

1. Discuss, in general, your goals and interests in pursuing a clean energy finance program in your community. List the three goals you think are most important. (For example, reduce climate change effects, save consumers money, create jobs, etc.) We'll hear a sample of results. (10 min.—5 minutes in pairs, 5 minutes in sharing from 4 pairs)
  - i. ...
  - ii. ...
  - iii. ...
  
2. In groups of four, identify 2-3 advantages and disadvantages of each finance model discussed. Select the model which appears most viable for your community(s), and write down three reasons why. **You may use the attached worksheet & program summaries & diagrams for this exercise.** Identify the remaining questions you have about these models. Also record two actions that you would like to take in the next 30 days to promote that model in your community. (20 minutes)

**Model 1: Commercial Finance through Local Banks (Cambridge Model)**

**Model 2: Local Bonding Authority with Collection on Property Tax or Other Billing Mechanism (Berkeley Model)**

3. Share your results. The recorder will record them on a flip chart. (3-5 groups, 2 minutes each, 10 minutes max)
  
4. On your own, brainstorm and write down the two most important ways you would like to see the State of Washington support local governments to undertake these programs. Please also brainstorm most effective ways to use coming federal funds (Energy Efficiency Conservation Block Grants, Home Weatherization Funds). Please see the attached sheets for a summary list of potential state roles and federal funding. Add your own additional ideas and/or select roles from the list. We'll hear everyone's ideas. (20 minutes, 7 minutes individual work, 13 minutes with the entire breakout group. Recorder also writes these on flipchart.)

