

NASEO State Financing Committee Call
Thursday, January 3, 2013, 3:00-4:00pm ET

Attendees

Alabama Department of Economic and
Community Affairs
Buildings Performance Institute
U.S. Department of Energy
Duncan, Weinberg, Genzer & Pembroke
Energy Programs Consortium
Iowa Economic Development Authority, Energy
Division
Idaho Office of Energy Resources
Illinois Energy Office
Louisiana Department of Natural Resources
Michigan Energy Office
Michigan Saves

Missouri Department of Natural Resources
National Association of State Energy Officials
New York State Energy Research and
Development Authority
SAIC
Tennessee Office of Energy Programs
Utah Office of Energy Development
Virgin Islands Energy Office
Virginia Department of Mines, Minerals and
Energy
Washington, DC Department of the
Environment

Announcements

Al Christopher, Energy Division Director, Virginia Department of Mines, Minerals, and Energy, and NASEO Financing Committee Co-Chair, opened the call. He announced that the next call will take place on Thursday, March 7, 2013, at 3:00pm ET. He invited committee members to contact him, Jeff Pitkin, or Sandy Fazeli if they have topics or programs of interest that they would like to share with the committee.

Sandy Fazeli announced that NASEO is holding its 2013 State Energy Policy and Technology Outlook Conference on February 5-8, 2013, at the Fairmont Hotel in Washington, DC. On February 7, the Financing committee will host a half day Energy and Economic Development Financing Roundtable. For more information, visit <http://energyoutlook.naseo.org/>.

Presentation: “Michigan Saves’ Energy Financing Programs”

Al introduced Julie Metty Bennett, senior vice president at Public Sector Consultants, a private firm based in Michigan that focuses on research, group facilitation, and program management. In this role she also serves as the executive director for Michigan Saves, a multi-million dollar nonprofit organization managed that provides financing solutions for energy efficiency and renewable energy improvements. Julie’s presentation is available at <http://naseo.org/committees/financing/notes/2013-01-03-MISavesPrez.pdf>.

Julie provided an overview of Michigan Saves. Established in 2009 with a grant from the Michigan Public Service Commission (MPSC), it has received additional support from the U.S. Department of Energy and the Michigan Energy Office. Michigan saves does not offer direct lending or financing; rather, it leverages private sector dollars by creating relationships with private lenders (including credit unions and leasing companies) and through a loan loss reserve, interest rate buy-downs, rebates, and other credit enhancement mechanisms. Michigan Saves also oversees authorized contractors, performs

outreach and offers incentives to drive demand for its products, sets program guidelines, monitors impacts, and performs quality assurance on projects.

The Home Energy Loan Program is Michigan Saves' flagship program. It offers 7% interest loans between \$1,000 and \$20,000 to homeowners to finance building shell improvements, HVAC measures, water heating measures, appliance upgrades, and renewable energy. The program has one central application center, accessible online or over the phone, which generates loan approval decisions to interested borrowers within seconds of completing their application. Eight lenders provide statewide coverage, and Michigan Saves provides a 5% loan loss reserve. In cases of default, participating credit unions can claim 80% of the loan. Contractors participating in the program are charged a fee equal to 1.99% of the loan value, and this revenue stream helps to fund the quality assurance that Michigan Saves conducts for approved projects. To date, the loan program has generated 2,037 loans totaling \$16.5 million, with only 2 defaults.

Michigan Saves' Business Energy Financing Program, launched in December 2012, is supported by a U.S. DOE competitive State Energy Program grant through the Michigan Energy Office (MEO). It offers energy efficiency financing up to \$150,000 as low as 5.99% for up to five years through a local financing partner, Ervin Leasing. Michigan Saves provides a 10% loan loss reserve. The program offers a special deal for customers in the food industry (such as restaurants, convenience and grocery stores, and food wholesales): specifically Michigan Saves is buying the interest rate down to 3.99% and, if the project results in 20% energy savings or more, providing a \$2,000 rebate.

Michigan Saves is also developing a public sector financing program. This program will offer installment purchase agreements for local units of government to do energy efficiency and renewable energy improvements and outdoor lighting. Michigan Saves expects to launch the pilot in early 2013.

Finally, Julie discussed Michigan Saves' involvement in BetterBuildings for Michigan. Supported by a grant from the U.S. DOE EECBG program through the MEO, Michigan Saves works in partnership with the MEO to lead a regional team in implementing the BetterBuildings Program for Michigan program, which offers a community approach to deliver energy efficiency improvements for homes and businesses in targeted areas through "neighborhood sweeps." Michigan Saves is offering its financing products to allow homeowners and businesses to achieve deeper retrofits. As of January 2013, the program has improved over 6,200 homes and over 13 million square feet of commercial floor space.

Question and Answer (Q&A)

Q: Can Michigan Saves sustain its operations without further infusion of public funding?

A: Yes, its business model is sustainable to support lean operations with income from contractor fees and investment interest. We know that we need to increase our marketing efforts to drive demand for our programs, though, and will need additional funds to do this.

Q: Have you seen interest for solar and geothermal?

A: Yes, homeowners are interested in solar and geothermal when utilities are offering rebates, but the funding for incentives usually exhausts quickly. Michigan Saves increased the maximum limit on home energy loans from \$12,500 to \$20,000 to accommodate renewable energy projects.

Q: Are bankers interested in working with your programs?

A: Credit unions have generally been more receptive of the programs than banks.

Q: For the public sector financing program, why are installment purchase agreements being used?

A: An attorney recommended this instrument as a way for public entities to finance energy efficiency upgrades through a third-party lender. Michigan law explicitly authorizes schools districts and local governments to use installment purchase agreements to acquire real and personal property. Municipal leases are also used in the state but not explicitly authorized by law. Under a purchase installment agreement, the local government takes title to the equipment at the outset of the transaction.

Q: You said that you try to make the energy savings cover the cost of the financing payment. How is this done?

A: This is not a requirement but most of the commercial energy efficiency measures have short enough paybacks to allow the business to be cash neutral or positive. Contractors can provide the customer the monthly payment amount under different terms (2-5 years) using our quote tool and compare that to the savings projections. An energy audit is not required for pre-screened measures (lighting, HVAC, etc.) but the monthly payments, savings, and utility rebates are usually part of the contractor's proposal.