Energy Efficiency Financing Programs in Vermont

Peter Adamczyk
Managing Consultant
June 7, 2012

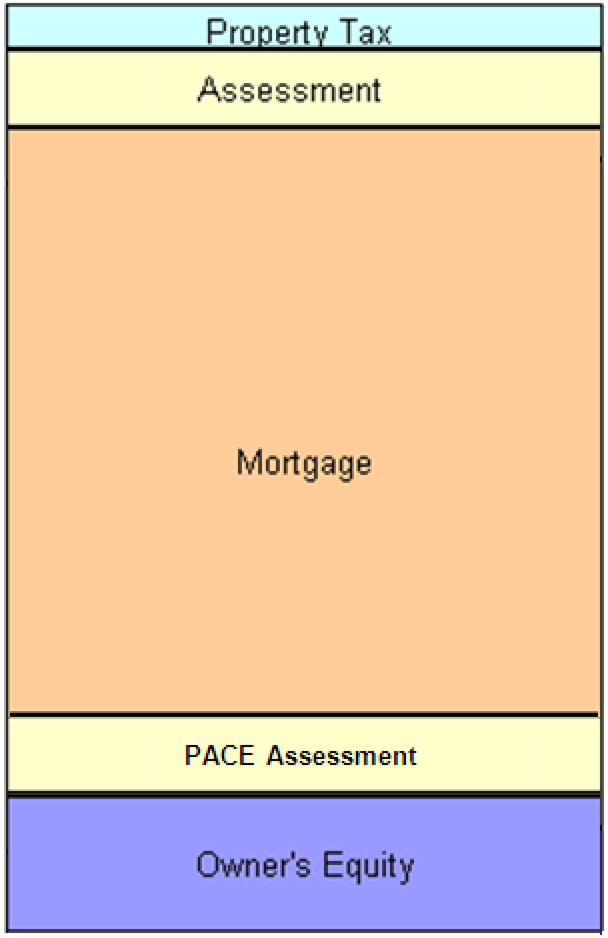
Topics for today's discussion

VERMONT ENERGY
INVESTMENT CORPORATION

- Junior-lien residential PACE program
- Pre-approved cash-flow positive loans for business customers
- State Energy Program DOE grant

Vermont's PACE lien position

VERMONT ENERGY INVESTMENT CORPORATION



In Vermont's legislation, PACE assessments are subordinate to property taxes and mortgages

Vermont's PACE legislation

VERMONT ENERGY INVESTMENT CORPORATION

- PACE lien is subordinate to any existing property-secured liens currently in place
- Subordinate to a subsequent first mortgage (i.e., a refinance)
- No accelerated payments
- Residential only at this time

Vermont's PACE legislation, continued

VERMONT ENERGY
INVESTMENT CORPORATION

- Mandatory reserve account– 2% from participating property owners
- Statewide loan loss reserve – 5% from RGGI funds, up to $1 million
- Efficiency Vermont available to act as PACE administrator for towns – all costs paid by participating property owners
- Effective Jan. 1, 2012

EELP financing program

VERMONT ENERGY INVESTMENT CORPORATION

- Energy Efficiency Utility (EEU) guarantees loans 100% from Credit Union (CU) to business customers in order to offer immediate loan approval for eligible customers with positive cash flow
- EEU maintains deposits at CU equal to 50% of the loan value for all outstanding EELP loans
- EEU pays all fees for membership ($35)
- Checks disbursed directly to contractors
- CU bills customers directly

Program characteristics

VERMONT ENERGY INVESTMENT CORPORATION

- Minimum loan – $1,000
- Maximum loan – $10,000, exceptions possible
- Interest rate – 6.00%. Interest rate buy downs are possible, but DISCOURAGED!
- Maximum loan term – 4 years
- Automatic pre-approval on eligible projects
- Loans are unsecured

