



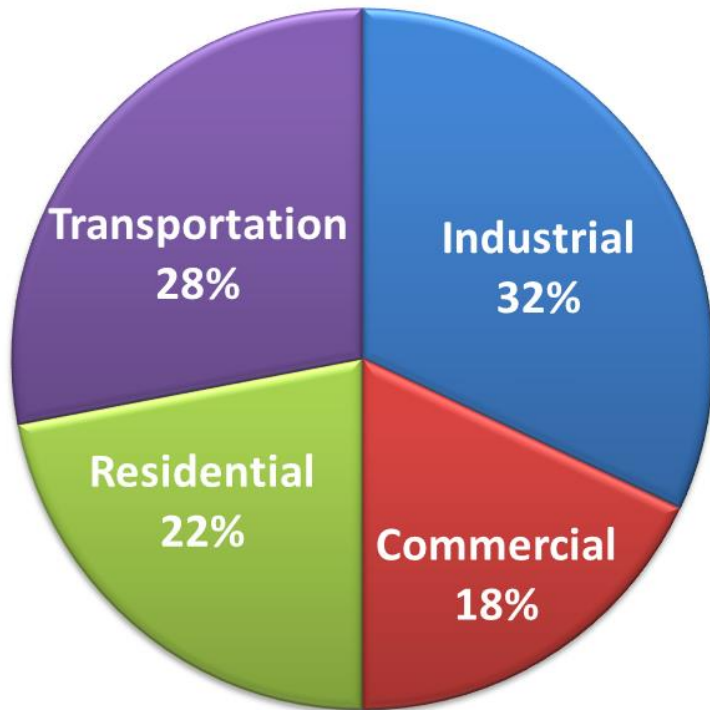
Energy in Texas Today



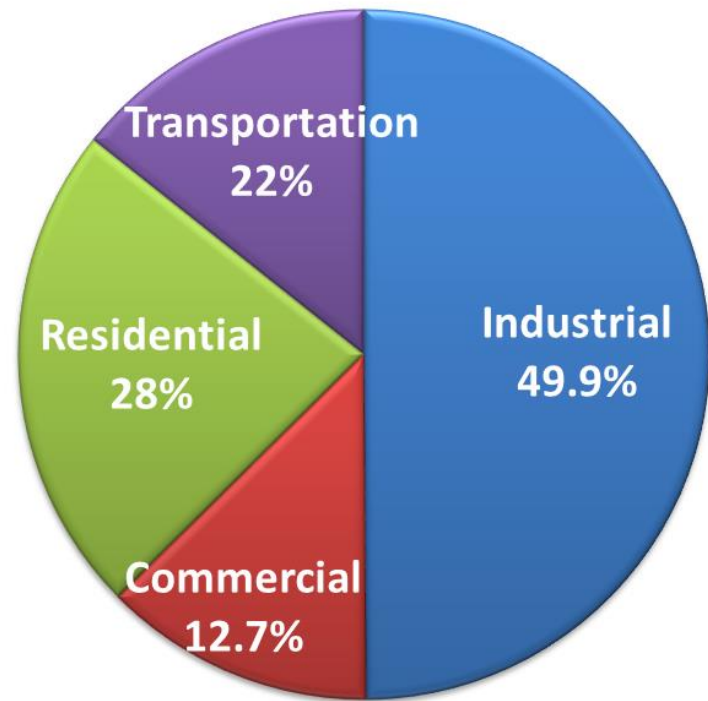
- **Texas leads the nation in energy consumption, accounting for 12% of the nation's energy use and is the fifth largest energy consumer in the world**
- **Demand for electricity has increased 20% since 2000**

