

Energy Efficiency Conservation Block Grant- Competitive

A Proposed Approach for Milwaukee



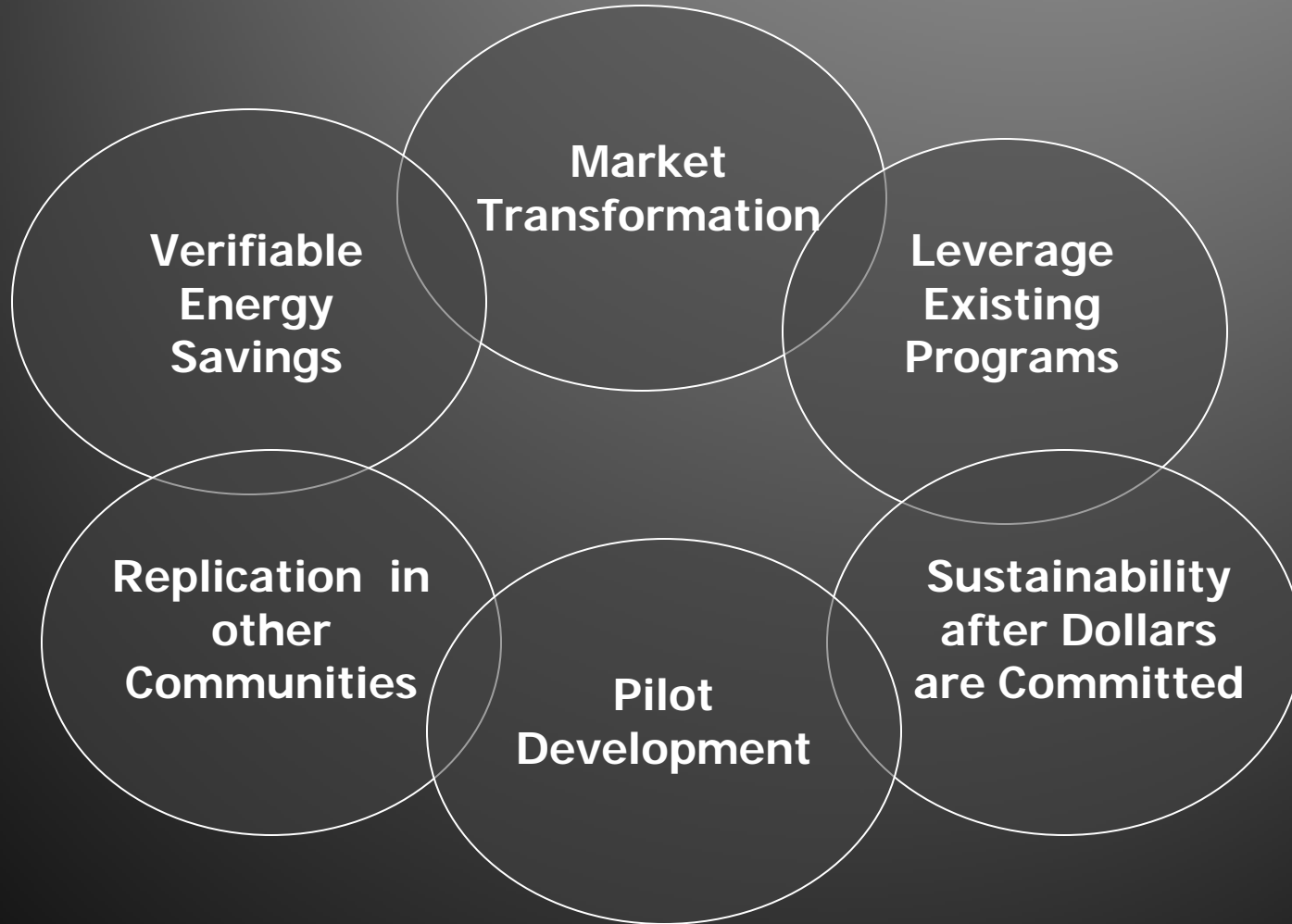
EECBG- Approved Formula Award

- ▶ City Facility Audits: \$78,000
- ▶ City Facilities Retrofit: \$2.7
- ▶ LED Street lights: \$440,000 for LED streetlights in Milwaukee's Third Ward
- ▶ ME2 Residential Retrofit program: \$1.47m for a revolving loan fund for home-owners to do energy retrofits.
- ▶ Business retrofit loans: \$865,000 for loans to businesses, particularly manufacturing businesses, to add energy efficiency to their operations.
- ▶ Business Retrofit incentive: \$132,000 for third party measurement and verification (M&V) to catalyze the private performance contracting market.
- ▶ City Fleet Retrofit: \$137,000 for the marginal cost to purchase hybrid vehicles and route management software.

