<table>
<thead>
<tr>
<th><strong>Docket Number:</strong></th>
<th>16-OIR-02</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Title:</strong></td>
<td>SB 350 Barriers Report</td>
</tr>
<tr>
<td><strong>TN #:</strong></td>
<td>211066</td>
</tr>
<tr>
<td><strong>Document Title:</strong></td>
<td>Leveraging State Funds in Energy Efficiency Financing</td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>Power point presentation on using State funds for energy efficiency projects</td>
</tr>
<tr>
<td><strong>Filer:</strong></td>
<td>Chris Wymer</td>
</tr>
<tr>
<td><strong>Organization:</strong></td>
<td>National Association of State Energy Officials</td>
</tr>
<tr>
<td><strong>Submitter Role:</strong></td>
<td>Public</td>
</tr>
<tr>
<td><strong>Submission Date:</strong></td>
<td>4/14/2016 1:03:31 PM</td>
</tr>
<tr>
<td><strong>Docketed Date:</strong></td>
<td>4/14/2016</td>
</tr>
</tbody>
</table>
Leveraging State Funds in Energy Efficiency Financing

Chuck Clinton, Senior Advisor
NASEO

July 2012
About NASEO

- Only national non-profit organization whose membership includes the 56 governor-designated energy officials from each state and territory.

- Created to improve the effectiveness and quality of state energy programs and policies, provide policy input and analysis, and share successes among the states.

- Members are senior officials from the State and Territory Energy Offices, as well as affiliates from the private and public sectors, who work on a wide range of energy programs and policies, including:
  
  - Energy efficiency in residential, commercial, public and industrial buildings;
  - Renewable energy, such as solar, wind, geothermal and biomass;
  - Oil, natural gas, electricity and other forms of energy production and distribution;
  - New and emerging high efficiency transportation fuels and technologies;
  - Energy security and emergency preparedness, and many other energy matters.
Overview of State Energy Offices (SEOs):

- 56 Governor-designated State and Territory Energy Offices (SEOs) nationwide.

- States spur energy-related economic development, minimize the environmental impact of growth, crafting energy solutions that address their citizens' needs and increase our national energy security.

- Funding form for programs under the direction of the governors or legislatures, as well as federal appropriations for the cost-shared U.S. State Energy Program.

- SEOs invest $4 billion of their own funds derived from appropriations, bonding, and system benefit charges each year.

- NASEO represents all 56 SEOs, and is organized around seven regions with coordinators that aid State and Local governments in sharing lessons learned.
U.S. State Energy Program (SEP):
Overview

- Authorized by Congress at $125 million and is delivered by the 56 Governor-designated State and Territory Energy Offices (SEOs).
  - Fosters greater energy efficiency in manufacturing to retain jobs and improve competitiveness.
  - Supports private sector energy innovations through business incubators, job training, pilots, and demonstrations.
- Each $1 of SEP funding is associated with annual savings of 1.03 million source BTUs and a cost savings of $7.22, and is leveraged by $10.71 of state and private funds.
- Under ARRA, an additional $3 billion was allocated to SEOs. Over 90% of these funds are under contract and expended for state-selected projects.
State Energy Offices and their in-state partners provide support for technology and commercialization as an economic development strategy.

Support is targeted to specific intervention points along the commercialization curve.

States can provide flexible solutions in:
- Grants
- Equity investments
- Debt through loans
- Convertible debt
- Credit enhancements

States are investing funds from a variety of sources such as:
- Public bonding initiatives
- Utility ratepayer funds
- State appropriations
- Federal grants
- Revolving loan funds
# State Energy Efficiency Financial Incentives

<table>
<thead>
<tr>
<th>Financial Incentive</th>
<th>Number of States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal or Corporate Tax Credit</td>
<td>11</td>
</tr>
<tr>
<td>Sales Tax Deduction/Exemption</td>
<td>9</td>
</tr>
<tr>
<td>Rebates</td>
<td>25</td>
</tr>
<tr>
<td>Grants</td>
<td>12</td>
</tr>
<tr>
<td>State Property Tax Incentives</td>
<td>7</td>
</tr>
<tr>
<td>Loan Programs</td>
<td>44</td>
</tr>
<tr>
<td>Bonds</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Database of State Incentives for Renewable Energy & Efficiency. [www.dsireusa.org](http://www.dsireusa.org)
NASEO Initiatives: State Energy Loan Fund (SELF) Database

- 34 states
- 66 funds
- Nearly $1 billion in state energy loan funds

Contains Information on:
- Funding sources
- Fund size and focus
- Web links
- Contact information

http://www.naseo.org/resources/selfs
Revolving Loan Funds: Extending the impact of ARRA Funds