U.S. v. Texas Energy Consumption

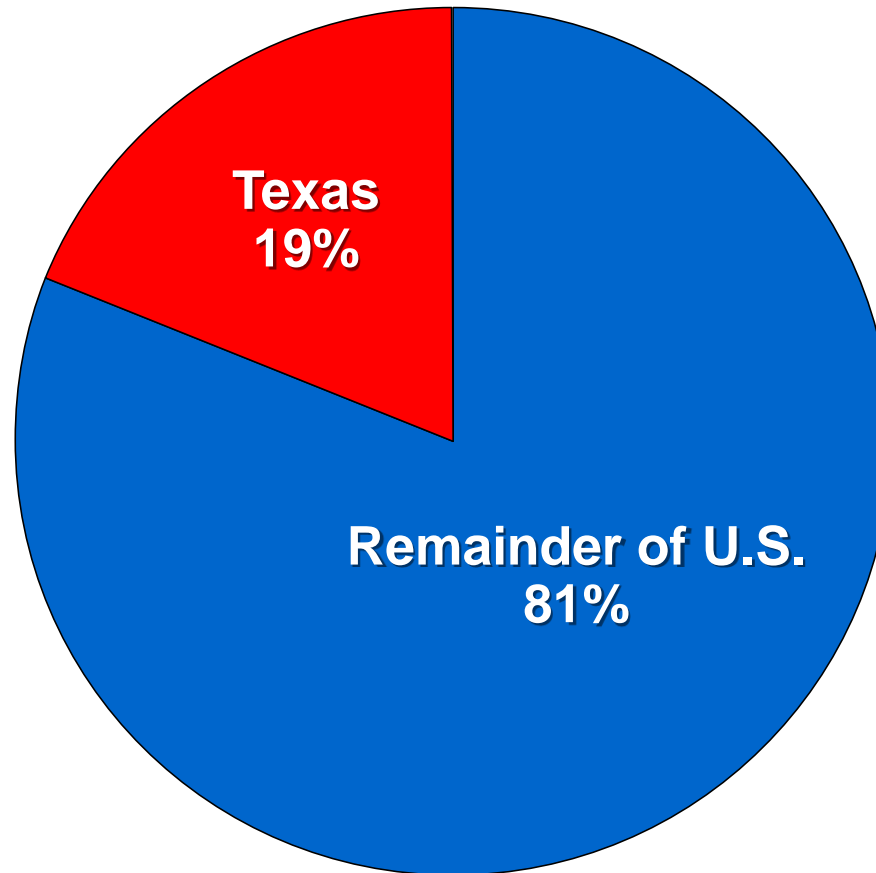
U.S.