EELP program objectives

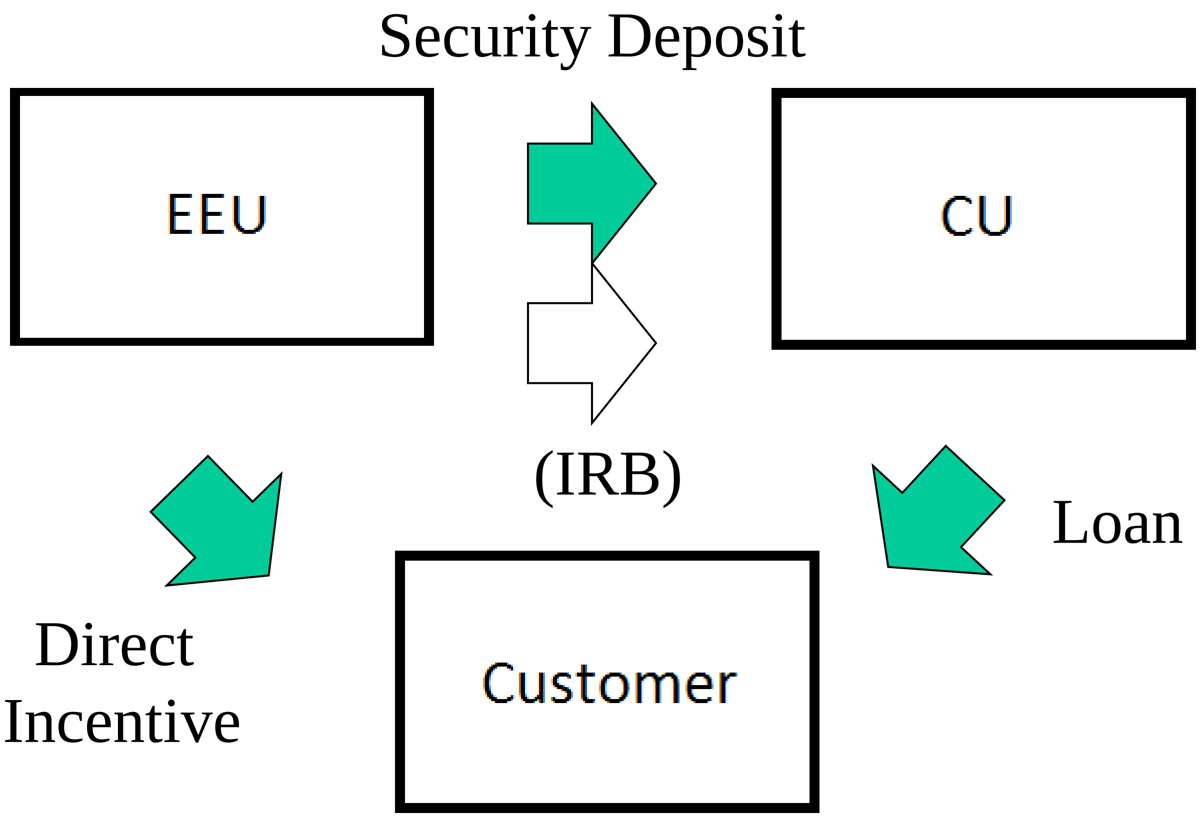
VERMONT ENERGY INVESTMENT CORPORATION

- Remove ‘last barrier’ for business customers
- Make EEU resources go further
  - Financing option allows for lower direct incentive
  - Funds are ‘recycled’, i.e., can be used to support many different sequential projects, theoretically forever
- Help customers see EE as an investment – often results in project going forward without financing through EEU