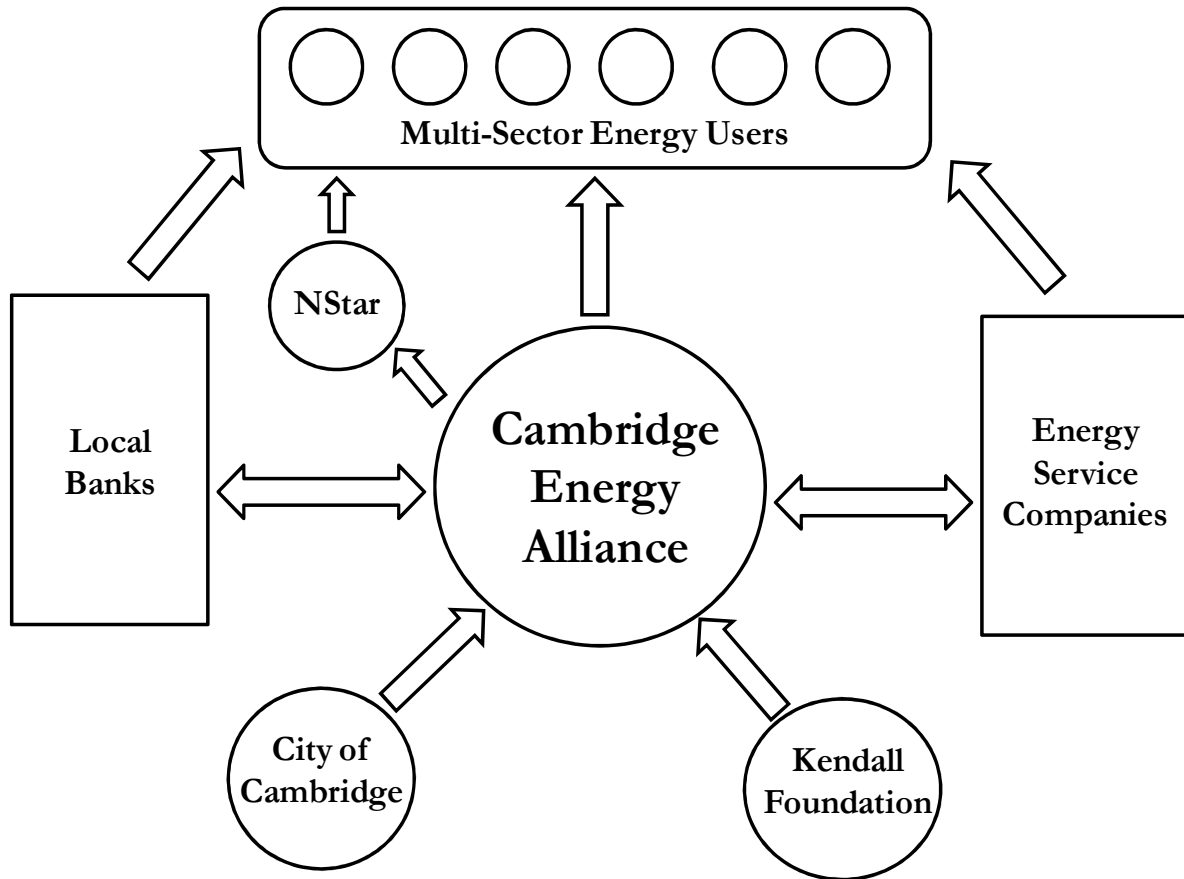
Total 50 minutes

## EE Finance Model Work Sheet

Model	Advantages	Disadvantages	Preferred Model, & Why	Remaining Questions
<p style="text-align: center;"><b>City-based Program with financing from local banks or other private capital</b></p> <p style="text-align: center;"><i>(Cambridge Model)</i></p>				
<p style="text-align: center;"><b>Local Bonding Authority (through LID or conservation utility) with collection on Property Tax Bill or Utility Bill</b></p> <p style="text-align: center;"><i>(Berkeley Model)</i></p>				

**Actions:**

- 1.
- 2.



### Key Elements of Cambridge Model

**Multiple sectors addressed:** residential, commercial, industrial, institutional, governmental

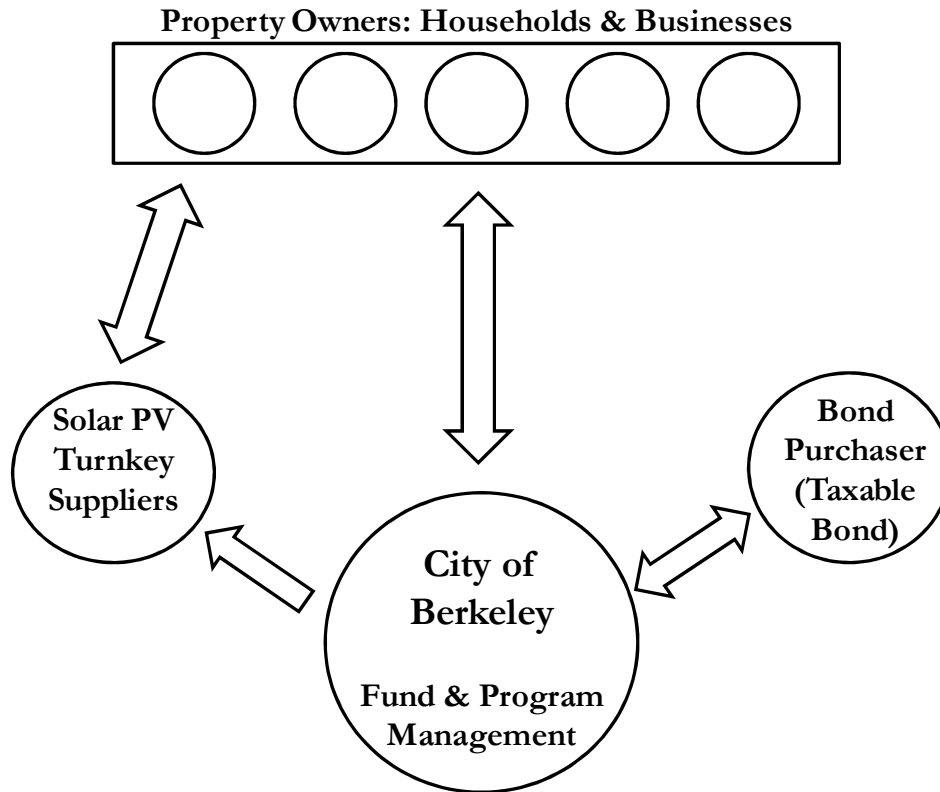
**Comprehensive:** power, natural gas, heating oil and water; focus on buildings & facilities

**Targets, over five years:**

- 50% market participation
- 50 MW peak load reduction
- 10% total energy/emissions savings : 150,000 tons/year
- \$100 million investment

**CEA Services:**

- City has lead marketing role
- CEA provides expertise, project management, guidance through full project cycle,
- Qualifies contractors, conducts procurements
- Organizes financing via local banks
- Coordinate with Utility; load management
- Seeking to capture carbon offset values (VERs)



### Key Elements of Berkeley Model

- City forms a Sustainable Energy Finance District (SEFD)– participating property owners “opt-in” to the SEFD
- Loans are repaid via the property tax bill - Loan Terms are 20 years at 6 % interest
- City bears the credit risk of loan, but can use lien
- City qualifies system installers, operates program, helps owners with design/purchasing, & accessing State incentives
- *This program is still in its pilot stage.* Model is being developed in other states (i.e. Colorado)

