

PRESENTATION FOR  
**ACEEE**  
**ENERGY EFFICIENCY**  
**FINANCE FORUM**  
CHICAGO, MAY 2017

# EXPANDING FINANCING COVERAGE: THE RHODE ISLAND CASE STUDY



**dunsky**  
ENERGY CONSULTING

[www.dunsky.com](http://www.dunsky.com)  
(514) 504-9030 | [info@dunsky.com](mailto:info@dunsky.com)

# DUNSKY ENERGY CONSULTING



## EXPERTISE

- ▶ Energy Efficiency
- ▶ **Financing Strategies/Programs**
- ▶ Distributed Energy Resources
- ▶ Sustainable Transportation
- ▶ Greenhouse Gas Reductions

## SERVICES

- ▶ Design and evaluation of programs, plans and policies
- ▶ Strategic & regulatory support
- ▶ Technical & analytical support
- ▶ Facilitation & consultation

## CLIENTELE

- ▶ Utilities
- ▶ Governments
- ▶ Solution Providers
- ▶ Large consumers
- ▶ Non-profits

# OUTLINE

**FINANCING IN RHODE ISLAND: OVERVIEW**

**EXPANDING FINANCING COVERAGE IN RHODE ISLAND**

**> EXPANDING ACCESS**

**> INCREASING IMPACT & EFFECTIVENESS**

**> REDUCING COSTS TO RATEPAYERS**

**WRAP UP**

# FINANCING IN RHODE ISLAND OVERVIEW

# KEY PLAYERS AND PROGRAMS



Two key entities – a **green bank** and the only **utility** – offer EE financing in the state:



**nationalgrid**

- **Efficient Buildings Fund**
- **C-PACE**
- **OBR LCI**
- **OBR SB**
- **OBR Gov**
- **HEAT Loan (residential)**

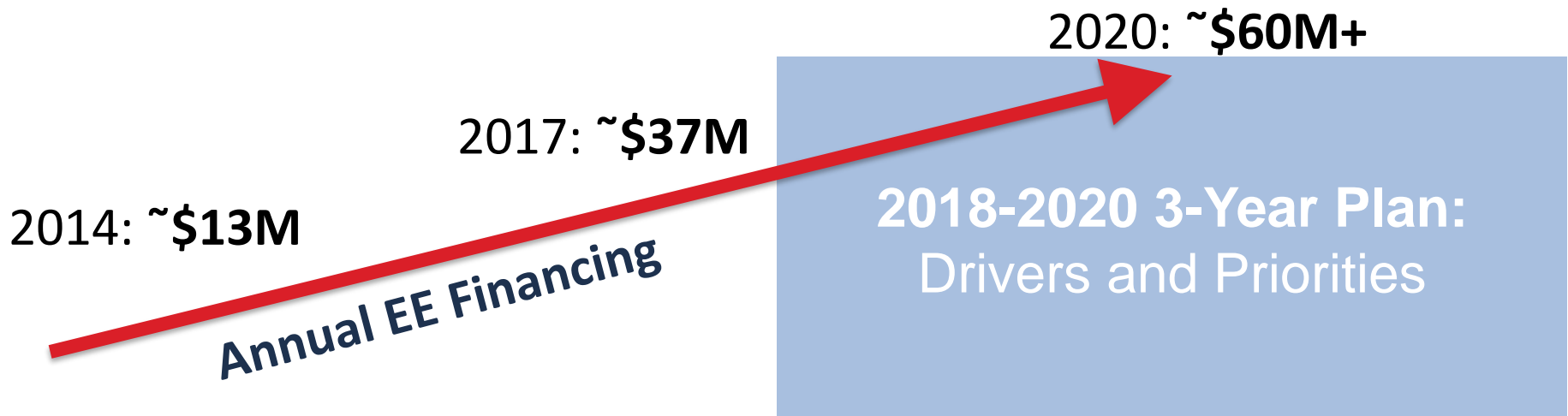
RI is a leader in EE (2%+ savings each year), but:

- savings are becoming more expensive as low hanging fruit are harvested;
- specific roles for Grid and RIIB are still evolving.



Three key ways that RI is seeking to improve market coverage:

- 1. Increasing program volume, impact, effectiveness**  
Appropriate funding allocations, evaluations, targets and reporting
- 2. Expanding coverage and access**  
Aim to reach new target markets and project types
- 3. Reducing costs to ratepayers**  
Leverage private capital and integrate delivery with incentives





**RIB and Grid are moving away from an EITHER/OR discussion: programs are complementary!**

### •Grid Financing Strengths Accessing EE Opportunities

- Project origination
- Performance risk assessment
- Integrating incentives with financing

### RIB Financing Strengths Long-Term Lending and Capitalization

- Credit risk assessment/underwriting
- Leveraging private capital

**RIB-Grid are setting an example of successful cooperation:**

- Grid claims savings, and attempt to be agnostic on who should manage funds





# **EXPANDING FINANCING COVERAGE IN RHODE ISLAND**

- > EXPANDING COVERAGE AND ACCESS**
- > INCREASING PROGRAM IMPACT & EFFECTIVENESS**
- > REDUCING COSTS TO RATEPAYERS**



# **EXPANDING COVERAGE AND ACCESS**



**RIIB has created new offerings that expand access to financing and leverage private capital (for EE *and* Renewables)**