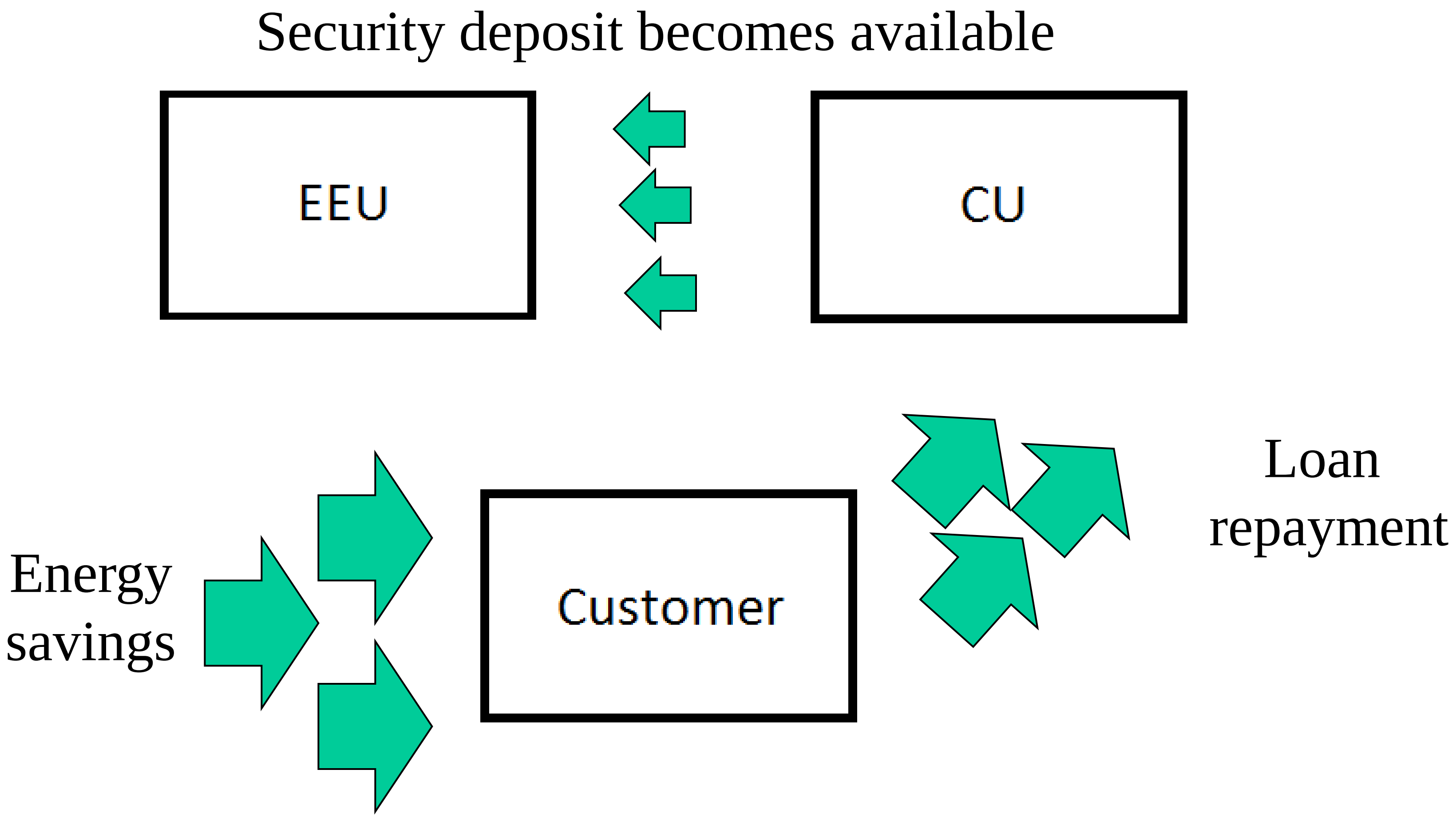
4 streams of money

- Direct incentive – from EEU to customer. One-time disbursement
- Security deposit – from EEU to CU. Money becomes available for other uses as loan is paid off
- Loan – from CU to customer. Customer repays directly to CU
- Interest Rate Buydown (IRB) – from EEU to CU. One-time disbursement

EELP transaction flowchart



Repayment flowchart



Hypothetical program

- Reserve ratio at CU 50%
- New loans per month $25,000, grows 1% per month
- EEU starting deposit $25,000
- EEU monthly deposit* $12,000
- Average loan size $8,000

