

Minutes
Governor's Energy Efficiency Work Group
25-JUL-08

Attendance

Members: Clark Brockman, co-chair (SERA Architects), Dave Vanthof (Governor's office), Jim Edelson (Interfaith Power & Light), Charlie Stephens (sustainability consultant), Fred Gordon (Energy Trust of Oregon), Tom O'Connor (Oregon Municipal Electric Utilities Association), Jim Abrahamson, Tom Payne, Jim Slusher (Mid-Columbia Community Action Council), Jason Eisdorfer (Citizens Utility Board), Steve Stewart (Intel), Margie Harris (Energy Trust), Gina Franzosa (Cascadia Green Building Council), Scott Winkels (League of Oregon Cities), Glenn Montgomery (Earth Advantage), Michael Early (Industrial Customers of Northwest Utilities), Jon Chandler (Oregon Home Builders Association), Joe Barra (PGE), Jeff Bumgarner (PacifiCorp), Tom Osdoba (Portland Office of Sustainable Development), Myron Burr (Siltronic), Rob Bennett (Clinton Foundation), Lisa Adatto (Oregon Business Alliance), Glenn Montgomery (Earth Advantage), Cam Hamilton (McKinstry, for Tom Konicke)

State agency liaisons: John Kaufmann, (Oregon Dept. of Energy), Cameron Smith (Governor's Office), Lee Sparling (OPUC), Mark Long (Building Codes Division), Andrea Simmons (Building Codes Div.), Gabrielle Schiffman (Building Codes Div.), Dan Elliott (Dept. of Housing and Community Services), Richard Matthews (OHCS), Scott Snider (Governor's Office), Tamara Brickman (Office of Budget and Management)

Other: Chuck Johnson (Columbia River Keepers), Angus Duncan (Global Warming Commission), Josh Warner (Bonneville Power Administration), Lisa Logie (Oregon Rural Electric Co-op Association), Martha Pellegrino (Portland), Libby Tucker (DJC), Lana Butterfield (Propane Dealers Assoc.), Dick Harmon.

Bill Edmonds – Race to the finish. Today and August 1 we sharpen the concepts. August 22 meeting cancelled. August 15 instead, it will be our last meeting. Will get document on “sense-of-the-group” after the 15th.

Municipal Financing

Charlie Stephens. Tax Increment financing has to do with urban renewal districts. Advised by Lee Peterson, Dept. Revenue, to avoid this, use Local Improvement Districts instead. Would allow cities and counties to designate energy efficiency improvement district. Has to check whether they can designate the whole city. Remaining stock in Oregon to be invested in is \$60 billion (NW Power Council). Would allow up to \$25,000 per home, less for small commercial buildings. City/county would raise bonds, provide money to contractor. Then assessment would be made against the property to be repaid on the property tax bill. Assessment dies when bond is paid off. Would require infrastructure scale-up. People could sell carbon credits to help buy down the costs.

Intended for existing structures, not new homes. No inherent reason new homes would be excluded.

Margie – Could renewables be included? Yes, though it might require some changes, especially in amount of loans and whether efficiency required first.

Cost-effectiveness tests? None. Minimum level of performance would have to be achieved. Money is not coming from ratepayers, but from the owners of the buildings. There will be energy bill savings plus tax deductibility. Intent is to prevent skimming and lost opportunities.

Clark – What do we do for affordable housing issues of dealing with mold, roofing, siding, etc. Charlie – if siding needs to be pulled off, the cost of re-siding could be included. Would have to be project specific. Could tweak the rules a little for low-income, or low-income could contribute to this.

Dan Elliott – HCS doesn't issue bonds for up to \$5 million, so this would be a huge increase. Second, it all comes down to the assessment of the property.

Dan – Are the estimates going to increase the property value. Charlie – some improvements are excluded from valuation for property tax assessment.

Dan – Low-income communities would ask whether these investments are going to be too risky for them. Charlie – that's why it may be valuable to allow counties to do this. The economic impacts of doing this flows back into the community.

Lisa – What's the pitch to homeowners? Charlie – hopes building trades would help out. Comfort would be a selling point. Also, if your struggling to maintain the home, this may help. And it will be more valuable at re-sale.

ORS 223 needs to be changed to allow counties, and to ensure that energy efficiency is allowed.

Gina – suggests including water conservation measures. Charlie – may be a limit on bonding authority, or it may affect.

Myron – eligibility for properties targeted at residential and small businesses, but could be eligible for larger businesses without access to capital.

JK – what's the stick to get communities to do this? What about landlords?

Jim Abrahamson – could be a useful tool for low-income. Utility grants (i.e., ETO) could help buy down the cost-effective piece. Could allow CACs to stretch out federal funding.

Clark – it's clear the affordable housing constituency needs to be working with you on this.

Scott Winkels – LOC not ready to weigh in on this. Local government financing can be a sticky mess. Politics here are very very tricky. Tom Osdoba – this is a tool, not a mandate.

SELP Financing

Chuck Johnson – has been working with Jon Chandler and Bob Shiprack. Has had discussions with Jeff Keto and Larry Gray, current and former SELP Manager. SELP exists to promote energy efficiency and alternative energy. Set up to not deal with a lot of small borrowers. However, with Emerald they have pioneered a concept of providing loan to the utility to run the program. This idea would ramp it up. Talked with Margie, but they're not set up to handle a lot of small loans.

This concept would expand bonding authority to \$500 million per biennium, and provide loans to organizations like utilities. It would be the credibility rating of the utility that would apply.