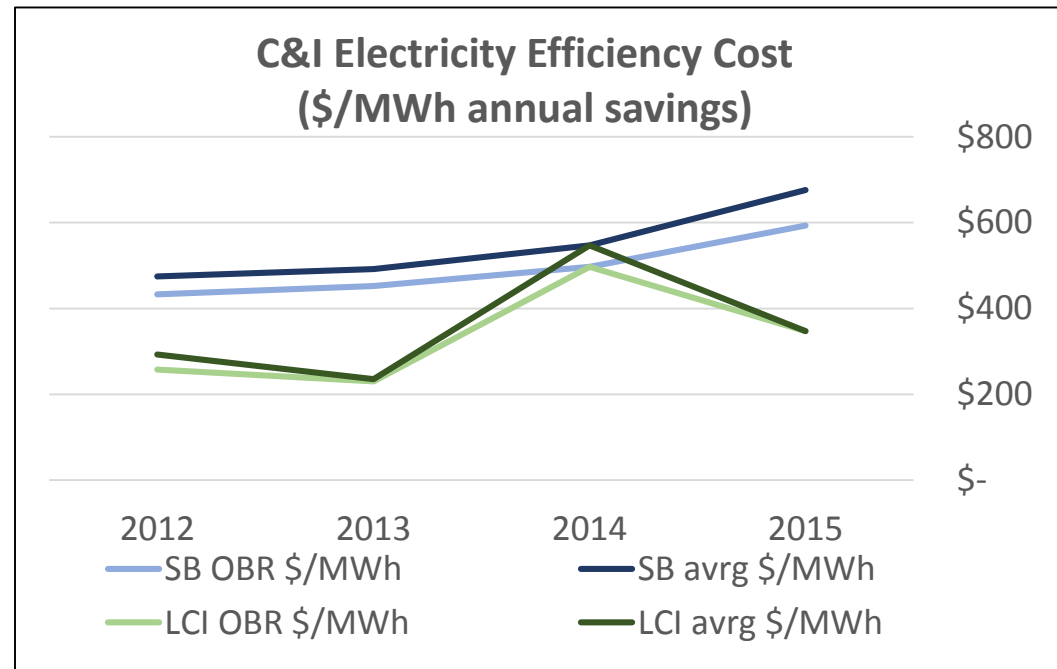
- **Efficient Buildings Fund (EBF)**
  - New savings - projects were not being funded previously
  - 5:1 leveraging of ratepayer money, long-term lending
- **C-PACE**
  - Potentially some new savings – integrates with incentives
  - 100% Private capital
- **Next Steps:** Tailored Single Family and Multi-Family long term financing options to come...

# **INCREASING IMPACT & EFFECTIVENESS**

# OBR EVALUATION/CHALLENGES



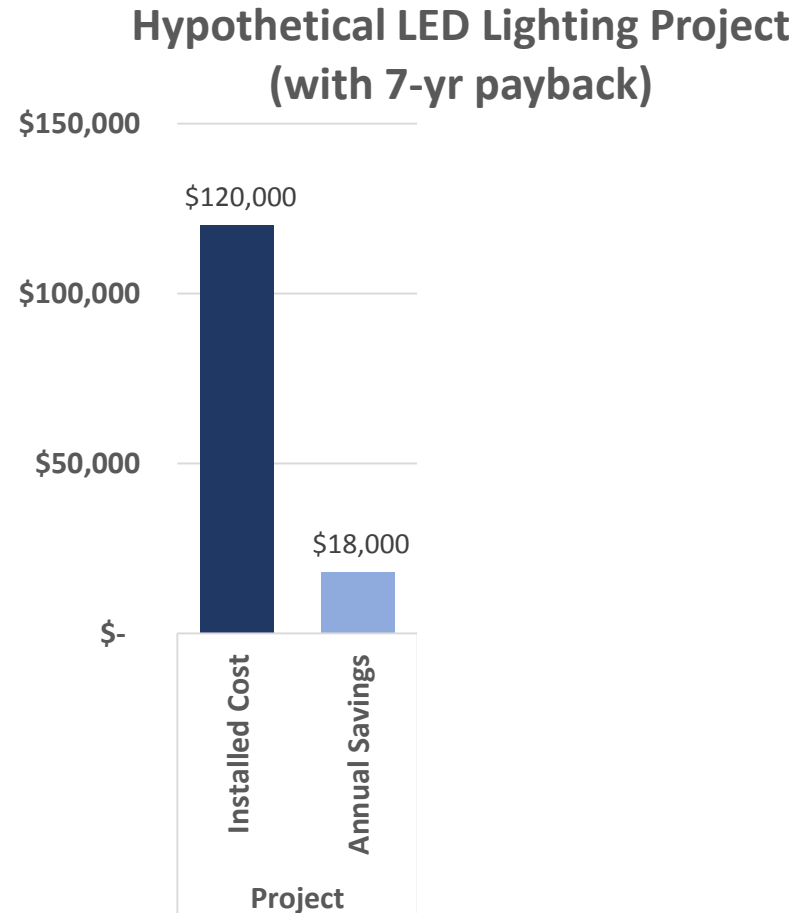
1. **Customers like OBR, applies a relationship-based approach**  
*– but it is used predominantly in the Public/Institutional Sector*
  
