

**NASEO State Energy Financing Task Force Call
April 1, 2011; 12:30-1:30pm ET**

Attendees

New York

Oregon

Georgia

Kansas

Oregon

Alabama

Massachusetts

Kentucky

Nebraska

Nebraska

Maryland

New Hampshire

Energy Foundation

Energy Programs Consortium

Earth Advantage

Introduction

Jeff Pitkin, Treasurer of NYSERDA and Chair of the NASEO State Energy Financing Task Force, opened the call and reviewed the agenda. Jeff thanked the states that provided input on the “Race to the Green” letter and shared notice of the upcoming Buildings Committee call being held on Thursday, April 28, from 3:00-4:00 pm ET.

Update on Warehouse for Energy Efficiency Loans (WHEEL)

Mark Wolfe from the Energy Programs Consortium (EPC) provided an update on WHEEL, which is a warehouse facility to pool and securitize energy efficiency loans on the secondary market. Tom Plant has joined the EPC team and will be a point person for states who want to participate in the program.

EPC is happy to provide detailed discussion to states that are interested in learning more. NASEO sent a memo regarding this program and will forward it directly to the financing task force. Feel free to contact Howard Banker or Mark Wolfe (202.333.5195 or via email: hbanker@energyprograms.org) with any questions or to express interest in participating. Cities and utility programs can participate in this program. States may also refer to a recent memo sent out by NASEO with additional information about this effort.

Presentations on On-Bill Repayment Programs

Jeff Pitkin introduced the speakers who provided a state perspective of on-bill repayment programs.

Efficiency Kansas loan program: Ryan Freed, Kansas Energy Office

The Efficiency Kansas program is funded by Recovery Act funds. There is a requirement for a pre- and post-energy audit before putting in new mechanical systems. The loan is a 15-year loan (180 months or bill payments, unless house is vacant). The energy office serves in the background: approving all of the audits and moving the money, and conducts much of the work to set up and establish the program. The customers contact the utilities, banks, and energy auditors. The program offers both on-bill and traditional lender options. The way the program was set up, the utilities can work with the borrowers (since the State Energy Office (SEO) sits within the Kansas Corporation Commission).

The SEO in the Kansas Corporation Commission had opened dockets to encourage EE programs for utilities, modeling after a program titled, “How\$mart” with Midwest Energy. The KCC encouraged utilities to take on on-bill financing as a clear way to connect energy and home improvements. The SEO and the utilities worked on the regulatory process together. Sixty-five percent of the states’ households are able to participate in on-bill financing and 25 utilities participate.

Utilities must file a UCC filing or an affidavit that will show up on a title search, so the buyer is notified. Before the purchaser turns on their utilities, they have to accept and pay for the program. The model program by Midwest Energy has done a great job of branding, so it's widely accepted and Efficiency Kansas hasn't seen any issues yet.

Davis Bacon applies if they do small business projects, but not for residential projects.

Oregon Energy Efficiency and Sustainable Technology (EEAST): *Dan Weldon, Oregon Department of Energy*

The work of the EEAST program began long before the legislation was written. In 2008, a model business framework was developed. House Bill 2626 passed in 2009 and included a pilot period to test and measure the program. It helped make sure that data would be collected to inform how to achieve long-term success, protect the interest of homeowners, encourage direct participation, and it identified the roles of the stakeholders. The major purposes were to provide capital at the lowest possible cost, foster energy savings, stimulate jobs, and reduce carbon, among other things. Energy Trust analyzed the program and an assessment is available at www.energytrust.org.

The program defined a geographic area and identified best opportunities with an energy intensity score (energy use by home size). They used direct marketing to homes and Clean Energy Works Portland followed up. The borrower was assigned an energy advocate to act as a skilled and objective third party to guide the homeowner through the process and prepare a bid for audit services. The loan process relied on the borrower utility payment history and credit score. If the customer chose to proceed with work, the contractor was paid by loan proceeds and payment on loan was through the utility bill.

There were a few issues, including the "energy advocate" title being problematic. The energy intensity score wasn't directly correlated to the audit. The contractor assigned to the home owner was the only bid received, so there were questions raised about best possible price. The role of the utility and how gas and electric utilities would interact needs to be refined in the legislation. The IOUs are required to establish an on-bill financing program, but the COUs are not.

However, the program was successful and captured roughly 60% of customers who requested an audit. Clean Energy Works Oregon began in January 2011 after the initial pilot program.

Timing was great. The city of Portland used ARRA funds and SEP funds, as well as lottery funds to operate and implement the program. Dan suggested bringing the utilities into the conversation in the early stages of developing the program. Other issues to address include how the IT programs are paid for and whether utilities are willing to take on financing risk. There needs to be clarity on what the collateral is and what the process is if a customer stops payment.

The loan financing is being provided by CDFI Enterprise Cascadia. The strongpoint of having a CDFI provide financing capital connected with an LLR (10%) is that the financing rate to the customer within the program is 5.99 % with a loan term of 20 years. The program has been able to significantly expand the loan term and reduce the cost of capital, so the energy savings can cover about 40% of the cost of the improvements.

Residential Loans and On-Bill Repayment in Oregon: *Andria Jacob, Clean Energy Works Oregon*
Portland was interested in finding ways to make it easier to upgrade the city's existing residential building stock as part of its effort to reduce carbon emissions 80% over 1990 levels by 2050. There was recognition that little could be done without a financing solution. Portland's 2009 Climate Action Plan called for the establishment of an investment fund to provide access to low-interest, loans. EECBG provided the initial capital for a revolving loan fund. Portland had a \$5.6 million ARRA allocation and

took the \$1.1 million allowable combined with other city resources to create a \$2.5 million pool with Enterprise Cascadia and set up a revolving loan fund pilot program called Clean Energy Works Portland. CEWP's goal was to serve 500 homes. Portland joined with many partners, including contractors, labor, utilities, and a range of other folks to develop a comprehensive program. Clean Energy Works Portland developed a consumer loan product: 5.99% rate at a 20 year term, secured on title in a blind subordinate position. The intent at the outset was to create a pool of conforming loans that could possibly be sold on the secondary market. . The pilot launched in summer 2009 and concluded in February 2011. We now have almost a loan portfolio of approximately \$7 million. We still plan to attempt a secondary market sale when the loan volume nears \$10-12 million, hopefully by the end of 2011.

In April 2010, the City of Portland in partnership with the State, received a \$20 million grant from the US DOE under the competitive EECBG program (aka BetterBuildings) to expand the Portland pilot to other jurisdictions in Oregon. The City created and spun off an independent, private non-profit called Clean Energy Works Oregon. The majority of Portland's BetterBuildings award has been sub-granted to CEWO.

It was asked what role foundations could play being a potential capital source for replenishing a revolving loan program. Howard explained that EPC is working with PA Treasury with a book of about \$26 million in loans and the yield is close to 6%, so the EPC's thoughts were that foundations might be interested in even a \$5-10 or \$10-20 million range, but in terms of repeat sales, the scale is limited. One foundation is attempting to show the way, but the approach, even with WHEEL, is that foundations are bringing price down with project-related investment.

Next Call Date

The call will be held on Friday, May 6, from 12:30 pm – 1:30 pm.