Saving Neighborhood Energy

Transforming Energy into Assets for Families

Transforming Energy Into Assets

Using ENERGY SAVINGS to improve housing affordability, access, and opportunity for underserved families and neighborhoods

Lori Bamberger
Executive Director
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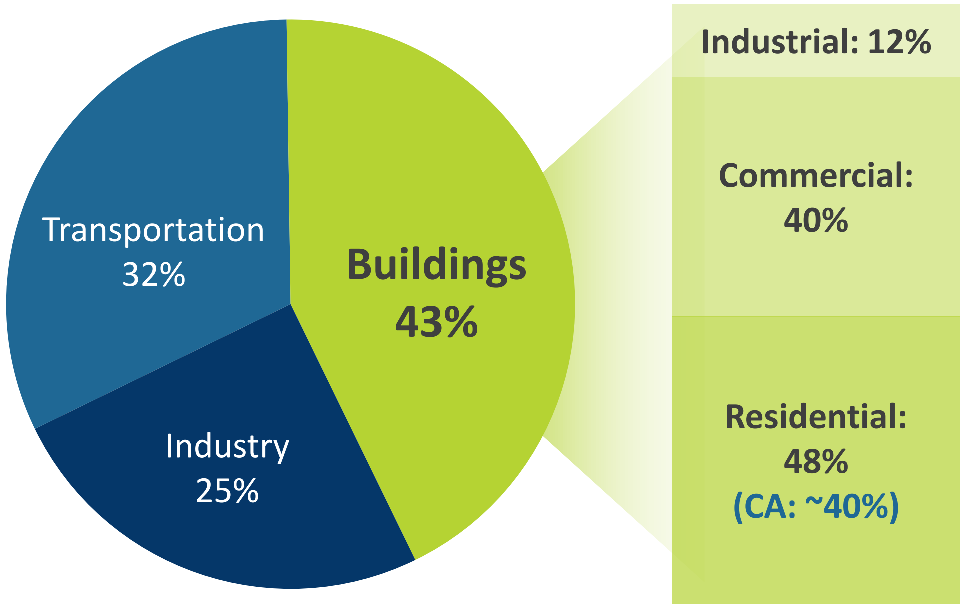
SNE is an innovative financing and asset-building initiative designed to catalyze energy efficiency among ordinary Californians.

Our community-based OBR and MESA pilots enable low- and moderate-income homeowners to access the home energy savings available to wealthier households, while reducing harmful carbon emissions.

Why Existing Homes Matter:
They comprise a large chunk of the nation's emissions

Buildings account for 43 percent of U.S. CO2 emissions



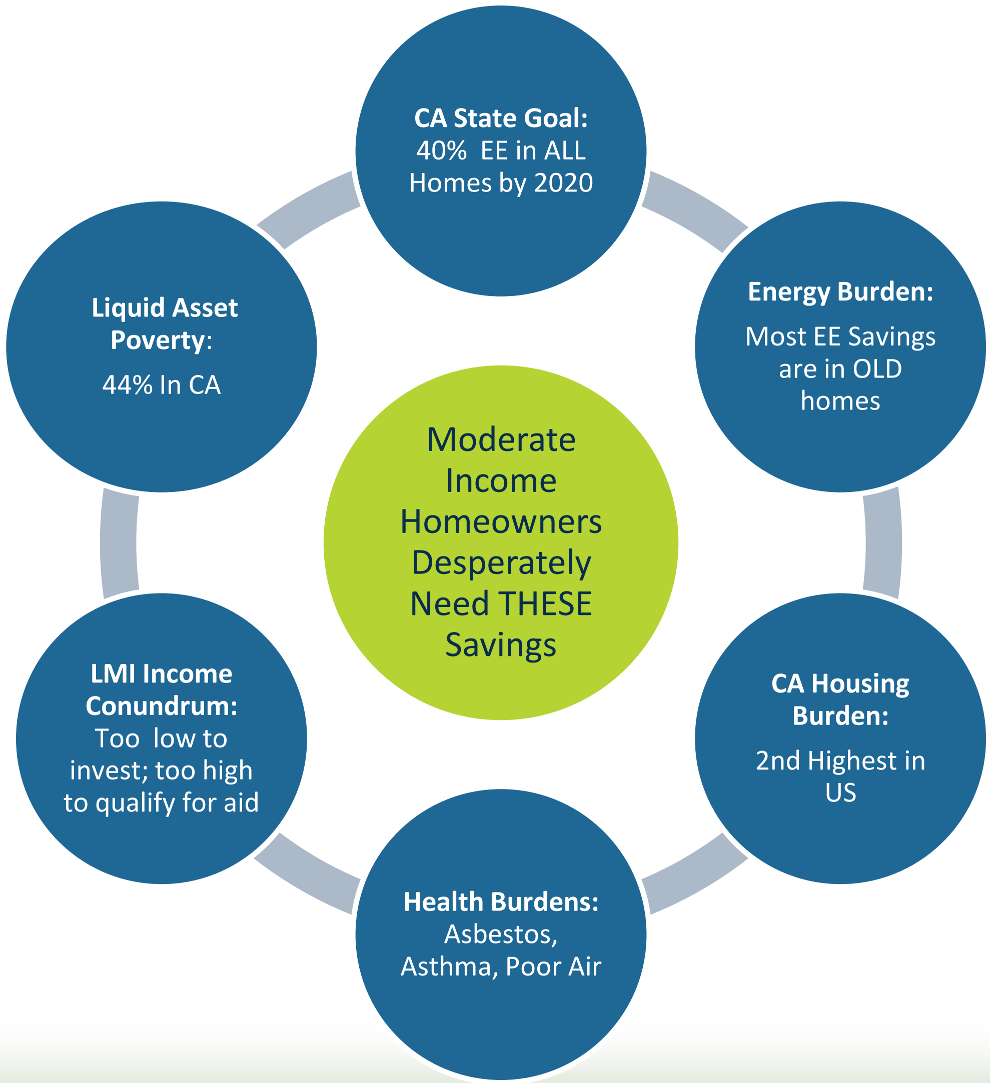
Residential buildings account for almost half of the built environment's emissions

