.

Smart Energy Solutions

Working with Project Managers

- Those considering an EEAST project loan will work with Project Managers who act as the property owners' personal energy efficiency and renewable energy advisors. With no financial stake in the project, designated Project Managers, such as Energy Trust of Oregon, provide reliable advice.
- Project Manager assistance includes an energy audit or evaluation for the property, a description of energy efficiency and renewable energy options, estimated energy cost savings, tax credits and other incentives, and overall project costs.
- The project manager is key to helping the property owner make smart decisions on energy efficiency and renewable projects and will assist them in contracting with EEAST-certified contractors who can complete the project.

On-Bill Financing

- EEAST allows most applicants to repay their loan as a line item charge on their monthly utility bill. EEAST also authorizes loan repayment as a part of a county property tax bill for loans issued by Local Improvement Districts (LIDs) authorized to finance efficiency and renewable energy projects.
- EEAST avoids the administrative costs of creating and managing an entirely new repayment system. Utilities and counties will transfer loan repayments to ODOE and receive a small processing fee.

Funding Mechanisms

EEAST expands opportunities for loan funds in several ways

1. **Expands bond authorization**: $150 million in state bond funding was authorized for ODOE to use for EEAST projects. EEAST authorized ODOE to use revenue bonds as a source of raising loan capital in addition to its existing authority to use general obligation bonds.

2. **Establishes Supplemental Project Fund:** Allows ODOE to accept a diversity of different funding sources that can be used for EEAST project loans. EEAST opens the door for the State Investment Board to invest some portion of the State's $56 billion investment portfolio in energy efficiency and renewables projects in Oregon.

3. **Leverages Public and Private capital**: EEAST creates a unique mechanism for blending public and private capital to finance EEAST projects and specifically authorizes utilities and other investors to invest in and profit from energy efficiency and renewable energy investments through EEAST.

Funding Mechanisms

4. **Establishes a Loan Offset Grant Fund**: EEAST is the first program in the United States that is structured to offer grants that do not need to be repaid to people who are willing to take out energy efficiency and renewable project loans. The primary goal of the Grant Fund is to be able reduce the initial costs of an efficiency project so that an applicant's monthly energy bill savings will be greater than their monthly loan repayment costs.

5. **Creates new tools for cities, counties and utilities to promote efficiency and renewables**: EEAST expands opportunities by creating an easy way for cities, counties, utilities, non-profits or others to direct either loan or grant funds to a specific geographic area.

   Additionally, EEAST authorizes the formation of Local Improvement Districts (LID) as a tool to raise funds for efficiency and renewable projects that can be loaned to homeowners and businesses. Long used to finance everything from sidewalks and renewal districts to sewage plants, empowering local cities and counties to form LIDs to finance renewables and efficiency is another important community financing tool created by EEAST.

Addressing Equity

Using grant funds to encourage efficiency and renewable projects

- EEAST includes a new Loan Offset Grant Fund, seeded with $5 million for the next two years. The fund uses grant monies for credit enhancements and to reduce energy efficiency project costs to the point where applicants will see monthly energy cost savings that are greater than the monthly loan repayment costs.

- EEAST loans will first be offered through a series of phases in communities throughout Oregon. The pilots are designed to test a number of project variables, including low-income accessibility.

Project Types

What projects qualify for EEAST project funding?

- A broad diversity of residential and commercial projects that reduce energy usage, create sustainable energy or promote energy conservation qualify for EEAST financing, but energy efficiency and renewable energy projects are the most likely. EEAST loans are currently limited to $40,000 per loan.

- **Energy efficiency projects**: Basic home weatherization projects that include sealing leaky heating ducts, adding insulation, and fixing or replacing leaking doors and windows can reduce energy usage and utility bills by over 30%. For many homes, the cost of repaying an EEAST loan for this type of project will be less than the monthly energy savings especially when federal and state tax credits, Energy Trust of Oregon efficiency cash incentives, and utility rebates are considered.

Implementation Timeline

- The Oregon Dept. of Energy is currently soliciting for the pilot projects.
- The project managers of the pilots will report on the findings of the pilot projects no later than October 1, 2010 to the Oregon Dept. of Energy.
- After the pilot project phase is complete, the Department has the authority to:
  - Ramp up the project statewide, and/or
  - Make suggestions for legislative changes to the program, based on the pilot projects reports, in the 2011 legislative session.

cwf
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Efficiency Cities Network: 12/8/09

Emmaia Gelman, Policy Director
Center for Working Families
emmaia@cwfny.org // (917)517-3627

Policy Elements

- State-run program that can coordinate many resources & stakeholders
- Retrofit Investment Fund
- On-Bill Recovery (not financing…)
- Community implementation/local targeting of retrofits
- Aggregation of household retrofits into bigger projects
- Training-to-jobs pipeline
- RGGI funds to launch

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Policy-building process

- **Coalition-building**
  - Strange bedfellows: enviros, labor, CBOs, contractors, lenders, legislators
  - Local networks statewide: shape policy, get buy-in and prep communities to apply for targeting
- **Enviros:** ensure that content of retrofits is sufficient
- **Labor:** ask unions to resolve jurisdictional issues, ensure quality jobs and a role for unions (in this case, entry point is through training)
- **CBOs:** remove many obstacles in existing programs, shift costs that inhibit scaling up (training, marketing)
- **Lenders:** generate a market-rate credit structure with enough certainty to allow investment -- while preserving payback
- **Legislators:** create scalable, self-sustaining program with no budget impact, show job creation in each district

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What came out in the wash…

- Vague “enabling” bill leaving much to regulation
- Retrofit Investment Fund
- RGGI funds to launch ($112m)
- Community implementation/local targeting of retrofits
- Unspecific reference to best-value contracting
- Unspecific “encouragement” of on-billing
- Some arbitrary numbers:
  - $13K cap for 1-4 unit buildings, etc.
  - Free audits up to 200% AMI (oh, why not?!)
- No specific allocations for job training, CBO delivery, etc.

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What's next to solve:

- Structuring the Fund to leverage $112m into $5b
- Meshing GJGNY with existing programs (without repeating old problems)
- Concretizing the training-to-jobs pipeline
- Supporting entry/expansion of small contractors (working capital, co-opping some functions, etc.)
- Writing a workable community RFP
- **Legislating on-bill recovery**
  - Merging legislative muscle with utility buy-in
  - Resolving fuel silo issue

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Contact Information

ECN:

ADMINISTRATOR: ecn@efficiencycities.us

LISTSERV: ecnmembers@efficiencycities.us

WEBSITE: www.efficiencycities.us