2. **Lighting is by-far the majority of the electric OBR (Over 90% of projects)**  
*- the program struggles to support deeper, comprehensive projects*
  
3. **OBR played a significant role in customer decision-making, similar level to incentives**  
*- little or no reduction in rate-payer costs, or bump in C&I sector savings observable from OBR.*





## Next Steps:

- **Pilot:** Consider cashflow-based integration of incentives with OBR (benefit from newly extended OBR terms)
- **Explore:** Further options for leveraging private capital to source OBR funds.
- **Evaluate:** Include OBR in the C&I program evaluation cycle



# INCREASING IMPACT & EFFECTIVENESS REPORTING



## Program Balance Sheet (current reporting)

	Grid	RIBB
Fund available	✓	-
Loans paid	✓	✓
Repayments	✓	-
Defaults	-	-

## Program Impacts (current reporting)

	Grid	RIBB
Participation	✓	✓
Ass. Incentive costs	-	✓
Annual Saving	✓	✓
Lifetime Savings	-	-



- Apples-to-Apples comparison of program impacts/utilization
- New indicators specific to financing benefits (e.g. depth of savings)
- **Next Step:** Establish regular reporting on all metrics for RIBB and Grid

# **REDUCING COSTS TO RATEPAYERS**



# REDUCING COSTS TO RATEPAYERS

## KEY STRATEGIES



Three strategies to reduce ratepayer costs:

### ○Pilot custom financing/incentive integration

- Develop a cash flow-based offering to participants in the **custom** program. Focus only on Day 1 cash savings.
- **Consider Option: OBR Custom Pilot**

### Leverage private capital, instead of ratepayer capital

- Other sources of capital may include **third party lenders** – an industry that is well developed in New England – or the utility's own capital.
- e.g. C-PACE, EBF

### Build financing into the cost-effectiveness assessment

- Ensure that **financing/incentive programs** are designed to be cost-effective.
- **Move away from 0% financing.**
- e.g. HEAT loan

**Financing and incentives are best viewed as complementary tools** that can work together to increase uptake in some programs, and reduce ratepayer costs in other programs.

# WRAP UP



## What is a transition plan to move to best practice in the next 3-years?

### 1. Expand Access:

Continue to explore ways that new products or alterations can capture new markets and measures.

### 2. Increase Impact & Effectiveness:

Evaluation and Reporting plan for existing programs to better understand benefits and costs of financing programs.

### 3. Reduce Costs to Ratepayers:

Pilot ways to reduce incentives through integrated cashflow financing and leverage more private capital.



dunsky  
ENERGY CONSULTING

**JEROME BILODEAU**

**Consultant**

Jerome.bilodeau@dunsky.com

514.504.9030 x33

# EVALUATING PROGRESS



**Overall Challenge:** Little was known about the program effectiveness to drive EE uptake, or to assess the cost/benefits of OBR and HEAT loans

## 2016 Two Program Evaluations Performed:

1. Evaluation of the Large C&I (LCI) Sector Electric OBR
2. Process Evaluation of EnergyWise including HEAT Loan (residential)

### *Each included:*

- Surveys with participants and program staff
- Assessment of how financing influenced customer decision-making
- Quantitative review of projects financed: measures, sizes (\$), customer types

**2017 and Beyond:** Further evaluation efforts would be valuable, as well as consistent reporting on program progress.



### ■ 2015 Recommendations

- ▶ **Residential:** Establish new program (RPACE) and integrate offerings
- ▶ **Non-Residential:** Improve reporting and conduct evaluations
  - *Develop long-term financing options to drive deeper improvements*
  - *Establish municipal sector program*

### ■ 2016 Evaluations and Input

- ▶ Process Evaluation of the OBR LCI Electric Program
- ▶ Provided input into target setting and 2017 EE Plan feedback

### ■ 2017 Ongoing Challenges and Opportunities

- ▶ Provide Feedback on 2018 Annual Plan
- ▶ Provide Feedback/Perspectives for 2018-2020 3-Year Plan



- HEAT Loan encourages weatherization project size increase of over 25%
  - ▶ Satisfaction with program is high and financing appears to address a key barrier for weatherization / HVAC upgrades
  - ▶ Cost of 0% financing to ratepayers is significant (over \$1,000/loan)
  - ▶ Unclear how much demand/access 0% financing supports

### Next Steps:

- Further evaluation across weatherization and HVAC
- Explore ways to reduce cost and expand access

