NASEO State Energy Financing Task Force Call Notes
Friday, June 3, 2011; 12:30-1:30pm ET

Attendees

MI	VT
AR	CA
NC	PA
AL	
WA	LBNL
NV	DOE
OR	EPC
NJ	NASEO
ME	

Welcome & Introductions

Diana Lin at NASEO filled in as moderator for Jeff Pitkin, the chair of the NASEO Financing Task Force, on this month's call, due to other conflicts in his schedule. Diana outlined the objectives for the call, stating the intention of the day's discussion was meant to understand the current priorities and challenges states are facing in the implementation of their programs and have dialogue with DOE on those topics.

Rima Oueid, a policy advisor at DOE; Bret Kadison, from DOE's Financial Markets Development Team; Stockton Williams, a senior advisor at DOE; Chris Lohmann from DOE; and Mark Zimring from LBNL's state and local team participated on the call.

State Roundtable Updates

Michigan

Michigan is currently seeking guidance from DOE on what is expected of the State Energy Office ("SEO") when they start "revolving" the money in their Revolving Loan Fund ("RLF"). Secondly, Michigan is exploring factoring, or purchasing invoices and accounts receivables, for some of the clean manufacturers in their state. They would like to understand what the eligibility requirements of such a program are. Lastly, Michigan is also exploring investing in innovative and emerging technologies in the state through equity financing and would like to understand how this might work and learn how other states have approached this. This is necessary when we start recycling the money, after the initial loans are repaid.

Arkansas

Arkansas currently manages 2 RLFs: one for state buildings, and one for commercial and industrial (C&I) businesses. The SEO's concerns right now are primarily on the C&I RLF. As funds are recycled in future years past the ARRA deadline, is there an ability to pay for the administrative costs of operating the program with the interest received on the loans? Is it acceptable to use the principal for administrative costs as well?

- Bret Kadison responded that it is absolutely acceptable to use interest earned to pay for administrative costs. It is not as desirable to use the principal to do so.

Secondly, Arkansas asked if the DOE guidelines will change as money revolves? Will all the ARRA requirements such as Davis-Bacon be tied to funds in future rounds?

- Bret Kadison responded that ARRA requirements will apply to those funds in perpetuity.

Oregon followed that with another question, asking if those funds retain their federal character in perpetuity, how will that impact reporting after the ARRA deadline? Will the reporting be as rigorous? How can states cover their administrative costs for reporting?

- Bret Kadison responded that DOE is in the process of finalizing the reporting requirements for the time period after the ARRA deadline. DOE expects that they will be very streamlined and will be less time and resource intensive to complete.
- NASEO will circulate this information to the states as soon as it is finalized.

Lastly, Arkansas is interested in learning more about the use of Qualified Energy Conservation Bonds ("QECBs"), especially in financing public building projects. Information on this topic has been prepared by the Energy Program Consortium ("EPC"). Contact Mark Wolfe with any questions.

North Carolina

North Carolina is working with their pre-existing RLFs, but they are running into some barriers in expediting approving loans. State legislation requires a letter of credit with each loan application, which is proving very difficult in the current economic climate. The SEO is exploring ways to improve this situation.

Alabama

Alabama's industrial RLF (Alabama SAVES) approved its first loan last week. This program has been a bit slower to get off the ground than expected. There are a good number of projects in the pipeline, but the SEO had underestimated the lengthy project development timelines internal to the companies they are working with. Alabama is exploring some possible changes and adjustments, such as decreasing the minimum loan amount and conducting credit pre-screening to streamline the process.

Washington

Washington has discovered that homeowners are not opting to use the energy efficiency loan products as much as was expected. It seems like lenders in the program are not doing additional lending because of the energy efficiency products, indicating that the interest rate differential is not sufficient to move consumers. The SEO is exploring whether the loan products should be redesigned in some way. The state is also running into their own state prevailing wage issues (not Davis-Bacon) that they are working through.