- 1/3 of loans for 2 years, 2/3 of loans for 4 years

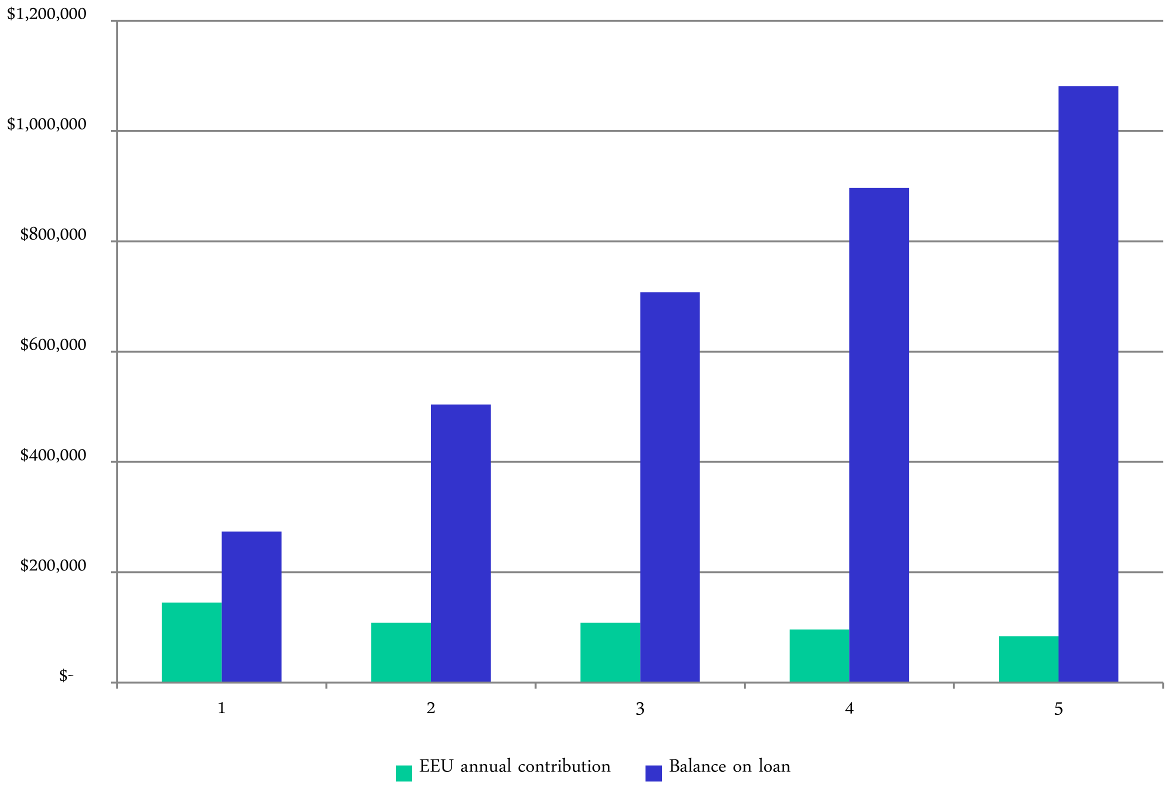
- * if needed, to keep CU balance at 50% of outstanding loans