So, homes account for **21%** of *all* U.S. (and **14% of CA**) CO_2 emissions

And, the vast majority of CO2 emissions come from single family, owned homes that will still exist in 2050…

Source: Pew Center on Global Climate Change and Nehemiah Stone

Why Moderate-Income Homeowners Matter



Structural Challenge: *EE/Renewable for LMI crosses philanthropic, policy & semantics silos*

Energy/Utility	Housing	Banking
Residential Buildings	Homes	Mortgage Security
Rate Payers	Families	Borrowers
Energy Consumption	Utility bill cost	Not relevant carrying cost
Energy Efficiency Investment	$7,200 cost	Debt or Loan
Payback and Useful Life	How long till I see actual savings	Amortization term
Efficiency Opportunity	Cost savings	Not an underwriting consideration
Energy Burden	How much of my income is used up by my utilities	Not relevant carrying cost
Policy Focus on Deepest Savings (commercial, mcmansions)	Policy = Renters; some 1st time homebuyer or foreclosure assistance	Policy focus on CRA typically finances mortgages, not energy
CPUC, CEC, CARB, DOE, IOUs, MOUs, Community Aggregators	HUD, HCD, FHA, Fannie, Freddie, HFAs, PHAs	FDIC, OCC, Treasury, CA Dept Corporations, FHFA, CFPB

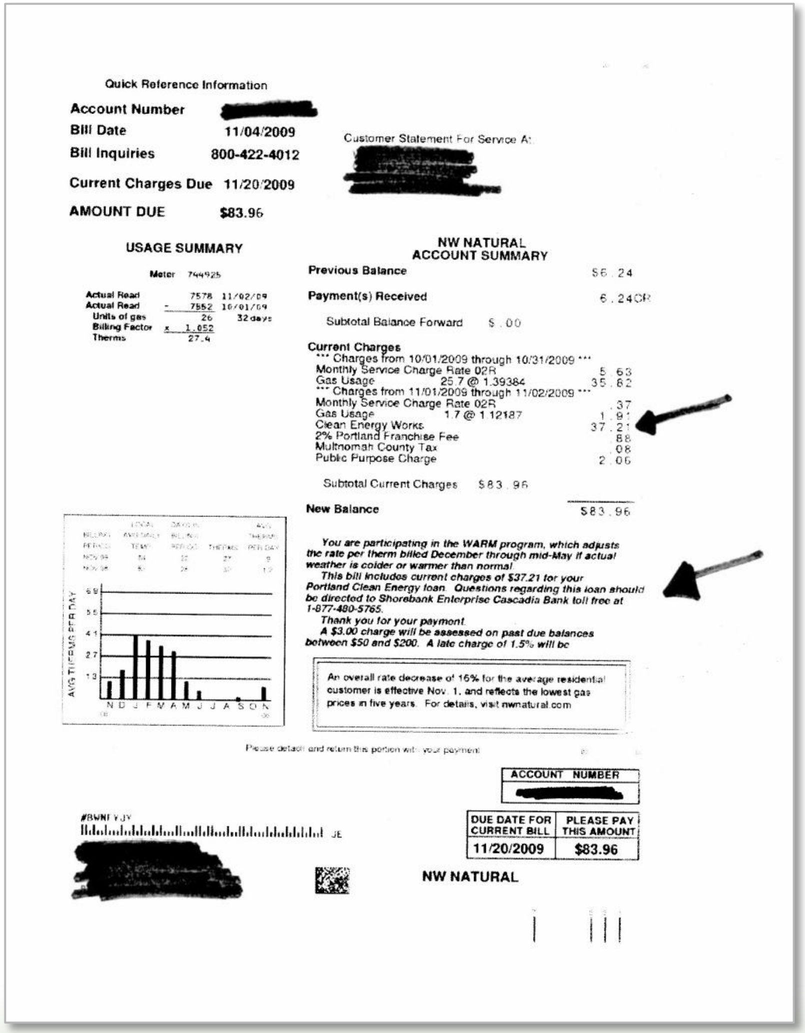
From CalCEF Innovations Convening October, 2011