Nevada

Nevada established an RLF just for renewable energy projects. It was initially capitalized at $8.2m, and then they moved some additional funds for a total of $11.4m. Nevada has loaned all the 1st round of money and started to receive payments back. The SEO will try to conduct a second round in August. During the first round, the SEO lowered the loan size down to $40,000 to accommodate some smaller residential projects and to get more uptake; however, this creates a heavier administrative burden and they will focus on larger loans in round 2. The average loan size in round one was probably around $1m.

Nevada is interested in learning whether there will be future opportunities from the federal government to replenish and expand these funds. No obvious federal funds were identified, though the Race to the Green program (if enacted) would help.

New Jersey

In New Jersey, there wasn't a lot of appetite or demand for loans, and most programs put funds into grants and rebates. However, now New Jersey is looking at using savings from performance contracts in some of their municipalities to fund more energy efficiency projects. A requirement that the municipality would have to invest a portion of the savings in EE would be built into the contract. These savings would be free of ARRA requirements. New Jersey would like to access some resources and assistance on Energy Service Performance Contracts ("ESPCs"). Jim Ploger (NASEO's Central Regional Coordinator) will contact New Jersey.

On the residential side, NJ would like some additional assistance on the PACE programs. Secondly, the SEO has been buying down the interest-rate on unsecured loans. However, this is very expensive for the state, and any help DOE could provide in working with banks to get them into a middle position and make this cheaper would be a big help. With residential PACE, as originally formulated, in dire straights, it was recommended that New Jersey contact Maine on their program.

Vermont

Vermont is also trying to set up PACE programs. The state legislature recently passed new legislation authorizing PACE programs with subordinate lien structures (similar to Maine). There are currently a handful of small PACE projects under EECBG (4 towns). Generally, Vermont could benefit from help working with their local communities. These would be small grantees, $50,000 and below.

California

California is currently funding 4 commercial PACE pilots, all of which still use a first position lien structure. They are also funding some residential PACE pilots with a first position lien and hope that the pilot's performance can help overcome some of the misconceptions and concerns that FHA has about PACE.

Additionally, California is developing a financial clearinghouse for their citizens. This would be a web platform for consumers to access comprehensive information and perhaps to pre-qualify for loans. The SEO hopes to roll this out in the early fall.

California is also looking at a establishing a 10% Loan Loss Reserve ("LLR") and allocating $25m for credit enhancements. This latter program is still under development, and California is looking for ideas and experiences from others. The $25m would come from state appropriations, originally designated for a PACE reserve fund.

Feedback to DOE and LBNL

Mark Zimring of LBNL asked the group what additional resources or assistance they might need on QECBs. There is a total of $3.2b bonding capacity, which is subsidized by U.S. Treasury. Interest rates on these are often very low. In general, LBNL is seeing around 2% interest on 15 year terms.

Mark would really like to hear from states what their needs are in this area, and how they have supported or engaged local governments in this area. Please send any feedback to Mark directly at mzimring@lbl.gov. Mark Wolfe (mlwolfe@energyprograms.org) and Elizabeth Bellis (ebellis@energyprograms.org) can also help on QECBs.

Additionally, other questions regarding guidance or technical assistance can be directed to Rima Oueid (Rima.Oueid@EE.Doe.Gov), Bret Kadison (Bret.Kadison@ee.doe.gov), Chris Lohmann (Christopher.Lohmann@ee.Doe.Gov), and Stockton Williams (Stockton.Williams@EE.Doe.Gov).

Next Call & Announcements

The July call will be postponed by one week due to the July 4 holiday, and will take place on Friday, July 8 from 12:30-1:30. The August call will take place as usual on the first Friday of the month.

Other events:

- NASEO Building Codes Compliance Webinar on Tuesday, June 14, from 2-3:30pm ET.
- NASEO Annual Meeting, September 11-14, 2011 in San Antonio, TX.