## **Summary State Roles**

- Assist local governments to development program designs
- Network and share best practices – designate a state agency and/or method for this process
- Help craft and achieve passage of necessary enabling legislation; for instance, use of LID or CBD and/or the property tax collections mechanism by local governments for financing projects in privately owned properties
- Provide or arrange funding for credit enhancements to support commercial finance and increase access to financing to more borrowers.
- Provide or help arrange seed funding and funding mechanisms for supporting project implementation and technical assistance programs (e.g. Federal Energy Efficiency Conservation Block Grants). By “seed money” we indicate that the costs of delivering project development services which a given program provides can potentially be recouped through project development fees charged to projects which successfully proceed to financial closing.
- Provide or arrange additional funding for existing successful programs (e.g. incentive funds for the General Administration’s Energy Service Performance Contracting LOCAL program)
- Support and obtain Federal & State financing for workforce training programs
- Consider organizing coordinated State mechanism to capture carbon values associated with the energy efficiency and renewable energy projects these local government projects will implement

## **Roles you Support and/or Additional Ideas:**

## Summary Federal Funding

Multiple new Federal government initiatives are expected in the American Recovery and Reinvestment Act 2009, the pending economic stimulus bill. The following are the most promising for clean energy projects.

- **Energy Efficiency and Conservation Block Grants (EECBGs).** The Washington State share of EECBGs is estimated at \$50 million - \$75 million. This amounts to approximately \$5-\$7.50 per capita. For a city of 40,000 people, this would amount to \$200,000 - \$300,000.

Use of the EECBGs are highly flexible and not subject to certain Washington State constitutional prohibitions. A range of EE initiatives are eligible for support, including EE in transportation, buildings and “other appropriate sectors”. EE is broadly defined to include small scale RE, distributed generation and district heating.

The State government share of the EECBGs is 28% (estimated at \$14 million); local governments (cities and counties) are to be allocated 68%; tribes, 2%, and 2% via competitive grants, managed by the State. The local government share is logically used for the local government based programs. Potential high leverage uses of these funds include:

- Program design and start-up costs
- Program operations costs
- Costs of delivering project development services to energy users, e.g., audits, feasibility studies, procurement assistance
- Credit enhancement for financing mechanisms, e.g., co-funding of loan loss reserves to enhance and enable the credit structure the financing mechanisms
- State agency costs for coordination and support of various initiatives

*Credit Enhancement.* Leverage ratios for use of loan loss reserve funds are estimated in the range of 25:1 meaning each \$1 of public funds used to co-finance loss reserves are expected to leverage as much as \$25 in project loan financing. This assumes that other parties to the financing program also contribute to loss reserves and that the loss reserve fund total is in the range of 5% of total loan financing. Thus, \$2 million in loss reserves for the industrial EE retrofit finance program could support \$50 million in lending. Assuming an 80/20 debt equity ratio in project financing, this equates to \$62.5 million in total project investment. These numbers are relatively small in terms of market impact, but sufficiently large to demonstrate the concept for further scale up.

- **Home Weatherization Program.** The existing home weatherization funding through the Department of Energy is expected to greatly increase as part of the American Recovery and Reinvestment Act. Current funding from the DOE for Home Weatherization is \$5 million; this is expected to increase to \$135,780,000. This money has the great potential to scale-up the capacities of Washington's Community Action Agencies, who are the recipients and program administrators of the Home Weatherization programs. One key effort is to leverage the new influx of money to create a sustainable job market over the next few years.

- **State Energy Program Funding.** There is an estimated \$3.4 billion to be authorized in the stimulus bill, which would equal approximately \$74 million for Washington's Energy Program, housed within CTED and WSU Energy Extension. Funds can be used for adopting emerging renewable technologies and energy efficiency technologies, which includes residential, commercial, and governmental EE retrofits.

- **Qualified Energy Conservation Tax-Credit Bonds (QECBs).** QECBs were created through the Federal Energy Improvement and Extension Act of 2008. QECBs act as "tax-credit bonds". The tax-credit benefits can be segregated and sold to tax-advantaged investors; the proceeds used for capital cost subsidies for eligible projects.. Eligible use of proceeds includes EE in State and local government projects and public buildings, with up to 30% of the allocation for private sector projects. \$800 million in QECBs has been approved nationally. Washington State's allocation of QECBs is estimated at \$17.5 million. A State agency or authority needs to be appointed to manage this capacity. Some States are considering that the State might use bond proceeds also to fund program operations costs.

- **Federal Energy Efficiency Financing Facility.** The US Senate Energy Committee (led by Sen. Bingaman) is considering proposals to create a substantial Federal Energy Efficiency Financing Facility (EEFF) that would provide credit enhancement products facilitating commercial financing of EE projects in a range of sectors. EEFC is providing inputs on design of the EEFF through Booz Allen Hamilton management consultants and the Natural Resources Defense Council (NRDC). The EEFF could potentially provide funding for loss reserves supporting portfolios of EE project loans, and also credit enhancement backing refinancing of loan portfolios through capital markets transactions.

## **Suggested Uses of Federal Funding:**

