Transforming Energy Into Assets

Using ENERGY SAVINGS to improve housing affordability, access, and opportunity for underserved families and neighborhoods

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Executive Director
June 2014
Saving Neighborhood Energy:  
Transforming Energy into Assets for Families

**SNE** is an innovative financing and asset-building initiative designed to catalyze energy efficiency among ordinary Californians.

Our community-based OBR and MESA pilots enable low- and moderate-income homeowners to access the home energy savings available to wealthier households, while reducing harmful carbon emissions.
Why Existing Homes Matter: They comprise a large chunk of the nation’s emissions

Buildings account for 43 percent of U.S. CO2 emissions

Transportation: 32%

Industry: 25%

Buildings: 43%

Industrial: 12%

Commercial: 40%

Residential: 48%
  (CA: ~40%)

So, homes account for 21% of all U.S. (and 14% of CA) CO2 emissions

And, the vast majority of CO2 emissions come from single family, owned homes that will still exist in 2050...

Source: Pew Center on Global Climate Change and Nehemiah Stone
Why Moderate-Income Homeowners Matter

CA State Goal: 40% EE in ALL Homes by 2020

Energy Burden: Most EE Savings are in OLD homes

Liquid Asset Poverty: 44% In CA

LMI Income Conundrum: Too low to invest; too high to qualify for aid

Health Burdens: Asbestos, Asthma, Poor Air

CA Housing Burden: 2nd Highest in US

Moderate Income Homeowners Desperately Need THESE Savings

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### Structural Challenge: EE/Renewable for LMI crosses philanthropic, policy & semantics silos

<table>
<thead>
<tr>
<th>Energy/Utility</th>
<th>Housing</th>
<th>Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Buildings</td>
<td>Homes</td>
<td>Mortgage Security</td>
</tr>
<tr>
<td>Rate Payers</td>
<td>Families</td>
<td>Borrowers</td>
</tr>
<tr>
<td>Energy Consumption</td>
<td>Utility bill cost</td>
<td>Not relevant carrying cost</td>
</tr>
<tr>
<td>Energy Efficiency Investment</td>
<td>$7,200 cost</td>
<td>Debt or Loan</td>
</tr>
<tr>
<td>Payback and Useful Life</td>
<td>How long till I see actual savings</td>
<td>Amortization term</td>
</tr>
<tr>
<td>Efficiency Opportunity</td>
<td>Cost savings</td>
<td>Not an underwriting consideration</td>
</tr>
<tr>
<td>Energy Burden</td>
<td>How much of my income is used up by my utilities</td>
<td>Not relevant carrying cost</td>
</tr>
<tr>
<td>Policy Focus on Deepest Savings</td>
<td>Policy = Renters; some 1&lt;sup&gt;st&lt;/sup&gt; time homebuyer or foreclosure assistance</td>
<td>Policy focus on CRA typically finances mortgages, not energy</td>
</tr>
<tr>
<td>(commercial, mcmansions)</td>
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<tr>
<td>CPUC, CEC, CARB, DOE, IOUs, MOUs, Community Aggregators</td>
<td>HUD, HCD, FHA, Fannie, Freddie, HFAs, PHAs</td>
<td>FDIC, OCC, Treasury, CA Dept Corporations, FHFA, CFPB</td>
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</tbody>
</table>
The Solution:

Transforming Energy Emissions into Assets for Working Families
OBR Financing Solution:
Leverages $20M in private capital to serve up to 2000 California families

**SNE’s Onbill Repayment Offers:**
- Seamless Integration of loan charge with energy savings
- **$20 Million** in Private Loan Capital*
- Unsecured: No lien on title
- Low-Cost, Long Term
- Neighborhood Focus
- Prominent National and Regional Lenders
- Ratepayer Funded CE
- Bill Neutrality possible
- 2 Leading Utilities Willing to Pilot: PGE, MCE

*Over $200 million in private capital is possible for all EFLIC/SFLP programs via ratepayer funded credit enhancement for single family loans
CPUC OBR and EFLIC Authorization

OBR and EFLIC Authorization in two separate CPUC Decisions

- **Marin Clean Energy: OBR** November 2012
- **PG&E: EFLIC** September 2013
  - **Energy Finance Line Item Charge** (SFDLP Subpilot)
    - Predevelopment with PGE/CHF Credit Enhancement
    - Long-Term with CHEEF, Master Servicer
  - **Up to $25 Million in CE for SFLP**
    - Up to $8 million in CE for LMI populations