Complementary to municipal funding

Jeff Bumgarner – not sure of value to the utility, since utilities already can get lower financing than SELP offers.

Joe Barra (didn't catch the comment). Debt-to-equity formula caps the loan. Is there a way this wouldn't show up as debt.

Package of financing tools. – might see working group to figure

Utility On-Bill Financing

Joe Barra.

Lee Sparling – as written statutes require utilities to provide loan direct to customer. Cannot have third party loan to customer and have utility billing serve as collection mechanism.

Joe. Must not be considered as debt to the utility. Find a way to securitize it and keep it off the books. It could be done under existing statute.

Jeff Bumgarner – Would it be only for cost-effective measures, or funding mechanism that is more of a pass-through. Utility is not a financing agent. Could there be back office, to consolidate billing, payment, etc. dealing with liens, etc. Do have the advantage of having a bill going out every month. What's the hierarchy of charges if customer makes a partial payment. Real problem if utility has to cut off service.

Jeff – two key questions, source of money and collection.

Rob Bennett – what would be the trigger? Clean it up for third party financing?

Joe – hasn't been used of late because of Energy Trust and role of utilities in the last decade, rather than statutory.

Tom O'Connor – public utilities have used this over the past decade. Some utilities prefer to do it as a utility loan with 0% (or low) interest rate). Second way is to use local bank with a loan buydown. Elected utility officials are not excited about competing with the bank down the street. Springfield buys down the loan to zero interest. Measures have to qualify under regional cost-effectiveness test. Used on the more expensive measures like a heat pump or extensive package (if smaller measures, cash payment may be more popular).

Margie – favors the concept. Limitation is people do only what they have with the capital they have at the time, so if you can capture more it's good. Would like the concept to include renewables (solar). Also eligibility needs to be addressed. The convenience of on-bill financing is the ultimate.

Fred – in CT it doesn't matter if you threaten disconnect. Very low-level of non-performance. Some people prefer cash, some prefer loan buy-down. You can offer positive cash flow.

Joe – ???

Angus – on-bill financing is that the customer is the security for the loan, whereas under municipal the structure is the financing for the loan. Thinks we could do more if the structure is the security. Joe – no – energy service charge sticks with the home, not just the customer.

Jason – don't need to mess with this proposal if municipal financing moves forward. Utilities should sit down with Charlie.

Bill Edmonds – how do we get the broadest use of financing. Energy Service Charge works well. Third party would be preferable. Utilities would prefer not to be the banker.

Joe – utility makes an investment in energy efficiency, with opportunity to earn on it. Utility is not a bank. Must monetize it or there is no incentive for the utility.

Chuck Johnson – New concept. Treating energy conservation as a utility power source. Decoupling.

Jeff Bumgarner – Pacificorp uses energy finance charge in other states. Here in Oregon they had a 0% interest loan, to be paid back upon sale of the home. If utility provides financing, no benefit to borrower. What have people jumped on before? PPL's energy service charge isn't heavily used. Thinks Charlie's is a pretty painless way to do this. Provide home equity loan in a painless manner.

Jason – this is not a new idea. Duke Power. Decoupling and return on energy efficiency. With ETO we don't have the same problems. During recession, when customers are having biggest problem with costs, utility rates go up. Its an imperfect tool to remove a disincentive. When used in the past, it didn't result in more energy efficiency. Can do it cheaper by funding more energy efficiency. We've gone past the era of removing disincentives in Oregon.

Energy Efficiency Expansion

Jim Edelson – establish uniform statewide energy efficiency service level, for all fuel and utility customers (2.23%) Current minimum customer level of 25,000 customers that would be eliminated (bringing Idaho Power into the program). Consumer-owned utilities would be brought into the program. Two pathways, one self-administered (commitment to efficiency). Would also cover propane and fuel oil (including SHOW program).

Tom Oconnor absent but will be providing input.

Bill Edmonds – dollar amounts are locked in. Thinks it should be more flexible, in the event that needs change over time (over paying or undercollecting, based on cost-effectiveness and customer demand).

Schools wouldn't be collected.

Margie – 3% PPC on electrics is fixed in legislation, with authority for OPUC to set it higher.

Jim Abrahamson – might be an avenue to bring things under one roof.

Use savings as a yardstick for compliance?

Complementary or mutually exclusive? Complementary. Even with municipal financing package, this could be used for industrial, commercial, swimming pools, etc. But risks being too confusing if not clearly segmented.

Separate work group? Need O'Connor, propane and oil. Two issues, first increasing the tent, second, how does it tie in with programs.

Affordable Housing

Dan Elliott. Seriously looking at Charlie's municipal financing. Will also be working with anybody else All of their LCs need a financing package.

Bill – financing package must work for affordable housing population. Dan – Would like some of the other pieces rolled into it, but not viable without financing.

Bill – homes need new roofs. This funding can't be used for that? Charlie – this is meant to be a package to help make the energy efficiency investments secure. If you can't safely insulate a wall (i.e., leaking).

Margie – what's to prevent rents from skyrocketing, thereby defeating purpose of low-income housing.

Jim A. – need to be safeguards to avoid putting money into homes that are too far gone.

Bill – we need a low-income title.

District Energy Systems

Michael Armstrong – we don't have a specific stand-alone legislative concept at this point. Coordination needs. Need to get a group to unravel barriers at state level. But financing proposals should accommodate district heating projects.

Myron – may be opportunities to apply this outside of Portland, i.e., business or educational campuses.

Bill – district energy would include industrial CHP if connected to another user. Residential energy surplus would be net metering.