

## 1. Finance Program Design Criteria

- **Address all sectors:** Residential, Small Commercial, Large Commercial, Industrial, Public/Institutional, Non-Profit, Agricultural, and Transportation. Match financing instruments with the characteristics of various end-user sectors.
- **Design comprehensive programs which address all fuels:** Electricity, Natural Gas, Oil, Liquefied Petroleum Gas, Wood, Other.
- **Maximize access to finance and participation for the greatest number of energy users,** with particular focus on low and middle income communities. Deliver financing to properties affected by split incentives (where the party paying the energy bill is different from the party owning the facility and responsible for financing EE/RE improvements).
- **Anticipate and plan all steps in the complete project cycle:** address marketing, market aggregation, delivery, and technical assistance strategy to organize the market.
- **Build on and scale-up capacities of market players** to develop, invest and finance EE/RE projects on a market basis. Focus on projects which are economic for borrowers, lenders and EE/RE businesses.
- **Mobilize and leverage commercial finance.** Involve the State in appropriate and catalytic developmental roles. Use modest amounts of public money to leverage and mobilize commercial capital, potentially by using State funds to share and mitigate risk through credit enhancement.
- **Help the state meet its greenhouse gas reduction and green jobs goals,** with an emphasis on sustainable and long-term job growth.
- **Coordinate and achieve best use of various sources of funds:** utility incentives, Federal and State fiscal incentives, carbon values, renewable energy certificates, and utility load management values.
- **Measure and verify energy savings to demonstrate program results.** There may be State roles to assure that proper measurement and verification is conducted.
- **Ensure robust workforce development programs and funding.**<sup>1</sup>
- **Program Administration.** City management interests and capacities, program management roles that can be performed in-house versus outsourced
- **Legal Analysis**

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<sup>1</sup> See, for background, Workforce Development Needs of the Energy Efficiency Industry: Survey Results from Washington and Oregon, Northwest Energy Efficiency Council, November 12, 2008

## 2. Energy Efficiency and Renewable Energy Project Cycle

- **Research** – Research is needed to identify end-user markets and EERE contractors and services
- **Marketing & Public Awareness** – Each project begins with an essential marketing campaign which introduces energy users to the program, the need for the program, financing options, and eligible projects. Various community organizations can support and participate in this effort: the City, County, Utility, Non-profits, and Contractors.
- **Audits & Feasibility Studies** – Conduct an energy audit of the targeted facility to identify the range of efficiency measures available, according to program eligibility, identifying which are most cost-effective and which will result in the most energy savings.
- **Decision Making Process** - Identify end-user decision making process and criteria.
- **Project Development Proposal** – Prepare a proposal for project development based on the feasibility study, end-user decision making criteria and project financing structure and to then secure end-users commitment to proceed.
- **Energy Verification Plan** – Prepare a detailed plan of project engineering and specifications, energy savings analysis and savings measurement/verification plan.
- **Financing** – Ready and affordable financing must be available to energy users, in order to eliminate what is typically referred to as the first-cost barrier. It is essential that loan terms and interest rates are long enough and low enough to match the energy savings from a project, eliminating any additional cost to the energy user. Preparation of a finance plan and arrangement of finance commitment is necessary.
- **Project Installation & Project Maintenance/Evaluation** – Participating contractors will install projects, perform necessary maintenance, measure and verify savings. This responsibility could be shared by the program administrator as well.
- **Program Administrator** - The City or outsourced administrator is responsible for the billing and monitoring of repayment of funds

<b>Energy User Sector</b>	<b>Finance Mechanism</b>	<b>Comments</b>
<b>Public – State &amp; Local Governments</b>	Pooled Lease Purchase through General Administration – ESPC LOCAL Program	Successful program worthy of further scale up; additional 10% capital incentive can expand number of committed clients and size of projects
<b>Industrial</b>	Pooled Bond Issues through Washington Economic Development Finance Authority	WEDFA bond capacity highly underutilized and very interested in pursuing EE industrial retrofits & Wastewater Treatment programs
<b>Non-Profit, Higher Education, Health Care Facilities</b>	Pooled Bond Issues through Washington’s Higher Education Finance and Health Care Facilities Authorities	Good Precedents of pooled bond issues
<b>Residential &amp; Small Commercial</b>	Commercial Finance through Local Banks or Private Fund, Local Government Bond Issue with repayment made on utility bill or property tax, or Home Weatherization Program’s Through Community Action Agencies	High Potential for Commercial Bank Participation with the creation of a Guarantee or Loss Reserve Fund, Property Tax collection strong to ensure wide access to finance, Community Action Agencies have a great interest and potential for scaling up their programs
<b>Multi-Family Housing</b>	Pooled Bond Issues through Washington State Housing Finance Commission	WSHFC can provide financing for rehab & retrofit of existing buildings in eligible sectors; no such retrofit finance program in place to date; WSHFC has strong network of on-lending banks State wide
<b>Large Commercial</b>	Private Capital, Bank Debt Facility, Business Improvement District	Aggregated concentrated set of end-users; large savings potential
<b>Agricultural</b>	Pooled Bond Issues through Washington Economic Development Authority	WEDFA primary focus is waste processing – huge potential and much interest in anaerobic digesters and bio-fuel thermal and cogeneration plants

# Clean Energy Finance Roadmap

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