Proposed EECGB Competitive Grant

- ▶ Administered by US Department of Energy (DOE)
- ▶ Retrofit Ramp-Up program: \$390M
- ▶ Eligible awardees are all EECBG direct formula grant communities (state, county, city)
- ▶ High profile large scale programs for energy efficiency retrofits in geographically focused areas
- ▶ 8–20 awards of \$5–\$75M
- ▶ Must be highly leveraged ($\geq 5:1$)
- ▶ Cities can delegate their grant application to non-profit entities

Federal Criteria and Markets



Residential	Commercial	Industrial	Public Buildings
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Factors Influencing Milwaukee's Approach

- ▶ High local leverage requirements
- ▶ DOE's preference for regional partnership
- ▶ The ME2 model is highly encouraged in the grant application (a.k.a. Property Assessed Clean Energy, or PACE)
- ▶ The grant is *not* intended for:
 - Construction of new energy efficient buildings
 - Programs that only make incremental improvement over business-as-usual

Partnership Approach Part I

- ▶ Milwaukee will partner with select communities to issue a joint application
- ▶ Partners include:
 - City of Madison
 - City of Racine
- ▶ Wisconsin Energy Conservation Corporation (Focus on Energy)
- ▶ Johnson Controls
- ▶ Organized Labor
- ▶ State Office of Energy Independence
- ▶ UWM and We Energies may also partner

Partnership Approach Part II

- ▶ WECC would submit application on behalf of Milwaukee and other communities, with a specific dollar earmarked for Milwaukee (up to \$45 million)
- ▶ WECC would administer a residential retrofit program (ME2) for Milwaukee with revolving loan financing offer
- ▶ JCI would develop a program for Commercial Buildings, Industrial Buildings, and Government Buildings using a modified performance contracting offer
- ▶ Letters of support from Governor and other regional players make this application more attractive

Why WECC?

- ▶ Administered successful \$750,000 pilot program in two Milwaukee neighborhoods in 2009–2010
- ▶ Turnkey energy retrofits
- ▶ Ability to coordinate with existing *Focus on Energy* programs, rebates, incentives and marketing initiatives
- ▶ Committed to local jobs through sub-contracting other partners
- ▶ Experienced
- ▶ Ensures regional and replicable approach

Why Johnson Controls?

- ▶ Bring approximately \$300 million in leverage via line of credit from their financing partners
- ▶ Nationally recognized leader in this industry
- ▶ Committed to local jobs through sub-contracting other partners
- ▶ Experienced

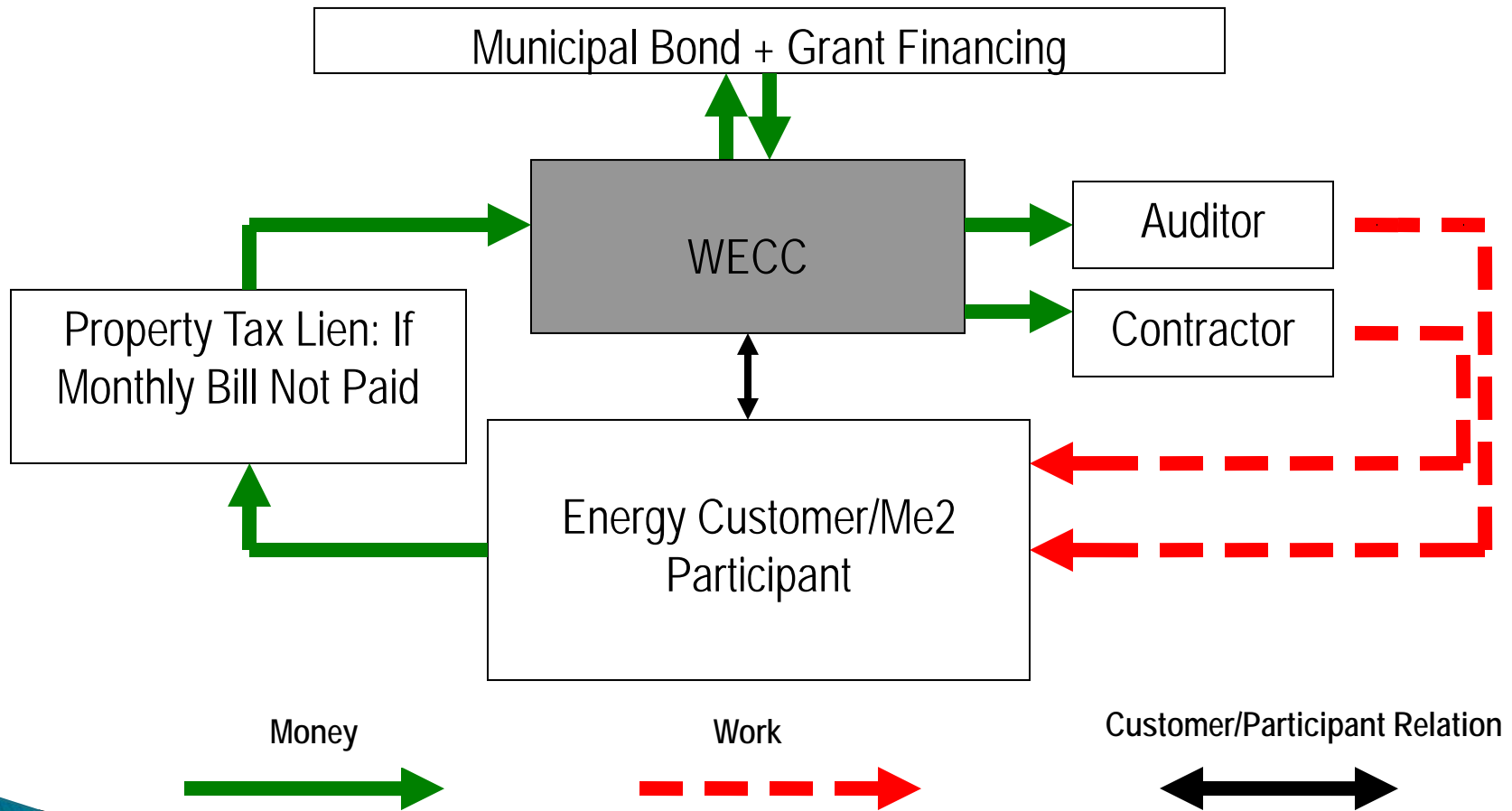
ME2: Overcoming Obstacles to Homeowners Investing in Energy Efficiency