The Solution:

Transforming Energy Emissions into Assets for Working Families

OBR Financing Solution:

Leverages $20M in private capital to serve up to 2000 California families



Quick Reference Information

Account Number [redacted]
Bill Date 11/04/2009
Bill Inquiries 800-422-4012
Current Charges Due 11/20/2009
AMOUNT DUE $83.96

Customer Statement For Service At:
[redacted]

USAGE SUMMARY

Meter 744925

Actual Read	7578	11/02/09
Actual Read	- 7552	10/01/09
Units of gas	26	32 days
Billing Factor	x 1.052	
Therms	27.4	

NW NATURAL
ACCOUNT SUMMARY

Previous Balance		$6.24
Payment(s) Received		6.24CR
Subtotal Balance Forward	$.00	
Current Charges		
*** Charges from 10/01/2009 through 10/31/2009 ***		
Monthly Service Charge Rate 02R		5.63
Gas Usage	25.7 @ 1.39384	35.82
*** Charges from 11/01/2009 through 11/02/2009 ***		
Monthly Service Charge Rate 02R		.37
Gas Usage	1.7 @ 1.12187	1.91
Clean Energy Works		37.21
2% Portland Franchise Fee		.88
Multnomah County Tax		.08
Public Purpose Charge		2.06
Subtotal Current Charges	$83.96	
New Balance		$83.96

You are participating in the WARM program, which adjusts the rate per therm billed December through mid-May if actual weather is colder or warmer than normal.

This bill includes current charges of $37.21 for your Portland Clean Energy loan. Questions regarding this loan should be directed to Shorebank Enterprise Cascadia Bank toll free at 1-877-480-5765.

Thank you for your payment.

A $3.00 charge will be assessed on past due balances between $50 and $200. A late charge of 1.5% will be

An overall rate decrease of 16% for the average residential customer is effective Nov. 1, and reflects the lowest gas prices in five years. For details, visit nwnatural.com

Please detach and return this portion with your payment

ACCOUNT NUMBER
[redacted]

#BWNFVJY

[redacted]

DUE DATE FOR CURRENT BILL	PLEASE PAY THIS AMOUNT
11/20/2009	$83.96

NW NATURAL

SNE's Onbill Repayment Offers:

- **Seamless Integration** of loan charge with energy savings
- **$20 Million in Private Loan Capital***
- **Unsecured:** No lien on title
- **Low-Cost , Long Term**
- **Neighborhood Focus**
- **Prominent National and Regional Lenders**
- **Ratepayer Funded CE**
- **Bill Neutrality possible**
- **2 Leading Utilities Willing to Pilot: PGE, MCE**

*Over $200 million in private capital is possible for all EFLIC/SFLP programs via ratepayer funded credit enhancement for single family loans

CPUC OBR and EFLIC Authorization

OBR and EFLIC Authorization in two separate CPUC Decisions

- **Marin Clean Energy: OBR** November 2012
- **PG&E: EFLIC** September 2013
  - **Energy Finance Line Item Charge** (SFDLP Subpilot)
    - Predevelopment with PGE/CHF Credit Enhancement
    - Long-Term with CHEEF, Master Servicer
  - **Up to $25 Million in CE for SFLP**
    - Up to $8 million in CE for LMI populations

EFLIC/OBR Single Family in California is modeled after Portland's OBR:

