NASEO Financing Task Force Call Notes
Thursday, February 2, 2012; 3-4pm ET

Attendees:

NY	Energy Programs Consortium
GA	Chevron Energy Solutions
WI	Summit Energy Strategies
OR	Electric Co-operatives of South Carolina
MO	Cadmus Group
NC	ACEEE
MD	NASEO

Welcome and Introductions
Jeff Pitkin, NYSERDA
Jeff Pitkin, Treasurer of NYSERDA and Chair of the NASEO State Energy Financing Task Force, opened the call and introduced the topic of on-bill financing. New York recently kicked off its on-bill program and is looking forward to learning more about how others have established and implemented their programs.

Georgia's How$mart Program
Andrea Schroer, State Energy Project Manager, GA State Energy Office

Today I'm going to walk you through the Georgia on-bill financing program, the How$mart Program. GEFA offered 3 options for residential borrowers to choose from: on-bill loan, interest-rate buy-down (revolving loan fund), and on-bill tariff.

It took about 6-8 months to get the program up and running – it took a good bit of time in planning and design. Process was pretty much the same for each of our 3 options.

Key takeaways:
- Contractor involvement is what helped most in selling the program
- Federal dollars providing seed money for a program that can later sustain itself
- Takes time to build a program's momentum and get partners engaged (not much time to get started)
- Cooperatives were concerned about loan loss risk
- Communicating and maintaining compliance with "qualified improvements" takes continuous and ongoing communication with all stakeholders
- Loan volume can change by season
- There is a 'Feel good' factor from Utility/Municipal to Customer Base which helps to drive program participation
- Marketing and branding was important. We created a bill-stuffer flyer/pamphlet that was used by many cooperatives.

Georgia's How$mart Program presentation is available online:
http://www.naseo.org/taskforces/energyfinancing/notes/2012-02-02-Schroer.pdf

Q&A / Discussion

- What type of lien was taken on the property?
  - It is very similar to a contractor's lien where the lien needs to be paid off or passed to the new owner at the time of sale.
- What is the term "facility fee?" Is that new to Georgia or is that something that other states use to?
  - This facility fee was unique to this program and was important to one of the utilities for legal purposes. If you'd like more details please contact me offline.
- How was the interest rate determined?
  - We were concerned about the interest rate being attractive to the customer. It would have been 8.5% but we decided to buy-it down to 0% so that customers would be more attracted to the loan.
- What happens when the grant funds are depleted and you can't buy-down the interest rate to offer 0% interest rate loans?
  - We're unsure – if the lenders are willing to go with 8.5% then we'll continue. We'll need to speak with our lenders when the time comes and assess consumer interest and demand at a revised interest rate.
- What happened when the ECG on-bill program became more popular than expected?
  - We voted to move additional funds into the program. MGAG is considering further expansion to a multi-million dollar program in 2012-2013.
- Could you explain the 1:5 leveraging ratio?
  - For every $1 provided in federal funds, we've leveraged $5 in private funds
- What do you think sets this program apart from others that may be struggling with program participation and loan demand?
  - The utilities worked with the retailers and contractors to communicate the benefits of this program. For example, Lowe's and Home Depot knew about this program and were given brochures early on. Word of mouth was really important in the success of this program.
- Does Georgia have a RPS?
  - No, we do not have one. But this program makes sense in a lot of other ways – it creates jobs where there weren't any, it leverages private funds, and boosts investment in the short-term.
- Under the tariff program, where there's a lien on the house, where does this sit if the owner already has a primary loan or even a secondary loan on the house?
  - It probably falls second or third to those other loans.

South Carolina Electric Co-operatives On-bill Financing Program
Lindsey Smith, Program Manager, Electric Co-operatives of South Carolina

Our program is a pilot program at this time with the hopes of turning it into a larger program in the future. We wanted to test the model first.

How we got here: In 2009 there was a good deal of talk about federal climate change legislation coming our way. We decided we needed to think about how we were going to serve our members to prepare them for changes in cost of electricity, technology, etc. We brought our members of our congressional delegation the idea for a bill, dubbed the Rural Energy Savings Program (low-interest savings program for updating homes). In September 2010 – the bill was passed in the House and then went before the Senate – it stopped there due to elections. We weren't deterred though. This is a program where updates to homes would be repaid on the customer's electric power bill. We first needed to gain approval to allow utilities to shut-off power if bills were not repaid, which we achieved through passage of a new SC law in 2010

Because the loans are tied to the meter, the owner can come and go – the loan stays with the home and is passed along to the next owner or new tenant (so it works for rental properties as well). As a quality control for our consumers, we conducted pre- and post-installation audits to verify energy savings estimates and proper installation.

We are still preparing for the possibility of a national Rural Energy Savings Program.. If there are carbon constraints in the future – we need to prepare for the high costs associated with meeting both energy demand and regulatory compliance. If use of coal becomes more limited in the future, we need to find a reasonable energy supply – we anticipate this will come from energy efficiency improvements rather than the high costs associated with building a nuclear plant or replacing our coal with natural gas. In 2011, with little political momentum behind RESP, SC co-ops decided to launch the Help My House Program Pilot.

The Help My House Program Pilot – uses the rural energy savings model to test:

- Consumer acceptance, experience and satisfaction
- Impact on energy consumption
- Impact on energy demand (peak)
- Program model and all processes (outreach, loans, payments, etc.)
- Contractor acceptance and compliance

The pilot uses partial funding from a state energy office grant for residential homes in co-op electricity areas – covering primarily mobile homes. Most of our funding came from a USDA Rural Development (REDLG) loan with 0% interest and 10 years to repay. We looked at homes and measures (sealing, insulation, new heat pumps) that would pay back quickly, within 10 years. We carefully targeted our members by first doing an over-the-phone screening, and then sent a co-op representative to walk through the house. If it appeared to be a good fit for the program – we sent an auditor to perform a comprehensive house audit. We had 8 co-ops participate and 125 homes weatherized (over half were mobile homes). Now we're in the data gathering, measurement and verification phase.

The South Carolina Help My House presentation is available online:
[http://www.naseo.org/taskforces/energyfinancing/notes/2012-02-02-Smith.pdf]

Q&A/Discussion:

- Any limitations to the kind of manufactured homes you were making loans for? No homes built before 2000, for example?

- Our cut-off was 1990 – our research showed that architectural changes were made after 1990. Anecdotally, one of our contractors discovered that insulation in the attic of one of these post-1990 homes did not actually match the standard (sticker specifications) for that house.

Upcoming Call and In-Person Meeting:
The next call is scheduled for Thursday, March 1st from 3:00 – 4:00pm ET.

NASEO's Financing Task Force will meet in-person on Tuesday, February 7th from 1-3pm at the NASEO-ASERTTI Energy Technology & Policy Outlook conference in Washington, DC. Register today. The Task Force also holds regular calls on the first Thursday of every month from 3-4pm ET. Please visit the NASEO State Energy Financing Task Force page for information on past calls.