Texas



Think Industrial: Texas vs. Nationwide Energy Consumption By Industry

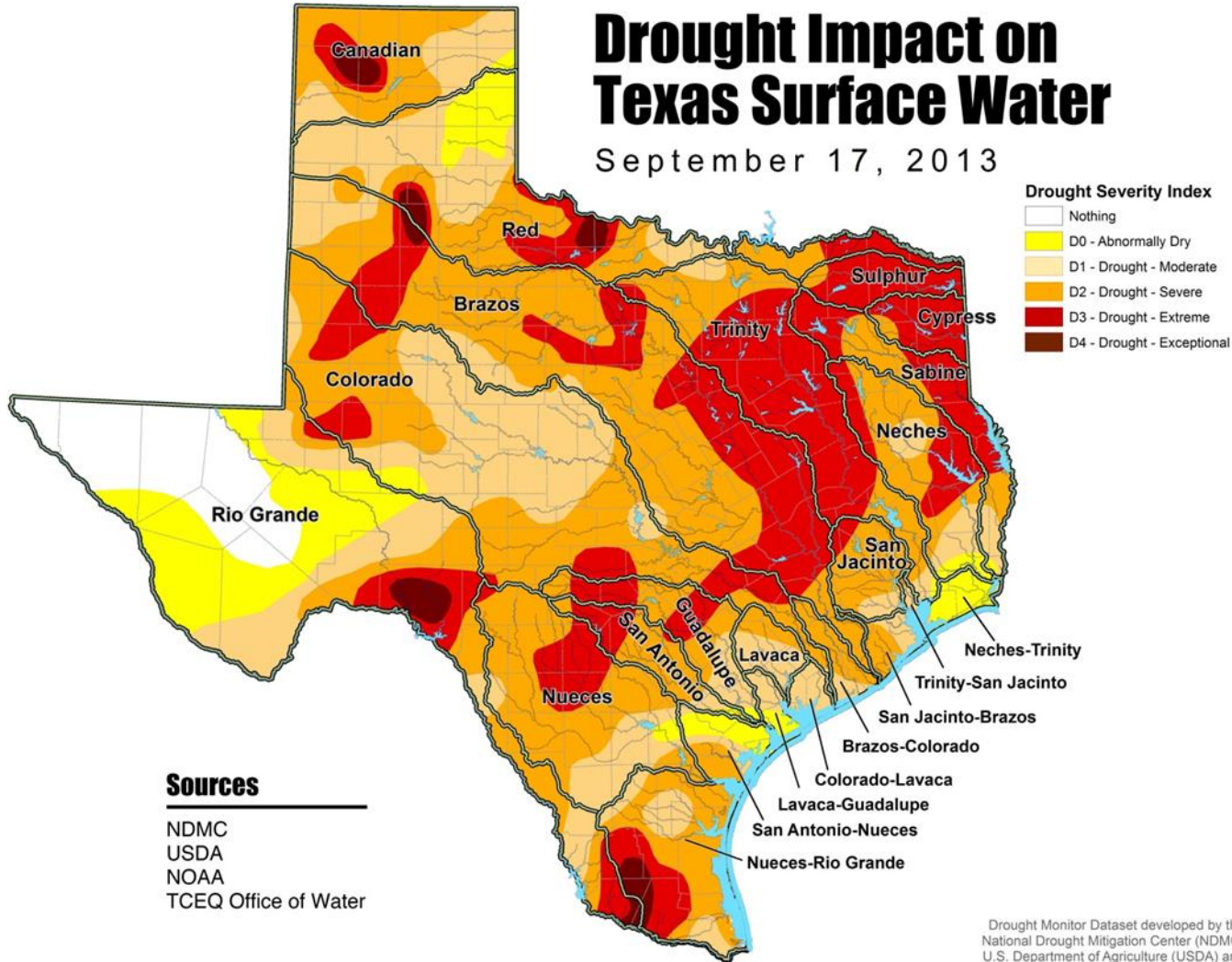


Texas' industrial sector is a huge, untapped market for energy saving retrofits.

