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PA Treasury Launches Innovative Public-Private Financing Program to Help Public, Nonprofit Organizations Make Advanced Energy Improvements

Treasurer McCord, co-Nobel laureate John Byrne, and state energy nonprofits announce Sustainable Energy Bond Program for municipalities, universities, schools and hospitals

Harrisburg – Local governments, schools, universities, and hospitals that want to reduce energy consumption or use alternative energy sources will have a new option for financing those improvements thanks to an innovative partnership between the Pennsylvania Treasury, the private sector, and leading nonprofits in the energy space.

State Treasurer Rob McCord and Dr. John Byrne, who shares the 2007 Nobel Peace Prize and is chairman and CEO of the Foundation for Renewable Energy and Environment, today announced the creation of a Sustainable Energy Bond Program in Pennsylvania. The program will provide legal and technical assistance, as well as low-cost capital, for energy improvement projects by municipalities, universities, schools and hospitals – the so-called MUSH sector.

“Treasury has built a successful track record of investing in energy efficiency projects that create jobs, save consumers money, and contribute to a healthier environment – even as they generate strong returns at little risk,” said Treasurer McCord. “We’ve done so by working with innovative professionals to design secure investment vehicles that will attract capital and serve unmet needs in the market. This program builds on that work.”

Under the Sustainable Energy Bond Program, participating organizations in the MUSH sector will receive free energy audits from energy service companies, or ESCOs. Once potential projects have been identified and the project sponsors (municipalities, universities, schools or hospitals) decide to proceed, a bond will be issued to finance the improvement work. By aggregating the projects, participants will receive better financing terms. The energy cost savings from the projects will be used to finance the bond.

An ESCO wishing to participate in the program must prequalify and agree to a common set of legal terms and

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performance standards relating to project design, savings guarantees, compliance verification, and corrective actions if necessary.

The Foundation for Renewable Energy and Environment, a founding partner in the program, will oversee the ESCO prequalification process and administer the program. Dr. Byrne helped to establish the model for this program in Delaware.

"It is a distinct pleasure to work with the Pennsylvania Treasury, a nationally recognized leader in clean energy finance," said Dr. Byrne. "Our aim is to help participants cut their utility bills by 20 percent or more through guaranteed self-financing investments in energy efficiency and on-site renewable energy generation while using the lowest financing cost in the market."

The West Penn Power Sustainable Energy Fund (WPPSEF) was also an instrumental funding partner. The 501(c)(3) nonprofit provided a \$150,000 seed grant to pay for the up-front legal and technical work necessary to launch the program.

"The WPPSEF provided the necessary start-up funding to spur energy efficiency improvements within the MUSH sector. We would like to see technologies that can further reduce a facility's electric and thermal load deployed across the state," said Joel Morrison, WPPSEF's director.

Other partners in the program include the law firm of Drinker Biddle & Reath, which will prepare contracts and analyze legal issues with potential projects. Becker Capital will conduct financial analyses of each project and underwrite the bond issuance. A number of other organizations, including other sustainable energy funds in Pennsylvania, have committed to supporting and promoting the program through a number of education days to be held throughout the state in coming weeks.

Treasury's role is to administer the WPPSEF grant and help to promote the program. Treasury also expects to act as a lead investor in the bond, so long as the issuance meets the department's fiduciary investment criteria.

"The MUSH sector represents one of the most promising sectors for energy efficiency improvements in this country," said Treasurer McCord, "but there have been a host of barriers preventing these organizations from making the up-front investment that will yield long-term savings. This program is designed to eliminate those barriers in order to build a more sustainable energy future for our economy."

For more information on Treasury's investments in energy efficiency, visit www.patreasury.gov. For more information on the Foundation for Renewable Energy and Environment, visit www.freefutures.org.

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