Example 5-year budget

VERMONT ENERGY
INVESTMENT CORPORATION

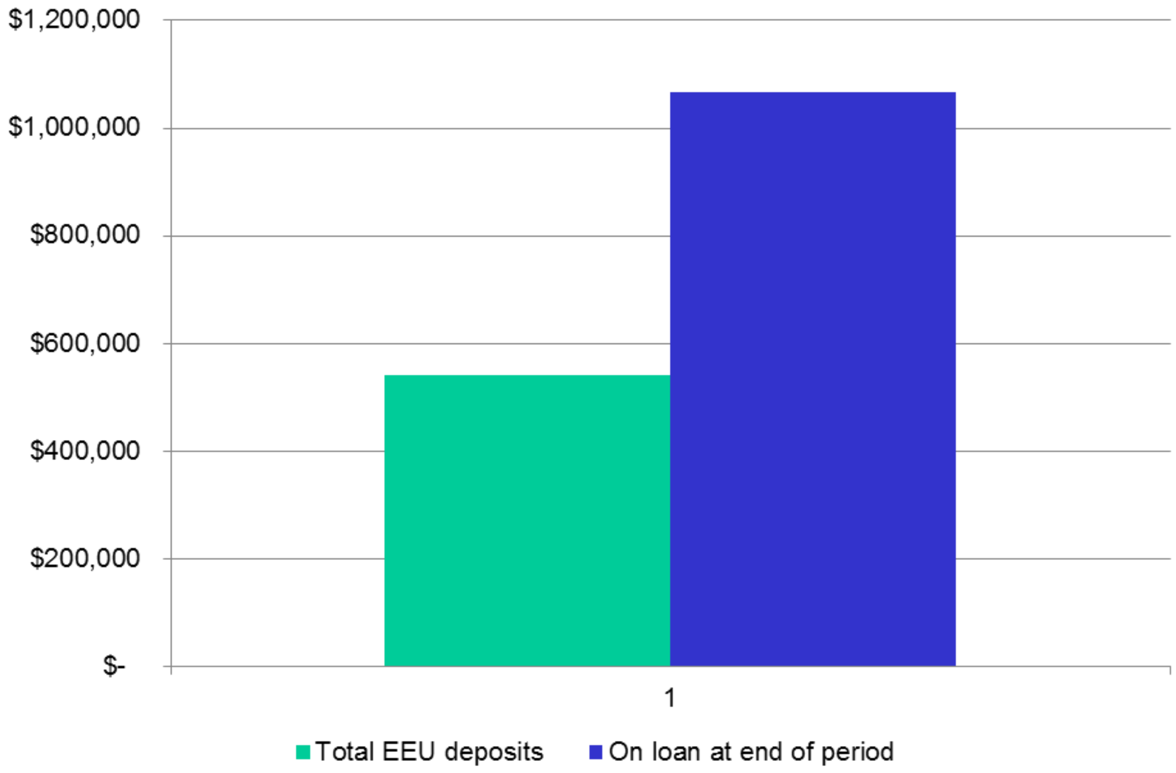
year	EEU contribution	yearend on-loan balance	No. of loans
1	$145,000	$273,848	57
2	$108,000	$504,044	105
3	$108,000	$707,486	148
4	$96,000	$896,796	187
5	$84,000	$1,081,612	226
	$541,000		

Example yearly budget



Example cumulative impact

VERMONT ENERGY
INVESTMENT CORPORATION



State Energy Program

VERMONT ENERGY INVESTMENT CORPORATION

- $1 million from DOE to create a commercial EE financing program
- State Energy Program is grantee
- Proposal addressed many DOE priorities:
  - Public/private partnership
  - Replicable and scalable
  - Loan loss reserves (LLR)
  - Qualified Energy Conservation Bonds (QECB's)
  - Existing infrastructure – Efficiency Vermont

Proposed program parameters

VERMONT ENERGY
INVESTMENT CORPORATION

- $500,000 LLR
- $3,200,000 QECB's
- $6,400,000 private capital
- Partner with State Treasurer, Dept. of Public Service, VEDA on "supply side"
- Partner with contractors and vendors on "demand side"
- Tremendous potential for funding for thermal improvements

Comparison of EE financing programs

	Energy Efficiency Loan Program EELP	State Energy Program SEP
Guarantee Level	100%	5%
Guarantor	EEU	DOE-funded loan loss reserve (LLR)
Target customer/project	On-the-spot financing for business customer portion of energy project eligible for direct incentive. Term set to allow for positive project cash flow. More likely to include only electrical measures.	Long-term comprehensive financing for business customer to allow for positive project cash flow for energy project eligible for EVT direct incentive. More likely to include thermal measures.
Loan size	$1,000 to $10,000	$25,000 to $100,000
Loan term	2 to 4 years	5 to 10 years
Loan rate	Market rate (currently 6%)	Below market rate (~4-5%)
Source of loan funds	Credit Union	Combination of private banks and QECB bonds
Underwriting process	None – all loans are pre-approved. Borrower must fill out loan application and provide minimal documentation.	"Stretch" criteria – considers energy savings. Borrower must fill out loan application and provide all documentation required for a business loan.
Program size 2013-2015 (estimate)	Up to $1 million	Up to $10 million
Financial partners	Credit Union	VT Economic Development Agency (VEDA) and VT-based private banks already lending to commercial customers

More information

Peter Adamczyk

Managing Consultant

Vermont Energy Investment Corporation

802-540-7631

padamczyk@veic.org