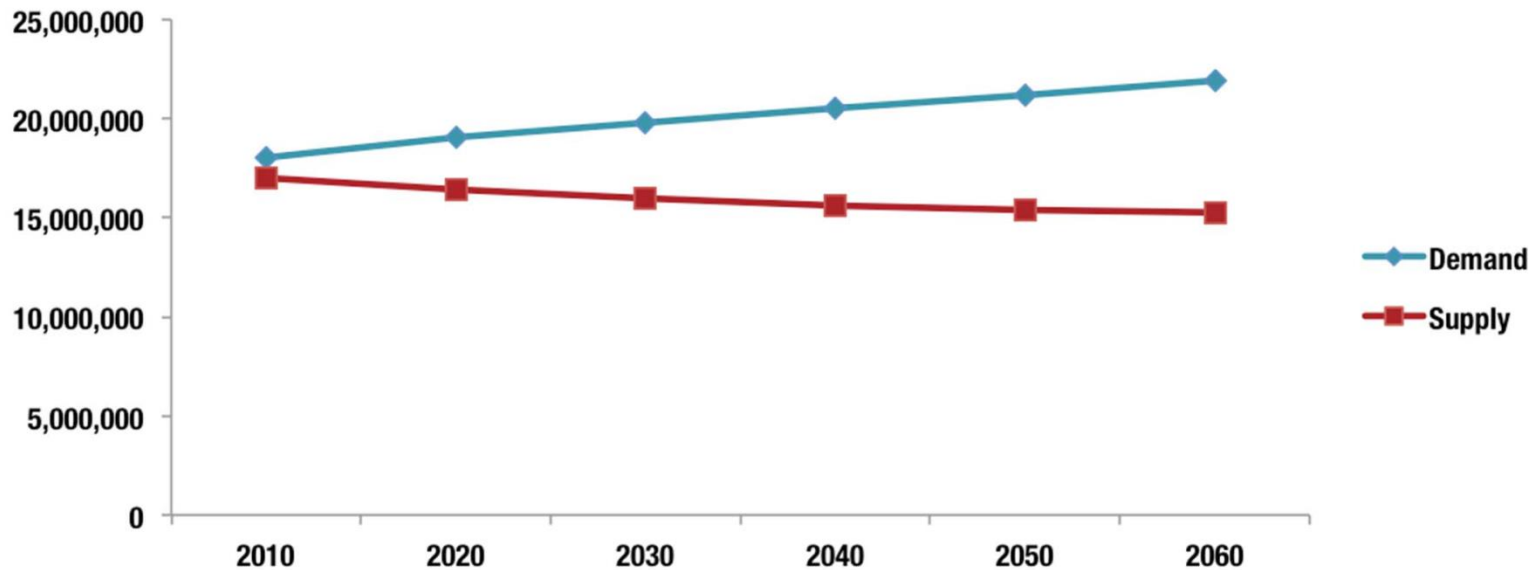
Texas Drought Impact

Drought Impact on Texas Surface Water

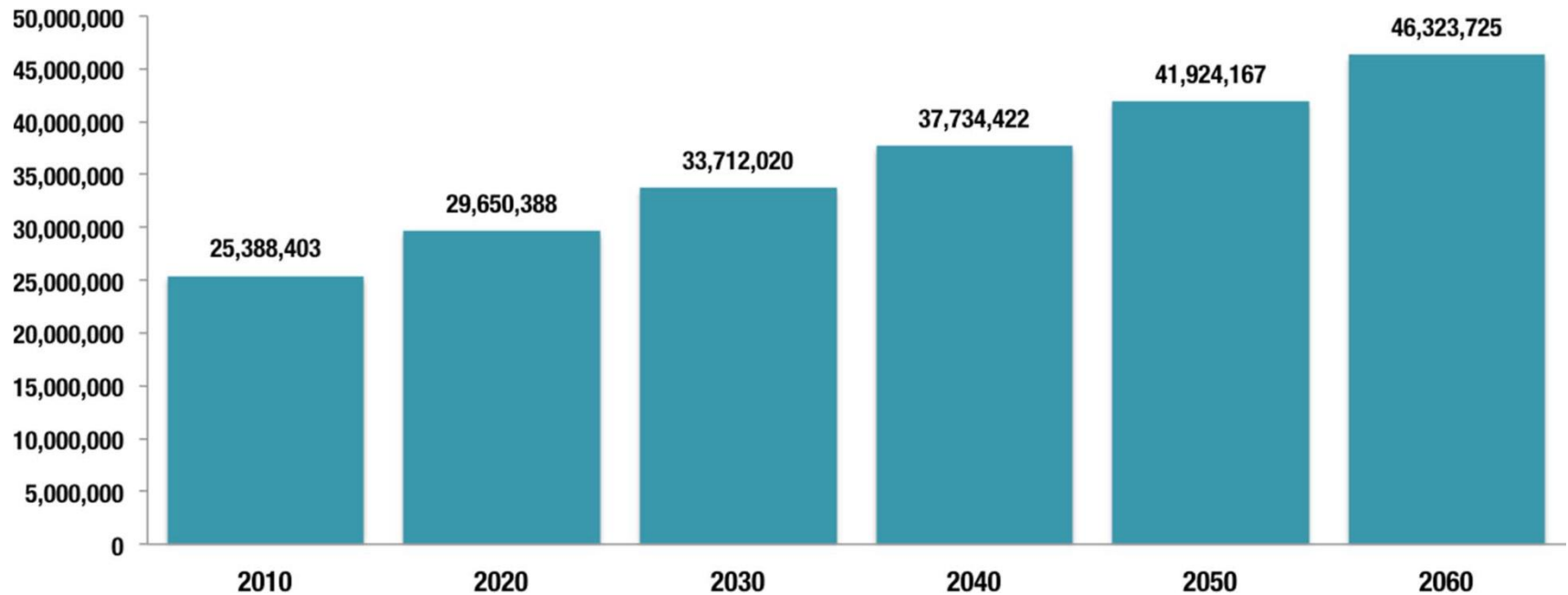
September 17, 2013



Texas' Projected Water Demands and Existing Supplies



Projected Texas Population



“More than 1,000 people...move to Texas every day.” Gov. Rick Perry, 12/29/2012.

STOP: talking about the problem.

START: talking about the solution!

- **Texas Leadership is investing in water and power infrastructure – Water, Energy, Roads**
- **Investing in Building infrastructure – part IV of the solution**
- **By far the cheapest and most affordable supply we find will be the existing supply we can reallocate because of conservation**
- **Old approaches called for mandates or tax and incentive policies that distorted the market and reduced revenues to local governments**
- **New approach...**

SB 385 - **PACE** Offers Solutions

Barriers

Scarce internal capital budget

No access to, aversion to financing

- No investment-grade credit rating
- Lack of collateral assets that don't fall under first mortgage

Uncertain holding period

Owner / tenant split incentives

Skepticism savings/ROI will be realized

PACE Solutions

No down payment and costs spread over time w/ savings

- Repayment security through senior lien position
- Backed by property, not by owner or equipment collateral

PACE obligation transfers to the new owner upon sale

Qualifies as NNN pass-thru cost

ESCO/contractor guarantees or third party insures performance

PACE in a Box

- **SB 385, Sen. John Carona and Rep. Jim Keffer**
- **The coalition:**
 - **County Judges and Commissioners Association of Texas**
 - **Independent Bankers Association of Texas**
 - **South-central Partnership for Energy Efficiency as a Resource**
 - **Texas Association of Business**
 - **Texas Association of Counties**
 - **Texas Bankers Association**
 - **Texas Building Owners and Managers Association**
 - **Texas Combined Heat and Power Initiative**
 - **Texas Manufactures Association**
 - **Texas Municipal League**
 - **Texas Renewable Energy Industry Association**
 - **US Business Council for Sustainable Development**
 - **US Green Building Council**
 - **Dozens of other organizations and companies**

PACE in a Box

- **Texas Association of Business (February 27, 2013)**

“The traditional approach to energy or water conservation has been to create financial incentives through tax credits or exemptions, or worse, discriminatory tax or regulatory policies that distort free markets, mandate investments with uncertain positive returns and reduce revenues to state and local governments. SB 385 represents an innovative and creative alternative that is particularly appealing to TAB – an option that is consistent with free market principles, is completely voluntary and puts no public funds at risk. The key to the program authorized by SB 385 is a cooperative arrangement between private property owners, lenders and local governments that enables property owners to make valuable improvements to property that reduce demands for energy and water in a way that benefits all parties to the arrangement.”