**EFLIC/OBR Single Family in California is modeled after Portland’s OBR:**

- No Disconnect
- No Transferability
- No Pari Passu
## OBR/EFLIC Status to Date

### MCE Clean Energy: OBR
- $5 million Private Capital commitment from First Community Bank (Santa Rosa)
- Goal: 500 homeowners
- Marin County, Richmond
- Measure Flexibility: EU CA, and Single HVAC
- 5-15% Ratepayer-funded CE
- Unsecured, Long-Term (5-10 yrs)
- Low-Cost (6.5%)
- MCE Line Item
- Product Launch: Q2/Q3 2014
- QA/QC: Permit or EU CA

### PG&E: EFLIC
- $15 Million Private Capital Commitment from Union Bank
- Goal: 1500 homeowners, esp. LMI
- 3 Pilot Sites: Santa Clara County, Fresno, SF and AC
- Measure Flexibility: EU Programs, Res Rebate Catalog, Single Measures, HVAC
- 10-20% Ratepayer-Funded CE
- Unsecured, Long term (10-15 yrs)
- Low-Cost (under 7%)
- PGE Line Item
- Product Launch: Q3/4 2014
- QA/QC: Permit or EU CA
OBR/EFLIC Value Proposition

OBR Value:

- Family Perception
  - NOT on title
  - Integrated in SAME statement
  - Can overcome reluctance to act
- Lenders:
  - Higher likelihood of repayment (via utility bill) than typical unsecured loan
  - Reputational need for green and for NO disconnect

These Pilots:

- Neighborhood Focus
  - Similar Vintage Homes
  - Strategic Marketing Partnerships
- Sensitive Underwriting for LMI Targets
  - NYSERDA Tier II
  - Equity Flexibility possibility
Considerations

OBR/EFLIC depends on a complicated set of agreements and partnerships

Potentially crowded marketplace: PACE and Simpler Off-bill Loans

Families and Realities
• Complex and “extra” Processes will stymie action
• Marketing matters

Contractor Burden
• Paperwork
• Extra Testing
• How Complicated is the Financing Explanation

LMI Indebtedness and Dependency on Savings and Behavior
Local Government Leadership can help pilots succeed

Complex Partnerships that Must Include EACH of the following:

- Utilities/Regulators
- Lenders
- Servicing Entity
- Pilot Sites/Local Governments

Financing “Enabler” Demands Piggybacking on Existing Marketing, and EE/Housing Infrastructure

- Marketing
  - Choosing High Priority Targets
  - Recruiting/educating Contractors
  - Partnering with local organizations
- Weaving EE Program Elements together
  - Measures, rebates, tracking
  - Help reduce contractor burden
- Inserting housing/banking/community development know-how where possible
  - Contribute to development of appropriate underwriting to match targeting
  - Leverage housing/homeownership funds, reach, communities
MESA Solution: Rewarding Behavior to Catalyze Demand and Ensure Affordability

- **Rewards Performance**: Matches every dollar of savings one-for-one, for 2 years.
- **Adapts Proven Financial Product** (IDA) into the Energy Efficiency Arena
- **Catalyzes OBR Participation** and reduces effective cost of financing
- **Performance-Based Rebate** transforms post-upgrade Behavior

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<tr>
<th>Without MESA</th>
<th>MESA Match</th>
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<tbody>
<tr>
<td>$250</td>
<td>$66</td>
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<td>$250</td>
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<td>$250</td>
<td>$66</td>
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<table>
<thead>
<tr>
<th>With MESA</th>
<th>MESA Match</th>
<th>Net MONTHLY Difference</th>
<th>Net Annual Difference in HH Energy Expense</th>
<th>Annual MESA Match</th>
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<tbody>
<tr>
<td>$25</td>
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<td>$1,008</td>
<td>$900</td>
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The Opportunity: *If we get it right...*

- **Increase access** to savings
- **Scale private capital market** solutions
- **Create habit-forming energy saving behavior** that builds assets
- **Leverage triggers of activity** to do more
- **Reduce** pollution
- **Improve** home health
- **Stabilize** families and neighborhoods
- **Transform** post-retrofit outcomes
- **Tear down artificial policy walls** that disadvantage middle-income
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