

Holland

Energy Fund

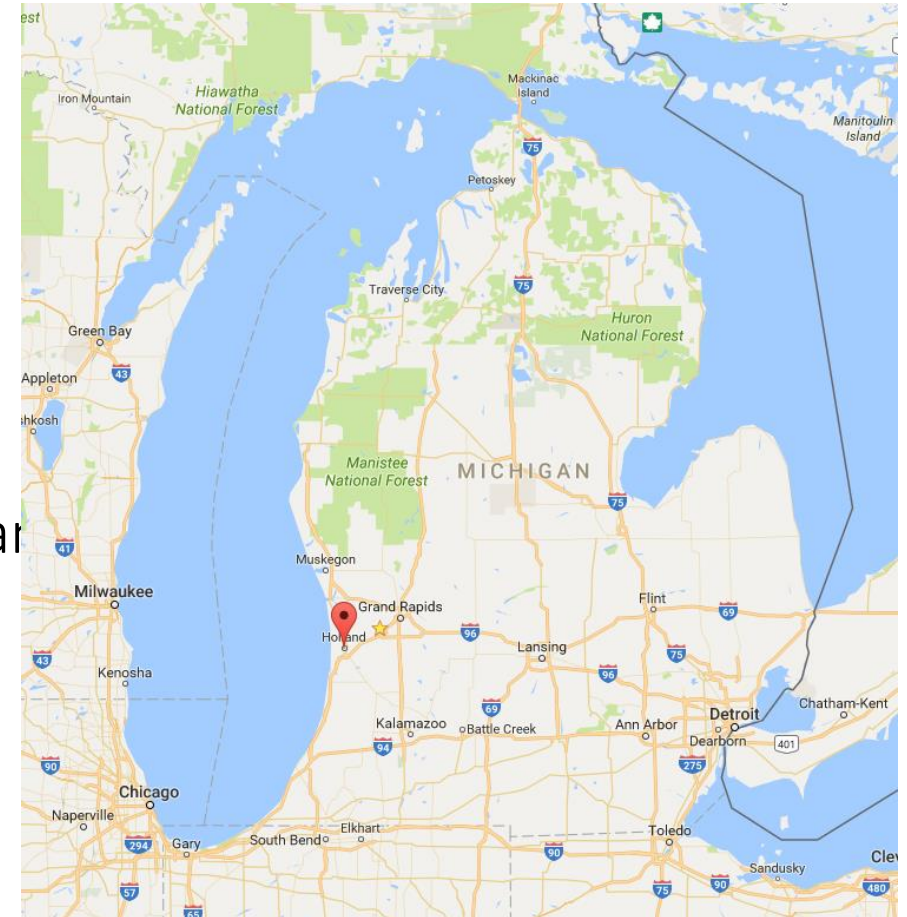
On-Bill in the Field

ACEEE Finance Forum

May 22, 2017

Who We Are

- City of Holland
 - Lake Michigan lakeshore community
 - Population of 33,481
- Holland Board of Public Works
 - Municipal utility – electric, water, WW, broadband
 - 170 employees
- Holland Energy Fund
 - Non-profit corporation
 - 40-year Community Energy Plan



Overview

- Why Holland pursued an On-Bill Loan Program
- Development Process
- How it Works
- Successes
- Statistics
- Challenges

Why an On-Bill Loan Program for Holland?

- Long-range Community Energy Plan
- To become a world-class leader in energy security, affordability, sustainability, and efficiency
- Substantially increase the energy efficiency of Holland's 7,400 single-family homes
- Housing stock older and less efficient than Michigan average



Development Process – Bottom Up

- Researched best practices
- Found experts
- Set program goals
- Designed program
 - Implementation Guide
- Developed program
- Launched

Researched Best Practices

- Midwest Energy Efficiency Alliance Conference
- SEE Action May 2014 Report (DOE/EE 1100)
- ACEEE Dec 2011 Report (E118)
- PSC Study
- DOE Better Buildings Summit, May 2015
- Webinars

Found Experts

- Environmental and Energy Study Institute
 - Miguel Yanez
 - John-Michael Cross
 - Pat Keegan
- Public Sector Consultants
 - Julie Bennett
 - Mary Templeton
- Harcourt Brown
 - Matthew Brown



EESI
Environmental and Energy
Study Institute



**PUBLIC SECTOR
CONSULTANTS**



Harcourt Brown & Carey
ENERGY & FINANCE

Goal Setting – Why

- Many ways to design an on-bill program
- The goals would point to the program design and save us time
- Holland has had good success when involving stakeholders
- Creates buy-in and continued support for the rest of the journey

Goal Setting – Who

- Realtors
- Contractors
- Lenders
- Title Companies
- Community Foundation (donors)
- Citizens
- Experts
- City Attorney/Utility Staff/City Staff



