

NASEO National
Association
of State Energy Officials



State Energy Financing Overview and Look Ahead

April 3, 2012

ACEEE Market Transformation Symposium



About NASEO

- Only national non-profit organization whose membership includes the 56 governor-designated energy officials from each state and territory
- Improve the effectiveness of state energy programs and policies
- Seven Regional Coordinators across the nation to aid in sharing lessons learned for successful policy and program replication
- Act as a repository of information on issues of particular concern to the states and their citizens (e.g., financing, buildings)
- Committee structure includes, Renewables, Electricity, Buildings, Industry, Energy Assurance, Financing, Government Affairs
- Serve as the voice of SEOs in Washington, DC



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.

+ Innovative State Policies and Programs

- Overview of state energy financing programs
 - State examples
 - Qualified Energy Conservation Bonds (QECCBs)
 - State Investments in Economic Development and Technology Innovation
-



Types of State Energy Financing Programs

- Rebates/Incentives
- Grants
- Revolving Loan Funds
- Credit enhancements (e.g. interest-rate buydowns and loan loss reserves)
- Bond financing (e.g. QECBs)
- On-bill Financing/Repayment
- Energy Savings Performance Contracting
- State equity investments
- Hybrid programs

+ State Case Study: AlabamaSAVES

- Hybrid RLF/LLR structure allows \$25m fund to be leveraged to \$120m over 20 year program life
- Also offers interest-rate buy downs
- Rate set at 2%
- Eligible sectors are industrial and commercial
- Engaged key private sector partners:
 - Metrus Energy
 - Philips Lighting
 - Bank of America
 - Efficiency Finance
 - Contractor Community
- Highly flexible program
 - Has made several mid-course adjustments
 - Each deal is unique

+ State Case Study: Virginia's Commonwealth Energy Fund

- \$1.8 million loan program launched in spring 2011
- Fund invests in solar, wind, geothermal, transportation, batteries, fuel cells, biofuel, green building, water treatment, and green IT
- Part of Virginia's larger economic development program
- Administered by Center for Innovative Technology (CIT) that has managed the state's portfolio of seed-stage venture funds in other sectors for many years
- CIT has leveraged public funds by a factor of 14 and seeded 53 VA companies.
- Operates CEF as a convertible debt-to-equity fund
- Provides hands-on mentoring to start-up businesses



State Case Study: New York Green Jobs – Green New York

- Enabling state legislation
 - Green Jobs – Green New York Act 2009 established RLF and innovative financing for energy efficiency improvements
 - Power NY Act 2011 – established on-bill recovery charge statewide
- \$51.26m RLF (\$26.7m in residential)
- \$9.3m loan loss/debt service reserve through DOE grant
- Interest rate buy-down using QECCBs
 - May qualify for AAA rating because of on-bill recovery structure
- Two-tiered underwriting system to expand eligibility
- To date closed 1,086 Tier 1 and 70 Tier 2 unsecured loans



Energy Efficiency in the Secondary Market: Warehouse for Energy Efficiency Loans (WHEEL)

- National vehicle for aggregating unsecured residential energy efficiency loans
- Partnership between AFC First, Citi, Energy Programs Consortium, Pennsylvania State Treasury, and Renewable Funding
- Aims to create a functioning secondary market to reduce public subsidy for unsecured loans, reduce cost of private capital, and reduce reliance on Fannie Mae
- Anticipates rates of 10% or below
- Ability greatly leverage public funds
- EPC contact: Elizabeth Bellis
(ebellis@energyprograms.org)

+ Qualified Energy Conservation Bonds (QECCBs)

- Established in Energy Improvement and Extension Act of 2008 and funding increased to \$3.2B in Recovery Act
- Of \$3.2 billion available, about 101 projects for \$624 million have been issued to date (about 20%)
- QECCBs present one strategy for state and local governments to continue energy efficiency projects as other federal funds are spent down.
- QECCBs are flexible
- Based on need identified by Financing Committee, NASEO and EPC initiated joint effort to help state and local governments expand use of QECCBs
- Conducted outreach in December 2011 and January 2012
- NASEO summary white paper to be released soon

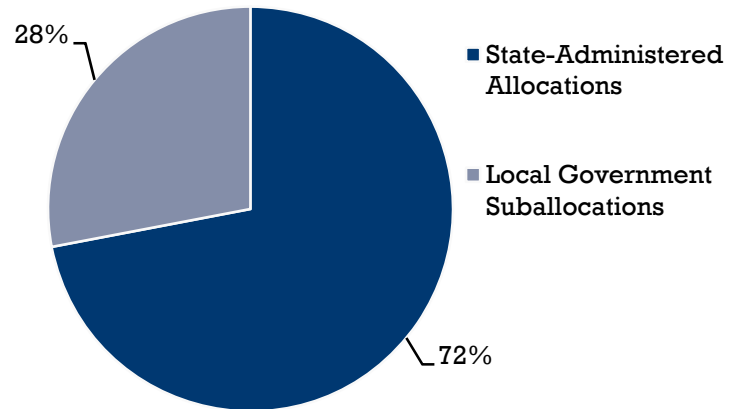
+ QECBs, cont.

Barriers

- Uncertainty around federal guidance
 - 20% energy savings requirement
 - Green communities
 - Process for local government waivers
- Debt aversion in weak economy
- Lack of familiarity
- Small allocation sizes at local level

Issuances Made to Date

Amount of Funding (by percentage)





Key Drivers: Economic Development

- **California** - California Infrastructure and Economic Development Bank
- **Florida** - Enterprise Florida
- **Idaho** - Project 60
- **Maryland** - Invest Maryland
- **Michigan** - Pure Michigan Business Connect
- **Ohio** - Ohio Third Frontier
- **Tennessee** - Jobs4TN/INCITE
- **Texas** - Texas Enterprise Fund
- **Virginia** - Commission on Economic Development and Job Creation





State Case Study: Michigan



- MEDC invests public funds at various points of business growth to support economic development
- Public funds leverage significant private funds
 - \$600 million leverages \$2 billion in venture capital
 - \$30 million leverages \$300 million private equity
 - \$30 million in credit enhancements leverages \$300 million in bank lending



Additional Resources and Contact Information

- NASEO State Energy Loan Funds Database (SELF)
<http://naseo.org/resources/selfs/default.aspx>
- NASEO State Financing Energy Resources page
naseo.org/resources/financing/index.html

Thank You!

Diana Lin
Buildings & Financing Program Manager
NASEO
dlin@naseo.org
