

NASEO State Energy Financing Task Force Draft Call Notes
Friday, May 6, 2011; 12:30-1:30pm ET

Attendees

Jeff Pitkin, NY
Al Christopher, VA
Andrea Schroer, GA
Chuck Guinn, NASEO
Dan Weldon, OR
Dan Bresette, MD
Elizabeth Bellis, Energy Programs
Howard Banker, EPC
Jeff Genzer, NASEO GC

Kathy Hornsby, AL
Kelley Lubovich, EPC
Mark Wolfe, EPC
Nicole Dyess, NC
Joy Adamson, Efficiency Maine
Travis Yelverton, FL
Amy Butler
Jack Osterman, NE

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.

Race to the Green

NASEO provided comments to the White House and the Department of Energy regarding the “Race to the Green” program which is a competitive program for state and local governments proposed in President Obama’s budget as part of the Better Buildings Initiative for commercial buildings. The U.S. Green Building Council and ICLEI-USA also provided their support to the state energy offices’ recommendations and signed on to the letter. You can view the final version on the [NASEO website](#).

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.

WHEEL is currently in discussions with a AAA rating agency to provide capital. Through these discussions, WHEEL is running into a lot of questions on organizational structure and program design. For example, should WHEEL be configured as a nonprofit, an association, other? Who should comprise its board of directors? What is the opportunity to utilize low-interest loan funds established by philanthropic foundations?

To help answer these and other questions, EPC is seeking input from State Energy Offices in the form of an advisory committee. EPC anticipates that volunteer advisory committee members will only need to spend limited time, and participants would ideally be the state energy office staff working on the state’s loan program. If you are interested in participating, please contact Diana Lin (dlin@naseo.org) or Mark Wolfe (mwolfe@energyprograms.org).

Presentation on Florida’s Energy Opportunity Fund: *Travis Yelverton, Florida State Energy Office*

Please refer to the [PowerPoint presentation](#) for additional detail.

Florida received \$126 million in SEP-ARRA funds overall and have allocated around \$36 million into Florida’s Clean Energy Investment Program. Through this fund, the state can provide either debt or equity to fund adoption of commercially available technologies in Florida. The fund is currently characterized as a revolving loan fund, but it’s really more of a hybrid fund because of its progressive

equity component. Florida SEO will put at least 51% of the funds into debt instruments to satisfy the revolving loan fund characterization, but will invest up to 49% of the funds as equity.

The state does not intend to take very long positions on these transactions because they want to ensure that the money moves around. This program design allows for a lot of flexibility and can accommodate several kinds of financing structures. This fund is not intended to seed start-ups or fund research and development, but rather, aims to finance and further the adoption of market-ready technologies. The SEO can invest alongside other private capital and the SEO can directly invest in the private sector. All recipients are considered ARRA “subawardees” and must comply with ARRA flow-down requirements.

Q&A

Q: What is the governance process that FL has established and how do you select recipients?

A: Florida solicited and selected an investment manager who is promoting the program and receiving all the applications. The investment manager reviews all applications and recommends a short list to the SEO. From there, the SEO conducts an SEP eligibility review of the applicants to ensure that they can comply with all the federal regulations, including ARRA flow-down requirements. Once the applicant passes the eligibility review, the investment manager goes back and does enhanced due diligence on the company and its proposal. The investment manager then provides a detailed write-up, an Investment Memorandum, to the SEO for final review. The Florida Opportunity Fund’s Board of Directors, comprised of five private sector members, also provides input and the SEO makes the final decision.

Q: Would you be willing to share any language or examples of your process or documents that sufficiently binds the recipient to comply with Davis-Bacon, etc.?

A: Yes, Florida can share that language, though since Florida is currently going through the process now, there may be some changes in the future.

Presentation on HUD/DOE PowerSaver Pilot: *Stockton Williams, U.S. Department of Energy*

Please refer to the [PowerPoint presentation](#) for additional detail.

Stockton Williams provided an update on the HUD/DOE PowerSaver Pilot, which provides a federal guarantee for residential energy efficiency retrofit loans. FHA recently announced the 18 selected lenders who will participate in this 2-year pilot. HUD recognized that even when financing is available, other factors influence and drive uptake. One way this pilot hopes to address that is to make sure that the lenders’ loan programs are well integrated with other state and local programs. There’s a whole lot of work to do to take advantage of the opportunity for lenders to work with existing state, local, and utility programs. FHA has no experience in the energy efficiency program aspects of such a program and partnerships are critical. There is a lot of opportunity for State Energy Program to work in collaboration with the lenders.

Currently, most lenders are about 1-2 months away from launching this product. There is no restriction in terms of how many loans can be made. Lenders will be responsive to the demand in their target markets.

Q&A

Q: Is there a process for programs in the target markets to reach out to the lenders? Or should they wait for the lender to contact them?

A: As a practical matter, these lenders could use help and coordination. Lenders are unlikely to hit their full target markets evenly all at once, especially for those servicing the Better Buildings communities, which are very diverse and disparate geographically. It would be very worthwhile for states to make direct contact with the qualified lenders in your state to explore opportunities to

work together, and the sooner the better. FHA will be putting up contact information for those lenders soon, and Stockton will work with NASEO to distribute those lists.

Q: What type of interest rates are expected for these loans?

A: Stockton responded that FHA does not specify the interest rate. It depends a lot on the conditions in the local market and lenders. To make this program work, lenders will have to structure the program in an attractive way and thus have an incentive to target lower rates. From the applications FHA received, in general, almost all the lenders are aiming for rates well under 10%, some suggested they'd be around 8-9%, and a few said 5% or lower. It's hard to really know exactly what the rate will be until the program is up and running.

Jeff Pitkin described New York's approach. In New York, NYSERDA has partnered with the qualified PowerSaver lender. NYSERDA will purchase the loans and fund them through the Green Jobs-Green NY program, which is capitalized initially from RGGI funds and ultimately to be supported by QECB issuances. NY hopes with the combination of these mechanisms to be able to offer a PowerSaver loan portfolio with a 2.99% interest rate.

Stockton added that the states are in a period now where we do have access to a lot of public subsidy funds, whether from ARRA or other programs. This will be really useful to get uptake and bolster PowerSaver as a start. Over time, because PowerSaver in itself is not a subsidized program, but a federal guarantee, it has the potential to outlive the short-term subsidies.

Q: What states have already worked or connected with their lenders?

A: HUD's understanding in conversations with lenders and from applications, several states have already made the connection or have plans to do so. These states include MEe, NY, PA, CA, OR VA, and MA.

Next Financing Call Date

The next Financing Task Force call will be held on Friday, June 3, 2011; 12:30-1:30pm ET.