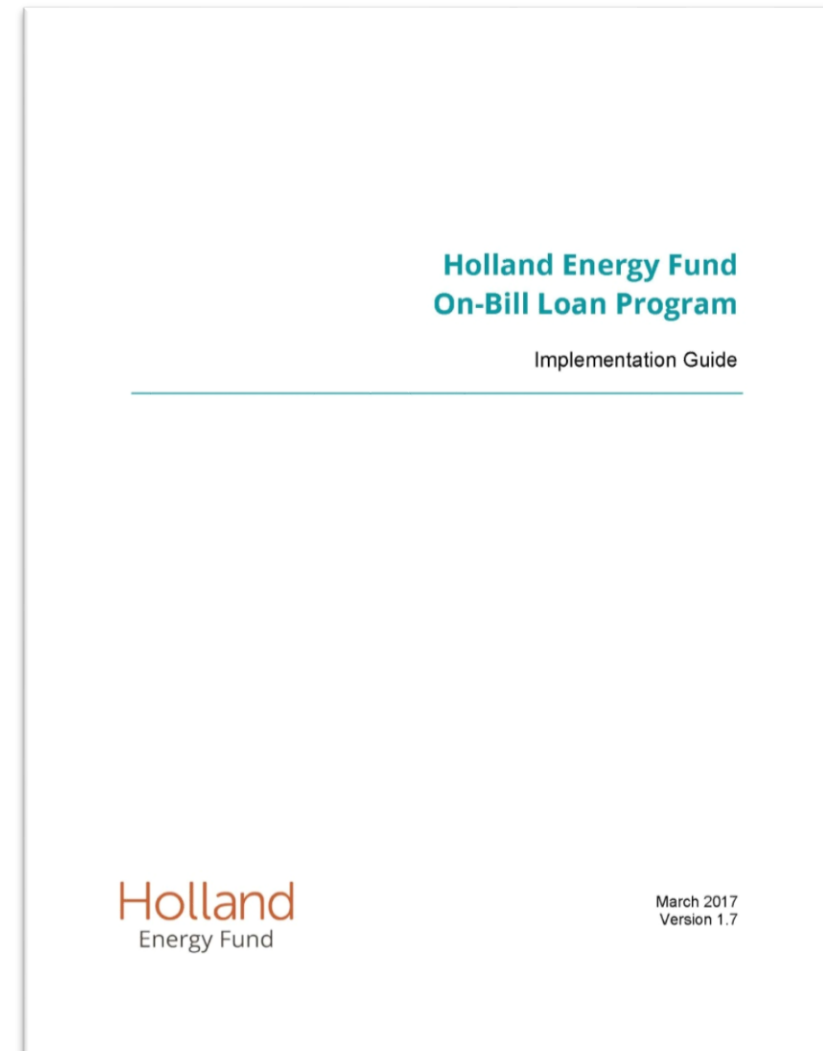
Program Goals

“Strengthen Community and Neighborhood”

- Encourage deep energy savings (environment)
- Increase access (equity)
- Administratively operate in a cost effective manner (economic)