- No Disconnect
- No Transferability
- No Pari Passu

OBR/EFLIC Status to Date

MCE Clean Energy: OBR

- ✓ $5 million Private Capital commitment from First Community Bank(Santa Rosa)
- ✓ Goal: 500 homeowners
- ✓ Marin County, Richmond
- ✓ Measure Flexibility: EU CA, and Single HVAC
- ✓ 5-15% Ratepayer –funded CE
- ✓ Unsecured, Long-Term (5-10 yrs)
- ✓ Low-Cost (6.5%)
- ✓ MCE Line Item
- ✓ Product Launch: Q2/Q3 2014
- ✓ QA/QC: Permit or EU CA

PG&E: EFLIC

- ✓ $15 Million Private Capital Commitment from Union Bank
- ✓ Goal: 1500 homeowners, esp. LMI
- ✓ 3 Pilot Sites: Santa Clara County, Fresno, SF and AC
- ✓ Measure Flexibility: EU Programs, Res Rebate Catalog, Single Measures, HVAC
- ✓ 10-20% Ratepayer-Funded CE
- ✓ Unsecured, Long term (10-15 yrs)
- ✓ Low-Cost (under 7%)
- ✓ PGE Line Item
- ✓ Product Launch: Q3/4 2014
- ✓ QA/QC: Permit or EU CA

OBR/EFLIC Value Proposition

OBR Value:

- Family Perception
  - NOT on title
  - Integrated in SAME statement
  - Can overcome reluctance to act
- Lenders:
  - Higher likelihood of repayment (via utility bill) than typical unsecured loan
  - Reputational need for green and for NO disconnect

These Pilots:

- Neighborhood Focus
  - Similar Vintage Homes
  - Strategic Marketing Partnerships
- Sensitive Underwriting for LMI Targets
  - NYSERDA Tier II
  - Equity Flexibility possibility

Considerations

OBR/EFLIC depends on a complicated set of agreements and partnerships

Potentially crowded marketplace: PACE and Simpler Off-bill Loans

Families and Realities

- Complex and “extra” Processes will stymie action
- Marketing matters

Contractor Burden

- Paperwork
- Extra Testing
- How Complicated is the Financing Explanation

LMI Indebtedness and Dependency on Savings and Behavior

Local Government Leadership can help pilots succeed

Complex Partnerships that Must Include EACH of the following:

- Utilities/Regulators
- Lenders
- Servicing Entity
- ***Pilot Sites/Local Governments***

Financing "Enabler" Demands Piggybacking on Existing Marketing, and EE/Housing Infrastructure

- Marketing
  - Choosing High Priority Targets
  - Recruiting/educating Contractors
  - Partnering with local organizations
- Weaving EE Program Elements together
  - Measures, rebates, tracking
  - Help reduce contractor burden
- Inserting housing/banking/community development know-how where possible
  - Contribute to development of appropriate underwriting to match targeting
  - Leverage housing/homeownership funds, reach, communities

MESA Solution: Rewarding Behavior to Catalyze Demand and Ensure Affordability

- **Rewards Performance:** Matches every dollar of savings one-for-one, for 2 years.
- **Adapts Proven Financial Product** (IDA) into the Energy Efficiency Arena
- **Catalyzes OBR Participation** and reduces effective cost of financing
- **Performance-Based Rebate** transforms post-upgrade Behavior

WITHOUT MESA								WITH MESA			
Old Bill	Monthly EE Loan	% Energy Savings	$ Energy Savings	New Bill (w/loan – energy savings)	Net MONTHLY Difference	Net Annual Difference in HH Energy Expense		MESA Match	Net MONTHLY Difference	Net Annual Difference in HH Energy Expense	Annual MESA Match
$250	$66	10%	$25	$291.00	-$41	-$492		$25	-$16	-$192	$300
$250	$66	15%	$38	$278.50	-$29	-$342		$38	$9	$108	$450
$250	$66	20%	$50	$266.00	-$16	-$192		$50	$34	$408	$600
$250	$66	25%	$63	$253.50	-$4	-$42		$63	$59	$708	$750
$250	$66	30%	$75	$241.00	$9	$108		$75	$84	$1,008	$900

The Opportunity: *If we get it right…*

Increase access to savings

Scale private capital market solutions

Create habit-forming energy saving behavior that builds assets

Leverage triggers of activity to do more

Reduce pollution

Improve home health

Stabilize families and neighborhoods

Transform post-retrofit outcomes

Tear down artificial policy walls that disadvantage middle-income

Contact

Lori Bamberger

Executive Director
o: 415.625.8454
Lori@EnergyIntoAssets.org
Website: www.EnergyIntoAssets.org