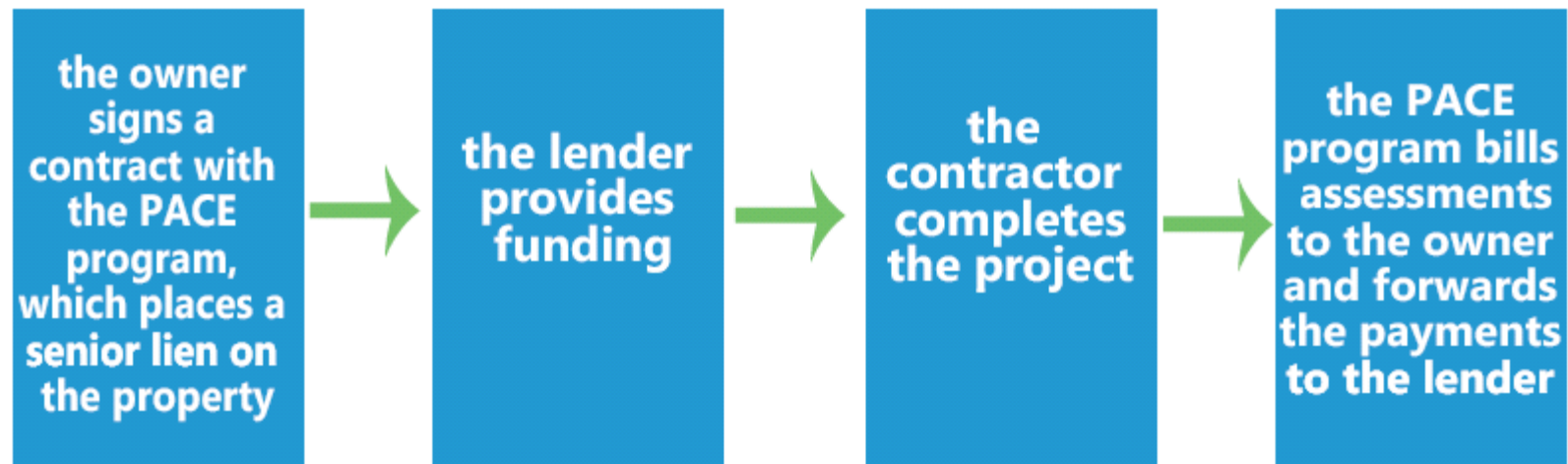
PACE in a Box

How it Works

A Building Owner:



If the owner, building and project all meet PACE requirements:



Timeline

Legislation

- June 19 Gov. Rick Perry signed legislation allowing PACE Programs

Design Phase

- December 31 is the deadline for completing “PACE in a Box” resources

Implementation

- 2014 - “PACE in a Box” resources available and cities and counties can begin steps to implement a PACE program

Status of PACE in Texas



“PACE in a Box” is a toolkit of recommendations and templates for counties and municipalities to:

- ▶ **Create viable, cost effective, user friendly, scalable, and sustainable PACE programs**
- ▶ **Encourage and support local discussions about forming regional or multi-jurisdictional programs**

PACE in a Box Working Groups

Program Underwriting

- Building Owner Qualifications
- Building Qualifications
- Project Qualifications
- Savings to Investment Ratio

Program Design

- Templates for Municipal Resolution
- Application Process
- Collection Process
- Overview / Flow Chart

Technical Standards

- Energy Saving M&V
- Water Savings M&V
- Third Party Review
- M&V Resources



Funding Platform

- Responsible Loan Making
- Attracting Capital
- Bonding

Education and Training

- Education to Municipalities
- Marketing Campaign to Building Owners, Lenders, and Contractors
- M&V training

PACE is a Win-Win-Win

- **Property Owners** – lower utility bills, energy independence (CHP) energy efficiency, property value increase
- **Contractors** – source of increase in business, more local hiring, best practices, keeping up with technology advancements
- **Lenders** – new loans, steady & stable process, fully collateralized, 1st lien position, improved asset value
- **State of Texas** – reduced peak demand, improved grid loading, renewables as source, improved air quality, better water conservation
- **Communities** – increased economic development and jobs, improved building infrastructure, more appealing building stock

www.keepingpaceintexas.org