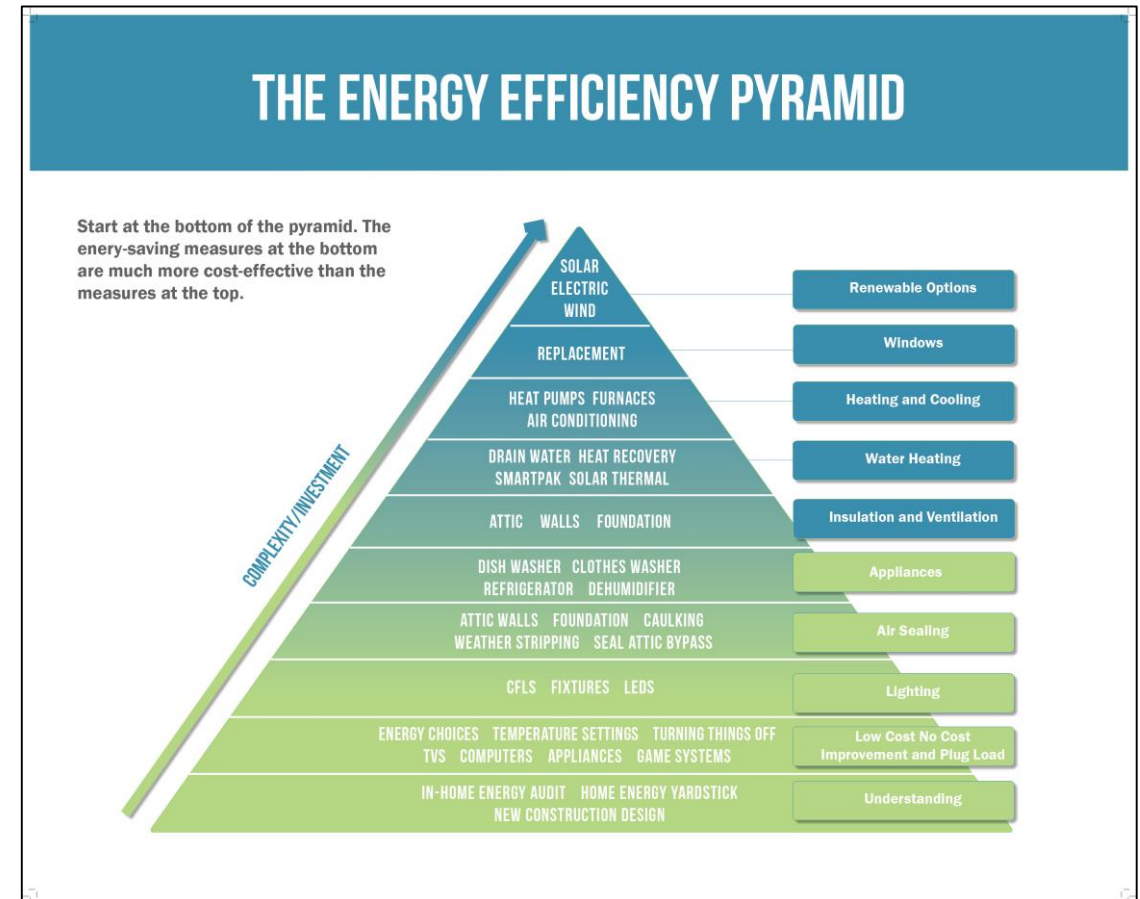
Program Design

- Eligible measures
- Loan type
- Qualification criteria
- Source of capital
- Administration plan
- Launch plan



Eligible Measures

- Anything in the Michigan Energy Measures Database (MEMD)
- Health, life, safety measures needed to do EE
 - Knob and tube wiring
 - Asbestos abatement
- Renewables
 - Minimum DOE Home Energy Score of 8



Loan Type

- Unsecured consumer loan
- Tied to the property – subject to shut-offs, lien-able
- Transferable – loan can stay with the property
- \$5,000 - \$30,000
- Up to 15 years or the life of the measure, whichever is less
- Fixed interest rate <7%
 - Determined by HEF Board periodically
 - Includes servicing and administration fees
- Loan closing after projects are completed
- Payments made directly to contractors

<i>Loan Rates</i>	
Term	Interest Rate
Up to 10 years	4.99%
Up to 15 years	5.99%

Qualification Criteria

- Residential property owners of single-family homes
 - Up to 4 units per building
 - Rental properties included if loan is submitted by property owner and electric account is in landlord's name
- 12 months consecutive on-time bill payment history
- Current on property taxes
- No bankruptcies, money judgements or repossessions in last 3 years
- Must have comprehensive, building science energy assessment by a certified professional



Source of Capital

- Up to \$3 million line of credit from utility reserves
- Borrowed at 10-year T-bill rate
- Interest rate objectives
 - Competitive to customers
 - Cover administrative costs
 - Appeal to investors

Administrative Plan – *Walk Before Run*

- Holland Energy Fund
 - Custodian of loan agreements and documents
 - Files notice with the county
 - Pays contractors
- Holland Board of Public Works
 - Payment history
 - Billing and payment collection
- Contracted services
 - Loan origination – WECC EFS
 - Loan servicing – Concord
 - Program administration – Michigan Saves
 - Contractor recruiting, vetting, training
 - Quality assurance
 - Evaluation and reporting

Holland
Energy Fund



Launch

- Website – hollandenergyfund.com
- Print materials
- Training
 - Contractors
 - Real estate agents
 - Title companies
- Community meetings
- Hired a Residential Energy Advisor



Successes to Date

- Creating Holland Energy Fund
- Finding experts to help – EESI, PSC, Harcourt, Brown & Carey
- Pairing and launching On-Bill Loan Program and Home Energy Retrofit Program
- Hiring a Residential Energy Advisor

Successes to Date

- Using Michigan Saves contractors (saved time recruiting, vetting, training)
- Having Michigan Saves loans as fallback loan option
- Loan application and loan servicing firms (WECC EFS/Concord)
- \$3 million source of capital
- Annual HEF program budget source

Statistics

- 24 loans approved since November rollout
 - \$362,547 total
 - \$15,106 average loan
 - 9.27 average number of measures
- 15 loan applications denied, 7 approved by Michigan Saves
- 11 projects completed, loan payments on utility bills
 - No late payments to date
- Interest rates 4.99% up to 10 years, 5.99% 10-15 years
 - 10 – 10 year term
 - 1 – 15 year term

Challenges

- Managing the critical path – many different players and functions
- Technology – getting systems to talk to each other, identifying what-if scenarios and file transfers
- Dedicated resources – staffing and institutional commitment
- Managing timeline – four months later than target
- Being the Michigan pioneer – no path to follow

Thank You and Questions

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