- Long-term funding mechanisms that “revolve” and extend the life of loan funds
- SEP grantees placed $529 million into RLFs

**SEP RLF Allocations**
(in million USD)

- $192.0, 36%
- $123.1, 23%
- $100.2, 19%
- $113.4, 22%

Data Source: DOE Office of Weatherization and Intergovernmental Program
NASEO Initiatives: State Financing Task Force

Monthly calls and periodic meetings to share energy-related financing best practices in such areas as:

- PACE programs – *commercial and residential* (ME, FL, VT)
- Self-Funding, Statewide Energy Savings Performance Contracting Programs – *state and local government buildings and facilities* (MN, CT, GA, NC, WA, WI)
- Statewide utility on-bill financing for energy efficiency retrofits – *residential and small business* (e.g., NY, KS)
- QECBs linked to public facilities retrofits and loan fund leverage ($3.2 billion allocated by Congress for QECBs in 2009)
- Technology commercialization and investment funds linking equity investments, business incubators, and private and university research (FL, VA, CA, NY)
Collaboration between Energy Programs Consortium, PA Treasury Dept., Renewable Funding, and Citigroup Global Markets

Developing the first true secondary market for energy efficiency loans

How WHEEL works:

- Public funds transferred to custodial account.
- Funds drawn to support purchase of loan in sponsor’s jurisdiction.
- Aggregated loans secure bond issuance to secondary market investors.
- Revenues from loan pool returned to private investors and sponsors.
- Option to recycle program income to support future lending.

NASEO primer on WHEEL:  
http://www.naseo.org/committees/financing/documents/WHEEL_Primer.pdf
NASEO Briefing Report: Qualified Energy Conservation Bonds

- Major findings:
  - At least 101 projects financed with QECBs were completed in 23 states for a total of $624 million
  - Higher state involvement can result in increased use of QECBs
  - States and cities need support to ensure that bonds are being used effectively
  - Recent guidance issued from the IRS clarifies qualified uses of QECB proceeds

Figures:

- Figure 1: Number of Projects (by percentage)
  - 35% State-Administered Allocations
  - 65% Local Government Suballocations

- Figure 2: Amount of Funding (by percentage)
  - 28% State-Administered Allocations
  - 72% Local Government Suballocations

Source:
www.naseo.org/resources/financing/qecb/QECB_Briefing_Report.pdf
State Case Study: Ohio Third Frontier

- $2.3 billion initiative supported by state bond issuances

- Objectives are:
  - Create new technology-based products, companies, industries and jobs
  - Support applied research and technology commercialization
  - Provide entrepreneurial assistance and early-stage capital
  - Support expansion of skilled workforce

- Energy is a priority with dedicated funding for energy efficiency, wind, biomass, storage, photovoltaics, and fuel cells

  - $6.6 billion of economic activity
  - 41,300 total jobs
  - $2.4 billion in employee wages and benefits
New York’s On-Bill Recovery Financing Program

- Administered by NYSERDA
- On-Bill Recovery Financing Program is a way to obtain loans for all-fuel EE improvements
- Loans are repaid through a charge on the customer’s electric and/or gas utility bill
- Home improvements must meet Home Performance with ENERGY STAR standards
- Loan is structured so that projected energy savings equal or exceed loan payments
- Homeowner may finance up to $25k if payback period is 15 years or less ($13k if period is longer)
- Loan loss reserve created by Colorado Energy Office (CEO)
  - Administered by the Colorado Housing Finance Authority on behalf of the CEO

- Strong economic development rationale:
  - Provides incentives to private lenders throughout CO to make small commercial loans up to $100k for capital improvements promoting EE and RE

- Reserve serves as “backup” to enable participating lenders to make loans to borrowers who would not normally qualify
Green Bank of Kentucky

- Founded 2009 with $14.17 million from SEP funds
- First loan issued 2010 to KY Department of Education
- Managed through partnership between the Energy and Environment Cabinet and the Finance and Administration Cabinet
- Among the first funds in the nation to provide low-interest RLF dedicated to energy efficiency upgraded for state facilities
- 3 loan types:
  - eSELF: Projects between $50k and $225k
  - Hybrid: Between $50k and $600k
  - ESPC: More than $600k
- Projects to-date include: schools, training centers, state agency and cabinet offices, correctional facilities
NASEO Regional Coordinators

- Chuck Clinton, Regional Coordinator – Mid Atlantic
- Chuck Guinn, Regional Coordinator – Northeast
- Brian Henderson, Regional Coordinator – Southeast
- Jeff Pillon, Regional Coordinator – Midwest
- Jim Ploger, Regional Coordinator – Central
- Jim Arwood, Regional Coordinator – Southwest
- Bill Nesmith, Regional Coordinator – Northwest