Financing Energy Efficiency: State Agency Programs

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Energy Programs Consortium: Overview

- The Energy Programs Consortium is a national research collaborative sponsored by the four major state energy organizations.
- Our focus is on developing collaborative relationships among state agencies to develop innovative energy efficiency programs.
- Since being founded in 1998, we have worked to support public benefit programs, which are funded through utility surcharges.

Public Benefit Funds

- 25 states currently support public benefit fund programs
  - Primarily in the Northeast, Midwest and West Coast states
- Cumulatively, these programs account for about $3 billion per year.
- Basic models have been grant-focused with limited funding for finance.
- ARRA stimulus funding provided a major boost, but now these funds are winding down.

Energy Savings in Single Family Homes

- There are 70 million single-family homes in the US.
- Potential energy savings is enormous – upwards of 25 percent.
- However, grant funding would require $7 billion a year to reach 10 percent annual energy savings.
- This level of grant making is highly unlikely in the current economy.

Developing Loan Programs

- State programs currently make about 15,000 loans annually.
- Significant market potential
  - Loans could grow to as many as 60,000 annually
- To grow this effort, states have set aside $1 billion to provide credit enhancement for residential energy efficiency lending.

WHEEL

- EPC is managing a 10-state project to develop a consistent loan model.
  - California, Washington, Massachusetts, Connecticut, Kentucky, Maryland, Pennsylvania, Maine, Ohio and Michigan

- Conforming Loan Terms
- All loans have the same application terms
- Tiered interest rate incentives
- Certified contractor network

Developing a Secondary Market

- The secondary market has no experience with residential loans.
  - WHEEL will support this development
- We have issued an RFP for a senior capital provider to buy the loans.
- Two major lenders have expressed interest, and we are expecting a final bid this month.

Market Barriers and Opportunities

- Barriers:
  - Weak economy
  - Low-cost energy in many parts of the country
- Opportunity:
  - Residential efficiency creates jobs and supports economic development

Options for Lower Income Families

- 50 percent of lower-income households are homeowners.
- Many live in homes with considerable potential for greater efficiency.
- Most have limited resources and cannot afford to borrow.

Options for Lower-Income Programs

- Grant programs for lower income families are simple and popular.
- Limited funding can help about 1 percent of eligible households annually.
- States are trying two strategies:
  - Grant/loan mix: the savings will cover the cost of repayment. Limited to families eligible for loans
  - On-bill finance: credit is a serious problem for many low income families. Access is based on utility bill repayment history.

Sustainable Energy Utility

- Organizing resources within a non-profit structure.
- Setting specific goals, sometimes with incentives.
- Delaware, District of Columbia, Vermont and Ohio offer comprehensive models.