Hassle of getting energy audit and coordinating multiple contractors	Turnkey approach coordinated by WECC
Lack of interest	Community based marketing
Information problems on everything (benefits, cost, reliable service)	Energy audit outlining savings and costs
Lack of capital	Tax lien financing offer
Uncertain duration of tenancy/ownership	Loan payments tied to property, not the person
Split Incentives between landlord and tenants	Not yet solved (need utility bill financing)

Residential Program

- ▶ Target particular neighborhoods (e.g. moderate income, low foreclosure rates, and old housing stock)
- ▶ Energy “Advocates” market program to homeowners and provide home “walk through” to identify good candidates
- ▶ Certified auditors evaluate home for energy saving opportunities with estimated cost of improvements and estimated paybacks
- ▶ If homeowner agrees, WECC provides certified contractors to complete work
- ▶ Homeowner has no upfront cost to complete work. They pay for the work as energy savings are realized
- ▶ Financing for the work is provided by a city revolving loan fund
- ▶ Residential loans are secured by tax lien

Residential Program Flow Chart



Tax Lien Financing for Revolving Loans

- ▶ Tax Lien financing, also known as Property Assessed Clean Energy (PACE) is being encouraged by this grant FOA and the White House.
- ▶ Municipal tax lien financing for residential energy efficiency improvements and renewable energy was approved by the Wisconsin legislature in May 2009.
- ▶ Homeowners in the program would receive a monthly coupon book to repay their loan, but the loan is assessed on the property tax in the event of non-payment.
- ▶ \$10 million ME2 revolving loan fund is capitalized by a combination of federal grants and potentially local revenue bonds.
- ▶ National expert on PACE, Cisco DeVries will be in Milwaukee December 10 to guide program development.

Commercial, Industrial, and Public Building Program

- ▶ Performance Contracting is the basis
 - Energy Service Company audits a building, provides energy retrofits based on audit to lighting, HVAC, building shell, etc. and guarantees the savings. ESCO provides initial capital financing through their lenders.
- ▶ Grant would improve this offer for businesses and government through:
 - Interest rate buy-down
 - Third party measurement and verification
 - One time grants for audits
 - Subsidize measures with longer energy paybacks

Inclusion of Labor Standards

- ▶ Mayor committed to family supporting jobs for Milwaukeeans
- ▶ Labor standards relative to wages and training ladders will be required of project partners and sub-contractors
- ▶ Portland Community Workforce Agreement could serve as a model

Potential Sources of Local Match

- ▶ JCI Line of Credit– \$300m+
- ▶ EECBG Formula Grant \$5–9m
- ▶ Local Revenue Bond \$10m
- ▶ Staff Time (in-kind) \$1m
- ▶ Solar Grant: \$150k
- ▶ Focus on Energy Incentives: \$11m
- ▶ Match from Partner Communities

Path Forward

- ▶ Short timeline to submit grant application (12/14/09)
- ▶ Work group coordinated by State Office of Energy Independence
- ▶ Confirm eligible local match
- ▶ Identify target neighborhoods for residential program
- ▶ Get letters of support from key stakeholders
- ▶ Get agreement on labor standards from WECC and JCI
- ▶ Tax-lien financing, revenue bonds, and performance contracting will require formal council approval
- ▶ Additional city legislation will be sought to accept the grant if we win