



**MPower Oregon
Multifamily Energy Efficiency**

ACEEE Finance Forum

**POWER
FUNDSM**

May 7, 2012

Overview

2

- New energy efficiency (EE) delivery model for affordable multifamily sector
- Builds off of success of Clean Energy Works Oregon, single-family EE retrofit initiative
- Combines EE services with on-bill payment collection
- EE service charge designed to provide immediate utility bill savings
- Phased, incremental, and iterative process of financial and service innovation
- Developed through multi-stakeholder collaborative process, with strong organizational partnerships

Pilot Program

3

- 30+ buildings, 2,500+ units
- Timeframe: 24 months – May 2012 to April 2014
- Phased strategy:
 - Phase I: Launch – master-metered focus
 - Phase II: Scale Up – master-metered focus
 - Phase III: Commercialization – individually metered buildings
- Total EE retrofit investment: \$8M in projects (~\$3K/unit)
- Phased introduction of water efficiency and individually metered buildings
- Identifying high-potential communities for replication

Evolution

4

Built on success of Clean Energy Works Oregon:

- Single-family EE retrofit initiative, started in 2009
- Customer friendly, one-stop-shop approach
- Low-cost financing repaid through utility bills

MPower Oregon:

- Designed in response to expressed needs of multifamily affordable housing industry:
 - Rapidly rising energy and water utility cost
- Pilot initiative, testing multiple ambitious goals
 - EE improvements and benefits
 - Asset manage tools to realize savings

Problem Statement

5

Affordable Housing Owners:

- EE emerging investment type – lack information, capacity, and resources
- Barriers to financing (cash flow & covenants)
- Split-incentive challenge (who pays, who benefits)

EE Retrofit Market Failure:

- ESCO success in I/C and MUSH markets, but limited inroads into multifamily market (cost, scale, and complexity barriers)
- Uncoordinated and fragmented incentives and technical assistance
- Predominantly asset-backed financing models

Delivery Model

6

One-stop-shop, EE services model

No owner out-of-pocket costs – MPower provides full funding

Creates value for customers by providing:

- Building improvements
- Utility bill savings and hedge against rising energy costs
- Enhanced building comfort

On-utility bill EE service charge, based on deemed energy savings (no performance guarantee):

- Sized to deliver immediate utility bill savings (net-positive cash flow)
- Covers ~52% of EE retrofit (48% leveraged investment)

Service Description

7

Building EE Retrofit Services:

- Upfront investment-grade energy and water audits
- Coordination and delivery of retrofit improvements from predevelopment through construction
- Light-touch retrofit measures – lighting, air sealing, DHW, HVAC upgrades, appliances, controls (≥ 20% energy savings)

Long-term Energy Management Services:

- Measurement and verification of energy savings
- Operations and maintenance protocols development and support
- Resident engagement and education

Payment Stream

8

Customers:

- Pay for EE services through fixed monthly EE service charge on their utility bill
- 10-year EE services agreement with MPower, and EE tariff agreement with utility

EE tariff:

- Runs with utility meter
- Survives change in building ownership or occupancy

Leverages long-term, low-cost financing:

- Low payment default risk of on-utility bill/tariff structure
- Funded cash flow liquidity reserves

Key Partners

9

Management Team:

- Green For All – Program development and national best practices
- Network for Oregon Affordable Housing – Fund manager
- Blue Tree Strategies – Program design and support

Delivery Team:

- Enterprise Community Partners – Service delivery
- Energy Trust of Oregon – Funder and technical assistance
- Portland General Electric – Initial utility partner
- Craft3 – Funder and utility collection partner
- Walsh Construction – General contractor

Building Owners: Housing authorities and non-profit CDCs

Key Funders

10

- Craft3
- U.S. Dept. of Housing and Urban Development
- Energy Trust of Oregon
- Enterprise Community Partners
- Green for All
- Clean Energy Works Oregon
- City of Portland Bureau of Planning and Sustainability

Financial and Service Innovation

Working Group – strong organizational partnerships:

- Industry experts, potential clients, funders, and local stakeholders

Mapping implementation of model:

- Transaction steps
- Benefits, costs, and payment streams
- Identify risks and corresponding mitigations

Two-year pilot to test concept:

- Design and develop program
- Refine and test components

Replication in other markets upon proof of concept

Contact Info

12

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Blue Tree combines expertise in commercial finance, accounting, tax equity instruments, public/utility incentives, stakeholder engagement, and business strategy, to create and implement strategic triple bottom line solutions tailored to our client's unique objectives and challenges.

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Green For All works in collaboration with the business, government, labor, and grassroots communities to create and implement programs that increase quality jobs and opportunities in green industry – all while holding the most vulnerable people at the center of our agenda.